

VENTAS INC  
Form 10-K  
February 22, 2012

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**FORM 10-K**

(Mark One)

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

For the fiscal year ended December 31, 2011

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

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**VENTAS, INC.**

(Exact Name of Registrant as Specified in Its Charter)

**Delaware**  
(State or Other Jurisdiction of  
Incorporation or Organization)

**61-1055020**  
(IRS Employer  
Identification No.)

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

**60654**  
(Zip Code)

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

**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**

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Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  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

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  No

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

Indicate by check mark 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.

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

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

As of June 30, 2011, the aggregate market value of shares of the Registrant's common stock held by non-affiliates of the Registrant was \$8.5 billion, computed by reference to the closing price of the common stock as reported on the New York Stock Exchange. 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 14, 2012, 288,915,189 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 17, 2012 are incorporated by reference into Part III, Items 10 through 14 of this Annual Report on Form 10-K.

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**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', managers' or borrowers' expected future financial condition, results of operations, cash flows, funds from operations, dividends and dividend plans, financing opportunities and plans, capital markets transactions, business strategy, budgets, projected costs, operating metrics, capital expenditures, competitive positions, acquisitions, investment opportunities, dispositions, merger integration, growth opportunities, expected lease income, continued qualification as a real estate investment trust ("REIT"), plans and objectives of management for future operations, and statements that include words such as "anticipate," "if," "believe," "plan," "estimate," "expect," "intend," "may," "could," "should," "will," and other similar expressions are forward-looking statements. These forward-looking statements are inherently uncertain, and security holders must recognize that 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 meet and/or perform 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 or investments, including our acquisition of Nationwide Health Properties, Inc. (together with its subsidiaries, "NHP"), our pending transaction with Cogdell Spencer Inc. ("Cogdell") and 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 and/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;

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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 and/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 and/or extend our indebtedness as it becomes due;

Our ability and willingness to maintain our qualification as a REIT due to economic, market, legal, tax or other considerations;

Final determination of our taxable net income for the year ended December 31, 2011 and for the year ending December 31, 2012;

The ability and willingness of our tenants to renew their leases with us upon expiration of the leases, our ability to reposition our properties on the same or better terms in the event of nonrenewal or in the event we exercise our right to replace an existing tenant, and obligations, including indemnification obligations, we may incur in connection with the replacement of an existing tenant;

Risks associated with our senior living operating portfolio, such as factors causing volatility in our operating income and earnings generated by our 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;

The movement of 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 escalator for Master Lease 2 with Kindred Healthcare, Inc. (together with its subsidiaries, "Kindred"), and our earnings;

Our ability and the ability of our tenants, operators, borrowers and managers to obtain and maintain adequate property, liability and other insurance from reputable, financially stable providers;

The impact of increased operating costs and uninsured professional liability claims on the liquidity, financial condition and results of operations of our tenants, operators, borrowers and managers and the ability of our tenants, operators, borrowers and managers to accurately estimate the magnitude of those claims;

Risks associated with our medical office building ("MOB") portfolio and operations, including our ability to successfully design, develop and manage MOBs, to accurately estimate our costs in fee-for-service projects and to retain key personnel;

The ability of the hospitals on or near whose campuses our MOBs are located and their affiliated health systems to remain competitive and financially viable and to attract physicians and physician groups;

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Our ability to build, maintain and expand our relationships with existing and prospective hospital and health system clients;

Risks associated with our investments in joint ventures and unconsolidated entities, including our lack of sole decision-making authority and our reliance on our joint venture partners' financial condition;

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The impact of market or issuer events on the liquidity or value of our investments in marketable securities; 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, Sunrise and Atria Information**

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

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

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**PART I**

**ITEM 1. Business**

**BUSINESS**

**Overview**

We are a REIT with a geographically diverse portfolio of seniors housing and healthcare properties throughout the United States and Canada. As of December 31, 2011, we owned 1,378 properties located in 46 states, the District of Columbia and two Canadian provinces, consisting of: 678 seniors housing communities; 396 skilled nursing facilities; 47 hospitals; 249 MOB's; and eight personal care facilities. We also were in the process of developing three properties as of December 31, 2011. We are headquartered in Chicago, Illinois and have been a constituent member of the S&P 500® Index, a leading indicator of the large cap U.S. equities market, since March 2009.

Our primary business focuses on acquiring and owning seniors housing and healthcare properties and leasing those properties to unaffiliated tenants or operating those properties through independent third-party managers. Through our Lillibridge Healthcare Services, Inc. ("Lillibridge") subsidiary and our ownership interest in PMB Real Estate Services LLC ("PMBRES"), which we acquired in July 2011 in connection with our acquisition of NHP, we also provide MOB management, leasing, marketing, facility development and advisory services to highly rated hospitals and health systems throughout the United States. In addition, from time to time, we make mortgage loan and other investments relating to seniors housing and healthcare operators or properties.

As of December 31, 2011, we leased 929 properties (excluding MOB's) to healthcare operating companies under "triple-net" or "absolute-net" leases that obligate the tenants to pay all property-related expenses, including maintenance, utilities, repairs, taxes, insurance and capital expenditures, and we engaged independent third parties, such as Atria and Sunrise, to manage 200 seniors housing communities pursuant to long-term management agreements.

Ventas was incorporated in Kentucky in 1983, commenced operations in 1985 and reorganized as a Delaware corporation in 1987. We currently operate 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 business strategy focuses on three principal objectives: (1) generating consistent, reliable and growing cash flows; (2) maintaining a well-diversified portfolio; and (3) preserving our financial strength, flexibility and liquidity.

***Generating Consistent, Reliable and Growing Cash Flows***

We strive to enhance shareholder value by generating consistent, reliable and growing cash flows from our seniors housing and healthcare assets. To achieve this objective, we endeavor to balance our portfolio through a combination of long-term triple-net leases that provide steady contractual growth, seniors housing operating assets that allow for greater growth potential than our fixed rent escalators, and MOB's that provide stable cash flows.

***Maintaining a Well-Diversified Portfolio***

We believe that maintaining a portfolio of properties and mortgage loan and other investments diversified by asset class, tenant/operator/manager, geographic location, revenue source and business model makes us less susceptible to regional economic downturns and adverse changes in regulation or



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reimbursement rates or methodologies in any single state or with respect to any particular asset type. Portfolio diversification also reduces our exposure to any individual tenant/operator/manager and diminishes the risk that a single event could materially harm our business.

***Preserving Our Financial Strength, Flexibility and Liquidity***

A strong, flexible balance sheet and excellent liquidity position us favorably to create and exploit growth opportunities through acquisitions, investments and development projects. We intend to maintain our financial strength and invest profitably by actively managing our leverage, lowering our cost of capital and preserving our access to multiple sources of liquidity, such as unsecured bank debt, mortgage financings and the public debt and equity markets.

**2011 Highlights and Recent Developments**

Over the last twelve months, we have completed several significant transactions and financing activities, including without limitation the following:

In February 2011, we completed the sale of 5,563,000 shares of our common stock in an underwritten public offering pursuant to our shelf registration statement for \$300.0 million of aggregate proceeds;

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;

Also in May 2011, we acquired substantially all of the real estate assets and working capital of privately owned Atria Senior Living Group, Inc. (together with its affiliates, "ASLG"), which added 117 seniors housing communities and one land parcel to our senior living operating portfolio;

In July 2011, we acquired publicly traded NHP in a stock-for-stock transaction, which expanded our portfolio by 643 seniors housing and healthcare properties;

In October 2011, we repaid all borrowings outstanding and terminated the commitments under our unsecured revolving credit facilities and entered into a new \$2.0 billion unsecured revolving credit facility, currently priced at LIBOR plus 110 basis points;

In December 2011, we entered into a \$500.0 million unsecured term loan facility with a weighted average maturity of 4.5 years, priced at 125 basis points over LIBOR;

Also in December 2011, we entered into an agreement to acquire publicly traded Cogdell and its 72 MOBs in an all-cash transaction;

In addition to the transactions described above, during 2011, we invested approximately \$329.5 million, including the assumption of \$134.9 million in debt, in MOBs and seniors housing communities; and

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.

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**Portfolio of Properties and Other Investments**

As of December 31, 2011, we had ownership interests in 1,378 seniors housing and healthcare properties as follow:

|                             | Consolidated<br>(100% interest) | Consolidated<br>(<100% interest) | Unconsolidated<br>(5% - 25% interest) | Total        |
|-----------------------------|---------------------------------|----------------------------------|---------------------------------------|--------------|
| Seniors housing communities | 640                             | 18                               | 20                                    | 678          |
| Skilled nursing facilities  | 382                             |                                  | 14                                    | 396          |
| Hospitals                   | 47                              |                                  |                                       | 47           |
| MOBs                        | 180                             | 11                               | 58                                    | 249          |
| Personal care facilities    | 8                               |                                  |                                       | 8            |
| <b>Total</b>                | <b>1,257</b>                    | <b>29</b>                        | <b>92</b>                             | <b>1,378</b> |

Through Lillibridge and PMBRES, we also provided management and leasing services to third parties with respect to 44 MOBs as of December 31, 2011.

The following table provides an overview of our consolidated portfolio of properties and other investments, excluding development projects, as of and for the year ended December 31, 2011:

| Portfolio by Type                                      | # of<br>Properties(1) | # of<br>Beds/<br>Units(2) | Revenue(3)       | Percent<br>of<br>Total<br>Revenues | Real Estate<br>Property<br>Investments,<br>at Cost | Percent<br>of<br>Real<br>Estate<br>Property<br>Investments | Real<br>Estate<br>Property<br>Investment<br>Per<br>Bed/Unit | Number<br>of<br>States/<br>Provinces(4) |
|--|-----------------------|---------------------------|------------------|------------------------------------|--|--|---|---|
| <b>Seniors Housing and Healthcare Properties</b>       |                       |                           |                  |                                    |  |  |   |   |
| Seniors housing communities                            | 658                   | 56,025                    | \$ 1,169,885     | 65.9%                              | \$ 11,969,153                                      | 67.1%  | \$ 213.6  | 46                                      |
| Skilled nursing facilities                             | 382                   | 44,020                    | 261,106          | 14.7                               | 2,994,082  | 16.8   | 68.0  | 40                                      |
| Hospitals  | 47                    | 3,822                     | 103,571          | 5.8                                | 482,083  | 2.7  | 126.1   | 17                                      |
| MOBs(5)  | 191                   |                           | 167,003          | 9.4                                | 2,377,811  | 13.3   | nm  | 24                                      |
| Personal care facilities                               | 8                     | 122                       | 1,025            | 0.1                                | 7,133  | 0.1  | 58.5  | 1                                       |
| <b>Total seniors housing and healthcare properties</b> | <b>1,286</b>          | <b>103,989</b>            | <b>1,702,590</b> | <b>95.9%</b>                       | <b>\$ 17,830,262</b>                               | <b>100.0%</b>  |   | <b>49</b>                               |
| <b>Other Investments</b>                               |                       |                           |                  |                                    |  |  |   |   |
| Loans and investments                                  |                       |                           | 34,415           | 1.9                                |  |  |   |   |
|  |                       |                           | \$ 1,737,005     | 97.8%(6)                           |  |  |   |   |

nm not meaningful.

(1) Excludes 20 seniors housing communities, fourteen skilled nursing facilities and 58 MOBs included in investments in unconsolidated entities.

(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, 2011, 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:

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Kindred (198 properties); Brookdale (167 properties); Sunrise (79 properties); Emeritus Corporation (17 properties); Assisted Living Concepts, Inc. (12 properties), Capital Senior Living, Inc. (11 properties) and Sun Healthcare Group, Inc. (5 properties).

- (5) As of December 31, 2011, 64 of our MOBs were managed by 11 different third-party managers, 100 of our MOBs were managed by Lillibridge or PMBRES and 27 of our MOBs were leased pursuant to triple-net leases.
- (6) The remainder of our total revenues is medical office building and other services revenue and interest and other income. Revenues from properties held for sale as of December 31, 2011 are included in this presentation. Revenues from properties sold during 2011 are excluded from this presentation.

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*Seniors Housing and Healthcare Properties*

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 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.

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, 2011, we owned or managed more than 14 million square feet of MOBs, a significant majority of which are "on campus," meaning on or near an acute care hospital campus.

Personal Care Facilities. 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.

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As of December 31, 2011, we had \$276.2 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. In addition, we had marketable debt securities classified as available-for-sale and having an aggregate amortized cost basis of \$41.2 million and a fair value of \$43.3 million as of December 31, 2011.

***Geographic Diversification***

Our portfolio of seniors housing and healthcare properties is broadly diversified by geography throughout the United States and Canada, with properties in only one state (California) accounting for more than 10% of our total revenues for the year ended December 31, 2011.

The following table shows our rental income and resident fees and services derived by geographic location for the year ended December 31, 2011:

| <b>Geographic Location</b>                     | <b>Rental Income and<br/>Resident Fees and<br/>Services(1)</b> | <b>Percent of Total<br/>Revenues</b> |
|--|--|--------------------------------------|
|  | <b>(Dollars in thousands)</b>                                  |                                      |
| California                                     | \$ 242,622   | 13.7%                                |
| New York                                       | 154,143  | 8.7                                  |
| Illinois                                       | 113,497  | 6.4                                  |
| Massachusetts                                  | 88,264   | 5.0                                  |
| Texas  | 88,003   | 5.0                                  |
| Pennsylvania                                   | 76,600   | 4.3                                  |
| Florida  | 67,157   | 3.8                                  |
| New Jersey                                     | 62,617   | 3.5                                  |
| Colorado                                       | 55,139   | 3.1                                  |
| Connecticut                                    | 51,578   | 2.9                                  |
| Other (36 states and the District of Columbia) | 610,946  | 34.3                                 |
| <b>Total U.S</b>                               | <b>1,610,566</b>   | <b>90.7%</b>                         |
| Canada (two Canadian provinces)                | 92,024   | 5.2                                  |
| <b>Total</b>                                   | <b>\$ 1,702,590</b>  | <b>95.9%(2)</b>                      |

(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. Revenues from properties held for sale as of December 31, 2011 are included in this presentation. Revenues from properties sold during 2011 are excluded from this presentation.

***Segment Information***

As of December 31, 2011, we operated 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 Part II, Item 8 of this Annual Report on Form 10-K for more information about our business segments and the geographic diversification of our portfolio of properties.

Table of Contents***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 our rental income for the year ended December 31, 2011 derived by skilled nursing facilities and hospitals in states with and without CON requirements:

|                                 | <b>Skilled<br/>Nursing<br/>Facilities</b> | <b>Hospitals</b> | <b>Total</b>  |
|---------------------------------|---|------------------|---------------|
| States with CON requirements    | 70.2%                                     | 45.9%            | 63.3%         |
| States without CON requirements | 29.8                                      | 54.1             | 36.7          |
| <b>Total</b>                    | <b>100.0%</b>                             | <b>100.0%</b>    | <b>100.0%</b> |

**Significant Tenants, Operators and Managers**

As of December 31, 2011, Atria, Sunrise, Brookdale Senior Living and Kindred operated or managed, as applicable, approximately 19.0%, 14.4%, 13.0% and 5.0%, respectively, of our real estate investments based on their gross book value (including amounts held for sale as of December 31, 2011).

The following table shows the percentage of our revenues and net operating income ("NOI" defined as total revenues, less interest and other income, property-level operating expenses and medical office building services costs) for the year ended December 31, 2011 (including amounts in discontinued operations) received by or attributed to our top triple-net lease tenants and our senior living operations managed by independent third parties:

|                             | <b>Number of<br/>Properties<br/>Operated,<br/>Managed or<br/>Leased</b> | <b>Percentage of<br/>Revenues</b> | <b>Percentage of<br/>NOI</b> |
|-----------------------------|---|-----------------------------------|------------------------------|
| Senior living operations(1) | 200   | 49.2%                             | 24.3%                        |
| Kindred                     | 198   | 14.3                              | 23.2                         |
| Brookdale Senior Living(2)  | 167   | 8.2                               | 13.4                         |

(1) Amounts attributable to senior living operations managed by Atria relate to the period from May 12, 2011, the date of the ASLG acquisition, through December 31, 2011.

(2) 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).

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Because the properties we lease to Kindred and Brookdale Senior Living account for a significant portion of our 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 were unable or unwilling to satisfy its obligations to us or to renew its leases with us upon expiration of the terms thereof. We cannot provide any assurance that Kindred and Brookdale Senior Living will have sufficient assets, income and access to financing to enable them to satisfy their respective obligations to us, and any inability or unwillingness by Kindred or Brookdale Senior Living to do so could have a material adverse effect on our business, financial condition, results of operations and liquidity, on our ability to service our indebtedness and other obligations and on our ability to make distributions to our stockholders, as required for us to continue to qualify as a REIT (a "Material Adverse Effect"). We also cannot provide any assurance that Kindred and Brookdale Senior Living will elect to renew their 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. 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, contingent upon the satisfaction of specified facility revenue parameters. The annual rent escalator under three of our four Kindred Master Leases is 2.7%, and the annual rent escalator under the fourth Kindred Master Lease is based on year-over-year changes in CPI, subject to a floor of 2.25% and a ceiling of 4%. Assuming the applicable facility revenue parameters are met, we currently expect that base rent due under the Kindred Master Leases for the period from May 1, 2012 through April 30, 2013 will be approximately \$261.5 million. 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.

The 197 properties we lease to Kindred pursuant to the Kindred Master Leases are grouped into bundles or renewal groups (each, a "renewal group") containing a varying number of properties. All properties within a single renewal group have the same primary lease term of ten to fifteen years (commencing May 1, 1998), and each renewal group is subject to three successive five-year renewal terms at the tenant's option, provided certain conditions are satisfied.

The current lease term for ten renewal groups covering a total of 89 properties leased to Kindred (the "Renewal Assets") will expire on April 30, 2013 unless Kindred provides us with renewal notices with respect to one or more of those bundles on or before April 30, 2012. In November 2011, we received renewal notices from Kindred with respect to two renewal groups covering a total of sixteen Renewal Assets (the "Early Renewal Assets") and collectively representing approximately \$23 million of current annual base rent. In December 2011, we initiated a fair market rental reset process with respect to certain Early Renewal Assets. While we believe that aggregate annual base rent for those Early Renewal Assets is likely to increase as a result of the reset process, we cannot provide any assurance regarding the final determination of fair market rent, which is highly speculative and may be influenced by a variety of factors. In addition, in certain cases Kindred may have the right to revoke its renewal of those Early Renewal Assets for which we initiated the fair market rental reset process.

The remaining eight renewal groups covering a total of 73 Renewal Assets collectively represent approximately \$99 million of current annual base rent, and each renewal group contains six or more properties, including at least one hospital. Kindred is required to continue to perform all of its obligations under the applicable Kindred Master Lease for the Renewal Assets within any renewal group that is not renewed until expiration of the term on April 30, 2013, including without limitation

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payment of all rental amounts. 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 Renewal Assets with new operators. 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.

We cannot provide any assurance that Kindred will elect to renew any or all of the remaining eight renewal groups whose lease expires April 30, 2013, that Kindred will not revoke its renewal of the Early Renewal Assets for which we initiated the fair market rental reset process, 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. 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 current lease term for 108 properties leased to Kindred pursuant to the Kindred Master Leases and not comprising the Renewal Assets will expire on April 30, 2015, subject to Kindred's two sequential five-year renewal options for those assets.

Brookdale Senior Living Leases. Our leases with Brookdale Senior Living have primary terms of fifteen years (commencing in 2004) and are subject to two successive renewal terms of either five or ten years each at the tenant's option, provided certain conditions are satisfied.

Under the terms of our leases with Brookdale Senior Living that we assumed in connection with our acquisition of Provident Senior Living Trust ("Provident") in 2005, Brookdale Senior Living is obligated to pay base rent, which escalates on January 1 or November 1 of each year 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. Under the terms of the lease with respect to our remaining "Grand Court" property (as described in more detail below), Brookdale Senior Living is obligated to pay base rent, which escalates on February 1 of each year by an amount equal to the greater of (i) 2% or (ii) 75% of the increase in CPI during the immediately preceding year. In February 2012, we sold nine of our original ten "Grand Court" properties to Brookdale Senior Living for aggregate consideration of \$121.3 million, including a lease termination fee of \$1.8 million. The current aggregate annual contractual cash base rent due to us from Brookdale Senior Living for 2012, excluding variable interest that Brookdale Senior Living is obligated to pay as additional rent based on certain floating rate mortgage debt assumed by us in the Provident acquisition, is approximately \$158.1 million (excluding properties included in investments in unconsolidated entities and properties held for sale as of December 31, 2011). The current aggregate annual contractual base rent (computed in accordance with U.S. generally accepted accounting principles ("GAAP")) due to us from Brookdale Senior Living for 2012, excluding the variable interest, is approximately \$161.2 million (excluding properties included in investments in unconsolidated entities and properties held for sale as of December 31, 2011). 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.



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***Senior Living Operations***

As of December 31, 2011, Atria and Sunrise, collectively, provided comprehensive property management and accounting services with respect to 197 of our seniors housing communities for which we pay an annual management fee pursuant to long-term management agreements. Each management agreement with Atria has a term of ten years commencing in 2011, subject to successive automatic ten-year renewal periods, and each management agreement with Sunrise has a term of 30 years commencing as early as 2004. Under the Sunrise management agreements, our management fee was reduced to 3.75% of revenues generated by the applicable properties for 2011, but will revert to 6% of revenues generated by the applicable properties (with a range of 5% to 7%) for 2012 and thereafter. 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, good faith, expertise, historical performance, technical resources and information systems, proprietary information 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, 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" included in Item 1A of this Annual Report on Form 10-K.

**Competition**

We generally compete in 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, as our ability to compete in those areas 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 MOB's compete to attract and retain tenants based on many of the same factors, in addition to quality of the affiliated health system, physician

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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 increasing 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" included in Item 1A of this Annual Report on Form 10-K.

**Employees**

As of December 31, 2011, we had 328 employees, none of whom is subject to a collective bargaining agreement.

**Insurance**

We maintain and/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 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 provide any assurance 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 provide any assurance 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 make any guaranty as to 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 standards contained in 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 provide any assurance 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, and/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 their costs and for various other reasons, many companies in the healthcare industry, including some of our tenants, operators and managers, are pursuing 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.

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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, 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](http://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., 10350 Ormsby Park Place, Suite 300, Louisville, Kentucky 40223.

**GOVERNMENTAL REGULATION**

**Healthcare Regulation**

*Overview*

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 and Certification*

Participation in the Medicare and Medicaid programs generally requires the operators of our skilled nursing facilities to be licensed on an annual or bi-annual 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, 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

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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 affect adversely their ability to satisfy their contractual obligations, including making rental payments under, and otherwise complying with the terms of, their leases with us.

Similarly, in order to receive Medicare and Medicaid reimbursement, our hospitals must meet the applicable conditions of participation set forth 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 their ability to satisfy their contractual obligations, including making rental payments under, and otherwise complying with the terms of, their leases with us.

Seniors housing communities 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.

**CONs**

Skilled nursing facilities and hospitals are 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. In addition, in the event that any operator of our properties fails to make rental payments to us or to comply with applicable healthcare regulations, our ability to evict that operator and substitute another operator for a particular facility may be materially delayed or limited by CON laws, as well as by various state licensing and receivership laws and Medicare and Medicaid change-of-ownership rules. Such delays and limitations could have a material adverse effect on our ability to collect rent, to obtain possession of leased properties, or otherwise to exercise remedies for tenant default. We may also incur substantial additional expenses in connection with any such licensing, receivership or change-of-ownership proceedings.

**Fraud and Abuse**

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

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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/or 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 significant growth 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 any 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

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contractual obligations, including making rental payments under, and otherwise complying with the terms of, its leases and other agreements with us.

**Healthcare Legislation**

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, beginning in fiscal year 2012, to reflect improvements in productivity. The constitutionality of various provisions of the Affordable Care Act is being considered by the U.S. Supreme Court. In addition to the constitutionality of the so-called individual mandate, the U.S. Supreme Court is considering the constitutionality of provisions that expand Medicaid coverage to include individuals who would otherwise not be eligible and whether those provisions, if declared unconstitutional, can be severed from the rest of the Affordable Care Act. Oral argument on these matters has been scheduled for March 2012 with a decision likely by the end of June 2012.

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 provide any assurance 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.

**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. Under LTAC PPS, which classifies patients into distinct diagnostic groups based on clinical characteristics and expected resource needs, long-term acute care hospitals are reimbursed on a predetermined rate, rather than on a reasonable cost basis that reflects costs incurred. 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.

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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 a final rule published in May 2008, 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 a final rule published in August 2009, 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 18, 2011, CMS published its final rule updating LTAC PPS for the 2012 fiscal year (October 1, 2011 through September 30, 2012). Under the rule, the LTAC PPS standard federal payment rate will increase by 1.8% in fiscal year 2012, reflecting a 2.9% increase in the market basket index, less a 1% productivity adjustment and the additional 10 basis point reduction required by the Affordable Care Act. As a result, CMS estimates that net payments to long-term acute care hospitals in fiscal year 2012 under the final rule will increase relative to fiscal year 2011 by approximately \$126 million, or 2.5%, due to area wage adjustments, as well as increases in high-cost and short-stay outlier payments and other policies adopted in the final rule.

In addition, as a result of the enactment of the Budget Control Act of 2011 and subsequent events, which are discussed below, Medicare payments to long-term acute care hospitals will be reduced by 2% on January 2, 2013.

We regularly assess the financial implications of CMS's rules on the operators of our long-term acute care hospitals, but we cannot provide any assurance that the 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" included in Item 1A of this Annual Report on Form 10-K.

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**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 case mix refinements were implemented by CMS, as explained below. 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. Relief from the BBA therapy caps was subsequently extended multiple times by Congress, but these extensions expired on December 31, 2009 and have not been renewed by Congress.

Pursuant to its final rule updating SNF PPS for the 2006 fiscal year, CMS refined the resource utilization groups ("RUGs") used to determine the daily payment for beneficiaries in skilled nursing facilities by adding nine new payment categories, the result of which was to eliminate the temporary add-on payments that Congress enacted as part of the BBRA.

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. The rule also included 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 November 2010, CMS placed on public display its final Medicare Physician Fee Schedule rule for the 2011 calendar year, which set a \$1,870 cap on physical therapy and speech-language pathology services and a separate \$1,870 cap on occupational therapy services, including therapy provided in skilled nursing facilities, both without an exceptions process. In December 2010, the Medicare and Medicaid Extenders Act of 2010 (Pub. L. No. 111 309) was enacted to lift the caps on therapy services and continue the exceptions process.

On August 8, 2011, CMS published its final rule updating SNF PPS for the 2012 fiscal year (October 1, 2011 through September 30, 2012). Under the rule, the update to the SNF PPS standard federal payment rate includes a 2.7% increase in the market basket index, less a 1.0% productivity adjustment mandated by the Affordable Care Act and a 12.6% "parity adjustment recalibration" to account for estimated overpayments under the RUG-IV classification model, resulting in a net 11.1% decrease in the SNF PPS standard federal payment rate for fiscal year 2012. The rule also requires group therapy to be treated in the same manner as concurrent therapy (i.e., allocating therapy minutes



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among the group's patients, rather than counting the same minutes for each patient), which may additionally affect net payments to skilled nursing facilities. CMS estimates that net payments to skilled nursing facilities as a result of the final rule will decrease by approximately \$3.87 billion in fiscal year 2012, but stated that "Even with the recalibration, the FY 2012 payment rates will be 3.4 percent higher than the rates established for FY 2010, the period immediately preceding the unintended spike in payment levels."

In addition, as a result of the enactment of the Budget Control Act of 2011 and subsequent events, which are discussed below, Medicare payments to skilled nursing facilities will be reduced by 2% on January 2, 2013.

We regularly assess the financial implications of CMS's rules on the operators of our skilled nursing facilities, but we cannot provide any assurance that the 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" 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. While it was anticipated that this reduction would have a negligible effect, impacting only those states with taxes in excess of 5.5%, we have not ascertained its financial implications on our skilled nursing facility operators.

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In contrast, the American Recovery and Reinvestment Act of 2009 (Pub. L. No. 111-5) (the "Recovery Act"), 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 provide any assurance 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.

**Debt Ceiling and Deficit Reduction Legislation**

On August 2, 2011, President Obama and the U.S. Congress enacted the Budget Control Act of 2011 to increase the federal government's borrowing authority (the so-called "debt ceiling") and reduce the federal government's projected operating deficit. To implement this legislation, President Obama and members of the U.S. Congress have proposed various spending cuts and tax reform initiatives, some of which could result in changes (including substantial reductions in funding) to Medicare, Medicaid or Medicare Advantage Plans. Under the agreement reached to allow the federal government to raise the debt ceiling in August, a twelve-member, bipartisan committee was given a deadline of November 23, 2011 to develop recommendations for reducing the federal budget deficit by a total of at least \$1.2 trillion over ten years. However, the committee was not able to agree on a plan and, therefore, \$1.2 trillion in automatic spending cuts, including a 2% reduction in Medicare payments to long-term acute care hospitals and skilled nursing facilities, as noted above, are expected to go into effect on January 2, 2013. These measures and 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.

**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

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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 provide any assurance 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 2011 and do not expect that we will be required to make any such material capital expenditures during 2012.

#### **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 that may be subject to special rules, 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").

The statements in this section are based on the Internal Revenue Code of 1986, as amended (the "Code"), U.S. Treasury Regulations and administrative and judicial interpretations thereof. 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, as in effect on the date hereof. We cannot provide any assurance that new laws, interpretations of law or court decisions, any of which may take effect retroactively, 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.

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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 twelve 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

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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 Internal Revenue Service ("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 provide any assurance 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 provide any assurance 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 provide any assurance 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 income exceeding one or both of the gross income tests. 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

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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 provide any assurance that we have been and will continue to be in compliance with the asset tests described above. If we fail to satisfy the 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 an 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 the 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 does qualify 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.

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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 only give rise 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.

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We believe but cannot provide any assurance 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, 2011. Although we intend to satisfy the annual distribution requirements to continue to qualify as a REIT for the year ending December 31, 2012 and subsequent years, economic, market, legal, tax or other considerations could limit our ability to meet those requirements.

In Revenue Procedure 2010-12, the IRS stated that it would treat stock dividends as distributions for purposes of satisfying the REIT distribution requirements for calendar years 2008 through 2012, provided that stockholders can elect to receive the distribution in either cash or stock, subject to certain limitations. Any stock so distributed would be taxable to the recipient. We may choose to declare stock dividends in accordance with Revenue Procedure 2010-12 or otherwise. We also have net operating loss carryforwards that we can 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



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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 "15% rate gain distribution" and the portion that is an unrecaptured Section 1250 distribution. A 15% 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 15%. 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

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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.

***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

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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). 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 possible 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 provide any assurance 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).

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**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% and scheduled to increase to 31% in 2013) 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/or 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.

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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 since 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 provide any assurance that Kindred and Brookdale Senior Living will have sufficient assets, income and access to financing to enable them to make rental payments to us or to otherwise satisfy those obligations, 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 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 provide any assurance 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, 2011, Atria and Sunrise, collectively, managed 197 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, good faith, expertise, historical performance, technical resources and information systems, proprietary information 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

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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 the weakened 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

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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 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.

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 required to spend substantial amounts to adapt the properties to other uses. 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.

***We have only limited rights to terminate our management agreements with Atria and Sunrise, 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 197 of our seniors housing communities.

Each management agreement with Atria has a term of ten years commencing in 2011, subject to successive automatic ten-year renewal periods, and each management agreement with Sunrise has a term of 30 years commencing as early as 2004. Each management agreement with Atria or Sunrise may be terminated by us upon the occurrence of an event of default by Atria or Sunrise, respectively, 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 the defaulting party's right to cure such default, or upon the occurrence of certain insolvency events relating to Atria or Sunrise, respectively. In addition, we may terminate each management agreement with Atria based on the failure to achieve certain NOI targets, and we may terminate each management agreement with Sunrise based on the failure to achieve certain NOI targets or to comply with certain expense control covenants. Under certain circumstances, we may also terminate each management agreement with Atria upon the payment of a fee. Notwithstanding the provisions in our management agreements, legal, contractual and other considerations may limit or delay our exercise of any or all of these termination rights.

In the event that our management agreements with Atria or Sunrise are terminated for any reason or 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 or 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.

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

In 2010 and 2011, we acquired or signed definitive agreements to acquire more than \$12 billion of assets, including our acquisitions of Lillibridge, NHP and substantially all of the real estate assets of ASLG and our pending acquisition of Cogdell. Our significant acquisition 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 the acquisitions 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 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 provide any assurance that we will be able to achieve the economic benefit we expect from acquired properties or integrate acquisitions without encountering difficulties or that any such difficulties will not have a Material Adverse Effect on us.

***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 our assets under long-term triple-net leases in which the rental rate is generally fixed with annual escalations. Certain of our leases contain escalators 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 revenues generated by our triple-net leased properties do not meet the specified parameters or the Consumer Price Index does not increase, our growth and profitability will be hindered by these leases.

***We are exposed to various operational risks, liabilities and claims with respect to our operating assets, which could adversely affect our ability to generate revenues or increase our costs and could have a Material Adverse Effect on us.***

We are exposed to various operational risks, liabilities and claims with respect to our senior living and MOB operating assets, which 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 costs of food, materials, energy, labor (as a result of unionization or otherwise) and 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 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.



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***The weakened economy could adversely impact our revenues and operating income, as well as the operating results of our tenants and operators, which could impair their ability to meet their obligations to us.***

Continued concerns about the U.S. economy and the systemic impact of high unemployment, volatile energy costs, geopolitical issues, the availability and cost of credit, the U.S. mortgage market and a severely distressed real estate market have contributed to increased market volatility and weakened business and consumer confidence. If this difficult operating environment continues or worsens, it could increase our costs or adversely affect our ability to generate revenues in our senior living and MOB operations, thereby reducing our operating income or causing us to experience operating deficiencies. It could also have an adverse impact on the ability of our tenants and operators to maintain occupancy and rates in our properties, which could harm their financial condition and impair their ability to make their rental payments and satisfy their other obligations to us, which could have a Material Adverse Effect on us.

***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.***

President Obama and members of the U.S. Congress have recently proposed various spending cuts and tax reform initiatives to reduce the federal government's projected operating deficit. Some of these initiatives could result in changes (including substantial reductions in funding) to Medicare, Medicaid or Medicare Advantage Plans. 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.

***We may be unable to successfully foreclose on the collateral securing our mortgage loan investments, and even if we are successful in our foreclosure efforts, we may be unable to successfully reposition the properties, which may adversely affect our ability to recover our investments.***

If a borrower defaults under any of our mortgage loans, to protect our interest, we may foreclose on the loan or acquire title to the property and make substantial improvements or repairs to maximize the property's investment potential. In response to our actions to enforce mortgage obligations, the defaulting borrower may contest enforcement of foreclosure or other remedies, seek bankruptcy protection against our exercise of enforcement or other remedies, or bring claims for lender liability. If the borrower seeks bankruptcy protection, the automatic stay provisions of the U.S. Bankruptcy Code would preclude us from enforcing foreclosure or other remedies against the borrower unless relief is first obtained from the court having jurisdiction over the bankruptcy case. Foreclosure-related costs, high loan-to-value ratios or declines in property value could prevent us from realizing the full amount of our mortgage loans upon foreclosure, and we could be required to record valuation allowance for such losses. Even if we successfully foreclose on the collateral securing our mortgage loan investments, we may inherit properties that we are unable to expeditiously reposition with new tenants or operators, if at all, which would adversely affect our ability to recover our investment.

***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. Investments in and acquisitions of these properties entail general risks associated with any real estate investment, including risks 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

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underperform. Furthermore, healthcare properties are often highly customized and may require costly tenant-specific improvements.

Our ability to compete successfully for investment and acquisition opportunities is affected by many factors, including our cost of obtaining debt and equity capital at rates comparable to or better than our competitors. When we attempt to finance, acquire or develop 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. See "Business Competition" included in Item 1 of this Annual Report on Form 10-K.

In addition, new development projects that we pursue may experience construction delays or cost overruns that increase our expenses, fail to obtain required zoning, occupancy and other governmental approvals and permits on a timely basis, or remain incomplete after incurring significant development costs. Investments in and acquisitions of properties outside the United States create additional legal, economic and market risks associated with operating in foreign countries, such as currency exchange fluctuations and foreign tax risks. 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.

***Our investments are concentrated in seniors housing and healthcare real estate, making us more vulnerable economically 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 or healthcare industries is restricted by the terms of our existing indebtedness. This concentration exposes us to greater economic risk than if our portfolio included real estate assets in other industries or non-real estate assets. For example, 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. We cannot provide any assurance that future changes in government regulation of healthcare will not adversely affect the healthcare industry, including our seniors housing and healthcare operations, tenants and operators, which could have a more pronounced effect on us than if our investments were further diversified.

The healthcare industry is also highly competitive. 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 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, 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 and have a Material Adverse Effect on us.

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 the current 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

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commercial properties. We cannot provide any assurance that we will recognize full value for 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.

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

Over the last several years, the regulatory environment of the long-term healthcare industry has intensified 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. Changes in enforcement policies by federal and state governments have resulted in a significant 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.

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. We are unable to predict 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.

***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.***

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. Similarly, private third-party payors have continued their efforts to control healthcare costs. We cannot provide any assurance 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 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.

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***Revenues from our senior living operations are dependent on private pay sources; Events which 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 currently 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 income or assets of residents or their family members. In general, due to the expense associated with building new properties and the staffing and other costs of providing services at these properties, only seniors with income or assets meeting or exceeding the comparable median in the regions where our properties are located typically can afford to pay the daily resident and care fees. The continued weak economy and depressed housing market, as well as other events such as changes in demographics, could adversely affect the ability of seniors and their families to afford these fees. If the managers of our seniors housing communities are unable to attract and retain seniors with sufficient income, assets or other resources required to pay the fees associated with assisted and independent living services, our occupancy rates, resident fee revenues and results of operations could decline, which, in turn, could have a Material Adverse Effect on us.

***Our investments in joint ventures 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, 2011, we had controlling interests in eleven MOBs and eighteen seniors housing communities owned through joint ventures with third parties, and we had noncontrolling interests of between 5% and 25% in 58 MOBs, 20 seniors housing communities and fourteen skilled nursing facilities owned through joint ventures with third parties. These joint ventures 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 without 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 may delay construction or development of a property or increase our financial commitment to the joint venture;

Our joint venture partners may have business interests or goals with respect to a property that conflict with our business interests and goals, which could increase the likelihood of disputes regarding the ownership, management or disposition of the property;

We may disagree with our joint venture partners about decisions affecting a property or the joint venture, which 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

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We may suffer losses as a result of actions taken by our joint venture partners with respect to our joint venture investments.

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

Our ownership of twelve seniors housing communities in the Canadian provinces of Ontario and British Columbia subjects us to fluctuations in U.S. and Canadian 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 provide any assurance that such fluctuations will not have a Material Adverse Effect on us.

***Our ownership of certain properties subject to ground lease, air rights or other restrictive agreements exposes us to the loss of such properties upon breach or termination of such agreements, limits our uses of these properties and restricts our ability to sell or otherwise transfer such properties.***

We have investments in many of our MOBs and certain other properties through leasehold interests in the land on which the buildings are located, through leases of air rights for the space above the land on which the buildings are located or through similar agreements, and we may acquire or develop additional properties in the future that are subject to similar ground lease, air rights or other restrictive agreements. Under these agreements, we could lose our interests in the property upon termination or an earlier breach by us. In addition, many of our ground lease, air rights and other restrictive agreements impose significant limitations on our uses of the subject properties, restrict our right to convey our interests in such properties, which may limit our ability to timely sell or exchange the properties and impair their value, or restrict the leasing of such properties, which may negatively impact our ability to find suitable tenants for the properties.

***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.

***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. In addition, 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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***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 affiliated health systems in order to attract physicians and other healthcare-related clients. 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 not be able 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, their 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.

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

Uncertainty in the capital markets and tightening of credit markets, similar to that experienced in recent years, could make accessing new capital more challenging and more expensive for our counterparties. 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.

***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 continually 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 provide any assurance that we or our tenants, operators and managers will continue to be able to maintain adequate levels of insurance. We also cannot provide any assurance 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 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. In such an event, we might nevertheless remain obligated for any mortgage debt or other financial obligations related to the property. We cannot provide any assurance that material uninsured losses, or losses in excess of insurance proceeds, will not occur in the future.

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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 provide any assurance 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 some of these 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 their costs and for various other reasons, many companies in the healthcare industry, including some of our tenants, operators and managers, are pursuing 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. Those 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, any large funded and unfunded professional liability expenses that we incur could 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 business depends, to a large extent, on our past, current and future relationships with hospital and health system clients. We invest a significant amount of time to develop

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these relationships, and our relationships have helped us to secure acquisition and development opportunities, as well as other advisory, property management and hospital project management projects, with both new and existing clients. If our relationships with hospital or health system clients 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 MOB development projects, including development projects undertaken on a fee-for-service basis or through our joint ventures, may not yield anticipated returns.*

A key component of our MOB long-term growth strategy is exploring development opportunities and, when appropriate, making investments in those projects. In deciding whether to make an investment in a particular MOB development, we make certain assumptions regarding the expected future performance of that property. These assumptions are subject to risks normally associated with these projects, including, among others, that:

We may be unable to obtain financing for development projects on favorable terms or at all;

We may not complete development projects 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 the property to market standards;

Development or construction delays may provide tenants 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 development costs;

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 projected;

Demand for our development project may decrease prior to completion, including due to competition from other developments; and

Lease rates and rents at newly developed properties may fluctuate based on factors beyond our control, including market and economic conditions.

Moreover, in MOB development projects undertaken on a fee-for-service basis, we generally construct properties for clients in exchange for a fixed fee, which creates 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 provide any assurance that our mitigation efforts will be effective.



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

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***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, 2011, approximately 42.1% of our NOI was derived from properties located in California (12.5%), Illinois (7.1%), Texas (6.1%), Massachusetts (5.8%), New York (5.7%), and Florida (4.9%). 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, and changes in state-specific legislation, which could adversely affect our business and results of operations.

***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 the operators' liquidity, financial condition and results of operation and on 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.

***Our success depends, in part, on our ability to retain key personnel, and the loss of any one of them 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 retain and motivate these individuals could significantly impact our future performance. Competition for these individuals is intense, and we cannot provide any assurance 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

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such control. Changes to our business will necessitate ongoing changes to our internal control systems and processes. Internal control over financial 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. 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.

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

We may have 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/or 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 provide any assurance that our past acquisitions will be successful or will not, in fact, harm our business. Among other things, if the liabilities we have assumed are greater than expected, or if there are obligations relating to the acquired properties or businesses of which we were not aware at the time we completed the acquisition, our business and results of operations could be materially adversely affected.

**Risks Arising from Our Capital Structure**

*We may become more leveraged.*

As of December 31, 2011, we had approximately \$6.4 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.



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In addition, from time to time, we mortgage 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 and investment activity, and our decision to hedge against interest rate risk might not be effective.***

We receive a significant portion of our revenues by leasing our assets under long-term triple-net leases in which the rental rate is generally fixed with annual rent escalations, subject to certain limitations. Certain of our debt obligations are floating rate obligations with interest rate and related payments that vary with the movement of LIBOR, Bankers' Acceptance or other indexes. The generally fixed rate nature of our revenues and the variable rate nature of certain of our obligations create interest rate risk. Although our operating assets provide a partial hedge against interest rate fluctuations, if interest rates rise, our interest costs for our existing floating rate debt and any new debt we incur would also increase. This increased cost could reduce our profitability, make our lease and other revenues insufficient to meet our obligations, or increase the cost of financing our acquisition and investment 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 may also decrease the amount third parties are willing to pay for our assets, thereby limiting our ability to reposition our portfolio promptly 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 may earn from hedging transactions may be limited by federal tax provisions governing REITs, and that these arrangements may result in higher interest rates than would otherwise be the case. Moreover, no amount of hedging activity can completely 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 meet our debt payments, make distributions to our stockholders or make future investments necessary to implement our business strategy.***

We cannot provide any assurance 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. In recent years, the global capital and credit markets experienced a period of extraordinary turmoil and upheaval, characterized by the bankruptcy, failure or sale of various financial institutions and an unprecedented level of intervention from the U.S. federal government. The disruption in the credit markets, the repricing of credit risk and the deterioration of the financial and real estate markets created difficult conditions for REITs and other companies to access capital or other sources of funds. Although access to capital and other sources of funding have improved, we cannot provide any assurance that conditions will not deteriorate or that our access to capital and other sources of funding will not become constrained, which could adversely affect our results of operation and financial condition. In addition, the federal government's failure to increase the amount of debt that it is statutorily permitted to incur as needed to meet its future financial commitments or a downgrade in the debt rating on U.S. government securities 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.

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To address constraints on our access to capital, we could, among other things, (i) obtain commitments from the banks in our lending group or from new banks to fund increased amounts under the terms of our unsecured revolving credit facility or our unsecured term loan facilities, (ii) access the public capital markets, (iii) obtain secured loans from government-sponsored entities, pension funds or similar sources, (iv) decrease or eliminate our distributions to our stockholders or pay taxable stock dividends, or (v) delay or cease our acquisition and investment activity. As with other public companies, 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. 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, which could also result in adverse tax consequences to us. Restrictions on our uses of, and our right to transfer, properties under certain healthcare regulations, ground leases, mortgages and other agreements to which our properties may be subject could adversely impact our ability to timely liquidate those investments and impair their value.

If the financial institutions that are parties to our unsecured revolving credit facility 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. Adverse conditions in the credit markets could also adversely affect the availability and terms of future borrowings, renewals or refinancings.

***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 a number of 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 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:

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;

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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. However, such distributions may limit our ability to rely upon rental payments from our properties or subsequently acquired properties to finance investments, acquisitions or new developments.

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, if possible, 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 meet our debt payments, 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 some 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 common stock, the shares that are beneficially owned in excess of the applicable limit are considered to be "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

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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.

***If we decide to pay taxable stock dividends to meet the REIT distribution requirements, your tax liability may be greater than the amount of cash you receive.***

Under Revenue Procedure 2010-12, the IRS has stated that it will treat stock dividends as distributions for purposes of satisfying the REIT distribution requirements for calendar years 2008 through 2012 if each stockholder can elect to receive the distribution in cash, even if the aggregate cash amount paid to all stockholders is limited, provided certain requirements are met. Accordingly, if we decide to pay a stock dividend in accordance with Revenue Procedure 2010-12, your tax liability with respect to such dividend may be significantly greater than the amount of cash you receive.



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**ITEM 1B. *Unresolved Staff Comments***

None.

**ITEM 2. *Properties***

**Seniors Housing and Healthcare Properties**

As of December 31, 2011, we owned 1,378 properties located in 46 states, the District of Columbia and two Canadian provinces, consisting of: 678 seniors housing communities; 396 skilled nursing facilities; 47 hospitals; 249 MOB's; and eight personal care facilities. We also were in the process of developing three properties as of December 31, 2011. We believe that the asset class, tenant, operator and manager, geographic location, revenue source and business model diversity of our portfolio makes us less susceptible to regional economic downturns and adverse changes in regulation or reimbursement rates or methodologies in any single state or with respect to any particular asset type.

At December 31, 2011, our share of mortgage loan obligations outstanding was \$2.7 billion and the consolidated aggregate principal amount was \$2.8 billion, secured by 228 of our properties.

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The following table sets forth select information regarding our portfolio of properties as of December 31, 2011 for each geographic location in which we own property:

| Geographic Location  | Seniors Housing Communities |        | Skilled Nursing Facilities |               | Hospitals           |               | Other MOB's Properties |                      |
|----------------------|-----------------------------|--------|----------------------------|---------------|---------------------|---------------|------------------------|----------------------|
|                      | Number of Properties        | Units  | Number of Facilities       | Licensed Beds | Number of Hospitals | Licensed Beds | Number of Properties   | Number of Properties |
| Alabama              | 10                          | 775    | 2                          | 329           |                     |               | 4                      |                      |
| Arizona              | 18                          | 1,614  | 3                          | 462           | 4                   | 221           | 14                     |                      |
| Arkansas             | 6                           | 369    | 8                          | 877           |                     |               |                        |                      |
| California           | 63                          | 7,534  | 9                          | 1,114         | 7                   | 530           | 16                     |                      |
| Colorado             | 14                          | 1,322  | 4                          | 460           | 1                   | 68            | 9                      |                      |
| Connecticut          | 13                          | 1,515  | 8                          | 873           |                     |               |                        |                      |
| District of Columbia |                             |        |                            |               |                     |               |                        | 2                    |
| Florida              | 47                          | 4,519  | 2                          | 293           | 6                   | 511           | 18                     |                      |
| Georgia              | 15                          | 1,200  | 5                          | 621           |                     |               | 10                     |                      |
| Idaho                | 1                           | 70     | 7                          | 624           |                     |               |                        |                      |
| Illinois             | 16                          | 2,561  | 1                          | 82            | 4                   | 430           | 28                     |                      |
| Indiana              | 20                          | 1,751  | 34                         | 3,782         | 1                   | 59            | 15                     |                      |
| Kansas               | 10                          | 588    | 5                          | 327           |                     |               |                        |                      |
| Kentucky             | 7                           | 625    | 29                         | 3,254         | 2                   | 424           |                        |                      |
| Louisiana            | 1                           | 58     |                            |               | 1                   | 168           | 8                      |                      |
| Maine                | 4                           | 624    | 8                          | 654           |                     |               |                        |                      |
| Maryland             | 5                           | 361    | 3                          | 445           |                     |               | 2                      |                      |
| Massachusetts        | 19                          | 2,019  | 48                         | 5,504         | 2                   | 109           |                        |                      |
| Michigan             | 22                          | 1,459  |                            |               |                     |               | 11                     |                      |
| Minnesota            | 19                          | 959    | 4                          | 666           |                     |               | 1                      |                      |
| Mississippi          | 1                           | 53     |                            |               |                     |               |                        |                      |
| Missouri             | 5                           | 249    | 12                         | 1,090         | 2                   | 227           | 21                     |                      |
| Montana              | 2                           | 146    | 2                          | 276           |                     |               |                        |                      |
| Nebraska             | 1                           | 135    |                            |               |                     |               |                        |                      |
| Nevada               | 6                           | 618    | 3                          | 299           | 1                   | 52            | 2                      |                      |
| New Hampshire        |                             |        | 3                          | 502           |                     |               |                        |                      |
| New Jersey           | 13                          | 1,165  | 1                          | 153           |                     |               |                        |                      |
| New Mexico           | 5                           | 512    |                            |               | 1                   | 61            |                        |                      |
| New York             | 40                          | 4,458  | 9                          | 1,566         |                     |               |                        |                      |
| North Carolina       | 18                          | 1,645  | 17                         | 1,876         | 1                   | 124           |                        |                      |
| North Dakota         | 1                           | 49     |                            |               |                     |               |                        |                      |
| Ohio                 | 27                          | 1,892  | 21                         | 2,943         |                     |               | 29                     |                      |
| Oklahoma             | 5                           | 224    | 5                          | 235           | 1                   | 59            |                        |                      |
| Oregon               | 19                          | 1,504  | 13                         | 1,290         |                     |               | 1                      |                      |
| Pennsylvania         | 36                          | 2,670  | 9                          | 1,037         | 2                   | 115           | 4                      |                      |
| Rhode Island         | 6                           | 648    | 2                          | 187           |                     |               |                        |                      |
| South Carolina       | 7                           | 384    | 4                          | 604           |                     |               | 3                      |                      |
| South Dakota         | 4                           | 184    | 2                          | 246           |                     |               |                        |                      |
| Tennessee            | 20                          | 1,760  | 5                          | 602           | 1                   | 49            | 9                      |                      |
| Texas                | 42                          | 2,938  | 47                         | 5,526         | 10                  | 615           | 18                     | 8                    |
| Utah                 | 2                           | 259    | 5                          | 476           |                     |               |                        |                      |
| Vermont              |                             |        | 1                          | 144           |                     |               |                        |                      |
| Virginia             | 7                           | 585    | 10                         | 1,380         |                     |               | 3                      |                      |
| Washington           | 18                          | 1,853  | 19                         | 1,879         |                     |               | 8                      |                      |
| West Virginia        | 2                           | 125    | 4                          | 326           |                     |               |                        |                      |
| Wisconsin            | 68                          | 2,931  | 18                         | 2,498         |                     |               | 12                     |                      |
| Wyoming              | 1                           | 48     | 4                          | 371           |                     |               | 1                      |                      |
| Total U.S.           | 666                         | 56,958 | 396                        | 45,873        | 47                  | 3,822         | 249                    | 8                    |
| British Columbia     | 3                           | 276    |                            |               |                     |               |                        |                      |
| Ontario              | 9                           | 848    |                            |               |                     |               |                        |                      |

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|              |            |               |            |               |           |              |            |          |
|--------------|------------|---------------|------------|---------------|-----------|--------------|------------|----------|
| Total Canada | 12         | 1,124         |            |               |           |              |            |          |
| <b>Total</b> | <b>678</b> | <b>58,082</b> | <b>396</b> | <b>45,873</b> | <b>47</b> | <b>3,822</b> | <b>249</b> | <b>8</b> |

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Our headquarters are located in Chicago, Illinois, and we have additional offices in Louisville, Kentucky, Dallas, Texas and Newport Beach, California. We lease all of our corporate offices.

**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<br>Common Stock |          | Dividends<br>Declared |
|----------------|--------------------------------|----------|-----------------------|
|                | High                           | Low      |                       |
| <b>2011</b>    |                                |          |                       |
| 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                 |
| <b>2010</b>    |                                |          |                       |
| First Quarter  | \$ 49.24                       | \$ 40.36 | \$ 0.535              |
| Second Quarter | 50.33                          | 43.14    | 0.535                 |
| Third Quarter  | 53.89                          | 45.77    | 0.535                 |
| Fourth Quarter | 56.20                          | 48.53    | 0.535                 |

As of February 14, 2012, we had 288,915,189 shares of our common stock outstanding held by approximately 3,540 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 15, 2012, our Board of Directors declared the first quarterly installment of our 2012 dividend in the amount of \$0.62 per share, payable in cash on March 29, 2012 to stockholders of record on March 9, 2012. 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 2012. 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.

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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, from time to time in the future, adopt non-discretionary, written trading plans that comply with Rule 10b5-1 under the Exchange Act, or otherwise monetize their equity-based compensation.

Each of our executive officers has advised us that he or she has not pledged any of our equity securities to secure "margin loans." Our Securities Trading Policy prohibits our directors, executive officers and employees from buying or selling financial instruments that are designed to hedge or offset a decrease in the market value of our securities.

**Stock Repurchases**

The table below summarizes repurchases of our common stock made during the quarter ended December 31, 2011:

|                                | Number of Shares<br>Repurchased(1) | Average Price<br>Per Share |
|--------------------------------|------------------------------------|----------------------------|
| October 1 through October 31   | 10                                 | \$ 48.20                   |
| November 1 through November 30 | 14,033                             | \$ 52.90                   |
| December 1 through December 31 | 19,224                             | \$ 55.00                   |

(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 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 market value of our common stock at the time of exercise, as the case may be.

**Stock Performance Graph**

The following performance graph compares the cumulative total return (including dividends) to the holders of our common stock from December 31, 2006 through December 31, 2011, with the cumulative total returns of the NYSE Composite Index, the FTSE NAREIT Composite REIT Index (the "Composite REIT Index"), the FTSE NAREIT Healthcare Equity REIT Index (the "Healthcare REIT Index") and the S&P 500® Index over the same period. The comparison assumes \$100 was invested on December 31, 2006 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

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performance graph because our common stock is listed on the NYSE. We have included the other indexes (other than the S&P 500® Index, of which we are a member) because we believe that they are either most representative of the industry in which we compete, or otherwise provide a fair basis for comparison with us, and are therefore particularly relevant to an assessment of our performance. The figures in the table below are rounded to the nearest dollar.

|                       | 12/31/2006 | 12/31/2007 | 12/31/2008 | 12/31/2009 | 12/31/2010 | 12/31/2011 |
|-----------------------|------------|------------|------------|------------|------------|------------|
| Ventas                | \$ 100     | \$ 112     | \$ 88      | \$ 122     | \$ 152     | \$ 167     |
| NYSE Composite        |            |            |            |            |            |            |
| Index                 | \$ 100     | \$ 109     | \$ 66      | \$ 85      | \$ 96      | \$ 92      |
| Composite REIT Index  | \$ 100     | \$ 82      | \$ 51      | \$ 65      | \$ 83      | \$ 89      |
| Healthcare REIT Index | \$ 100     | \$ 102     | \$ 90      | \$ 112     | \$ 134     | \$ 152     |
| S&P 500 Index         | \$ 100     | \$ 105     | \$ 66      | \$ 84      | \$ 97      | \$ 99      |

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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, |              |              |              |              |
|--|--|--------------|--------------|--------------|--------------|
|  | 2011                                       | 2010         | 2009         | 2008         | 2007         |
| <b>(Dollars in thousands, except per share data)</b>                           |  |              |              |              |              |
| <b>Operating Data</b>  |  |              |              |              |              |
| Rental income  | \$ 819,580                                 | \$ 531,456   | \$ 488,458   | \$ 468,715   | \$ 446,469   |
| Resident fees and services   | 873,308                                    | 446,301      | 421,058      | 429,257      | 282,226      |
| Interest expense   | 236,807                                    | 175,631      | 173,810      | 199,135      | 191,022      |
| Property-level operating expenses  | 651,561                                    | 315,953      | 302,813      | 306,944      | 198,125      |
| General, administrative and professional fees                                  | 74,537                                     | 49,830       | 38,830       | 40,651       | 36,425       |
| Income from continuing operations attributable to common stockholders          | 362,810                                    | 215,324      | 190,423      | 171,660      | 128,149      |
| Discontinued operations  | 1,683                                      | 30,843       | 76,072       | 50,943       | 145,532      |
| Net income attributable to common stockholders                                 | 364,493                                    | 246,167      | 266,495      | 222,603      | 273,681      |
| <b>Per Share Data</b>  |  |              |              |              |              |
| Income from continuing operations attributable to common stockholders, basic   | \$ 1.59                                    | \$ 1.37      | \$ 1.25      | \$ 1.23      | \$ 1.05      |
| Net income attributable to common stockholders, basic                          | \$ 1.60                                    | \$ 1.57      | \$ 1.75      | \$ 1.59      | \$ 2.23      |
| Income from continuing operations attributable to common stockholders, diluted | \$ 1.57                                    | \$ 1.36      | \$ 1.24      | \$ 1.23      | \$ 1.04      |
| Net income attributable to common stockholders, diluted                        | \$ 1.58                                    | \$ 1.56      | \$ 1.74      | \$ 1.59      | \$ 2.22      |
| Dividends declared per common share  | \$ 2.30                                    | \$ 2.14      | \$ 2.05      | \$ 2.05      | \$ 1.90      |
| <b>Other Data</b>  |  |              |              |              |              |
| Net cash provided by operating activities                                      | \$ 773,197                                 | \$ 447,622   | \$ 422,101   | \$ 379,907   | \$ 404,600   |
| Net cash used in investing activities  | (997,439)                                  | (301,920)    | (1,746)      | (136,256)    | (1,175,192)  |
| Net cash provided by (used in) financing activities                            | 248,282                                    | (231,452)    | (490,180)    | (95,979)     | 802,675      |
| FFO(1)   | 824,851                                    | 421,506      | 393,409      | 412,357      | 374,218      |
| Normalized FFO(1)  | 776,963                                    | 453,981      | 409,045      | 379,469      | 327,136      |
| <b>Balance Sheet Data</b>  |  |              |              |              |              |
| Real estate investments, at cost   | \$ 17,830,262                              | \$ 6,747,699 | \$ 6,399,421 | \$ 6,256,562 | \$ 6,380,703 |
| Cash and cash equivalents  | 45,807                                     | 21,812       | 107,397      | 176,812      | 28,334       |
| Total assets   | 17,271,910                                 | 5,758,021    | 5,616,245    | 5,771,418    | 5,718,475    |
| Senior notes payable and other debt  | 6,429,116                                  | 2,900,044    | 2,670,101    | 3,136,998    | 3,346,531    |

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

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companies and between periods on a consistent basis without having to account for differences caused by unanticipated items and other events such as transactions and litigation. We use the National Association of Real Estate Investment Trusts ("NAREIT") definition of FFO. NAREIT defines FFO as net income (computed in accordance with GAAP), excluding gains (or losses) from sales of real estate property and impairment write-downs of depreciable real estate, plus real estate depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures. Adjustments for unconsolidated partnerships and joint ventures will be calculated to reflect FFO on the same basis. We define normalized FFO as FFO excluding the following income and expense items (which may be recurring in nature): (a) gains and losses on the sales of real property assets; (b) merger-related costs and expenses, including amortization of intangibles and transition and integration expenses, and deal costs and expenses, including expenses and recoveries relating to our lawsuit against HCP, Inc. and the issuance of preferred stock or bridge loan fees; (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 and normalized FFO presented herein are not necessarily identical to FFO and normalized FFO presented by other real estate companies due to the fact that not all real estate companies use the same definitions. FFO and normalized FFO 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 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" included in Item 7 of this Annual Report on Form 10-K for a reconciliation of these measures 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 2011 operating highlights and recent developments;

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 geographically diverse portfolio of seniors housing and healthcare properties throughout the United States and Canada. As of December 31, 2011,

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we owned 1,378 properties located in 46 states, the District of Columbia and two Canadian provinces, consisting of: 678 seniors housing communities; 396 skilled nursing facilities; 47 hospitals; 249 medical office buildings ("MOBs"); and eight personal care facilities. We also were in the process of developing three properties as of December 31, 2011. We are headquartered in Chicago, Illinois and have been a constituent member of the S&P 500® Index, a leading indicator of the large cap U.S. equities market, since March 2009.

Our primary business focuses on acquiring and owning seniors housing and healthcare properties and leasing those properties to unaffiliated tenants or operating those properties through independent third-party managers. Through our Lillibridge Healthcare Services, Inc. ("Lillibridge") subsidiary and our ownership interest in PMB Real Estate Services LLC ("PMBRES"), which we acquired in July 2011 in connection with our acquisition of Nationwide Health Properties, Inc. (together with its subsidiaries, "NHP"), we also provide MOB management, leasing, marketing, facility development and advisory services to highly rated hospitals and health systems throughout the United States. In addition, from time to time, we make mortgage loan and other investments relating to seniors housing and healthcare companies or properties.

We currently operate 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, 2011, we had: 100% ownership interests in 1,257 properties; controlling interests in eleven MOBs and eighteen seniors housing communities owned through joint ventures with third parties; and noncontrolling interests ranging between 5% and 25% in 58 MOBs, 20 seniors housing communities and fourteen skilled nursing facilities owned through joint ventures with third parties. Through Lillibridge and PMBRES, we also provided management and leasing services to third parties with respect to 44 MOBs as of December 31, 2011.

As of December 31, 2011, we leased 929 properties (excluding MOBs) to healthcare operating companies under "triple-net" or "absolute-net" leases that obligate the tenants to pay all property-related expenses, including maintenance, utilities, repairs, taxes, insurance and capital expenditures, and we engaged independent third parties, such as Atria Senior Living, Inc. ("Atria") and Sunrise Senior Living, Inc. (together with its subsidiaries, "Sunrise"), to manage 200 seniors housing communities pursuant to long-term management agreements. Kindred Healthcare, Inc. (together with its subsidiaries, "Kindred") and Brookdale Senior Living Inc. ("Brookdale Senior Living") leased 198 and 167 of our properties, respectively, as of December 31, 2011 (excluding six properties included in investments in unconsolidated entities).

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

Access to external capital is critical to the success of our business strategy as it impacts our ability to meet our existing commitments, including repaying maturing indebtedness, and to make future investments. Our access to and cost of capital depend on various factors, including general market conditions, interest rates, credit ratings on our securities, perception of our potential future earnings and cash distributions and the market price of our common stock. Generally, we attempt to match the long-term duration of our investments in senior housing and healthcare properties with long-term financing through the issuance of shares of our common stock or the incurrence of fixed rate debt. At December 31, 2011, only 22.1% of our consolidated debt was variable rate debt (excluding debt related to real estate assets classified as held for sale).

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**2011 Operating Highlights and Recent Developments**

In 2011, our Board of Directors declared and we paid cash dividends on our common stock in the aggregate amount of \$2.30 per share, representing a 7.5% increase over our aggregate 2010 dividends of \$2.14 per share.

In February 2011, we completed the sale of 5,563,000 shares of our common stock in an underwritten public offering pursuant to our shelf registration statement and used the aggregate proceeds of \$300.0 million to repay existing mortgage debt and for working capital and other general corporate purposes.

Also in February 2011, 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 this repayment in the first quarter of 2011.

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.

Also in May 2011, we acquired substantially all of the real estate assets and working capital of privately-owned Atria Senior Living Group, Inc. (together with its affiliates, "ASLG"), which added 117 seniors housing communities and one land parcel to our senior living operating portfolio. See "Note 4 Acquisitions of Real Estate Property" of the Notes to Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K.

In July 2011, we acquired publicly traded NHP in a stock-for-stock transaction, which expanded our portfolio by 643 seniors housing and healthcare properties. See "Note 4 Acquisitions of Real Estate Property" of the Notes to Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K.

In July 2011, 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 and 10,000,000 shares of preferred stock; amended our Fourth Amended and Restated By-Laws to increase the maximum number of directors allowed to serve on the Board of Directors at any time from eleven to thirteen; and appointed three former NHP directors to our Board.

Also in July 2011, we redeemed \$200.0 million principal amount of our outstanding 6<sup>1</sup>/<sub>2</sub>% senior notes due 2016, at a redemption price equal to 103.25% of par, plus accrued and unpaid interest to the redemption date, and recognized a loss on extinguishment of debt of \$8.7 million in the third quarter of 2011, and we repaid in full, at par, \$339.0 million principal amount then outstanding of NHP's 6.50% senior notes due 2011 upon maturity.

In August 2011, the United States District Court for the Western District of Kentucky ruled that HCP, Inc. ("HCP") could not further delay enforcement of our \$101.6 million compensatory damages award, and HCP paid us \$102.8 million for the judgment plus certain costs and interest; in November 2011, HCP paid us an additional \$125 million in final settlement of our outstanding lawsuit against HCP; and for the year ended December 31, 2011, we recorded approximately \$202.3 million in net income as a result of this litigation, after certain fees and expenses, the contingent fee for our outside legal counsel and donations to the Ventas Charitable Foundation, which supports worthwhile causes important to our customers, our employees and our communities. See "Note 16 Litigation" of the Notes to Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K.

In October 2011, we repaid all borrowings outstanding and terminated the commitments under our unsecured revolving credit facilities and entered into a new \$2.0 billion unsecured revolving



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credit facility, currently priced at LIBOR plus 110 basis points. See "Note 10 Borrowing Arrangements" of the Notes to Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K.

In November 2011, we repaid in cash \$230.0 million principal amount outstanding of our 3<sup>7</sup>/<sub>8</sub>% convertible senior notes due 2011 upon maturity and issued an aggregate of 943,714 shares of our common stock in settlement of the conversion value in excess of the principal amount.

In December 2011, we entered into a new \$500.0 million unsecured term loan facility with a weighted average maturity of 4.5 years, priced at LIBOR plus 125 basis points, and concurrently terminated the commitments under the \$800.0 million term loan that we assumed in connection with the NHP acquisition.

In December 2011, we signed a definitive agreement to acquire publicly traded Cogdell Spencer Inc. ("Cogdell"), and its 72 MOBs in an all-cash transaction.

During 2011, we also invested approximately \$329.5 million, including the assumption of \$134.9 million in debt, in MOBs and seniors housing communities.

During 2011, we received aggregate proceeds of \$218.5 million in final repayment of eight secured loans receivable and recognized an aggregate gain of \$4.4 million in connection with these repayments for the year ended December 31, 2011.

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 February 2012, we sold nine seniors housing communities for aggregate consideration of \$121.3 million.

### **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 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

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consolidation, and net earnings are reduced by the portion of net earnings attributable to noncontrolling interests.

We apply FASB guidance for arrangements with variable interest entities ("VIEs"), which 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 the VIE. 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.

We also apply FASB guidance related to investments in joint ventures based on the type of rights held by the limited partner(s) that 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 properties acquired among tangible and recognized intangible assets and liabilities based upon their estimated fair values as of the acquisition date. Recognized intangibles primarily include the value of in-place leases, acquired lease contracts, tenant and customer relationships, trade names/trademarks and goodwill. We do not amortize goodwill, which represents the excess of the purchase price paid over the fair value of the net assets of the acquired business and is included in other assets on our Consolidated Balance Sheets.

Our method for allocating the purchase price to acquired investments in real estate requires us to make subjective assessments for determining fair value of the assets acquired and liabilities assumed. This includes determining the value of the buildings, land and improvements, 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.

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We estimate the fair value of buildings 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 by considering the sales prices of similar properties in recent transactions or based on (a) internal analyses of recently acquired and existing comparable properties within our portfolio or (b) real estate tax assessed values in relation to the total value of the asset.

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

We estimate the fair value of purchase option intangible assets or 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 exercise of the purchase option.

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

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We determine 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 it in our share of income or loss from unconsolidated entities. In other instances, net income or loss is allocated between the partners in the joint venture based on the hypothetical liquidation at book value method.

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

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

***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 as well as our intent 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 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. We determine the impairment loss by comparing the estimated fair value of the intangible asset to its carrying value and recognize any shortfall from fair value as a loss in the current period.



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We evaluate our equity method investments for impairment whenever events or changes in circumstances indicate that the carrying value of our investment in an unconsolidated joint venture may exceed the fair value. If it is determined that a decline in the fair value of our investment in an unconsolidated joint venture is other-than-temporary, and if such reduced fair value is below its carrying value, an impairment is recorded. The determination of the fair value of investments in unconsolidated joint ventures 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.

Goodwill is tested for impairment at least annually, but 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. Should the carrying value exceed fair value, we proceed with the second step. The second step of this approach requires the fair value of a reporting unit to be assigned 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 this evaluation of goodwill, investments in real estate and intangibles are based upon discounted future cash flow projections, which are, in turn, based upon a number of estimates and assumptions, such as revenue and expense growth rates and discount rates. 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 recognize any unamortized balances in income immediately if the loan is repaid before its contractual maturity.

We regularly evaluate the collectibility of loans receivable based on several factors, including without limitation (i) corporate and facility-level financial and operational reports, (ii) compliance with any financial covenants set forth in the applicable loan agreement, (iii) the financial strength of the borrower and any guarantor, (iv) the payment history of the borrower, and (v) current economic conditions. If our evaluation of these factors indicates it is probable that we will be unable to collect all amounts due according to 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***

We follow FASB guidance that defines fair value and provides direction for measuring fair value and making the necessary related disclosures. The guidance emphasizes that fair value is a market-

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

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

**Revenue Recognition**

*Triple-Net Leased Properties and MOB Operations*

Certain of our triple-net leases, including the majority of our leases with Brookdale Senior Living and the majority of leases we acquired in connection with the NHP acquisition, 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 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.

Our 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 twelve to eighteen months and are cancelable by the resident upon 30 days' notice.

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*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, in accordance with the applicable accounting standards and our reserve policy, and we defer recognition of revenue if collectibility is not reasonably assured. We base our assessment of the collectibility of rent receivables (excluding straight-line 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 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 income and, in certain circumstances, provide a reserve against the previously recognized straight-line rent receivable asset for a 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 existing straight-line rent receivable.

**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 and made no provision for federal income tax purposes prior to our acquisition of the assets of Sunrise Senior Living Real Estate Investment Trust ("Sunrise REIT") in April 2007. As a result of the Sunrise REIT and subsequent acquisitions, we now record income tax expense or benefit with respect to certain of our entities that are taxed as "taxable REIT subsidiaries" under provisions similar to those applicable to regular corporations and not under the REIT provisions.

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

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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 a change in 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 a change in 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 December 2011, the FASB issued Accounting Standards Update ("ASU") 2011-10, *Derecognition of in Substance Real Estate a Scope Clarification* ("ASU 2011-10"), which clarifies certain guidance for situations in which a reporting entity ceases to have a controlling financial interest in a subsidiary that is, in substance, real estate as a result of default on the subsidiary's nonrecourse debt. In such situations, ASU 2011-10 requires a company to apply the provisions of ASC Topic 360, *Property, Plant, and Equipment*, in determining whether it should derecognize the real estate assets. The provisions of ASU 2011-10 will be effective for us beginning with fiscal year 2013, and are not expected to have a significant impact on our Consolidated Financial Statements.

In September 2011, the FASB issued ASU 2011-08, *Testing Goodwill for Impairment* ("ASU 2011-08"), which permits companies to first assess qualitative factors to determine the likelihood that the fair value of a reporting unit is less than its carrying amount before performing the current two-step analysis. If a company determines it is more likely than not that the fair value of a reporting unit is less than its carrying amount, then the company must proceed with the two-step approach to evaluating impairment. We adopted the provisions of ASU 2011-08 in 2011, and the adoption did not impact our Consolidated Financial Statements. Also, on January 1, 2011, we adopted ASU 2010-28, *When to Perform Step 2 of the Goodwill Impairment Test for Reporting Units with Zero or Negative Carrying Amounts* ("ASU 2010-28"). ASU 2010-28 states that if a reporting unit has a carrying amount that is equal to or less than zero and there are qualitative factors that indicate it is more likely than not that a goodwill impairment exists, Step 2 of the goodwill impairment test must be performed. The adoption of ASU 2010-28 also did not impact our Consolidated Financial Statements.

In June 2011, the FASB issued ASU 2011-05, *Presentation of Comprehensive Income* ("ASU 2011-05"), which amends current guidance found in ASC Topic 220, *Comprehensive Income*. ASU 2011-05 requires entities to present comprehensive income in either: (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. The provisions of both ASU 2011-05 and ASU 2011-12 will be effective for us beginning with the first quarter of 2012.

On January 1, 2011, we adopted ASU 2010-29, *Disclosure of Supplementary Pro Forma Information for Business Combinations* ("ASU 2010-29"), affecting public entities that enter into business combinations that are material on an individual or aggregate basis. ASU 2010-29 specifies that if a public entity presents comparative financial statements, it should disclose revenues and earnings of the combined entity as though the business combination(s) that occurred during the year had occurred at the beginning of the prior annual reporting period when preparing the pro forma financial information

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for both the current and prior reporting periods. The guidance, which is effective for business combinations consummated in reporting periods beginning after December 15, 2010, also requires that pro forma disclosures be accompanied by a narrative description regarding the nature and amount of material, nonrecurring pro forma adjustments directly attributable to the business combination(s) included in reported pro forma revenues and earnings. We have presented supplementary pro forma information related to our acquisition of substantially all of the real estate assets and working capital of ASLG in May 2011 and our acquisition of NHP in July 2011 in "Note 4 Acquisitions of Real Estate Property" included in Item 8 of this Annual Report on Form 10-K.

In January 2010, the FASB issued ASU 2010-06, *Improving Disclosures about Fair Value Measurements* ("ASU 2010-06"), which expands required disclosures related to an entity's fair value measurements. Certain provisions of ASU 2010-06 were effective for interim and annual reporting periods beginning after December 15, 2009, and we adopted those provisions as of January 1, 2010. The remaining provisions, which were effective for interim and annual reporting periods beginning after December 15, 2010, require additional disclosures related to purchases, sales, issuances and settlements in an entity's reconciliation of recurring level three investments. We adopted those provisions of ASU 2010-06 as of January 1, 2011. The adoption of ASU 2010-06 did not impact our Consolidated Financial Statements.

**Results of Operations**

As of December 31, 2011, we operated through three reportable business segments: triple-net leased properties, senior living operations and MOB operations. Our triple-net leased properties segment consists of acquiring and owning seniors housing and healthcare properties in the United States and leasing those properties to healthcare operating companies under "triple-net" or "absolute-net" leases that require the tenants to pay all property-related expenses. Our senior living operations segment primarily consists of investments in seniors housing communities located in the United States and Canada for which we engage independent third parties, such as Atria and Sunrise, to manage the operations. Our MOB operations segment primarily consists of acquiring, owning, developing, leasing and managing MOBs. Information provided for "all other" includes revenues such as income from loans and investments and other miscellaneous income and various corporate-level expenses not directly attributable to our three reportable business segments. Assets included in all other consist primarily of corporate assets, including cash, restricted cash, deferred financing costs, loans receivable and miscellaneous accounts receivable.

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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<br>December 31, |            | Increase (Decrease) to<br>Income |        |
|--|------------------------------------|------------|----------------------------------|--------|
|  | 2011                               | 2010       | \$                               | %      |
| (Dollars in thousands)   |                                    |            |                                  |        |
| <b>Segment NOI:</b>  |                                    |            |                                  |        |
| Triple-Net Leased Properties   | \$ 654,794                         | \$ 461,709 | \$ 193,085                       | 41.8%  |
| Senior Living Operations   | 279,331                            | 154,470    | 124,861                          | 80.8   |
| MOB Operations   | 116,591                            | 50,205     | 66,386                           | >100   |
| All Other  | 34,415                             | 16,412     | 18,003                           | >100   |
| Total segment NOI  | 1,085,131                          | 682,796    | 402,335                          | 58.9   |
| Interest and other income  | 1,217                              | 484        | 733                              | >100   |
| Interest expense   | (236,807)                          | (175,631)  | (61,176)                         | (34.8) |
| Depreciation and amortization  | (456,590)                          | (203,762)  | (252,828)                        | (>100) |
| General, administrative and professional fees  | (74,537)                           | (49,830)   | (24,707)                         | (49.6) |
| Loss on extinguishment of debt   | (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  | (8,653)                            | (272)      | (8,381)                          | (>100) |
| Income before loss from unconsolidated entities, income taxes, discontinued operations and noncontrolling interest | 330,493                            | 224,751    | 105,742                          | 47.0   |
| Loss from unconsolidated entities  | (52)                               | (664)      | 612                              | 92.2   |
| Income tax benefit (expense)   | 31,137                             | (5,201)    | 36,338                           | (>100) |
| Income from continuing operations  | 361,578                            | 218,886    | 142,692                          | 65.2   |
| Discontinued operations  | 1,683                              | 30,843     | (29,160)                         | (94.5) |
| 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%  |

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meaningful

**Segment NOI Triple-Net Leased Properties**

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

Triple-net leased properties segment NOI increased 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 resulting from the annual escalators 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.

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In our triple-net leased properties segment, revenues consist of fixed rental amounts (subject to annual escalations) received directly from our tenants in accordance with the applicable lease terms and generally do not depend on the operating performance of our properties. Accordingly, occupancy information is relevant to the profitability of our tenants' operations but does not directly impact 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, 2011 for the third quarter of 2011, which is the most recent information available to us from our tenants.

|                             | Number of<br>Properties at<br>December 31, 2011 | Average Occupancy<br>For the Three Months<br>Ended September 30,<br>2011 |
|-----------------------------|---|--|
| Seniors Housing Communities | 458   | 86.0%  |
| Skilled Nursing Facilities  | 382   | 83.6%  |
| Hospitals                   | 47  | 56.3%  |

*Segment NOI Senior Living Operations*

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

|  | For the Year Ended<br>December 31, |            | Increase (Decrease)<br>to Income |       |
|--|------------------------------------|------------|----------------------------------|-------|
|  | 2011                               | 2010       | \$                               | %     |
| (Dollars in thousands)                       |                                    |            |                                  |       |
| <b>Segment NOI Senior Living Operations:</b> |                                    |            |                                  |       |
| Total revenues                               | \$ 873,308                         | \$ 446,301 | \$ 427,007                       | 95.7% |
| Less:  |                                    |            |                                  |       |
| Property-level operating expenses            | (593,977)                          | (291,831)  | (302,146)                        | >100  |
| Segment NOI                                  | \$ 279,331                         | \$ 154,470 | \$ 124,861                       | 80.8% |

In our senior living operations segment, revenues 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 primarily due to the properties we acquired in connection with the ASLG acquisition (\$403.2 million) and an increase in average daily rates. The following table sets forth average resident occupancy rates related to our senior living operating properties during 2011 and 2010:

|                                   | Number of<br>Properties at<br>December 31, |           | Average<br>Occupancy<br>For the Year<br>Ended<br>December 31, |              |
|-----------------------------------|--|-----------|---|--------------|
|                                   | 2011                                       | 2010      | 2011(1)   | 2010         |
| Stabilized Communities            | 188  | 80        | 89.2%   | 89.1%        |
| Lease-Up Communities              | 12   | 2         | 78.7%   | 84.3%        |
| <b>Total</b>                      | <b>200</b>                                 | <b>82</b> | <b>88.6%</b>  | <b>88.9%</b> |
| Same-Store Stabilized Communities | 79   | 79        | 90.0%   | 89.2%        |

- (1) Occupancy related to the seniors housing communities acquired in connection with the ASLG acquisition reflects activity from May 12, 2011, the date of the acquisition, through December 31, 2011.

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Property-level operating expenses related to the segment include labor, food, utility, marketing, management and other costs of operating the properties. Property-level operating expenses increased in 2011 over 2010 primarily due to the properties we acquired in connection with the ASLG acquisition (\$281.1 million) and the receipt of a \$5 million cash payment from Sunrise in 2010 for expense overages.

### *Segment NOI MOB Operations*

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

|  | For the Year Ended<br>December 31, |           | Increase (Decrease)<br>to Income |        |
|--|------------------------------------|-----------|----------------------------------|--------|
|  | 2011                               | 2010      | \$                               | %      |
| <b>(Dollars in thousands)</b>            |                                    |           |                                  |        |
| <b>Segment NOI MOB Operations:</b>       |                                    |           |                                  |        |
| Rental income                            | \$ 167,003                         | \$ 69,747 | \$ 97,256                        | >100%  |
| Medical office building services revenue | 34,254                             | 14,098    | 20,156                           | >100   |
| Total revenues                           | 201,257                            | 83,845    | 117,412                          | >100   |
| Less:                                    |                                    |           |                                  |        |
| Property-level operating expenses        | (57,584)                           | (24,122)  | (33,462)                         | (>100) |
| Medical office building services costs   | (27,082)                           | (9,518)   | (17,564)                         | (>100) |
| Segment NOI                              | \$ 116,591                         | \$ 50,205 | \$ 66,386                        | >100%  |

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meaningful

The increases in MOB operations segment revenues and property-level operating expenses are attributed primarily to the MOB operations we acquired in connection with the NHP acquisition (\$68.6 million) and a full year of activity related to the MOB operations we acquired in 2010 in connection with the Lillibridge acquisition. The following table sets forth occupancy rates related to our MOB operations segment at December 31, 2011 and 2010:

|                                      | Number of<br>Properties at<br>December 31, |      | Occupancy at<br>December 31, |       |
|--------------------------------------|--|------|------------------------------|-------|
|                                      | 2011                                       | 2010 | 2011                         | 2010  |
| Stabilized MOB operations            | 177  | 63   | 91.9%                        | 94.8% |
| Non-Stabilized MOB operations        | 14   | 6    | 73.3%                        | 73.9% |
| Total                                | 191  | 69   | 89.5%                        | 91.5% |
| Same-Store Stabilized MOB operations | 63   | 63   | 94.0%                        | 94.7% |

Medical office building services revenue and costs, which are a direct result of the Lillibridge businesses that we acquired in July 2010, both increased due primarily due to a full year of activity in 2011 and increased construction activity during the second half of 2011 compared to 2010.

### *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 the loans receivable 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 2010 and 2011, partially offset by decreased interest income related to loans receivable repayments we received during 2011.



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*Interest Expense*

The \$62.1 million increase in total interest expense, including interest allocated to discontinued operations of \$5.3 million and \$4.3 million for the years ended December 31, 2011 and 2010, respectively, is attributed primarily to a \$117.6 million increase in interest due to higher loan balances and \$7.7 million of interest related to the capital leases we assumed in 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 for 2011, versus 2010.

*Depreciation and Amortization*

Depreciation and amortization expense increased primarily due to the NHP and ASLG acquisitions and other properties we acquired in 2011.

*General, Administrative and Professional Fees*

General, administrative and professional fees increased in 2011 primarily due to our organizational growth.

*Loss on Extinguishment of Debt*

The loss on extinguishment of debt in 2011 resulted from our early repayment in February 2011 of \$307.2 million principal amount of existing mortgage debt, our redemption in July 2011 of \$200.0 million principal amount of our 6<sup>1</sup>/<sub>2</sub>% senior notes due 2016 and our termination in October 2011 of our previous unsecured revolving credit facilities. The loss on extinguishment of debt in 2010 resulted from our redemption in June 2010 of all \$142.7 million principal amount outstanding of our 7<sup>1</sup>/<sub>8</sub>% senior notes due 2015, our redemption in October 2010 of all \$71.7 million principal amount outstanding of our 6<sup>5</sup>/<sub>8</sub>% senior notes due 2014 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 consisted of expenses relating to our favorable \$101.6 million compensatory damages judgment against HCP and subsequent cross-appeals, transition and integration expenses related to consummated transactions and deal costs required by GAAP to be expensed rather than capitalized into the asset value. The transition and integration expenses and deal costs reflect certain fees and expenses incurred in connection with the Lillibridge, ASLG and NHP acquisitions.

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*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 expenses.

*Loss from Unconsolidated Entities*

Loss from unconsolidated entities for 2011 and 2010 relates to the noncontrolling interests in joint ventures we acquired in connection with the NHP and Lillibridge acquisitions. At December 31, 2011, these noncontrolling interests ranged between 5% and 25% and related to 58 MOBs, 20 seniors housing communities and fourteen skilled nursing facilities.

*Income Tax Benefit/Expense*

Income tax benefit for 2011 was due primarily to the reversal of certain income tax contingency reserves, including interest, related to our 2007 U.S. federal income tax returns and the deferred tax liabilities established in connection with the ASLG acquisition. 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 includes activity related to nineteen properties, four of which were sold during 2011 with no resulting gain or loss and fifteen of which were classified as held for sale as of December 31, 2011. Discontinued operations for 2010 includes activity related to nine of the nineteen properties mentioned above that we owned during 2010, a \$17.3 million gain on the sale of seven assets sold during 2010, lease termination fees of \$0.7 million related to these assets 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 29 MOBs and seniors housing communities, 23 of which we acquired in connection with the NHP acquisition. 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 partners' joint venture interests in six MOBs.

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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<br>December 31, |            | Increase (Decrease)<br>to Income |        |
|--|------------------------------------|------------|----------------------------------|--------|
|  | 2010                               | 2009       | \$                               | %      |
| (Dollars in thousands)   |                                    |            |                                  |        |
| <b>Segment NOI:</b>  |                                    |            |                                  |        |
| Triple-Net Leased Properties   | \$ 461,709                         | \$ 452,536 | \$ 9,173                         | 2.0%   |
| Senior Living Operations   | 154,470                            | 131,013    | 23,457                           | 17.9   |
| MOB Operations   | 50,205                             | 23,154     | 27,051                           | >100   |
| All Other  | 16,412                             | 13,107     | 3,305                            | 25.2   |
| Total segment NOI  | 682,796                            | 619,810    | 62,986                           | 10.2   |
| Interest and other income  | 484                                | 842        | (358)                            | (42.5) |
| Interest expense   | (175,631)                          | (173,810)  | (1,821)                          | (1.0)  |
| Depreciation and amortization  | (203,762)                          | (197,298)  | (6,464)                          | (3.3)  |
| General, administrative and professional fees  | (49,830)                           | (38,830)   | (11,000)                         | (28.3) |
| Loss on extinguishment of debt   | (9,791)                            | (6,080)    | (3,711)                          | (61.0) |
| Merger-related expenses and deal costs   | (19,243)                           | (13,015)   | (6,228)                          | (47.9) |
| Other  | (272)                              | (50)       | (222)                            | (>100) |
| Income before loss from unconsolidated entities, income taxes, discontinued operations and noncontrolling interest | 224,751                            | 191,569    | 33,182                           | 17.3   |
| Loss from unconsolidated entities  | (664)                              |            | (664)                            | nm     |
| Income tax (expense) benefit   | (5,201)                            | 1,719      | (6,920)                          | (>100) |
| Income from continuing operations  | 218,886                            | 193,288    | 25,598                           | 13.2   |
| Discontinued operations  | 30,843                             | 76,072     | (45,229)                         | (59.5) |
| Net income   | 249,729                            | 269,360    | (19,631)                         | (7.3)  |
| Net income attributable to noncontrolling interest, net of tax   | 3,562                              | 2,865      | (697)                            | (24.3) |
| Net income attributable to common stockholders   | \$ 246,167                         | \$ 266,495 | \$ (20,328)                      | (7.6)% |

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*Segment NOI Triple-Net Leased Properties*

Triple-net leased properties reportable business segment NOI increased primarily due to \$6.2 million of additional rent resulting from the annual escalators in the rent paid under the Kindred Master Leases effective May 1, 2010, \$0.8 million of rental income from a seniors housing community we acquired in 2010 and various rent increases at our other existing properties.

Table of Contents*Segment NOI Senior Living Operations*

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

|  | For the Year Ended<br>December 31, |                   | Increase<br>(Decrease)<br>to Income |              |
|--|------------------------------------|-------------------|-------------------------------------|--------------|
|  | 2010                               | 2009              | \$                                  | %            |
| (Dollars in thousands)                       |                                    |                   |                                     |              |
| <b>Segment NOI Senior Living Operations:</b> |                                    |                   |                                     |              |
| Total revenues                               | \$ 446,301                         | \$ 421,058        | \$ 25,243                           | 6.0%         |
| Less:  |                                    |                   |                                     |              |
| Property-level operating expenses            | (291,831)                          | (290,045)         | (1,786)                             | (0.6)        |
| <b>Segment NOI</b>                           | <b>\$ 154,470</b>                  | <b>\$ 131,013</b> | <b>\$ 23,457</b>                    | <b>17.9%</b> |

Our senior living operations segment revenues increased primarily due to a decrease in the average Canadian dollar exchange rate, which had a favorable impact of \$8.2 million in 2010, \$3.3 million of resident fees and services from three seniors housing communities added to our portfolio in 2010 and late 2009, higher occupancy rates and an increase in average daily rates. The following table sets forth average resident occupancy rates related to our senior living operating properties during 2010 and 2009:

|                                   | Number of<br>Properties at<br>December 31, |           | Average<br>Occupancy For<br>the Year<br>Ended<br>December 31, |              |
|-----------------------------------|--|-----------|---|--------------|
|                                   | 2010                                       | 2009      | 2010  | 2009         |
| Stabilized Communities            | 80   | 78        | 89.1%   | 88.3%        |
| Lease-Up Communities              | 2  | 1         | 84.3%   | 70.4%        |
| <b>Total</b>                      | <b>82</b>                                  | <b>79</b> | <b>88.9%</b>  | <b>87.7%</b> |
| Same-Store Stabilized Communities | 78   | 78        | 89.1%   | 88.3%        |

Property-level operating expenses increased primarily as a result of a decrease in the average Canadian dollar exchange rate, which had an unfavorable impact of \$5.4 million in 2010, \$3.1 million of additional expenses from the three seniors housing communities we acquired in 2010 and late 2009 and increased expenses related to occupancy and revenue growth, partially offset by the receipt of a \$5 million cash payment from Sunrise in 2010 for expense overages and a decrease of \$4.2 million in management fees.

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

|  | For the Year Ended<br>December 31, |           | Increase (Decrease)<br>to Income |        |
|--|------------------------------------|-----------|----------------------------------|--------|
|  | 2010                               | 2009      | \$                               | %      |
| (Dollars in thousands)                   |                                    |           |                                  |        |
| <b>Segment NOI MOB Operations:</b>       |                                    |           |                                  |        |
| Rental income                            | \$ 69,747                          | \$ 35,922 | \$ 33,825                        | 94.2%  |
| Medical office building services revenue | 14,098                             |           | 14,098                           | nm     |
| Total revenues                           | 83,845                             | 35,922    | 47,923                           | >100   |
| Less:                                    |                                    |           |                                  |        |
| Property-level operating expenses        | (24,122)                           | (12,768)  | (11,354)                         | (88.9) |
| Medical office building services costs   | (9,518)                            |           | (9,518)                          | nm     |
| Segment NOI                              | \$ 50,205                          | \$ 23,154 | \$ 27,051                        | >100%  |

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The increases in MOB operations segment revenues and property-level operating expenses are attributed primarily to the MOBs we acquired during 2010 and 2009, including the Lillibridge portfolio. The following table sets forth occupancy rates related to our MOB operations segment at December 31, 2010 and 2009:

|                              | Number of<br>Properties at<br>December 31, |      | Occupancy at<br>December 31, |       |
|------------------------------|--|------|------------------------------|-------|
|                              | 2010                                       | 2009 | 2010                         | 2009  |
| Stabilized MOBs              | 63   | 21   | 94.8%                        | 94.9% |
| Non-Stabilized MOBs          | 6  | 5    | 73.9%                        | 73.9% |
| Total                        | 69   | 26   | 91.5%                        | 89.6% |
| Same-Store Stabilized MOBs   | 18   | 18   | 93.2%                        | 93.9% |
| <i>Segment NOI All Other</i> |  |      |                              |       |

All other NOI consists solely of income from loans and investments. Income from loans and investments increased in 2010 over the prior year primarily due to interest earned on the investments we made during 2010 and 2009.

*Interest Expense*

The \$0.2 million increase in total interest expense, including interest allocated to discontinued operations of \$4.3 million and \$5.9 million for the years ended December 31, 2010 and 2009, respectively, is due primarily to increased deferred financing fee amortization, increased land lease payments and a \$0.4 million increase in interest from higher effective interest rates, partially offset by a \$2.7 million reduction in interest from lower loan balances. Interest expense includes \$9.0 million and \$7.4 million of amortized deferred financing fees for 2010 and 2009, respectively. Our effective interest rate was 6.4% for 2010, compared to 6.3% for 2009. A decrease in the average Canadian dollar exchange rate had an unfavorable impact on interest expense of \$0.7 million in 2010, compared to 2009.

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*Depreciation and Amortization*

Depreciation and amortization expense increased primarily as a result of the properties we acquired or developed during 2010 and 2009, including the Lillibridge portfolio.

*General, Administrative and Professional Fees*

General, administrative and professional fees increased \$11.0 million in 2010 over 2009 due primarily to our organizational growth as a result of the Lillibridge acquisition.

*Loss on Extinguishment of Debt*

The loss on extinguishment of debt in 2010 relates primarily to our redemption in June 2010 of all \$142.7 million principal amount then outstanding of our 7<sup>1</sup>/<sub>8</sub>% senior notes due 2015, our redemption in October 2010 of all \$71.7 million principal amount then outstanding of our 6<sup>5</sup>/<sub>8</sub>% senior notes due 2014 and various mortgage repayments in December 2010. The loss on extinguishment of debt in 2009 primarily relates to the purchase, in open market transactions and/or through cash tender offers, of \$361.6 million aggregate principal amount of our outstanding senior notes.

*Merger-Related Expenses and Deal Costs*

Merger-related expenses and deal costs consisted of expenses relating to our favorable \$101.6 million jury verdict against HCP and subsequent cross-appeals arising out of our Sunrise REIT acquisition, integration costs related to consummated transactions and deal costs required by GAAP to be expensed rather than capitalized into the asset value, which include certain fees and expenses we incurred in connection with the Lillibridge and ASLG acquisitions.

*Other*

Other in 2010 resulted primarily from the net change in our forward contract valuation compared to the revaluation of intercompany loans, partially offset by the Canadian exchange rate differential between the trade date and settlement date on a cash payment.

*Loss from Unconsolidated Entities*

Loss from unconsolidated entities in 2010 relates to the noncontrolling interests in joint ventures we acquired as part of the Lillibridge acquisition. At December 31, 2010, we had ownership interests ranging between 5% and 20% in 58 MOBs. See "Note 4 Acquisitions of Real Estate Property" of the Notes to Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K.

*Income Tax Expense/Benefit*

Income tax expense/benefit before noncontrolling interest in 2010 and 2009 represents amounts related to our taxable REIT subsidiaries as a result of the Sunrise REIT and Lillibridge acquisitions. The change from an income tax benefit in 2009 to a non-cash income tax expense in 2010 is primarily due to increased NOI at our Sunrise-managed seniors housing communities. See "Note 13 Income Taxes" of the Notes to Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K.

*Discontinued Operations*

Discontinued operations for 2010 includes a \$17.3 million gain on the sale of seven assets sold during 2010, lease termination fees of \$0.7 million related to these assets and a \$7.9 million previously deferred gain recognized in the fourth quarter of 2010 upon repayment of a note to the buyer.

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Discontinued operations for 2009 includes a \$66.8 million net gain on the sale of fourteen assets sold during 2009 and a lease termination fee of \$2.3 million related to these assets.

*Net Income Attributable to Noncontrolling Interest*

Net income attributable to noncontrolling interest, net of tax primarily represents Sunrise's share of net income from its previous ownership percentage in 60 of our seniors housing communities during 2009 and 58 of our seniors housing communities during most of 2010.

**Non-GAAP Financial Measures**

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

The non-GAAP financial measures we present herein are not necessarily identical to those presented by other real estate companies due to the fact that not all real estate companies use the same definitions. These measures should not be considered as alternatives to net income (determined in accordance with GAAP) as indicators of our financial performance or as alternatives to cash flow from operating activities (determined in accordance with GAAP) as measures of our liquidity, nor are these measures necessarily indicative of sufficient cash flow to fund all of our needs. We believe that in order to facilitate a clear understanding of our consolidated historical operating results, these measures should be examined in conjunction with net income as presented in our Consolidated Financial Statements and 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. Since real estate values, instead, have historically risen or fallen with market conditions, many industry investors have considered presentations of operating results for real estate companies that use historical cost accounting to be insufficient by themselves. To overcome this problem, we consider Funds From Operations ("FFO") and normalized FFO appropriate measures of operating performance of an equity REIT. Moreover, we believe that normalized FFO provides useful information because it allows investors, analysts and our management to compare our operating performance to the operating performance of other real estate companies and between periods on a consistent basis without having to account for differences caused by unanticipated items and other events such as transactions and litigation. We use the National Association of Real Estate Investment Trusts ("NAREIT") definition of FFO. NAREIT defines FFO as net income (computed in accordance with GAAP), excluding gains (or losses) from sales of real estate property and impairment write-downs of depreciable real estate, plus real estate depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures. Adjustments for unconsolidated partnerships and joint ventures will be calculated to reflect FFO on the same basis. We define normalized FFO as FFO excluding the following income and expense items (which may be recurring in nature): (a) gains and losses on the sales of real property assets; (b) merger-related costs and expenses, including amortization of intangibles and transition and integration expenses, and deal costs and expenses, including expenses and recoveries relating to our lawsuit against HCP and the issuance of preferred stock or bridge loan fees; (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,

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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 the five years ended December 31, 2011 are summarized in the following table. Our FFO for the year ended December 31, 2011 increased over the prior year primarily due to the NHP and ASLG acquisitions, higher NOI from our senior living operations and MOB operations reportable business segments, net litigation proceeds and income tax benefit, partially offset by increased merger-related expenses and deal costs, general, administrative and professional fees and interest expense due to our enterprise growth.

|   | For the Year Ended December 31, |                   |                   |                   |                   |
|---|---------------------------------|-------------------|-------------------|-------------------|-------------------|
|   | 2011                            | 2010              | 2009              | 2008              | 2007              |
|   | (In thousands)                  |                   |                   |                   |                   |
| Net income attributable to common stockholders              | \$ 364,493                      | \$ 246,167        | \$ 266,495        | \$ 222,603        | \$ 273,681        |
| Adjustments:  |                                 |                   |                   |                   |                   |
| Real estate depreciation and amortization                   | 454,163                         | 202,128           | 196,608           | 228,778           | 224,028           |
| Real estate depreciation related to noncontrolling interest | (3,471)                         | (6,217)           | (6,349)           | (8,484)           | (5,982)           |
| Real estate depreciation related to unconsolidated entities | 6,552                           | 2,367             |                   |                   |                   |
| Discontinued operations:                                    |                                 |                   |                   |                   |                   |
| Gain on sale of real estate assets                          |                                 | (25,241)          | (67,305)          | (39,026)          | (129,478)         |
| Depreciation on real estate assets                          | 3,114                           | 2,302             | 3,960             | 8,486             | 11,969            |
| <b>FFO</b>  | <b>824,851</b>                  | <b>421,506</b>    | <b>393,409</b>    | <b>412,357</b>    | <b>374,218</b>    |
| Adjustments:  |                                 |                   |                   |                   |                   |
| Litigation proceeds, net                                    | (202,259)                       |                   |                   |                   |                   |
| Change in fair value of financial instruments               | 2,959                           |                   |                   |                   |                   |
| Reversal of contingent liability                            |                                 |                   |                   | (23,328)          |                   |
| Provision for loan losses                                   |                                 |                   |                   | 5,994             |                   |
| Income tax (benefit) expense                                | (31,137)                        | 2,930             | (3,459)           | (17,616)          | (29,095)          |
| Loss (gain) on extinguishment of debt                       | 27,604                          | 9,791             | 6,080             | (2,398)           | (88)              |
| Merger-related expenses and deal costs                      | 153,923                         | 19,243            | 13,015            | 4,460             | 2,979             |
| Amortization of other intangibles                           | 1,022                           | 511               |                   |                   |                   |
| Net gain on sale of marketable equity securities            |                                 |                   |                   |                   | (864)             |
| Gain on foreign currency hedge                              |                                 |                   |                   |                   | (24,314)          |
| Preferred stock issuance costs                              |                                 |                   |                   |                   | 1,750             |
| Bridge loan fee   |                                 |                   |                   |                   | 2,550             |
| <b>Normalized FFO</b>                                       | <b>\$ 776,963</b>               | <b>\$ 453,981</b> | <b>\$ 409,045</b> | <b>\$ 379,469</b> | <b>\$ 327,136</b> |

### *Adjusted EBITDA*

We consider Adjusted EBITDA an important supplemental measure to net income because it provides additional information with which to evaluate the performance of our operations and serves as



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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 loss on extinguishment of debt, net litigation proceeds, merger-related expenses and deal costs, gains or losses on sales of real property assets and changes in the fair value of financial instruments (including amounts in discontinued operations). The following is a reconciliation of Adjusted EBITDA to net income (including amounts in discontinued operations) for the years ended December 31, 2011, 2010 and 2009:

|  | <b>For the Year Ended December 31,</b> |                |                |
|--|--|----------------|----------------|
|  | <b>2011</b>                            | <b>2010</b>    | <b>2009</b>    |
|  | <b>(In thousands)</b>                  |                |                |
| Net income   | \$ 363,261                             | \$ 249,729     | \$ 269,360     |
| Adjustments:   |  |                |                |
| Interest   | 242,057                                | 179,918        | 179,736        |
| Loss on extinguishment of debt   | 27,604                                 | 9,791          | 6,080          |
| Taxes (including amounts in general, administrative and professional fees) | (29,136)                               | 6,280          | (519)          |
| Depreciation and amortization  | 459,704                                | 206,064        | 201,258        |
| Non-cash stock-based compensation expense                                  | 19,346                                 | 14,078         | 11,882         |
| Merger-related expenses and deal costs                                     | 153,923                                | 19,243         | 13,015         |
| Gain on sale of real estate assets   |  | (25,241)       | (67,305)       |
| Litigation proceeds, net   | (202,259)                              |                |                |
| Changes in fair value of financial instruments                             | 2,959                                  |                |                |
| <br>Adjusted EBITDA  | <br>\$ 1,037,459                       | <br>\$ 659,862 | <br>\$ 613,507 |

### *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). The following is a reconciliation of NOI to total revenues (including amounts in discontinued operations) for the years ended December 31, 2011, 2010 and 2009:

|  | <b>For the Year Ended December 31,</b> |                |                |
|--|--|----------------|----------------|
|  | <b>2011</b>                            | <b>2010</b>    | <b>2009</b>    |
|  | <b>(In thousands)</b>                  |                |                |
| Total revenues   | \$ 1,764,991                           | \$ 1,008,751   | \$ 923,465     |
| Less:  |  |                |                |
| Interest and other income                              | 1,217                                  | 484            | 842            |
| Property-level operating expenses                      | 651,561                                | 315,953        | 302,813        |
| Medical office building services costs                 | 27,082                                 | 9,518          |                |
| <br>NOI (excluding amounts in discontinued operations) | <br>1,085,131                          | <br>682,796    | <br>619,810    |
| Discontinued operations                                | 10,047                                 | 11,466         | 16,230         |
| <br>NOI (including amounts in discontinued operations) | <br>\$ 1,095,178                       | <br>\$ 694,262 | <br>\$ 636,040 |

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**Asset/Liability Management**

Asset/liability management is a key element of our overall risk management program. The objective of asset/liability management is to support the achievement of our business strategy, while maintaining appropriate risk levels. Our asset/liability management process focuses on a variety of risks, including without limitation market risk (primarily interest rate risk and foreign currency exchange risk) and credit risk. 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 fluctuations in interest rates on borrowings under our unsecured revolving credit facility and \$500 million term loan facility, floating rate mortgage debt and certain mortgage loans receivable. 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 the current and future economic environment.

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

|   | As of December 31,     |                     |                     |
|---|------------------------|---------------------|---------------------|
|   | 2011                   | 2010                | 2009                |
|   | (Dollars in thousands) |                     |                     |
| <b>Balance:</b>   |                        |                     |                     |
| Fixed rate:   |                        |                     |                     |
| Senior notes and other                                  | \$ 2,460,026           | \$ 1,537,433        | \$ 1,153,131        |
| Mortgage loans and other(1)                             | 2,357,268              | 1,234,263           | 1,324,094           |
| Variable rate:  |                        |                     |                     |
| Unsecured revolving credit facilities                   | 455,578                | 40,000              | 8,466               |
| Unsecured term loan facility                            | 501,875                |                     |                     |
| Mortgage loans and other(1)                             | 405,696                | 115,258             | 215,970             |
| <b>Total</b>  | <b>\$ 6,180,443</b>    | <b>\$ 2,926,954</b> | <b>\$ 2,701,661</b> |
| <b>Percent of total debt:</b>                           |                        |                     |                     |
| Fixed rate:   |                        |                     |                     |
| Senior notes and other                                  | 39.8%                  | 52.5%               | 42.7%               |
| Mortgage loans and other(1)                             | 38.1%                  | 42.2%               | 49.0%               |
| Variable rate:  |                        |                     |                     |
| Unsecured revolving credit facilities                   | 7.4%                   | 1.4%                | 0.3%                |
| Unsecured term loan facility                            | 8.1%                   | 0.0%                | 0.0%                |
| Mortgage loans and other(1)                             | 6.6%                   | 3.9%                | 8.0%                |
| <b>Total</b>  | <b>100.0%</b>          | <b>100.0%</b>       | <b>100.0%</b>       |
| <b>Weighted average interest rate at end of period:</b> |                        |                     |                     |
| Fixed rate:   |                        |                     |                     |
| Senior notes and other                                  | 5.3%                   | 5.1%                | 6.3%                |
| Mortgage loans and other(1)                             | 6.1%                   | 6.2%                | 6.3%                |
| Variable rate:  |                        |                     |                     |
| Unsecured revolving credit facilities                   | 1.4%                   | 3.1%                | 3.1%                |
| Unsecured term loan facility                            | 1.8%                   | N/A                 | N/A                 |
| Mortgage loans and other(1)                             | 2.0%                   | 1.5%                | 2.0%                |
| <b>Total</b>  | <b>4.8%</b>            | <b>5.4%</b>         | <b>6.0%</b>         |

(1)

The amounts presented above exclude debt related to real estate assets classified as held for sale as of December 31, 2011. The total mortgage debt for these properties as of December 31, 2011 was \$14.6 million.

The variable rate debt in the table above reflects, in part, the effect of \$167.6 million notional amount of interest rate swaps with a maturity of February 1, 2013 that effectively convert fixed rate debt to variable rate debt. The increase in our outstanding variable rate debt from December 31, 2010 is primarily attributable to debt assumed in connection with the ASLG and NHP acquisitions, borrowings under our variable rate term loan facility and borrowings under our unsecured revolving credit facility. 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, 2011, 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, 2011), and

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assuming no change in our variable rate debt outstanding as of December 31, 2011, interest expense for 2012 would increase, and our net income would decrease, by approximately \$13.5 million, or \$0.05 per diluted common share. The fair value of our fixed and variable rate debt is based on current interest rates at which we could obtain similar borrowings.

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

To highlight the sensitivity of our fixed rate debt to changes in interest rates, the following summary shows the effects of a hypothetical instantaneous change of 100 basis points ("BPS") in interest rates as of December 31, 2011 and 2010:

|  | As of December 31, |              |
|--|--------------------|--------------|
|  | 2011               | 2010         |
|  | (In thousands)     |              |
| Gross book value                                   | \$ 4,984,743       | \$ 2,771,695 |
| Fair value(1)                                      | 5,439,222          | 2,900,143    |
| Fair value reflecting change in interest rates:(1) |                    |              |
| -100 BPS   | 5,401,585          | 3,008,630    |
| +100 BPS   | 4,963,413          | 2,794,140    |

(1) The change in fair value of our fixed rate debt was due primarily to the overall change in interest rates and the assumption of debt in connection with the ASLG and NHP acquisitions.

We earn interest from investments in marketable debt securities on a fixed rate basis. We record these investments as available-for-sale at fair value, with unrealized gains and losses recorded as a component of other comprehensive income. Interest rate fluctuations and market conditions will cause the fair value of these investments to change. As of December 31, 2011 and 2010, the aggregate fair value of our marketable debt securities held at December 31, 2011, which had an aggregate original cost of \$37.8 million, was \$43.3 million and \$43.4 million, respectively. During 2011, we sold marketable debt securities and received proceeds of approximately \$23.1 million.

As of December 31, 2011, the fair value of our secured and unsecured loans receivable, based on our estimates of currently prevailing interest rates for comparable loans, was \$281.5 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 exchange rates that may, from time to time, affect our financial condition and results of operations. Increases or decreases in the value of the Canadian dollar impact the amount of net income we earn from our twelve seniors housing communities in Canada. Based solely on our 2011 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 \$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 provide any assurance that any such fluctuations will not have a material adverse effect on our business, financial condition, results of operations and liquidity, on our ability to

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service our indebtedness and on our ability to make distributions to our stockholders, as required for us to continue to qualify as a REIT (a "Material Adverse Effect").

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

**Concentration and Credit Risk**

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

|   | <b>As of</b>        |             |
|---|---------------------|-------------|
|   | <b>December 31,</b> |             |
|   | <b>2011</b>         | <b>2010</b> |
| <b>Investment mix by asset type(1):</b>                   |                     |             |
| Seniors housing communities                               | 66.7%               | 70.2%       |
| Skilled nursing facilities                                | 16.4%               | 11.7%       |
| MOBs  | 13.1%               | 10.8%       |
| Hospitals   | 2.6%                | 5.0%        |
| Loans receivable, net                                     | 1.1%                | 2.2%        |
| Other properties  | 0.1%                | 0.1%        |
| <b>Investment mix by tenant, operator and manager(1):</b> |                     |             |
| Atria   | 19.0%               | N/A         |
| Sunrise   | 14.4%               | 37.9%       |
| Brookdale Senior Living                                   | 13.0%               | 19.7%       |
| Kindred   | 5.0%                | 13.1%       |
| All other   | 48.6%               | 29.3%       |

(1) Ratios are based on the gross book value of real estate investments as of each reporting date (including assets held for sale as of December 31, 2011).

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|  | For the Year Ended<br>December 31, |       |       |
|--|------------------------------------|-------|-------|
|  | 2011                               | 2010  | 2009  |
| <b>Operations mix by tenant and operator and business model:</b> |                                    |       |       |
| <b>Revenues(1):</b>  |                                    |       |       |
| Senior living operations(2)                                      | 49.2%                              | 43.7% | 44.7% |
| Kindred  | 14.3%                              | 24.2% | 26.2% |
| Brookdale Senior Living  | 8.2%                               | 11.9% | 12.9% |
| All others   | 28.3%                              | 20.2% | 16.2% |
| <b>Adjusted EBITDA:</b>  |                                    |       |       |
| Senior living operations(2)                                      | 26.0%                              | 22.7% | 20.4% |
| Kindred  | 21.9%                              | 34.6% | 39.2% |
| Brookdale Senior Living  | 13.2%                              | 17.0% | 18.6% |
| All others   | 38.9%                              | 25.7% | 21.8% |
| <b>NOI:</b>  |                                    |       |       |
| Senior living operations(2)                                      | 24.3%                              | 22.2% | 20.6% |
| Kindred  | 23.2%                              | 35.6% | 38.5% |
| Brookdale Senior Living  | 13.4%                              | 17.3% | 19.1% |
| All others   | 39.1%                              | 24.9% | 21.8% |
| <b>Operations mix by geographic location(3):</b>                 |                                    |       |       |
| California   | 13.7%                              | 12.0% | 12.7% |
| New York   | 8.7%                               | 3.5%  | 3.7%  |
| Illinois   | 6.4%                               | 10.2% | 10.3% |
| Massachusetts  | 5.0%                               | 5.0%  | 5.3%  |
| Texas  | 5.0%                               | 2.7%  | 2.6%  |
| All others   | 61.2%                              | 66.6% | 65.4% |

- (1) Total revenues include medical office building and other services revenue, revenue from loans and investments and interest and other income. Revenues from properties sold or held for sale as of the reporting date are included in this presentation.
- (2) Amounts attributable to senior living operations managed by Atria for the year ended December 31, 2011 relate to the period from May 12, 2011, the date of the ASLG acquisition, through December 31, 2011.
- (3) Ratios are based on total revenues for each period presented. Total revenues includes medical office building and other services revenue, revenue from loans and investments and interest and other income. Revenues from properties sold as of the reporting date are excluded from this presentation.
- 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 or total revenues, as applicable, as computed in accordance with GAAP.

We derive a significant portion of our revenue by leasing 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 third parties, such as Atria and Sunrise, and tenants in our MOBs. For the year ended December 31, 2011, 29.4% of our Adjusted EBITDA (including amounts in discontinued operations)

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was derived from our senior living operations and MOB operations, where rental rates may fluctuate 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 revenues and operating income 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 was unable or unwilling to satisfy its obligations to us. In addition, any failure by 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 a 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 credit risk under our lease and other agreements with our tenants and borrowers by, among other things, (i) reviewing and analyzing information regarding the healthcare industry generally, publicly available information regarding tenants, and required information provided by the tenants and borrowers under our lease and other agreements, and (ii) having periodic discussions and visits with tenants, borrowers and their representatives.

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 their personnel, good faith, expertise, historical performance, technical resources and information systems, proprietary information and judgment to manage our seniors housing communities efficiently and effectively. We also rely on Atria and Sunrise 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, Atria's or Sunrise's inability or unwillingness to satisfy its obligations under those agreements, to efficiently and effectively manage our properties and 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" included in Part I, Item 1A of this Annual Report on Form 10-K.

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We are exposed to the risk that, as our triple-net leases expire, our tenants may elect not to renew those leases and, in that event, we may be unable to reposition the applicable properties on a timely basis or on the same or better economic terms, if at all. The following table summarizes our triple-net lease expirations currently scheduled to occur over the next ten years (excluding leases related to assets held for sale as of December 31, 2011):

|         | <b>Number of<br/>Properties</b> | <b>2011 Annual<br/>Rental Income</b> | <b>% of 2011 Total<br/>Triple-Net Rental<br/>Income</b> |
|---------|---------------------------------|--------------------------------------|---|
|         |                                 | <b>(Dollars in thousands)</b>        |   |
| 2012    | 10                              | \$ 1,738                             | 0.3%  |
| 2013    | 86                              | 103,682                              | 15.9  |
| 2014    | 21                              | 13,840                               | 2.1   |
| 2015    | 173                             | 168,231                              | 25.8  |
| 2016    | 28                              | 11,233                               | 1.7   |
| 2017    | 49                              | 11,920                               | 1.8   |
| 2018(1) | 23                              | 25,842                               | 4.0   |
| 2019    | 75                              | 114,290                              | 17.5  |
| 2020    | 113                             | 56,586                               | 8.7   |
| 2021    | 160                             | 91,558                               | 14.0  |

(1)

Includes sixteen assets whose current lease term expires in 2013, but for which Kindred has provided renewal notices. In certain cases, Kindred may have the right to revoke its renewal of eight of those assets currently representing approximately \$9 million of annual base rent. See "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.

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.

**Liquidity and Capital Resources**

As of December 31, 2011, we had a total of \$45.8 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, 2011, we also had escrow deposits and restricted cash of \$76.6 million and \$1.5 billion of unused borrowing capacity available under our unsecured revolving credit facility.

During 2011, 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 unsecured term loans, proceeds from our loans receivable and marketable securities portfolios, proceeds related to our litigation with HCP and cash on hand. We funded the ASLG acquisition, including deal costs, through the issuance of 24.96 million shares of our common stock, cash on hand, borrowings under our unsecured revolving credit facilities and assumed mortgage financing. We funded the NHP acquisition, including deal costs, through the issuance of 99.8 million shares of our common stock, cash on hand, borrowings under our unsecured revolving credit facilities and the assumption of debt.



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During the next twelve months, 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 our 9% senior notes due 2012 and 8<sup>1</sup>/<sub>4</sub>% senior notes due 2012; (iv) fund capital expenditures for our senior living operations and our MOB operations reportable segments; (v) fund acquisitions, including our pending Cogdell transaction, 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, including the \$600.0 million aggregate principal amount of 4.25% senior notes due 2022 that we issued in February 2012, proceeds from sales of assets and borrowings under our unsecured revolving credit facility and unsecured term loan facility. However, if any of these sources of capital is unavailable to us or is not available at an acceptable cost or if we engage in significant acquisition or investment activity, we may seek or require additional funding from debt assumptions and financings (including secured financings), dispositions of assets (in whole or in part through joint venture arrangements with third parties) and/or the issuance of secured or unsecured long-term debt or other securities. 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 meet our debt payments, 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.

We expect to fund the Cogdell transaction through borrowings under our unsecured revolving credit facility and assumed mortgage financing. Completion of the transaction is subject to the approval of Cogdell's stockholders, the sale of Cogdell's design-build and development business and certain other customary closing conditions. We expect to complete the transaction in the second quarter of 2012, although we cannot provide any assurance as to whether or when the closing will occur.

***Unsecured Revolving Credit Facility and Term Loans***

As of December 31, 2011, the aggregate borrowing capacity under our unsecured revolving credit facility was \$2.0 billion. 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. At December 31, 2011, the applicable spread was 110 basis points for Eurocurrency rate loans and 10 basis points for base rate loans. We also pay a facility fee ranging from 15 to 45 basis points per annum (based on our senior unsecured long-term debt ratings) on the aggregate revolving commitments under the unsecured revolving credit facility. At December 31, 2011, the facility fee was 17.5 basis points. Our unsecured revolving credit facility matures in October 2015, but may be extended for one year at our option, subject to the satisfaction of certain conditions. Under the terms of the unsecured revolving credit facility, our aggregate borrowing capacity may be increased to up to \$2.5 billion at our option, subject to the satisfaction of certain conditions.

The agreement governing our unsecured revolving credit facility subjects us to 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, 2011.

As of December 31, 2011, we had \$200.0 million of borrowings outstanding under an unsecured term loan that matures in September 2013. The term loan is non-amortizing and bears interest at an all-in fixed rate of 4% per annum. We may prepay the term loan at any time on or after September 27, 2012 without penalty or at any time on or after March 27, 2012 and prior to September 27, 2012 with a make-whole payment.

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As of December 31, 2011, 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, 2011). 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. Upon entering into the term loan facility, we terminated the commitments under an \$800.0 million term loan previously extended to NHP and assumed by us in connection with the NHP acquisition that was scheduled to mature in June 2012. Borrowings under the NHP term loan bore interest at the applicable LIBOR plus 150 basis points or the "Alternate Base Rate" plus 0.50%, and the NHP term loan had a 10 basis point per annum facility fee.

***Convertible Senior Notes***

In November 2011, we repaid in full \$230.0 million principal amount outstanding of our 3<sup>7</sup>/<sub>8</sub>% 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.

***Senior Notes and Other***

As of December 31, 2011, the following series of senior notes issued by our subsidiaries, Ventas Realty, Limited Partnership and Ventas Capital Corporation (collectively, the "Ventas Issuers"), were outstanding:

\$82.4 million principal amount of 9% senior notes due 2012;

\$400.0 million principal amount of 3.125% senior notes due 2015;

\$200.0 million principal amount of 6<sup>1</sup>/<sub>2</sub>% senior notes due 2016;

\$225.0 million principal amount of 6<sup>3</sup>/<sub>4</sub>% senior notes due 2017; and

\$700.0 million principal amount of 4.750% senior notes due 2021.

In connection with the NHP acquisition, our subsidiary, Nationwide Health Properties, LLC ("NHP LLC"), assumed \$991.6 million aggregate principal amount of outstanding unsecured senior notes of NHP. In July 2011, we repaid in full, at par, \$339.0 million principal amount then outstanding of NHP LLC's 6.50% senior notes due 2011 upon maturity. As of December 31, 2011, the following series of senior notes of NHP LLC were outstanding:

\$73.0 million principal amount of 8<sup>1</sup>/<sub>4</sub>% senior notes due 2012;

\$270.0 million principal amount of 6.25% senior notes due 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).

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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.

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Also in February 2012, we exercised our option to redeem all \$200.0 million principal amount outstanding of the Ventas Issuers' 6<sup>1</sup>/<sub>2</sub>% senior notes due 2016 pursuant to the terms of the indenture governing the notes. We will pay a total of \$206.5 million, plus accrued and unpaid interest, on the redemption date and expect to recognize a loss on extinguishment of debt in the first quarter of 2012.

In July 2011, we redeemed \$200.0 million principal amount outstanding of the Ventas Issuers' 6<sup>1</sup>/<sub>2</sub>% senior notes due 2016, at a redemption price equal to 103.25% of par, plus accrued and unpaid interest to the redemption date, pursuant to the call option contained in the indenture governing the notes. As a result, we paid a total of \$206.5 million, plus accrued and unpaid interest, on the redemption date and recognized a loss on extinguishment of debt of \$8.7 million during the third quarter of 2011.

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.

In November 2010, we issued and sold \$400.0 million aggregate principal amount of 3.125% senior notes due 2015, at a public offering price equal to 99.528% of par, for total proceeds of \$398.1 million, before the underwriting discount and expenses.

In October 2010, we redeemed all \$71.7 million principal amount outstanding of the Ventas Issuers' 6<sup>5</sup>/<sub>8</sub>% senior notes due 2014, at a redemption price equal to 102.21% of par, plus accrued and unpaid interest to the redemption date, pursuant to the call option contained in the indenture governing the notes. As a result, we paid a total of \$73.3 million, plus accrued and unpaid interest, on the redemption date and recognized a loss on extinguishment of debt of \$2.5 million during the fourth quarter of 2010.

In September 2010, the subsidiary guarantees on the Ventas Issuers' then outstanding senior notes (other than the 9% senior notes due 2012) were released pursuant to the terms of the indentures governing the notes.

In June 2010, we redeemed all \$142.7 million principal amount outstanding of the Ventas Issuers' 7<sup>1</sup>/<sub>8</sub>% senior notes due 2015, at a redemption price equal to 103.56% of par, plus accrued and unpaid interest to the redemption date, pursuant to the call option contained in the indenture governing the notes. As a result, we paid a total of \$147.8 million, plus accrued and unpaid interest, on the redemption date and recognized a net loss on extinguishment of debt of \$6.4 million during the second quarter of 2010.

In May 2010, we repaid in full, at par, \$1.4 million principal amount then outstanding of the Ventas Issuers' 6<sup>3</sup>/<sub>4</sub>% senior notes due 2010 upon maturity.

We may, from time to time, seek to retire or purchase additional amounts of our outstanding senior notes for cash and/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 subject us to various financial and other restrictive covenants. However, at any time we maintain investment grade ratings by both Moody's Investors Service and Standard & Poor's Ratings Services, the indentures governing the Ventas Issuers' senior notes due 2012, 2016 and 2017 provide that certain of these restrictive covenants will either be suspended or fall away. 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, 2011.

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***Mortgage Loan Obligations***

Our share of facility-level mortgage debt outstanding was \$2.7 billion and \$1.3 billion as of December 31, 2011 and 2010, respectively, and the consolidated aggregate principal amount was \$2.8 billion and \$1.3 billion as of December 31, 2011 and 2010, respectively.

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. See "Note 4 Acquisitions of Real Estate Property" of the Notes to Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K.

In February 2011, 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 in the first quarter of 2011.

During 2010, we assumed \$79.5 million of mortgage debt in connection with our acquisition of Lillibridge and its related entities. See "Note 4 Acquisitions of Real Estate Property" of the Notes to Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K.

In June 2010, we repaid \$49.8 million of mortgage loans on two of our Sunrise-managed properties in which, at that time, we had 80% ownership interests. In connection with our payment of Sunrise's share (\$9.9 million) of those mortgage loans, we acquired Sunrise's 20% noncontrolling interests in the properties.

***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 2011, our Board of Directors declared and we paid cash dividends aggregating \$2.30 per share, which exceeds 100% of our 2011 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 2012. On February 15, 2012, our Board of Directors declared the first quarter 2012 dividend of \$0.62 per share, payable in cash on March 29, 2012 to holders of record on March 9, 2012.

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 do not anticipate any inability 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 maintain and improve our triple-net leased properties. Accordingly, we do not expect to incur any major capital expenditures in connection with these 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

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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.

As a result of the NHP acquisition, we assumed certain obligations under agreements to develop seniors housing and MOB properties. The construction of these properties is funded through capital provided by us and, in some circumstances, other joint venture members. As of December 31, 2011, one seniors housing community and two MOBs were in various stages of development pursuant to our agreements. We have funded \$45.0 million through December 31, 2011 toward these development projects, and our total commitment to these projects is estimated to be between \$90 million and \$100 million over the development period.

***Equity Offerings and Related Events***

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.

In November 2011, we repaid in full \$230.0 million principal amount outstanding of our 3<sup>7</sup>/<sub>8</sub>% 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.

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 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 February 2011, we completed the sale of 5,563,000 shares of our common stock in an underwritten public offering pursuant to our shelf registration statement for \$300.0 million in aggregate proceeds.

In March 2010, we filed a shelf registration statement relating to the resale, from time to time, by the selling stockholders of shares of our common stock issued upon conversion of our 3<sup>7</sup>/<sub>8</sub>% convertible senior notes due 2011.

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We received proceeds of \$1.8 million and \$11.1 million for the years ended December 31, 2011 and 2010, respectively, from the exercises of outstanding stock options. Future proceeds from the exercises of stock options will be primarily affected by the future trading price of our common stock and the number of options outstanding. Options outstanding (excluding options we assumed in connection with the NHP acquisition) increased to 2.0 million as of December 31, 2011, from 1.7 million as of December 31, 2010. The weighted average exercise price was \$42.10 as of December 31, 2011.

We issued approximately 13,500 and 41,600 shares of common stock under the DRIP for net proceeds of \$0.6 million and \$2.1 million for the years ended December 31, 2011 and 2010, respectively. We currently offer a 1% discount on the purchase price of our stock to shareholders who reinvest their dividends and/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, 2011 and 2010:

|   | For the Year Ended<br>December 31, |            | Increase (Decrease)<br>to Cash |         |
|---|------------------------------------|------------|--------------------------------|---------|
|   | 2011                               | 2010       | \$                             | %       |
|   | (Dollars in thousands)             |            |                                |         |
| Cash and cash equivalents at beginning of period                    | \$ 21,812                          | \$ 107,397 | \$ (85,585)                    | (79.7)% |
| Net cash provided by operating activities                           | 773,197                            | 447,622    | 325,575                        | 72.7    |
| Net cash used in investing activities                               | (997,439)                          | (301,920)  | (695,519)                      | >100    |
| Net cash provided by (used in) financing activities                 | 248,282                            | (231,452)  | 479,734                        | (>100)  |
| Effect of foreign currency translation on cash and cash equivalents | (45)                               | 165        | (210)                          | (>100)  |
| Cash and cash equivalents at end of period                          | \$ 45,807                          | \$ 21,812  | \$ 23,995                      | >100%   |

**Cash Flows from Operating Activities**

Cash flows from operating activities increased in 2011 primarily due to the NHP and ASLG acquisitions, higher NOI from our senior living operations and MOB operations reportable business segments and proceeds related to our litigation with HCP, partially offset by increased merger-related expenses and deal costs, general, administrative and professional fees and deal costs and interest expense all due to our enterprise growth.

**Cash Flows from Investing Activities**

Cash used in investing activities during 2011 and 2010 consisted primarily of cash paid for our investments in real estate (\$531.6 million and \$274.4 million in 2011 and 2010, respectively), investments in loans receivable (\$628.1 million and \$38.7 million in 2011 and 2010, respectively), capital expenditures (\$50.5 million and \$18.2 million in 2011 and 2010, respectively), development project expenditures (\$47.6 million and \$1.7 million in 2011 and 2010, respectively), and the purchase of noncontrolling interests (\$3.3 million and \$42.3 million in 2011 and 2010, 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 (\$220.2 million and \$19.3 million in 2011 and 2010, respectively),

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proceeds from the sale of marketable debt securities (\$23.1 million in 2011), and proceeds from real estate disposals (\$20.6 million and \$58.2 million in 2011 and 2010, respectively).

### **Cash Flows from Financing Activities**

Cash provided by financing activities during 2011 consisted primarily of \$537.5 million of net borrowings under our unsecured revolving credit facilities, \$1.3 billion of net proceeds from the issuance of debt and \$299.8 million of net proceeds from the issuance of common stock. These cash inflows were partially offset by \$1.4 billion of debt repayments, \$526.0 million of cash dividend and distribution payments to common stockholders, unitholders and noncontrolling interest parties and \$20.0 million of payments for deferred financing costs.

Cash used in financing activities during 2010 consisted primarily of \$524.8 million of debt repayments, \$344.2 million of cash dividend and distribution payments to common stockholders and noncontrolling interest parties and \$2.7 million of payments for deferred financing costs. These uses were partially offset by \$597.4 million of proceeds from the issuance of debt and \$28.6 million of net borrowings under our unsecured revolving credit facilities.

### **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, 2011:

|  | Total               | Less than 1<br>year(5) | 1 - 3 years(6)      | 3 - 5 years(7)      | More than 5<br>years(8) |
|--|---------------------|------------------------|---------------------|---------------------|-------------------------|
|  | (In thousands)      |                        |                     |                     |                         |
| Long-term debt obligations(1)(2)(3)                          | \$ 7,961,489        | \$ 613,231             | \$ 1,742,243        | \$ 2,397,133        | \$ 3,208,882            |
| Capital lease obligations                                    | 211,097             | 9,446                  | 19,272              | 19,779              | 162,600                 |
| Acquisition commitments(4)                                   | 495,000             | 495,000                |                     |                     |                         |
| Operating obligations, including ground<br>lease obligations | 400,421             | 17,620                 | 32,346              | 27,960              | 322,495                 |
| <b>Total</b>   | <b>\$ 9,068,007</b> | <b>\$ 1,135,297</b>    | <b>\$ 1,793,861</b> | <b>\$ 2,444,872</b> | <b>\$ 3,693,977</b>     |

- 
- (1) Amounts represent contractual amounts due, including interest.
- (2) Interest on variable rate debt was based on forward rates obtained as of December 31, 2011.
- (3) The amounts presented above exclude debt related to real estate assets classified as held for sale as of December 31, 2011. The total mortgage debt for these properties as of December 31, 2011 was \$14.6 million and is scheduled to mature as follows: \$5.7 million in 2012 and \$8.9 million in 2032.
- (4) Represents our acquisition commitments related to the pending Cogdell transaction, two seniors housing communities and one MOB.
- (5) Includes \$82.4 million outstanding principal amount of the Ventas Issuers' 9% senior notes due 2012, and \$73.0 million outstanding principal amount of NHP LLC's 8<sup>1</sup>/<sub>4</sub>% senior notes due 2012.
- (6) Includes \$200.0 million of borrowings under our unsecured term loan due 2013, \$269.9 million outstanding principal amount of NHP LLC's 6.25% senior notes due 2013, \$126.9 million of borrowings under our unsecured term loan due 2015, \$400.0 million outstanding principal amount of the Ventas Issuers' 3.125% senior notes due 2015, and \$234.4 million outstanding principal amount of NHP LLC's 6% senior notes due 2015.





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- (7) Includes \$200.0 million outstanding principal amount of the Ventas Issuers' 6<sup>1</sup>/<sub>2</sub>% senior notes due 2016, \$375.0 million of borrowings under our unsecured term loan due 2017, and \$225.0 million outstanding principal amount of the Ventas Issuers' 6<sup>3</sup>/<sub>4</sub>% senior notes due 2017.
- (8) Includes \$700.0 million outstanding principal amount of the Ventas Issuers' 4.750% senior notes due 2021, \$52.4 million outstanding principal amount of NHP LLC's 6.90% senior notes due 2037, and \$23.0 million outstanding principal amount of NHP LLC's 6.59% senior notes due 2038.

As of December 31, 2011, we had \$14.9 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.

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**ITEM 8. *Financial Statements and Supplementary Data***

**Ventas, Inc.  
Index to Consolidated Financial Statements and Financial Statement Schedules**

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| <u>Report of Independent Registered Public Accounting Firm on Internal Control over Financial Reporting</u> | <u>95</u>  |
| <u>Consolidated Balance Sheets as of December 31, 2011 and 2010</u>   | <u>96</u>  |
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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 *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, 2011 was effective.

On May 12, 2011, the Company acquired substantially all of the real estate assets and working capital of privately-owned Atria Senior Living Group, Inc. (together with its affiliates, "ASLG"). On July 1, 2011, the Company acquired Nationwide Health Properties, Inc. (together with its subsidiaries, "NHP") in a stock-for-stock transaction. 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, 2011, internal control over financial reporting of the ASLG and NHP assets and operations. Total assets and total revenues related to ASLG and NHP represented 67.4% and 38.1%, respectively, of the Company's related consolidated financial statement amounts as of and for the year ended December 31, 2011.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2011 has been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in their report included herein.

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**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. as of December 31, 2011 and 2010, and the related consolidated statements of income, equity, and cash flows for each of the three years in the period ended December 31, 2011. 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, 2011 and 2010, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2011, 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, 2011, 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 22, 2012 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP  
Chicago, Illinois  
February 22, 2012

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**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 internal control over financial reporting as of December 31, 2011, 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 Atria Senior Living Group, Inc. ("ASLG") and Nationwide Health Properties, Inc. ("NHP"), which are included in the 2011 consolidated financial statements of Ventas, Inc. and constituted 67.4% and 38.1% of total assets and total revenues, respectively, as of and for the year ended December 31, 2011. 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 ASLG or NHP.

In our opinion, Ventas, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the 2011 consolidated financial statements and financial statement schedule of Ventas, Inc. and our report dated February 22, 2012 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP  
Chicago, Illinois  
February 22, 2012

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## VENTAS, INC.

## CONSOLIDATED BALANCE SHEETS

As of December 31, 2011 and 2010

(In thousands, except per share amounts)

|  | 2011                                     | 2010         |
|--|--|--------------|
|  | (In thousands, except per share amounts) |              |
| <b>Assets</b>  |  |              |
| Real estate investments:   |  |              |
| Land and improvements  | \$ 1,614,847                             | \$ 559,072   |
| Buildings and improvements   | 15,337,919                               | 6,035,295    |
| Construction in progress   | 76,638                                   | 6,519        |
| Acquired lease intangibles   | 800,858                                  | 146,813      |
|  | 17,830,262                               | 6,747,699    |
| Accumulated depreciation and amortization  | (1,916,530)                              | (1,468,180)  |
| Net real estate property   | 15,913,732                               | 5,279,519    |
| Secured loans receivable, net  | 212,577                                  | 149,263      |
| Investments in unconsolidated entities   | 105,303                                  | 15,332       |
| Net real estate investments  | 16,231,612                               | 5,444,114    |
| Cash and cash equivalents  | 45,807                                   | 21,812       |
| Escrow deposits and restricted cash  | 76,590                                   | 38,940       |
| Deferred financing costs, net  | 26,669                                   | 19,533       |
| Other assets   | 891,232                                  | 233,622      |
| Total assets   | \$ 17,271,910                            | \$ 5,758,021 |
| <b>Liabilities and equity</b>  |  |              |
| <b>Liabilities:</b>  |  |              |
| Senior notes payable and other debt  | \$ 6,429,116                             | \$ 2,900,044 |
| Accrued interest   | 37,694                                   | 19,296       |
| Accounts payable and other liabilities   | 1,085,597                                | 207,143      |
| Deferred income taxes  | 260,722                                  | 241,333      |
| Total liabilities  | 7,813,129                                | 3,367,816    |
| Redeemable OP unitholder interests   | 102,837                                  |              |
| Commitments and contingencies  |  |              |
| <b>Equity:</b>   |  |              |
| Ventas stockholders' equity:   |  |              |
| Preferred stock, \$1.00 par value; 10,000 shares authorized, unissued  |  |              |
| Common stock, \$0.25 par value; 600,000 and 300,000 shares authorized at December 31, 2011 and 2010, respectively; 288,823 and 157,279 shares issued at December 31, 2011 and 2010, respectively | 72,240                                   | 39,391       |
| Capital in excess of par value   | 9,593,583                                | 2,576,843    |
| Accumulated other comprehensive income   | 22,062                                   | 26,868       |
| Retained earnings (deficit)  | (412,181)                                | (255,628)    |
| Treasury stock, 14 shares at December 31, 2011 and 2010  | (747)                                    | (748)        |
| Total Ventas stockholders' equity  | 9,274,957                                | 2,386,726    |

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|                              |               |              |
|------------------------------|---------------|--------------|
| Noncontrolling interest      | 80,987        | 3,479        |
| Total equity                 | 9,355,944     | 2,390,205    |
| Total liabilities and equity | \$ 17,271,910 | \$ 5,758,021 |

See accompanying notes.



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## VENTAS, INC.

## CONSOLIDATED STATEMENTS OF INCOME

For the Years Ended December 31, 2011, 2010 and 2009

|   | 2011                                     | 2010       | 2009       |
|---|--|------------|------------|
|   | (In thousands, except per share amounts) |            |            |
| <b>Revenues:</b>  |  |            |            |
| Rental income:  |  |            |            |
| Triple-net leased   | \$ 652,577                               | \$ 461,709 | \$ 452,536 |
| Medical office buildings  | 167,003                                  | 69,747     | 35,922     |
|   | 819,580                                  | 531,456    | 488,458    |
| Resident fees and services  | 873,308                                  | 446,301    | 421,058    |
| Medical office building and other services revenue  | 36,471                                   | 14,098     |            |
| Income from loans and investments   | 34,415                                   | 16,412     | 13,107     |
| Interest and other income   | 1,217                                    | 484        | 842        |
| Total revenues  | 1,764,991                                | 1,008,751  | 923,465    |
| <b>Expenses:</b>  |  |            |            |
| Interest  | 236,807                                  | 175,631    | 173,810    |
| Depreciation and amortization   | 456,590                                  | 203,762    | 197,298    |
| Property-level operating expenses:  |  |            |            |
| Senior living   | 593,977                                  | 291,831    | 290,045    |
| Medical office buildings  | 57,584                                   | 24,122     | 12,768     |
|   | 651,561                                  | 315,953    | 302,813    |
| Medical office building services costs  | 27,082                                   | 9,518      |            |
| General, administrative and professional fees   | 74,537                                   | 49,830     | 38,830     |
| Loss on extinguishment of debt  | 27,604                                   | 9,791      | 6,080      |
| Litigation proceeds, net  | (202,259)                                |            |            |
| Merger-related expenses and deal costs  | 153,923                                  | 19,243     | 13,015     |
| Other   | 8,653                                    | 272        | 50         |
| Total expenses  | 1,434,498                                | 784,000    | 731,896    |
| Income before loss from unconsolidated entities, income taxes, discontinued operations and noncontrolling interest  | 330,493                                  | 224,751    | 191,569    |
| Loss from unconsolidated entities   | (52)                                     | (664)      |            |
| Income tax benefit (expense)  | 31,137                                   | (5,201)    | 1,719      |
| Income from continuing operations   | 361,578                                  | 218,886    | 193,288    |
| Discontinued operations   | 1,683                                    | 30,843     | 76,072     |
| Net income  | 363,261                                  | 249,729    | 269,360    |
| Net (loss) income attributable to noncontrolling interest (net of tax of \$0, \$2,271 and \$1,740 for the years ended December 31, 2011, 2010 and 2009, respectively) | (1,232)                                  | 3,562      | 2,865      |
| Net income attributable to common stockholders  | \$ 364,493                               | \$ 246,167 | \$ 266,495 |
| <b>Earnings per common share:</b>   |  |            |            |
| Basic:  |  |            |            |
| Income from continuing operations attributable to common stockholders   | \$ 1.59                                  | \$ 1.37    | \$ 1.25    |
| Discontinued operations   | 0.01                                     | 0.20       | 0.50       |

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|   |    |         |    |         |    |         |
|---|----|---------|----|---------|----|---------|
| Net income attributable to common stockholders                              | \$ | 1.60    | \$ | 1.57    | \$ | 1.75    |
| Diluted:  |    |         |    |         |    |         |
| Income from continuing operations attributable to common stockholders       | \$ | 1.57    | \$ | 1.36    | \$ | 1.24    |
| Discontinued operations   |    | 0.01    |    | 0.20    |    | 0.50    |
| Net income attributable to common stockholders                              | \$ | 1.58    | \$ | 1.56    | \$ | 1.74    |
| <b>Weighted average shares used in computing earnings per common share:</b> |    |         |    |         |    |         |
| Basic   |    | 228,453 |    | 156,608 |    | 152,566 |
| Diluted   |    | 230,790 |    | 157,657 |    | 152,758 |

See accompanying notes.

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## VENTAS, INC.

## CONSOLIDATED STATEMENTS OF EQUITY

For the Years Ended December 31, 2011, 2010 and 2009

|  | Common<br>Stock<br>Par<br>Value | Capital in<br>Excess of<br>Par Value | Accumulated<br>Other<br>Comprehensive<br>Income | Retained<br>Earnings<br>(Deficit) | Treasury<br>Stock | Total<br>Ventas<br>Stockholders<br>Equity | Noncontrolling<br>Interest | Total<br>Equity |
|--|---------------------------------|--------------------------------------|---|-----------------------------------|-------------------|---|----------------------------|-----------------|
| (In thousands, except per share amounts)                   |                                 |                                      |   |                                   |                   |   |                            |                 |
| Balance at January 1, 2009                                 | \$ 35,825                       | \$ 2,264,125                         | \$ (21,089)                                     | \$ (117,806)                      | \$ (457)          | \$ 2,160,598                              | \$ 19,137                  | \$ 2,179,735    |
| Comprehensive Income:                                      |                                 |                                      |   |                                   |                   |   |                            |                 |
| Net income   |                                 |                                      |   | 266,495                           |                   | 266,495                                   | 2,865                      | 269,360         |
| Foreign currency translation                               |                                 |                                      | 23,552  |                                   |                   | 23,552                                    |                            | 23,552          |
| Change in unrealized gain on<br>marketable debt securities |                                 |                                      | 17,327  |                                   |                   | 17,327                                    |                            | 17,327          |
| Other  |                                 |                                      | (121)   |                                   |                   | (121)                                     |                            | (121)           |
| Comprehensive income                                       |                                 |                                      |   |                                   |                   | 307,253                                   | 2,865                      | 310,118         |
| Net change in noncontrolling interest                      |                                 | 334                                  |   |                                   |                   | 334                                       | (3,453)                    | (3,119)         |
| Dividends to common<br>stockholders \$2.05 per share       |                                 |                                      |   | (314,399)                         |                   | (314,399)                                 |                            | (314,399)       |
| Issuance of common stock                                   | 3,266                           | 295,935                              |   |                                   |                   | 299,201                                   |                            | 299,201         |
| Issuance of common stock for stock<br>plans                | 30                              | 12,819                               |   |                                   | 175               | 13,024                                    |                            | 13,024          |
| Grant of restricted stock, net of<br>forfeitures           | 39                              | (174)                                |   |                                   | (365)             | (500)                                     |                            | (500)           |
| Balance at December 31, 2009                               | 39,160                          | 2,573,039                            | 19,669  | (165,710)                         | (647)             | 2,465,511                                 | 18,549                     | 2,484,060       |
| Comprehensive Income:                                      |                                 |                                      |   |                                   |                   |   |                            |                 |
| Net income   |                                 |                                      |   | 246,167                           |                   | 246,167                                   | 3,562                      | 249,729         |
| Foreign currency translation                               |                                 |                                      | 6,951   |                                   |                   | 6,951                                     |                            | 6,951           |
| Change in unrealized gain on<br>marketable debt securities |                                 |                                      | 354   |                                   |                   | 354                                       |                            | 354             |
| Other  |                                 |                                      | (106)   |                                   |                   | (106)                                     |                            | (106)           |
| Comprehensive income                                       |                                 |                                      |   |                                   |                   | 253,366                                   | 3,562                      | 256,928         |
| Net change in noncontrolling interest                      |                                 | (18,503)                             |   |                                   |                   | (18,503)                                  | (18,632)                   | (37,135)        |
| Dividends to common<br>stockholders \$2.14 per share       |                                 |                                      |   | (336,085)                         |                   | (336,085)                                 |                            | (336,085)       |
| Issuance of common stock for stock<br>plans                | 197                             | 21,076                               |   |                                   | 3,371             | 24,644                                    |                            | 24,644          |
| Grant of restricted stock, net of<br>forfeitures           | 34                              | 1,231                                |   |                                   | (3,472)           | (2,207)                                   |                            | (2,207)         |
| Balance at December 31, 2010                               | 39,391                          | 2,576,843                            | 26,868  | (255,628)                         | (748)             | 2,386,726                                 | 3,479                      | 2,390,205       |
| Comprehensive Income:                                      |                                 |                                      |   |                                   |                   |   |                            |                 |
| Net income (loss)  |                                 |                                      |   | 364,493                           |                   | 364,493                                   | (1,232)                    | 363,261         |
| Foreign currency translation                               |                                 |                                      | (1,944)   |                                   |                   | (1,944)                                   |                            | (1,944)         |
| Change in unrealized gain on<br>marketable debt securities |                                 |                                      | (2,691)   |                                   |                   | (2,691)                                   |                            | (2,691)         |
| Other  |                                 |                                      | (171)   |                                   |                   | (171)                                     |                            | (171)           |
| Comprehensive income                                       |                                 |                                      |   |                                   |                   | 359,687                                   | (1,232)                    | 358,455         |
| Acquisition-related activity                               | 31,181                          | 6,711,081                            |   |                                   | (4,326)           | 6,737,936                                 | 81,192                     | 6,819,128       |
| Net change in noncontrolling interest                      |                                 | (3,188)                              |   |                                   |                   | (3,188)                                   | (2,452)                    | (5,640)         |
| Dividends to common<br>stockholders \$2.30 per share       |                                 |                                      |   | (521,046)                         |                   | (521,046)                                 |                            | (521,046)       |
| Issuance of common stock                                   | 1,627                           | 297,931                              |   |                                   |                   | 299,558                                   |                            | 299,558         |

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|   |           |              |           |              |          |              |                        |
|---|-----------|--------------|-----------|--------------|----------|--------------|------------------------|
| Issuance of common stock for stock plans                        | 9         | 18,999       |           | 3,293        | 22,301   |              | 22,301                 |
| Adjust redeemable OP unitholder interests to current fair value |           | (4,442)      |           |              | (4,442)  |              | (4,442)                |
| Purchase of OP units  |           | (52)         |           |              | (52)     |              | (52)                   |
| Grant of restricted stock, net of forfeitures                   | 32        | (3,589)      |           | 1,034        | (2,523)  |              | (2,523)                |
| Balance at December 31, 2011                                    | \$ 72,240 | \$ 9,593,583 | \$ 22,062 | \$ (412,181) | \$ (747) | \$ 9,274,957 | \$ 80,987 \$ 9,355,944 |

See accompanying notes.

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## VENTAS, INC.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2011, 2010 and 2009

|   | 2011           | 2010       | 2009       |
|---|----------------|------------|------------|
|   | (In thousands) |            |            |
| Cash flows from operating activities:   |                |            |            |
| Net income  | \$ 363,261     | \$ 249,729 | \$ 269,360 |
| Adjustments to reconcile net income to net cash provided by operating activities:     |                |            |            |
| Depreciation and amortization (including amounts in discontinued operations)          | 459,704        | 206,064    | 201,258    |
| Amortization of deferred revenue and lease intangibles, net                           | (12,159)       | (1,764)    | (1,772)    |
| Other non-cash amortization   | (13,163)       | 8,750      | 6,353      |
| Change in fair value of financial instruments   | 2,959          |            |            |
| Stock-based compensation  | 19,346         | 14,078     | 11,882     |
| Straight-lining of rental income, net   | (14,885)       | (10,167)   | (11,879)   |
| Loss on extinguishment of debt  | 27,604         | 9,791      | 6,080      |
| Net gain on sale of real estate assets (including amounts in discontinued operations) |                | (25,241)   | (67,305)   |
| Gain on real estate loan investments  | (3,255)        | (915)      |            |
| Gain on sale of marketable securities   | (733)          |            |            |
| Income tax (benefit) expense  | (31,137)       | 5,201      | (1,719)    |
| Loss from unconsolidated entities   | 52             | 664        |            |
| Other   | 4,446          | (46)       | (95)       |
| Changes in operating assets and liabilities:  |                |            |            |
| Decrease (increase) in other assets   | 424            | (8,245)    | (1,514)    |
| (Decrease) increase in accrued interest   | (9,150)        | 1,311      | (3,957)    |
| (Decrease) increase in accounts payable and other liabilities                         | (20,117)       | (1,588)    | 15,409     |
| Net cash provided by operating activities   | 773,197        | 447,622    | 422,101    |
| Cash flows from investing activities:   |                |            |            |
| Net investment in real estate property  | (531,605)      | (274,441)  | (45,715)   |
| Purchase of noncontrolling interest   | (3,319)        | (42,333)   |            |
| Investment in loans receivable  | (628,133)      | (38,725)   | (13,803)   |
| Proceeds from real estate disposals   | 20,618         | 58,163     | 58,542     |
| Proceeds from loans receivable  | 220,179        | 19,291     | 8,028      |
| Proceeds from sale of marketable securities   | 23,050         |            |            |
| Proceeds from sale of investments   |                |            | 5,000      |
| Development project expenditures  | (47,591)       | (1,662)    | (2,732)    |
| Capital expenditures  | (50,473)       | (18,193)   | (11,066)   |
| Other   | (165)          | (4,020)    |            |
| Net cash used in investing activities   | (997,439)      | (301,920)  | (1,746)    |
| Cash flows from financing activities:   |                |            |            |
| Net change in borrowings under revolving credit facilities                            | 537,452        | 28,564     | (292,873)  |
| Proceeds from debt  | 1,343,640      | 597,382    | 365,682    |
| Repayment of debt   | (1,388,962)    | (524,760)  | (525,173)  |
| Payment of deferred financing costs   | (20,040)       | (2,694)    | (16,655)   |
| Issuance of common stock, net   | 299,847        |            | 299,201    |
| Cash distribution to common stockholders  | (521,046)      | (336,085)  | (314,399)  |
| Cash distribution to redeemable OP unitholders  | (2,359)        |            |            |
| Purchases of redeemable OP units  | (185)          |            |            |
| Contributions from noncontrolling interest  | 2              | 818        | 1,211      |
| Distributions to noncontrolling interest  | (2,556)        | (8,082)    | (9,869)    |
| Other   | 2,489          | 13,405     | 2,695      |
| Net cash provided by (used in) financing activities                                   | 248,282        | (231,452)  | (490,180)  |
| Net increase (decrease) in cash and cash equivalents                                  | 24,040         | (85,750)   | (69,825)   |
| Effect of foreign currency translation on cash and cash equivalents                   | (45)           | 165        | 410        |
| Cash and cash equivalents at beginning of period                                      | 21,812         | 107,397    | 176,812    |

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Cash and cash equivalents at end of period \$ 45,807 \$ 21,812 \$ 107,397

Supplemental disclosure of cash flow information:

Interest paid including swap payments and receipts \$ 257,175 \$ 161,352 \$ 175,298

Supplemental schedule of non-cash activities:

Assets and liabilities assumed from acquisitions:

Real estate investments \$10,973,093 \$ 125,846 \$ 67,781

Utilization of escrow funds held for an Internal Revenue Code Section 1031 exchange (64,995)

Other assets acquired 594,176 (385)

Debt assumed 3,651,089 125,320

Other liabilities 952,279 141 62

Deferred income tax liability 43,889

Redeemable OP unitholder interests 100,888

Noncontrolling interests 81,192 2,724

Equity issued 6,737,932

Debt transferred on the sale of assets 38,759

See accompanying notes.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Note 1 Description of Business**

Ventas, Inc. (together with its subsidiaries, unless otherwise indicated or except where the context otherwise requires, "we," "us" or "our") is a real estate investment trust ("REIT") with a geographically diverse portfolio of seniors housing and healthcare properties throughout the United States and Canada. As of December 31, 2011, we owned 1,378 properties assets located in 46 states, the District of Columbia and two Canadian provinces, consisting of: 678 seniors housing communities; 396 skilled nursing facilities; 47 hospitals; 249 MOB; and eight personal care facilities. We also were in the process of developing three properties as of December 31, 2011. We are headquartered in Chicago, Illinois and have been a constituent member of the S&P 500® Index, a leading indicator of the large cap U.S. equities market, since March 2009.

Our primary business focuses on acquiring and owning seniors housing and healthcare properties and leasing those properties to unaffiliated tenants or operating those properties through independent third party managers. Through our Lillibridge Healthcare Services, Inc. ("Lillibridge") subsidiary and our ownership interest in PMB Real Estate Services LLC ("PMBRES"), which we acquired in July 2011 in connection with our acquisition of Nationwide Health Properties, Inc. (together with its subsidiaries, "NHP"), we also provide MOB management, leasing, marketing, facility development and advisory services to highly rated hospitals and health systems throughout the United States. In addition, from time to time, we make mortgage loan and other investments relating to seniors housing and healthcare companies or properties.

As of December 31, 2011, we leased 929 properties (excluding MOB) to healthcare operating companies under "triple-net" or "absolute-net" leases that obligate the tenants to pay all property-related expenses, including maintenance, utilities, repairs, taxes, insurance and capital expenditures, and we engaged independent third parties, such as Atria Senior Living, Inc. ("Atria") and Sunrise Senior Living, Inc. (together with its subsidiaries, "Sunrise"), to manage 200 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 198 and 167 of our properties (excluding properties included in investments in unconsolidated entities), respectively, as of December 31, 2011.

**Note 2 Accounting Policies**

*Principles of Consolidation*

The accompanying Consolidated Financial Statements 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 net earnings are reduced by the portion of net earnings attributable to noncontrolling interests.

We apply Financial Accounting Standards Board ("FASB") guidance for arrangements with variable interest entities ("VIEs"), which 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 the VIE. 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

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**Note 2 Accounting Policies (Continued)**

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. At December 31, 2011, we did not have any unconsolidated VIEs.

We also apply FASB guidance related to investments in joint ventures based on the type of rights held by the limited partner(s) that 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.

***Investments in Unconsolidated Entities***

We report investments in unconsolidated entities over whose operating and financial policies we have the ability to exercise significant influence under the equity method of accounting. Under this method of accounting, our share of the investee's earnings or losses is included in our Consolidated Statements of Income.

The initial carrying value of investments in unconsolidated entities is based 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 it in our share of income or loss from unconsolidated entities. For earnings of equity method investments with non-pro rata distribution allocations, net income or loss is allocated between the partners in the joint venture based on the hypothetical liquidation at book value method (the "HLBV method"). Under the HLBV method, net income or loss is allocated between the partners based on the difference between each partner's claim on the net assets of the partnership at the end and beginning of the period, after taking into account contributions and distributions. Each partner's share of the net assets of the partnership is calculated as the amount that the partner would receive if the partnership were to liquidate all of its assets at net book value and distribute the resulting cash to creditors and partners in accordance with their respective priorities. Under this method, in any given period, we could be recording more or less



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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**Note 2 Accounting Policies (Continued)**

income than the joint venture has generated, than actual cash distributions received or than the amount we may receive in the event of an actual liquidation.

***Accounting Estimates***

The preparation of financial statements in accordance with 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 period. Actual results could differ from those estimates.

***Business Combinations***

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

We estimate the fair value of buildings 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 by considering the sales prices of similar properties in recent transactions or based on (a) internal analyses of recently acquired and existing comparable properties within our portfolio or (b) real estate tax assessed values in relation to the total value of the asset.

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

We estimate the fair value of purchase option intangible assets or 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 exercise of the purchase option. Net real estate assets for which we have recorded a tenant purchase option intangible were \$644.0 million and \$0 at December 31, 2011 and 2010, respectively.

Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Note 2 Accounting Policies (Continued)**

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

We determine 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 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 we would expect to incur to replace the instrument on the date of acquisition, and recognize any fair value adjustments related to long-term debt as effective yield adjustments over the remaining term of the instrument.

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

Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Note 2 Accounting Policies (Continued)*****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 operation. In performing this evaluation we consider market conditions as well as our intent 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. We determine the impairment loss by comparing the estimated fair value of the intangible asset to its carrying value and recognize any shortfall from fair value as a 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 in an unconsolidated joint venture may exceed the fair value. If it is determined that a decline in the fair value of our investment in an unconsolidated joint venture is other-than-temporary, and if such reduced fair value is below its carrying value, an impairment is recorded. The determination of the fair value of investments in unconsolidated joint ventures 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.

Goodwill is tested for impairment at least annually, but 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. Should the carrying value exceed fair value, we proceed with the second step. The second step of this approach requires the fair value of a reporting unit to be assigned 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 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 this evaluation of goodwill, investments in real estate and intangibles are based upon discounted future cash flow projections, which are, in turn, based upon a number of estimates and assumptions, such as revenue and expense growth rates, capitalization rates and discount rates. 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 statements. We did not record any impairment charges for the years ended December 31, 2011, 2010 and 2009.

Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Note 2 Accounting Policies (Continued)*****Assets Held for Sale and Discontinued Operations***

We sell properties from time to time for various reasons, including market conditions or the exercise of purchase options by tenants. We classify certain long-lived assets as held for sale once the criteria, as defined by applicable accounting guidance, has been met. Long-lived assets to be disposed of are reported at the lower of their carrying amount or fair value minus cost to sell and are no longer depreciated. Discontinued operations is defined as a component of an entity that has either been disposed of or is deemed to be held for sale if both the operations and cash flows of the component have been or will be eliminated from ongoing operations as a result of the disposal transaction and the entity will not have any significant continuing involvement in the operations of the component after the disposal transaction. The results of operations and any gain or loss on assets sold or held for sale are reflected in our Consolidated Statements of Income as discontinued operations for all periods presented. We have estimated interest expense allocated to discontinued operations based on property values and our weighted average interest rate or the property's mortgage interest.

***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 recognize any unamortized balances in income immediately if the loan is repaid before its contractual maturity. We regularly evaluate the collectibility of loans receivable based on several factors, including without limitation (i) corporate and facility-level financial and operational reports, (ii) compliance with any financial covenants set forth in the applicable loan agreement, (iii) the financial strength of the borrower and any guarantor, (iv) the payment history of the borrower, and (v) current economic conditions. If our evaluation of these factors indicates it is probable that we will be unable to collect all amounts due according to the terms of the applicable loan agreement, we provide a reserve against the portion of the receivable that we estimate may not be collected.

***Cash Equivalents***

Cash equivalents consist of highly liquid investments with a maturity date of three months or less when purchased. These investments are stated at cost, which approximates fair value.

***Escrow Deposits and Restricted Cash***

Escrow deposits consist of amounts held by us or our lenders to provide for future real estate tax and insurance expenditures and tenant improvements related to our properties and operations. Restricted cash represents amounts paid to us for security deposits and other similar purposes.

***Deferred Financing Costs***

We amortize deferred financing costs as a component of interest expense over the terms of the related borrowings using a method that approximates a level yield. Deferred financing costs, net of accumulated amortization, were approximately \$26.7 million and \$19.5 million at December 31, 2011

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**Note 2 Accounting Policies (Continued)**

and 2010, respectively. Amortized costs of approximately \$17.8 million, \$17.8 million and \$14.6 million were included in interest expense for the years ended December 31, 2011, 2010 and 2009, respectively.

***Marketable Debt and Equity Securities***

We record marketable debt and equity securities as available-for-sale and classify them as a component of other assets on our Consolidated Balance Sheets. We record these securities at fair value and include unrealized gains and losses recorded in stockholders' equity as a component of accumulated other comprehensive income on our Consolidated Balance Sheets. We report interest income, including discount or premium amortization, on marketable debt securities and gains or losses on securities sold, which are based on the specific identification method, in income from loans and investments in our Consolidated Statements of Income.

***Derivative Instruments***

We recognize all derivative instruments in either other assets or accounts payable and other accrued liabilities on our Consolidated Balance Sheets at fair value as of the reporting date. We recognize changes in the fair value of derivative instruments in other expenses in our Consolidated Statements of Income or accumulated other comprehensive income on our Consolidated Balance Sheets, depending on the intended use of the derivative and our designation of the instrument.

We do not use our derivative financial instruments, including interest rate caps, interest rate swaps, and foreign currency forward contracts, for trading or speculative purposes. Our interest rate caps were designated as having a hedging relationship with their underlying securities and therefore meet the criteria for hedge accounting under GAAP. Our interest rate caps are recorded on our Consolidated Balance Sheets at fair value, and we recognize changes in the fair value of these instruments in accumulated other comprehensive income on our Consolidated Balance Sheets. Our interest rate swaps (excluding the interest rate swap contract of an unconsolidated joint venture described below) and foreign currency forward contracts were not designated as having a hedging relationship with their underlying securities and therefore do not meet the criteria for hedge accounting under GAAP. Our interest rate swaps and foreign currency forward contracts are recorded on our Consolidated Balance Sheets at fair value, and we recognize changes in the fair value of these instruments in current earnings (in other expenses) in our Consolidated Statements of Income. One of our unconsolidated joint ventures is party to an interest rate swap contract that was designated as effectively hedging the variability of expected cash flows related to variable rate debt secured by a portion of its real estate portfolio. We recognize our proportionate share of the change in fair value of this swap in accumulated other comprehensive income on our Consolidated Balance Sheets.

***Fair Values of Financial Instruments***

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

Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Note 2 Accounting Policies (Continued)**

Level one inputs utilize unadjusted quoted prices for identical assets or liabilities in active markets that the reporting entity has the ability to access. Level two inputs are inputs other than quoted prices included in level one that are directly or indirectly observable for the asset or liability. Level two inputs may include quoted prices for similar assets and liabilities in active markets, as well as other inputs for the asset or liability, such as interest rates, foreign exchange rates and yield curves, which are observable at commonly quoted intervals. Level three inputs are unobservable inputs for the asset or liability, which are typically based on the reporting entity's own assumptions, as there is little, if any, related market activity. If the determination of the fair value measurement is based on inputs from different levels of the hierarchy, the level within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. Our assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

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

*Cash and cash equivalents:* The carrying amount of unrestricted cash and cash equivalents reported on our Consolidated Balance Sheets approximates fair value due to the short maturity of these instruments.

*Loans receivable:* We estimate the fair value of loans receivable by discounting 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 inputs used to measure the fair value of our loans receivable are level two and level three inputs. Additionally, we determine the valuation allowance for losses on loans receivable based on level three inputs.

*Marketable debt securities:* We estimate the fair value of marketable debt securities using quoted prices for similar assets or liabilities in active markets that we have the ability to access. The inputs used to measure the fair value of our marketable debt securities are level two inputs.

*Derivative instruments:* With the assistance of a third party, we estimate the fair value of our derivative instruments, including interest rate caps, interest rate swaps, and foreign currency forward contracts, using level two inputs. We determine the fair value of interest rate caps using forward yield curves and other relevant information. We estimate the fair value of interest rate swaps using alternative financing rates derived from market-based financing rates, forward yield curves and discount rates. We determine the fair value of foreign currency forward contracts by estimating the future values of the two currency tranches using forward exchange rates that are based on traded forward points and calculating a present value of the net amount using a discount factor based on observable traded interest rates.

*Senior notes payable and other debt:* We estimate the fair value of borrowings by discounting the future cash flows using current interest rates at which we could make similar borrowings. The inputs used to measure the fair value of our senior notes payable and other debt are level two inputs.

*Contingent consideration:* We estimate the fair value of contingent consideration using probability assessments of expected future cash flows over the period in which the obligation is expected to be settled, and by applying a discount rate that appropriately captures a market participant's view of the risk associated with the obligation. The inputs we use to determine the fair value of contingent consideration are considered level three inputs.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**Note 2 Accounting Policies (Continued)**

*Redeemable OP unitholder interests:* We estimate the fair value of redeemable OP unitholder interests based on the closing price of our common stock, as the OP Units (as defined below) may be redeemed at the election of the holder for cash or, at our option, 0.7866 shares of our common stock per unit, subject to adjustment in certain circumstances. The inputs used to measure the fair value of redeemable OP unitholder interests are level two inputs.

**Revenue Recognition**

*Triple-Net Leased Properties and MOB Operations*

Certain of our triple-net leases, including the majority of our leases with Brookdale Senior Living and the majority of leases we acquired in connection with the NHP acquisition, 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 collectability is reasonably assured. Recognizing rental income on a straight-line basis 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. At December 31, 2011 and 2010, this cumulative excess (net of allowances) totaled \$96.9 million and \$86.3 million, respectively.

Our 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 twelve to eighteen months and are cancelable by the resident upon 30 days' notice.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**Note 2 Accounting Policies (Continued)**

*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, 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, in accordance with the applicable accounting standards and our reserve policy, and we defer recognition of revenue if collectibility is not reasonably assured. We base our assessment of the collectibility of rent receivables (excluding straight-line 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 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 income and, in certain circumstances, provide a reserve against the previously recognized straight-line rent receivable asset for a 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 existing straight-line rent receivable.

***Stock-Based Compensation***

We account for stock-based compensation in accordance with FASB guidance requiring all share-based payments to employees and directors, including grants of stock options, to be recognized in our Consolidated Statements of Income generally on a straight-line basis over the requisite service period based on the fair value of the award.



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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**Note 2 Accounting Policies (Continued)**

***Gain on Sale of Assets***

We recognize sales of assets only upon the closing of the transaction with the purchaser. We record payments received from purchasers prior to closing as deposits and classify them as other assets on our Consolidated Balance Sheets. We recognize gains on assets sold using the full accrual method upon closing if the collectibility of the sales price is reasonably assured, we are not obligated to perform any significant activities after the sale to earn the profit, we have received adequate initial investment from the purchaser, and other profit recognition criteria have been satisfied. We may defer recognition of gains in whole or in part until (i) the profit is determinable, meaning that the collectibility of the sales price is reasonably assured or the amount that will not be collectible can be estimated, and (ii) the earnings process is virtually complete, meaning that we are not obliged to perform any significant activities after the sale to earn the profit.

***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 and have made no provision for REIT income and expense, other than for certain unrecognized tax benefit items. However, we record income tax expense or benefit with respect to certain of our entities that are taxed as "taxable REIT subsidiaries" under provisions similar to those applicable 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.

***Foreign Currency***

Certain of our subsidiaries' functional currencies are the local currencies of their respective countries. We translate the results of operations of our foreign subsidiaries into U.S. dollars using average rates of exchange in effect during the period, and we translate balance sheet accounts using exchange rates in effect at the end of the period. We record resulting currency translation adjustments in accumulated other comprehensive income, a component of stockholders' equity, on our Consolidated Balance Sheets. We record transaction gains and losses in our Consolidated Statements of Income.

***Segment Reporting***

As of December 31, 2011, we operated through three reportable business segments: triple-net leased properties, senior living operations and MOB operations. Our triple-net leased properties

Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Note 2 Accounting Policies (Continued)**

segment consists of acquiring and owning seniors housing and healthcare properties in the United States and leasing those properties to healthcare operating companies under "triple-net" or "absolute-net" leases that obligate the tenants to pay all property-related expenses. Our senior living operations segment consists of investments in seniors housing communities located in the United States and Canada for which we engage independent third parties, such as Atria and Sunrise, to manage the operations. Our MOB operations segment primarily consists of acquiring, owning, developing, leasing and managing MOBs.

On July 1, 2010, we completed the acquisition of businesses owned and operated by Lillibridge and its related entities and their real estate interests in 96 MOBs and ambulatory facilities. With the addition of these businesses and properties, we believed the segregation of our MOB operations into its own reportable business segment would be useful in assessing the performance of this portion of our business in the same way that management intends to review our performance and make operating decisions. Prior to the acquisition, we operated through two reportable business segments: triple-net leased properties and senior living operations. See "Note 20 Segment Information."

***Convertible Debt Instruments***

On January 1, 2009, we adopted FASB guidance relating to convertible debt instruments that may be settled in cash upon conversion. The guidance specifies that issuers of convertible debt instruments that may be settled in cash upon conversion (including partial cash settlement) should separately account for the liability and equity components in a manner that will reflect the entity's nonconvertible debt borrowing rate when interest cost is recognized in subsequent periods. Our nonconvertible debt borrowing rate at the time our convertible senior notes were issued was 6<sup>1</sup>/<sub>8</sub>%. Applying this guidance, interest expense increased and net income decreased by \$4.0 million (\$0.02 per diluted share), \$4.2 million (\$0.03 per diluted share) and \$3.9 million (\$0.03 per diluted share) for the years ended December 31, 2011, 2010 and 2009, respectively, and total equity increased by \$12.1 million at December 31, 2008, which includes the calculated equity component of \$19.5 million. In November 2011, we repaid in full \$230.0 million principal amount outstanding of our convertible notes upon maturity and issued 943,714 shares of our common stock in settlement of the conversion value in excess of the principal amount. See "Note 10 Borrowing Arrangements."

***Leases***

We include assets under capital leases within net real estate assets, and we include capital lease obligations within senior notes payable and other debt, on our Consolidated Balance Sheets. We segregate lease payments under capital lease arrangements between interest expense and a reduction to the outstanding principal balance using the effective interest method. We account for payments made pursuant to operating leases in our Consolidated Statements of Income based on actual rent paid, plus or minus a straight-line rent adjustment for leases that provide for periodic and determinable increases in base rent.

***Redeemable Limited Partnership Unitholder Interests***

In connection with the NHP acquisition, we acquired a majority interest in NHP/PMB L.P. ("NHP/PMB"), a limited partnership that was formed in 2008 to acquire properties from entities affiliated with Pacific Medical Buildings LLC. We consolidate NHP/PMB, as our wholly owned subsidiary is the general partner and exercises control of the partnership. As of December 31, 2011,

Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Note 2 Accounting Policies (Continued)**

third party investors owned 2,371,415 Class A limited partnership units in NHP/PMB ("OP Units"), which represented 28.9% of the total units then outstanding, and we owned 5,845,038 Class B limited partnership units in NHP/PMB, representing the remaining 71.1%. At any time following the first anniversary of the date of their issuance, the OP Units may be redeemed at the election of the holder for cash or, at our option, 0.7866 shares of our common stock per unit, subject to adjustment in certain circumstances. We are party by assumption to a registration rights agreement with the holders of the OP Units that requires us, subject to the terms and conditions set forth therein, to file and maintain a registration statement relating to the issuance of shares of our common stock upon redemption of OP Units. As redemption rights are outside of our control, the redeemable OP unitholder interests are classified outside of permanent equity on our Consolidated Balance Sheets. We applied the provisions of ASC Topic 480, *Distinguishing Liabilities from Equity*, to reflect the redeemable OP unitholder interests at the greater of cost or fair value. As of December 31, 2011, the fair value of the redeemable OP unitholder interests was \$102.8 million. The change in fair value from the acquisition date to December 31, 2011 has been recorded through capital in excess of par value, net of cash distributions paid and purchases by us of any OP Units. Our diluted earnings per share ("EPS") includes the effect of any potential shares outstanding from these OP Units.

***Noncontrolling Interests***

We present the portion of any equity that we do not own in entities that we control (and thus consolidate) as noncontrolling interests and classify such interests as a component of consolidated equity, separate from total Ventas stockholders' equity, on our Consolidated Balance Sheets. We account for purchases or sales of equity interests that do not result in a change of control as equity transactions, through additional paid-in capital. In addition, we include net income attributable to the noncontrolling interests in net income in our Consolidated Statements of Income and, upon a gain or loss of control, we record the interest purchased or sold, as well as any interest retained, at its fair value and recognize any gain or loss in earnings.

As of December 31, 2011 and 2010, we had controlling interests in 29 properties and six properties, respectively, owned through joint ventures. The noncontrolling interests in these properties as of December 31, 2011 and 2010 were \$81.0 million and \$3.5 million, respectively. For the years ended December 31, 2011, 2010 and 2009, we recorded a loss attributable to noncontrolling interests of \$1.2 million, income attributable to noncontrolling interests of \$3.6 million and income attributable to noncontrolling interests of \$2.9 million, respectively.

***Recently Issued or Adopted Accounting Standards***

In December 2011, the FASB issued Accounting Standards Update ("ASU") 2011-10, *Derecognition of in Substance Real Estate a Scope Clarification* ("ASU 2011-10"), which clarifies certain guidance for situations in which a reporting entity ceases to have a controlling financial interest in a subsidiary that is, in substance, real estate as a result of default on the subsidiary's nonrecourse debt. In such situations, ASU 2011-10 requires a company to apply the provisions of ASC Topic 360, *Property, Plant, and Equipment*, in determining whether it should derecognize the real estate assets. The provisions of ASU 2011-10 will be effective for us beginning with fiscal year 2013 and are not expected to have a significant impact on our Consolidated Financial Statements.

In September 2011, the FASB issued ASU 2011-08, *Testing Goodwill for Impairment* ("ASU 2011-08"), which permits companies to first assess qualitative factors to determine the likelihood

Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Note 2 Accounting Policies (Continued)**

that the fair value of a reporting unit is less than its carrying amount, before performing the current two-step analysis. If a company determines it is more likely than not that the fair value of a reporting unit is less than its carrying amount, then the company must proceed with the two-step approach to evaluating impairment. We adopted the provisions of ASU 2011-08 in 2011, and the adoption did not impact our Consolidated Financial Statements. On January 1, 2011, we adopted ASU 2010-28, *When to Perform Step 2 of the Goodwill Impairment Test for Reporting Units with Zero or Negative Carrying Amounts* ("ASU 2010-28"). ASU 2010-28 states that if a reporting unit has a carrying amount that is equal to or less than zero and there are qualitative factors that indicate it is more likely than not that a goodwill impairment exists, Step 2 of the goodwill impairment test must be performed. The adoption of ASU 2010-28 also did not impact our Consolidated Financial Statements.

In June 2011, the FASB issued ASU 2011-05, *Presentation of Comprehensive Income* ("ASU 2011-05"), which amends current guidance found in ASC Topic 220, *Comprehensive Income*. ASU 2011-05 requires entities to present comprehensive income in either: (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. The provisions of both ASU 2011-05 and ASU 2011-12 will be effective for us beginning with the first quarter of 2012.

On January 1, 2011, we adopted ASU 2010-29, *Disclosure of Supplementary Pro Forma Information for Business Combinations* ("ASU 2010-29"), affecting public entities that enter into business combinations that are material on an individual or aggregate basis. ASU 2010-29 specifies that if a public entity presents comparative financial statements, it should disclose revenues and earnings of the combined entity as though the business combination(s) that occurred during the year had occurred at the beginning of the prior annual reporting period when preparing the pro forma financial information for both the current and prior reporting periods. The guidance, which is effective for business combinations consummated in reporting periods beginning after December 15, 2010, also requires that pro forma disclosures be accompanied by a narrative description regarding the nature and amount of material, nonrecurring pro forma adjustments directly attributable to the business combination(s) included in reported pro forma revenues and earnings. We have presented supplementary pro forma information related to our acquisition of substantially all of the real estate assets and working capital of Atria Senior Living Group, Inc. (together with its affiliates, "ASLG") in May 2011 and our acquisition of NHP in July 2011 in "Note 4 Acquisitions of Real Estate Property."

In January 2010, the FASB issued ASU 2010-06, *Improving Disclosures about Fair Value Measurements* ("ASU 2010-06"), which expands required disclosures related to an entity's fair value measurements. Certain provisions of ASU 2010-06 were effective for interim and annual reporting periods beginning after December 15, 2009, and we adopted those provisions as of January 1, 2010. The remaining provisions, which were effective for interim and annual reporting periods beginning after December 15, 2010, require additional disclosures related to purchases, sales, issuances and settlements in an entity's reconciliation of recurring level three investments. We adopted those provisions of ASU 2010-06 as of January 1, 2011. The adoption of ASU 2010-06 did not impact our Consolidated Financial Statements.

Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Note 2 Accounting Policies (Continued)*****Reclassifications***

Certain prior year amounts have been reclassified to conform to the current year presentation.

**Note 3 Concentration of Credit Risk**

As of December 31, 2011, Atria, Sunrise, Brookdale Senior Living and Kindred managed or operated approximately 19.0%, 14.4%, 13.0% and 5.0%, respectively, of our real estate investments based on their gross book value (including amounts held for sale as of December 31, 2011). Also, as of December 31, 2011, seniors housing communities constituted approximately 66.7% of our real estate portfolio based on gross book value (including amounts held for sale as of December 31, 2011), with skilled nursing facilities, hospitals, MOBs and other healthcare assets collectively comprising the remaining 33.3%. Our properties were located in 46 states, the District of Columbia and two Canadian provinces as of December 31, 2011, with properties in only one state (California) accounting for more than 10% of our total revenues or net operating income ("NOI", which is defined as total revenues, excluding interest and other income, less property-level operating expenses and medical office building services costs) (including amounts in discontinued operations) for the year ended December 31, 2011. Properties in two states (California and Illinois) each accounted for more than 10% of our total revenues or NOI (including amounts in discontinued operations related to properties held for sale at December 31, 2009) for the years ended December 31, 2010 and 2009, respectively.

***Triple-Net Leased Properties***

For the years ended December 31, 2011, 2010 and 2009, approximately 14.3%, 24.2% and 26.2%, respectively, of our total revenues and 23.2%, 35.6% and 38.5%, respectively, of our total NOI (including amounts in discontinued operations) were derived from our lease agreements with Kindred. For the same periods, approximately 8.2%, 11.9% and 12.9%, respectively, of our total revenues and 13.4%, 17.3% and 19.1%, respectively, of our total NOI (including amounts in discontinued operations) were derived from our lease agreements with Brookdale Senior Living. Each of the Kindred Master Leases and our leases with Brookdale Senior Living is a triple-net lease pursuant to which the tenant is required to pay all property-level expenses and to comply with the terms of the mortgage financing documents, if any, affecting the properties.

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

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**Note 3 Concentration of Credit Risk (Continued)**

The 197 properties we lease to Kindred pursuant to the Kindred Master Leases are grouped into bundles or renewal groups (each, a "renewal group") containing a varying number of properties. All properties within a single renewal group have the same primary lease term of ten to fifteen years (commencing May 1, 1998), and each renewal group is subject to three successive five-year renewal terms at the tenant's option, provided certain conditions are satisfied.

The current lease term for ten renewal groups covering a total of 89 properties leased to Kindred (the "Renewal Assets") will expire on April 30, 2013 unless Kindred provides us with renewal notices with respect to one or more of those bundles on or before April 30, 2012. In November 2011, we received renewal notices from Kindred with respect to two renewal groups covering a total of sixteen Renewal Assets (the "Early Renewal Assets") and collectively representing approximately \$23 million of current annual base rent. In December 2011, we initiated a fair market rental reset process with respect to certain Early Renewal Assets. While we believe that aggregate annual base rent for those Early Renewal Assets is likely to increase as a result of the reset process, we cannot provide any assurance regarding the final determination of fair market rent, which is highly speculative and may be influenced by a variety of factors. In addition, in certain cases Kindred may have the right to revoke its renewal of those Early Renewal Assets for which we initiated the fair market rental reset process.

The remaining eight renewal groups covering a total of 73 Renewal Assets collectively represent approximately \$99 million of current annual base rent, and each renewal group contains six or more properties, including at least one hospital. Kindred is required to continue to perform all of its obligations under the applicable Kindred Master Lease for the Renewal Assets within any renewal group that is not renewed until expiration of the term on April 30, 2013, including without limitation payment of all rental amounts. 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 Renewal Assets with new operators. 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.

Pursuant to the terms of the Kindred Master Leases, we will have a unilateral group-by-group option to initiate a fair market rental reset process with respect to four of the eight remaining renewal groups covering a total of 37 Renewal Assets and collectively representing approximately \$43 million of current annual base rent (the "Remaining Reset Assets") should Kindred provide renewal notices with respect to one or more of those renewal groups. If we initiate the fair market rental reset process for any renewal group comprising the Remaining Reset Assets, the annual base rent for the assets in that renewal group for the first year of the renewal term (commencing May 1, 2013) will be the higher of the contractually escalated rent and fair market rent, as determined by the appraisal process set forth in the Kindred Master Leases.

We cannot provide any assurance that Kindred will elect to renew any or all of the remaining eight renewal groups whose lease expires April 30, 2013, that Kindred will not revoke its renewal of the Early Renewal Assets for which we initiated the fair market rental reset process, 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. 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.

Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Note 3 Concentration of Credit Risk (Continued)**

The current lease term for the 108 properties leased to Kindred not comprising the Renewal Assets will expire on April 30, 2015, subject to Kindred's two sequential five-year renewal options for those assets.

The following table sets forth the future contracted minimum rentals, excluding contingent rent escalations, but including straight-line rent adjustments where applicable, for all of our triple-net and MOB leases as of December 31, 2011 (excluding properties included in investments in unconsolidated entities and properties held for sale as of December 31, 2011):

|              | Kindred           | Brookdale<br>Senior<br>Living | Other               | Total               |
|--------------|-------------------|-------------------------------|---------------------|---------------------|
|              | (In thousands)    |                               |                     |                     |
| 2012         | \$ 260,530        | \$ 161,203                    | \$ 598,235          | \$ 1,019,968        |
| 2013         | 181,126           | 160,018                       | 584,414             | 925,558             |
| 2014         | 142,730           | 149,316                       | 572,206             | 864,252             |
| 2015         | 48,785            | 138,514                       | 550,927             | 738,226             |
| 2016         | 1,009             | 136,846                       | 502,890             | 640,745             |
| Thereafter   |                   | 439,387                       | 2,969,762           | 3,409,149           |
| <b>Total</b> | <b>\$ 634,180</b> | <b>\$ 1,185,284</b>           | <b>\$ 5,778,434</b> | <b>\$ 7,597,898</b> |

*Senior Living Operations*

As of December 31, 2011, Atria and Sunrise, collectively, provided comprehensive property management and accounting services with respect to 197 of our seniors housing communities for which we pay an annual management fee pursuant to long-term management agreements. Each management agreement with Atria has a term of ten years commencing in 2011, subject to successive automatic ten-year renewal periods, and each management agreement with Sunrise has a term of 30 years commencing as early as 2004. Under the Sunrise management agreements, our management fee was reduced to 3.75% of revenues generated by the applicable properties for 2011, but will revert to 6% of revenues generated by the applicable properties (with a range of 5% to 7%) for 2012 and thereafter.

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, good faith, expertise, historical performance, technical resources and information systems, proprietary information 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, Atria's or Sunrise's inability or unwillingness to satisfy its obligations under those agreements, to efficiently and effectively manage our properties or to provide timely and accurate accounting information with respect thereto could have a Material Adverse Effect on us. In addition, significant changes in Atria's or Sunrise's senior management or any adverse developments in their business and affairs or financial condition could have a Material Adverse Effect on us.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**Note 3 Concentration of Credit Risk (Continued)**

*Kindred, Brookdale Senior Living, Sunrise and Atria Information*

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

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

**Note 4 Acquisitions of Real Estate Property**

The following summarizes our acquisitions in 2011, 2010 and 2009. We engage in acquisition activity primarily to invest in additional seniors housing and healthcare properties and achieve an expected yield on investment, to grow and diversify our portfolio and revenue base and to reduce our dependence on any single tenant, operator or manager, geographic area, asset type, business model or revenue source.

*ASLG*

In May 2011, we acquired substantially all of the real estate assets and working capital of privately-owned ASLG. We funded a portion of the purchase price through the issuance of 24.96 million shares of our common stock (which shares had a total value of \$1.38 billion based on the acquisition date closing price of our common stock of \$55.33 per share). In October 2011, we cancelled 83,441 shares issued to the sellers for a working capital adjustment in accordance with the purchase agreement.

As a result of the ASLG transaction, we added to our senior living operating portfolio 117 private pay seniors housing communities and one development land parcel located primarily in affluent coastal markets such as the New York metropolitan area, New England and California. Prior to the closing, ASLG spun off its management operations to a newly formed entity, Atria, which continues to operate the acquired assets under long-term management agreements with us. For the period from May 12, 2011 through December 31, 2011, revenues attributable to the acquired assets were \$403.2 million and NOI attributable to the acquired assets was \$122.1 million.

We are accounting for the ASLG acquisition under the acquisition method in accordance with ASC Topic 805, *Business Combinations* ("ASC 805"). The following table summarizes the acquisition



Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Note 4 Acquisitions of Real Estate Property (Continued)**

date fair values of the assets acquired and liabilities assumed, which we determined using level two and level three inputs (in thousands):

|                                  |                   |
|----------------------------------|-------------------|
| Land and improvements            | \$ 341,540        |
| Buildings and improvements       | 2,876,717         |
| Acquired lease intangibles       | 160,340           |
| Other assets                     | 216,009           |
| <b>Total assets acquired</b>     | <b>3,594,606</b>  |
| Notes payable and other debt     | 1,629,212         |
| Deferred tax liability           | 44,608            |
| Other liabilities                | 202,167           |
| <b>Total liabilities assumed</b> | <b>1,875,987</b>  |
| Net assets acquired              | 1,718,619         |
| Cash acquired                    | 77,718            |
| Equity issued                    | 1,376,437         |
| <b>Total cash used</b>           | <b>\$ 264,464</b> |

The allocation of fair values of the assets acquired and liabilities assumed has changed and is subject to further adjustment from the allocation reported in "Note 4-Acquisitions of Real Estate Property" of the Notes to Consolidated Financial Statements included in Part I of our Quarterly Report on Form 10-Q for the quarter ended September 30, 2011, filed with the SEC on November 7, 2011, due primarily to reclassification adjustments for presentation, adjustments to our valuation assumptions and final purchase price settlement with the sellers in accordance with the terms of the purchase agreement. The changes to our valuation assumptions were based on more accurate information concerning the subject assets and liabilities. None of these changes had a material impact on our Consolidated Financial Statements.

Included in other assets is \$81.0 million of goodwill, which represents the excess of the purchase price over the fair value of the assets acquired and liabilities assumed as of the acquisition date. All of the goodwill was assigned to our senior living operations reportable segment, and we do not expect to deduct any of the goodwill balance for tax purposes.

As of December 31, 2011, we had incurred a total of \$53.3 million of acquisition-related costs related to the ASLG acquisition, all of which were expensed as incurred and included in merger-related expenses and deal costs in our Consolidated Statements of Income for the applicable periods. For the year ended December 31, 2011, we expensed \$48.9 million of acquisition-related costs related to the ASLG acquisition.

As partial consideration for the ASLG acquisition, the sellers received the right to earn additional amounts ("contingent consideration") based upon the achievement of certain performance metrics, including the future operating results of the acquired assets, and other factors. The contingent consideration, if any, will be payable to the sellers following the applicable measurement date for the period ending December 31, 2014 or December 31, 2015, at the election of the sellers. We cannot determine the actual amount of contingent consideration, if any, that may become due to the sellers because it is dependent on various factors, such as the future performance of the acquired assets and our equity multiple, which are subject to many risks and uncertainties beyond our control. We are also unable to estimate a range of potential outcomes for the same reason. We estimated the fair value of

Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Note 4 Acquisitions of Real Estate Property (Continued)**

contingent consideration as of the acquisition date and as of December 31, 2011 using probability assessments of expected future cash flows over the period in which the obligation is expected to be settled and applying a discount rate that appropriately captures a market participant's view of the risk associated with the obligation. This contingent consideration liability is carried on our Consolidated Balance Sheets as of December 31, 2011 at its discounted fair value, and we record any changes in its discounted fair value in earnings in our Consolidated Statements of Income. As of both December 31, 2011 and the acquisition date, the estimated discounted fair value of contingent consideration was \$44.2 million.

*NHP Acquisition*

In July 2011, we acquired NHP in a stock-for-stock transaction. Pursuant to the terms and subject to the conditions set forth in the agreement and plan of merger dated as of February 27, 2011, at the effective time of the merger, each outstanding share of NHP common stock (other than shares owned by us or any of our subsidiaries or any wholly owned subsidiary of NHP) was converted into the right to receive 0.7866 shares of our common stock, with cash paid in lieu of fractional shares. In connection with the acquisition, we paid \$105 million at closing to repay amounts then outstanding and terminated the commitments under NHP's revolving credit facility. The NHP acquisition added 643 seniors housing and healthcare properties to our portfolio (including properties owned through joint ventures). For the period from July 1, 2011 through December 31, 2011, revenues attributable to the acquired assets were \$269.1 million and NOI attributable to the acquired assets was \$245.1 million (including amounts in discontinued operations).

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

|  |                  |
|--|------------------|
| Land and improvements                      | \$ 704,315       |
| Buildings and improvements                 | 6,216,925        |
| Acquired lease intangibles                 | 503,451          |
| Investment in unconsolidated entities      | 93,553           |
| Other assets                               | 756,074          |
| <b>Total assets acquired</b>               | <b>8,274,318</b> |
| Notes payable and other debt               | 1,882,752        |
| Other liabilities                          | 744,410          |
| <b>Total liabilities assumed</b>           | <b>2,627,162</b> |
| Redeemable OP unitholder interests assumed | 100,888          |
| Noncontrolling interest assumed            | 79,773           |
| <b>Net assets acquired</b>                 | <b>5,466,495</b> |
| Cash acquired                              | 29,202           |
| Equity issued                              | 5,361,495        |
| <b>Total cash used</b>                     | <b>\$ 75,798</b> |

The allocation of fair values of the assets acquired and liabilities assumed has changed and is subject to further adjustment from the allocation reported in "Note 4 Acquisitions of Real Estate

Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Note 4 Acquisitions of Real Estate Property (Continued)**

Property" of the Notes to Consolidated Financial Statements included in Part I of our Quarterly Report on Form 10-Q for the quarter ended September 30, 2011, filed with the SEC on November 7, 2011, due primarily to reclassification adjustments for presentation, adjustments to our valuation assumptions and acquiring additional information not readily available at the date of acquisition. The changes to our valuation assumptions were based on more accurate information concerning the subject assets and liabilities. The changes related primarily to a decrease in investments in real estate of approximately \$161.6 million and a corresponding increase in other assets.

Included in other assets is \$347.9 million of goodwill, which represents the excess of the purchase price over the fair value of the assets acquired and liabilities assumed as of the acquisition date. We have allocated \$293.0 million and \$54.9 million of the goodwill balance to our triple-net leased properties and MOB operations reportable business segments, respectively, based on relative fair value. We do not expect to deduct any of the goodwill balance for tax purposes.

As of and for the year ended December 31, 2011, we had incurred a total of \$53.3 million of acquisition-related costs related to the NHP acquisition, all of which we expensed as incurred during 2011 and included in merger-related expenses and deal costs in our Consolidated Statements of Income.

*Other 2011 Acquisitions*

During 2011, we also invested approximately \$329.5 million, including the assumption of \$134.9 million in debt, in MOBs and seniors housing communities.

*Lillibridge Acquisition*

In July 2010, we completed the acquisition of businesses owned and operated by Lillibridge and its related entities and their real estate interests in 96 MOBs and ambulatory facilities for approximately \$381 million, including the assumption of \$79.5 million of mortgage debt that was not repaid in connection with the closing.

As a result of the Lillibridge acquisition, we acquired: a 100% interest in Lillibridge's property management, leasing, marketing, facility development, and advisory services business; a 100% interest in 38 MOBs; a 20% joint venture interest in 24 MOBs; and a 5% joint venture interest in 34 MOBs. We are the managing member of these joint ventures and the property manager for the joint venture properties. Two institutional third parties hold the controlling interests in these joint ventures, and we have a right of first offer on those interests. We funded the acquisition with cash on hand, borrowings under our unsecured revolving credit facilities and the assumption of mortgage debt. In connection with the acquisition, \$132.7 million of mortgage debt was repaid.

*Other 2010 Acquisitions*

During 2010, we also purchased five MOBs for a purchase price of \$36.6 million and acquired Sunrise's noncontrolling interests in 58 of our Sunrise-managed seniors housing communities for a total valuation of approximately \$186 million, including the assumption of Sunrise's share of mortgage debt totaling approximately \$144 million. The noncontrolling interests acquired represented between 15% and 25% ownership interests in the communities, and we now own 100% of all 79 of our Sunrise-managed seniors housing communities. We recorded the difference between the consideration paid and

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**Note 4 Acquisitions of Real Estate Property (Continued)**

the noncontrolling interest balance as a component of equity in capital in excess of par value on our Consolidated Balance Sheets.

***2009 Acquisitions***

During 2009, we purchased four MOBs for an aggregate purchase price of \$77.7 million, including \$1.7 million of noncontrolling interest. We own one of these MOBs through a consolidated joint venture with a partner that provides management and leasing services for the property. Additionally, in 2009, we purchased one skilled nursing facility for \$10.0 million and leased it to Brookdale Senior Living.

We also completed the development of two MOBs, both of which we consolidate, pursuant to an arrangement we entered into with a nationally recognized private developer of MOBs and healthcare facilities in 2008. That arrangement gave us the exclusive right, as part of a joint venture, to develop up to ten identified MOBs on hospital campuses in eight states.

***Pending Acquisition***

In December 2011, we signed a definitive agreement to acquire Cogdell Spencer Inc. ("Cogdell"), including its 100% ownership interest in 72 MOBs and its MOB property management business, which has existing agreements to manage 44 MOBs, in an all-cash transaction. At closing, we expect our investment in Cogdell, including our share of debt, to approximate \$760 million to \$770 million, before anticipated transaction expenses.

Pursuant to the terms of and subject to the conditions set forth in the agreement, at the effective time of the merger, each outstanding share of Cogdell common stock and each outstanding unit of limited partnership interest in Cogdell's operating partnership, Cogdell Spencer LP, will be converted into the right to receive \$4.25 per share (or unit), and each outstanding share of Cogdell's preferred stock will be converted into the right to receive \$25 per share, plus accrued and unpaid dividends through the closing. Cogdell has also reached an agreement pursuant to which, prior to the closing, Cogdell will sell its design-build and development business to an unaffiliated third party. Completion of the transaction is subject to approval of Cogdell's stockholders, the sale of Cogdell's design-build and development business and certain other customary closing conditions. We expect to complete the Cogdell transaction in the second quarter of 2012, although we cannot provide any assurance as to whether or when the transaction will occur.

Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Note 4 Acquisitions of Real Estate Property (Continued)****Unaudited Pro Forma**

The following table illustrates the effect on net income and earnings per share as if we had consummated the ASLG and NHP acquisitions as of January 1, 2010:

|   | For the Year Ended<br>December 31,          |              |
|---|---|--------------|
|   | 2011  | 2010         |
|   | (In thousands, except per<br>share amounts) |              |
| Revenues  | \$ 2,256,319                                | \$ 2,178,897 |
| Income from continuing operations attributable to common stockholders | 583,446                                     | 321,637      |
| Earnings per common share:  |   |              |
| Basic:  |   |              |
| Income from continuing operations attributable to common stockholders | \$ 2.03                                     | \$ 1.14      |
| Diluted:  |   |              |
| Income from continuing operations attributable to common stockholders | \$ 2.02                                     | \$ 1.14      |
| Weighted average shares used in computing earnings per common share:  |   |              |
| Basic   | 286,856                                     | 281,333      |
| Diluted   | 289,193                                     | 282,382      |

Acquisition-related costs related to the ASLG and NHP acquisitions are not expected to have a continuing significant impact on our financial results and therefore have been excluded from these pro forma results. The pro forma results also do not include the impact of any synergies or lower borrowing costs that we have or may achieve as a result of the acquisitions or any strategies that management has or may consider in order to continue to efficiently manage our operations, nor do they give pro forma effect to any other acquisitions, investments, dispositions or capital markets transactions that we completed during the periods presented. These pro forma results are not necessarily indicative of the operating results that would have been obtained had the ASLG and NHP acquisitions occurred at the beginning of the periods presented, nor are they necessarily indicative of future operating results.

**Note 5 Dispositions**

We present separately, as discontinued operations, in all periods presented the results of operations for all assets held for sale or disposed of during the three-year period ended December 31, 2011.

**2011 Dispositions**

During 2011, we sold two seniors housing communities and two skilled nursing facilities to tenants exercising purchase options for aggregate consideration of \$20.6 million. We recognized no gain or loss from these sales. Also, as of December 31, 2011, we classified fifteen properties as held for sale and included their operations in discontinued operations in our Consolidated Income Statements. In February 2012, we sold nine seniors housing communities for aggregate consideration of \$121.3 million,

Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Note 5 Dispositions (Continued)**

including a lease termination fee of \$1.8 million. A portion of the proceeds from the sale are being held in a Code Section 1031 exchange escrow account with a qualified intermediary. During the first quarter of 2012, we expect to recognize a gain from the sale of these assets.

**2010 Dispositions**

During 2010, we sold seven seniors housing communities for aggregate consideration of \$60.5 million, including lease termination fees of \$0.7 million, and recognized a gain from these sales of \$17.3 million.

**2009 Dispositions**

In June 2009, we sold six skilled nursing facilities to Kindred for total consideration of \$58.0 million, consisting of an aggregate sale price of \$55.7 million and a \$2.3 million lease termination fee. The proceeds from the sale were held in a Code Section 1031 exchange escrow account with a qualified intermediary and used for our acquisition of three MOB's in December 2009. We recognized a gain from the sale of these assets of \$39.3 million in 2009.

During 2009, we also sold five seniors housing communities, one hospital, one MOB and one other property to the existing tenants for an aggregate sale price of \$96.2 million and transferred related debt of \$38.8 million. We recognized a net gain from the sales of these assets of \$27.5 million in 2009.

Set forth below is a summary of the results of operations of properties sold during the years ended December 31, 2011, 2010 and 2009 or classified as held for sale as of December 31, 2011, all of which were included in our triple-net leased properties segment, with the exception of one MOB we sold during 2009 and one MOB classified as held for sale as of December 31, 2011.

|  | 2011           | 2010      | 2009      |
|--|----------------|-----------|-----------|
|  | (In thousands) |           |           |
| <b>Revenues:</b>                                 |                |           |           |
| Rental income                                    | \$ 10,071      | \$ 11,466 | \$ 16,230 |
| Interest and other income                        |                | 725       | 2,423     |
|  | 10,071         | 12,191    | 18,653    |
| <b>Expenses:</b>                                 |                |           |           |
| Interest   | 5,250          | 4,287     | 5,926     |
| Depreciation and amortization                    | 3,114          | 2,302     | 3,960     |
| Property-level operating expenses                | 24             |           |           |
|  | 8,388          | 6,589     | 9,886     |
| Income before gain on sale of real estate assets | 1,683          | 5,602     | 8,767     |
| Gain on sale of real estate assets               |                | 25,241    | 67,305    |
| Discontinued operations                          | \$ 1,683       | \$ 30,843 | \$ 76,072 |

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**Note 6 Loans Receivable**

As of December 31, 2011 and 2010, we had \$276.2 million and \$149.3 million, respectively, of net loans receivable relating to seniors housing and healthcare companies or properties.

In connection with the NHP acquisition, we acquired (i) mortgage loans receivable having an initial aggregate fair value of approximately \$271.7 million and secured by 53 seniors housing and healthcare properties and (ii) unsecured loans receivable having an initial aggregate fair value of approximately \$60.5 million.

During 2011, we made a first mortgage loan in the aggregate principal amount of \$12.9 million, bearing interest at a fixed rate of 9.0% per annum and maturing in 2016.

During 2011, we received aggregate proceeds of \$218.5 million in final repayment of eight secured loans receivable and recognized an aggregate gain of \$4.4 million (included in income from loans and investments in our Consolidated Statements of Income) in connection with these repayments for the year ended December 31, 2011.

Additionally, during 2011, we received proceeds of \$0.3 million in final repayment of one unsecured loan receivable and made additional advances under two existing unsecured loans receivable in the amount of \$6.7 million.

During 2010, we acquired at a 17% discount, a first mortgage loan in the principal amount of \$19.0 million bearing interest at a fixed rate of 9.25% per annum and maturing in 2015. During 2011, through foreclosure action, we took title to the two assets securing this mortgage loan. The carrying amount of these assets, totaling \$16.0 million, approximated the fair value of the assets at the time of foreclosure and no gain or loss was recorded in connection with obtaining title. Operations from this property were consolidated into our consolidated financial statements during 2011.

**Note 7 Investments in Unconsolidated Entities**

We report investments in unconsolidated entities, all of which we acquired in connection with our Lillibridge and NHP acquisitions, over whose operating and financial policies we have the ability to exercise significant influence under the equity method of accounting. We serve as the managing member of each unconsolidated entity and provide various services in exchange for fees and reimbursements. Total management fees earned in connection with these entities were \$5.7 million, \$1.9 million and \$0 for the years ended December 31, 2011, 2010 and 2009, respectively. Our joint venture partners have significant participating rights, and, therefore, we are not required to consolidate these entities. Additionally, these entities are viable entities controlled by equity holders with sufficient capital and, therefore, are not considered variable interest entities. At December 31, 2011 and 2010, we owned interests (ranging between 5% and 25%) in 92 properties and interests (ranging between 5% and 20%) in 58 properties, respectively, that were accounted for under the equity method. Our net investment in these properties as of December 31, 2011 and 2010 was \$105.3 million and \$15.3 million, respectively. For the years ended December 31, 2011, 2010 and 2009, we recorded a loss from unconsolidated entities of \$0.1 million, \$0.7 million and \$0, respectively.

Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Note 8 Intangibles**

The following is a summary of our intangibles as of December 31, 2011 and 2010:

|                                      | December 31, 2011   |   | December 31, 2010 |   |
|--------------------------------------|---------------------|---|-------------------|---|
|                                      | Balance             | Remaining Weighted Average Amortization Period in Years | Balance           | Remaining Weighted Average Amortization Period in Years |
| (Dollars in thousands)               |                     |   |                   |   |
| <b>Intangible assets:</b>            |                     |   |                   |   |
| Above market lease intangibles       | \$ 210,358          | 10.1  | \$ 13,232         | 7.1   |
| In-place and other lease intangibles | 590,500             | 22.4  | 133,582           | 18.3  |
| Other intangibles                    | 16,169              | 13.5  | 13,649            | 17.1  |
| Accumulated amortization             | (188,442)           | N/A   | (100,808)         | N/A   |
| Goodwill                             | 448,393             | N/A   | 19,901            | N/A   |
| <b>Net intangible assets</b>         | <b>\$ 1,076,978</b> | <b>18.5</b>   | <b>\$ 79,556</b>  | <b>16.9</b>   |
| <b>Intangible liabilities:</b>       |                     |   |                   |   |
| Below market lease intangibles       | \$ 442,612          | 15.3  | \$ 22,398         | 6.9   |
| Other lease intangibles              | 27,157              | 7.9   |                   |   |
| Accumulated amortization             | (37,607)            | N/A   | (12,495)          | N/A   |
| Purchase option intangibles          | 112,670             | N/A   |                   |   |
| <b>Net intangible liabilities</b>    | <b>\$ 544,832</b>   | <b>15.2</b>   | <b>\$ 9,903</b>   | <b>6.9</b>  |

N/A Not Applicable.

Above market lease intangibles and in-place and other lease intangibles are included in acquired lease intangibles within real estate investments on our Consolidated Balance Sheets. Other intangibles (including non-compete agreements and trade names/trademarks) and goodwill are included in other assets on our Consolidated Balance Sheets. Below market lease, other lease and purchase option intangibles are included in accounts payable and other liabilities on our Consolidated Balance Sheets. For the years ended December 31, 2011, 2010 and 2009, our net amortization related to these intangibles was \$62.5 million, \$6.9 million and \$1.9 million, respectively. The estimated net amortization related to these intangibles for each of the next five years is as follows: 2012 \$82.9 million; 2013 \$19.2 million; 2014 \$14.4 million; 2015 \$10.4 million; and 2016 \$6.4 million.

**Note 9 Other Assets**

The following is a summary of our other assets as of December 31, 2011 and 2010:

|                                     | 2011      | 2010      |
|-------------------------------------|-----------|-----------|
| (In thousands)                      |           |           |
| Straight-line rent receivables, net | \$ 96,883 | \$ 86,275 |
| Marketable debt securities          | 43,331    | 66,675    |
| Unsecured loans receivable, net     | 63,598    |           |
| Goodwill and other intangibles, net | 462,655   | 32,704    |
| Assets held for sale                | 119,290   |           |
| Other                               | 105,475   | 47,968    |



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|                    |            |            |
|--------------------|------------|------------|
| Total other assets | \$ 891,232 | \$ 233,622 |
|--------------------|------------|------------|

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Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Note 10 Borrowing Arrangements**

The following is a summary of our senior notes payable and other debt as of December 31, 2011 and 2010:

|   | 2011                | 2010                |
|---|---------------------|---------------------|
|   | (In thousands)      |                     |
| Unsecured revolving credit facilities                             | \$ 455,578          | \$ 40,000           |
| 3 <sup>7</sup> / <sub>8</sub> % Convertible Senior Notes due 2011 |                     | 230,000             |
| 9% Senior Notes due 2012  | 82,433              | 82,433              |
| 8 <sup>1</sup> / <sub>4</sub> % Senior Notes due 2012             | 72,950              |                     |
| Unsecured term loan due 2013                                      | 200,000             | 200,000             |
| 6.25% Senior Notes due 2013                                       | 269,850             |                     |
| Unsecured term loan due 2015(1)                                   | 126,875             |                     |
| 3.125% Senior Notes due 2015                                      | 400,000             | 400,000             |
| 6% Senior Notes due 2015  | 234,420             |                     |
| 6 <sup>1</sup> / <sub>2</sub> % Senior Notes due 2016             | 200,000             | 400,000             |
| Unsecured term loan due 2017(1)                                   | 375,000             |                     |
| 6 <sup>3</sup> / <sub>4</sub> % Senior Notes due 2017             | 225,000             | 225,000             |
| 4.750% Senior Notes due 2021                                      | 700,000             |                     |
| 6.90% Senior Notes due 2037                                       | 52,400              |                     |
| 6.59% Senior Notes due 2038                                       | 22,973              |                     |
| Mortgage loans and other(2)                                       | 2,762,964           | 1,349,521           |
| <b>Total</b>  | <b>6,180,443</b>    | <b>2,926,954</b>    |
| Capital lease obligations   | 143,006             |                     |
| Unamortized fair value adjustment                                 | 144,923             | 11,790              |
| Unamortized commission fees and discounts                         | (39,256)            | (38,700)            |
| <b>Senior notes payable and other debt</b>                        | <b>\$ 6,429,116</b> | <b>\$ 2,900,044</b> |

- (1) The aggregate amounts presented above represent the \$500.0 million of borrowings outstanding under our unsecured term loan facility. Certain amounts included in the 2015 tranche represent Canadian dollar borrowings.
- (2) The amounts presented above exclude debt related to real estate assets classified as held for sale as of December 31, 2011. The total mortgage debt for these properties as of December 31, 2011 was \$14.6 million, and is included in accounts payable and other liabilities on the Consolidated Balance Sheet.

As of December 31, 2011, our joint venture partners' share of total debt was \$46.6 million with respect to eight properties we owned through consolidated joint ventures. As of December 31, 2010, our joint venture partners' share of total debt was \$4.8 million with respect to three properties we owned through consolidated joint ventures. Total debt does not include our portion of debt related to investments in unconsolidated entities, which was \$131.5 million and \$45.9 million at December 31, 2011 and 2010, respectively.

Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Note 10 Borrowing Arrangements (Continued)*****Unsecured Revolving Credit Facility and Unsecured Term Loans***

We have \$2.0 billion of aggregate borrowing capacity under our unsecured revolving credit facility, which may be increased to up to \$2.5 billion at our option, subject to the satisfaction of certain conditions, and includes sublimits of (a) up to \$200 million for letters of credit, (b) up to \$200 million for swingline loans, (c) up to \$250 million for loans in certain alternative currencies, and (d) up to 50% of the facility for certain negotiated rate loans. Borrowings under our unsecured revolving credit facility bear interest at a fluctuating rate per annum (based on the applicable LIBOR for Eurocurrency rate loans and the higher of (i) the federal funds rate plus 0.50%, (ii) the administrative agent's prime rate and (iii) the applicable LIBOR plus 1.0% for base rate loans, plus, in each case, a spread based on our senior unsecured long-term debt ratings). At December 31, 2011, the applicable spread was 110 basis points for Eurocurrency rate loans and 10 basis points for base rate loans. We also pay a facility fee ranging from 15 to 45 basis points per annum (based on our senior unsecured long-term debt ratings) on the aggregate revolving commitments under our unsecured revolving credit facility. At December 31, 2011, the facility fee was 17.5 basis points. Borrowings under our unsecured revolving credit facility mature on October 16, 2015, but may be extended for an additional period of one year at our option, subject to the satisfaction of certain conditions.

Our unsecured revolving credit facility imposes certain customary restrictions on us, including restrictions pertaining to: (i) liens; (ii) investments; (iii) the incurrence of additional indebtedness; (iv) mergers, sales of assets and dissolutions; (v) certain dividend, distribution and other payments; (vi) permitted businesses; (vii) transactions with affiliates; (viii) agreements limiting certain liens; and (ix) the maintenance of certain consolidated total leverage, secured debt leverage, unsecured leverage and fixed charge coverage ratios and minimum consolidated adjusted net worth, and contains customary events of default.

At December 31, 2011, we had \$455.6 million of borrowings outstanding, \$8.3 million of outstanding letters of credit and \$1.54 billion of available borrowing capacity under our unsecured revolving credit facility. We also recognized a \$2.4 million loss on extinguishment of debt for the three months and year ended December 31, 2011, representing the write-off of unamortized deferred financing fees from our previous unsecured revolving credit facilities.

In December 2011, we entered into a new \$500.0 million unsecured term loan facility with a weighted average maturity of 4.5 years, priced at LIBOR plus 125 basis points. The term loan facility consists of a three-year tranche and a five-year tranche and includes an accordion feature that permits us to expand our borrowing capacity to up to \$900.0 million, subject to the satisfaction of certain conditions. Borrowings under the term loan facility may be made in U.S. dollars or Canadian dollars. Concurrently with the closing of the term loan facility, we terminated the commitments under an \$800.0 million term loan priced at LIBOR plus 150 basis points and scheduled to mature in June 2012, that was previously extended to NHP and assumed by us in connection with the NHP acquisition.

In September 2010, we entered into a \$200.0 million three-year unsecured term loan with Bank of America, N.A., as lender. The term loan is non-amortizing and bears interest at an all-in fixed rate of 4% per annum.

Each of the term loan facility and the term loan contains the same restrictive covenants as our unsecured revolving credit facility.

Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Note 10 Borrowing Arrangements (Continued)***Convertible Senior Notes*

In November 2011, we repaid in full \$230.0 million principal amount outstanding of our 3<sup>7</sup>/<sub>8</sub>% 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. The conversion rate of the convertible notes had been subject to adjustment in certain circumstances, including the payment of certain quarterly dividends in excess of a reference amount. To the extent the market price of our common stock exceeded the conversion price, our earnings per share were diluted. The convertible notes had a minimal dilutive impact per share for the years ended December 31, 2011, 2010 and 2009. See "Note 15 Earnings Per Share."

*Senior Notes*

As of December 31, 2011, we had \$1.6 billion aggregate principal amount of senior notes issued by our subsidiaries, Ventas Realty and Ventas Capital Corporation (collectively, the "Ventas Issuers") outstanding. Prior to 2009, we issued \$200.0 million principal amount of our 6<sup>1</sup>/<sub>2</sub>% senior notes due 2016 at a <sup>1</sup>/<sub>2</sub>% discount to par value, \$200.0 million principal amount of our 6<sup>3</sup>/<sub>4</sub>% senior notes due 2017 at a <sup>5</sup>/<sub>8</sub>% discount to par value and \$50.0 million principal amount of our 6<sup>3</sup>/<sub>8</sub>% senior notes due 2014 at a 1% discount to par value. As of December 31, 2011, we also had outstanding \$652.6 million aggregate principal amount of senior notes that were issued by NHP and assumed by our subsidiary, Nationwide Health Properties, LLC ("NHP LLC"), in connection with the NHP acquisition.

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

Also in February 2012, we exercised our option to redeem all \$200.0 million principal amount outstanding of our 6<sup>1</sup>/<sub>2</sub>% senior notes due 2016 pursuant to the terms of the indenture governing the notes. We will pay a total of \$206.5 million, plus accrued and unpaid interest, on the redemption date and expect to recognize a loss on extinguishment of debt in the first quarter of 2012.

In July 2011, we repaid in full, at par, \$339.0 million principal amount then outstanding of NHP LLC's 6.50% senior notes due 2011 upon maturity. NHP LLC's remaining senior notes outstanding bear interest at fixed rates ranging from 6.00% to 8.25% per annum and have maturity dates ranging from July 1, 2012 to July 7, 2038, subject in certain cases to earlier repayment at the option of the holders.

Also, in July 2011, we redeemed \$200.0 million principal amount outstanding of our 6<sup>1</sup>/<sub>2</sub>% senior notes due 2016, at a redemption price equal to 103.25% of par, plus accrued and unpaid interest to the redemption date, pursuant to the call option contained in the indenture governing the notes. As a result, we paid a total of \$206.5 million, plus accrued and unpaid interest, on the redemption date and recognized a loss on extinguishment of debt of \$8.7 million in the third quarter of 2011.

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.

Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Note 10 Borrowing Arrangements (Continued)**

In November 2010, we issued and sold \$400.0 million aggregate principal amount of 3.125% senior notes due 2015, at a public offering price equal to 99.528% of par, for total proceeds of \$398.1 million, before the underwriting discount and expenses.

In October 2010, we redeemed all \$71.7 million principal amount outstanding of our 6<sup>5</sup>/<sub>8</sub>% senior notes due 2014, at a redemption price equal to 102.21% of par, plus accrued and unpaid interest to the redemption date, pursuant to the call option contained in the indenture governing the notes. As a result, we paid a total of \$73.3 million, plus accrued and unpaid interest, on the redemption date and recognized a loss on extinguishment of debt of \$2.5 million during the fourth quarter of 2010.

In June 2010, we redeemed all \$142.7 million principal amount outstanding of our 7<sup>1</sup>/<sub>8</sub>% senior notes due 2015, at a redemption price equal to 103.56% of par, plus accrued and unpaid interest to the redemption date, pursuant to the call option contained in the indenture governing the notes. As a result, we paid a total of \$147.8 million, plus accrued and unpaid interest, on the redemption date and recognized a loss on extinguishment of debt of \$6.4 million during the second quarter of 2010.

In May 2010, we repaid in full, at par, \$1.4 million principal amount then outstanding of our 6<sup>3</sup>/<sub>4</sub>% senior notes due 2010 upon maturity.

During 2009, we issued and sold \$200.0 million aggregate principal amount of 6<sup>1</sup>/<sub>2</sub>% senior notes due 2016 at a 15<sup>3</sup>/<sub>4</sub>% discount to par value, for total proceeds of \$168.5 million, before the underwriting discount and expenses. We also repaid in full, at par, \$49.8 million principal amount outstanding of our 8<sup>3</sup>/<sub>4</sub>% senior notes due 2009 upon maturity, and purchased in open market transactions and/or through cash tender offers \$361.6 million of our senior notes composed of: \$121.6 million principal amount of our outstanding 6<sup>3</sup>/<sub>4</sub>% senior notes due 2010; \$109.4 million principal amount of our outstanding 9% senior notes due 2012; \$103.3 million principal amount of our outstanding 6<sup>5</sup>/<sub>8</sub>% senior notes due 2014; and \$27.3 million principal amount of our outstanding 7<sup>1</sup>/<sub>8</sub>% senior notes due 2015. We recognized a loss on extinguishment of debt of \$6.1 million related to these purchases.

All of the Ventas Issuers' senior notes are unconditionally guaranteed by Ventas. In addition, at the time of their original issuance, all of the Ventas Issuers' senior notes issued prior to November 2010 were unconditionally guaranteed, jointly and severally, on a senior unsecured basis by certain of our direct and indirect subsidiaries. In September 2010, the subsidiary guarantees on the Ventas Issuers' then outstanding senior notes (other than the 9% senior notes due 2012) were released pursuant to the terms of the indentures governing the notes. The Ventas Issuers' senior notes are part of our and the Ventas Issuers' general unsecured obligations, ranking equal in right of payment with all of our and the Ventas Issuers' existing and future senior obligations and ranking senior to all of our and the Ventas Issuers' existing and future subordinated indebtedness. However, the Ventas Issuers' senior notes are effectively subordinated to our and the Ventas Issuers' secured indebtedness, if any, to the extent of the value of the assets securing that indebtedness. The Ventas Issuers' senior notes are also structurally subordinated to the preferred equity and indebtedness, whether secured or unsecured, of our subsidiaries.

NHP LLC's senior notes are part of NHP LLC's general unsecured obligations, ranking equal in right of payment with all of NHP LLC's existing and future senior obligations and ranking senior to all of NHP LLC's existing and future subordinated indebtedness. However, NHP LLC's senior notes are effectively subordinated to NHP LLC's secured indebtedness, if any, to the extent of the value of the assets securing that indebtedness. NHP LLC's senior notes are also structurally subordinated to the preferred equity and indebtedness, whether secured or unsecured, of its subsidiaries.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**Note 10 Borrowing Arrangements (Continued)**

The Ventas Issuers may redeem each series of their senior notes and NHP LLC may redeem each series of its senior notes (other than the 6.90% senior notes due 2037 and the 6.59% senior notes due 2038), in whole at any time or in part from time to time, prior to maturity at varying redemption prices set forth in the applicable indenture, plus, in each case, accrued and unpaid interest thereon to the redemption date.

NHP LLC's 6.90% senior notes due 2037 are subject to repurchase at the option of the holders, at par, on October 1 of each of 2012, 2017 and 2027, and NHP LLC's 6.59% senior notes due 2038 are subject to repurchase at the option of the holders, at par, on July 7 of each of 2013, 2018, 2023 and 2028.

If we experience certain kinds of changes of control, the Ventas Issuers must make an offer to repurchase their 9% senior notes due 2012, 6<sup>1</sup>/<sub>2</sub>% senior notes due 2016 and 6<sup>3</sup>/<sub>4</sub>% senior notes due 2017, in whole or in part, at a purchase price in cash equal to 101% of the principal amount thereof, plus any accrued and unpaid interest to the date of purchase; provided, however, that in the event Moody's Investors Service ("Moody's") and Standard & Poor's Ratings Services ("S&P") have confirmed their ratings at Ba3 or higher and BB- or higher on the senior notes and certain other conditions are met, this repurchase obligation will not apply.

***Mortgages***

At December 31, 2011, we had 273 mortgage loans outstanding in the aggregate principal amount of \$2.8 billion and secured by 228 of our properties. Of these loans, 244 loans in the aggregate principal amount of \$2.4 billion bear interest at fixed rates ranging from 4.4% to 8.6% per annum, and 29 loans in the aggregate principal amount of \$414.6 million bear interest at variable rates ranging from 0.6% to 7.3% per annum as of December 31, 2011. At December 31, 2011, the weighted average annual rate on our fixed rate mortgage loans was 6.1%, and the weighted average annual rate on our variable rate mortgage loans was 2.0%. Our mortgage loans had a weighted average maturity of 5.8 years as of December 31, 2011.

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.

In February 2011, 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 in the first quarter of 2011.

Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Note 10 Borrowing Arrangements (Continued)***Scheduled Maturities of Borrowing Arrangements and Other Provisions*

As of December 31, 2011, our indebtedness (excluding capital lease obligations) had the following maturities:

|                         | Principal Amount<br>Due at Maturity | Unsecured<br>Revolving<br>Credit<br>Facility(1) | Scheduled<br>Periodic<br>Amortization | Total Maturities    |
|-------------------------|-------------------------------------|---|---------------------------------------|---------------------|
| (In thousands)          |                                     |   |                                       |                     |
| 2012(2)                 | \$ 267,044                          | \$  | \$ 52,273                             | \$ 319,317          |
| 2013                    | 921,890                             |   | 46,455                                | 968,345             |
| 2014                    | 237,648                             |   | 41,993                                | 279,641             |
| 2015                    | 985,647                             | 455,578   | 34,163                                | 1,475,388           |
| 2016                    | 544,370                             |   | 27,689                                | 572,059             |
| Thereafter(2)(3)        | 2,395,088                           |   | 170,605                               | 2,565,693           |
| <b>Total maturities</b> | <b>\$ 5,351,687</b>                 | <b>\$ 455,578</b>                               | <b>\$ 373,178</b>                     | <b>\$ 6,180,443</b> |

(1) At December 31, 2011, we had \$45.8 million of unrestricted cash and cash equivalents, for \$409.8 million of net borrowings outstanding under our unsecured revolving credit facility.

(2) The amounts presented above exclude debt related to real estate assets classified as held for sale as of December 31, 2011. The total mortgage debt for these properties as of December 31, 2011 was \$14.6 million and is scheduled to mature as follows: \$5.7 million in 2012 and \$8.9 million thereafter.

(3) Includes \$52.4 million aggregate principal amount of NHP LLC's 6.90% senior notes due 2037, which are subject to repurchase, at the option of the holders, on October 1 of each of 2012, 2017 and 2027, and \$23.0 million aggregate principal amount of NHP LLC's 6.59% senior notes due 2038, which are subject to repurchase, at the option of the holders, on July 7 of each of 2013, 2018, 2023 and 2028.

The instruments governing our outstanding indebtedness contain covenants that limit our ability and the ability of certain of our subsidiaries to, among other things: (i) incur debt; (ii) make certain dividends, distributions and investments; (iii) enter into certain transactions; (iv) merge, consolidate or transfer certain assets; and (v) sell assets. At any time we maintain investment grade ratings by both Moody's and S&P, the indentures governing certain series of the Ventas Issuers' senior notes provide that some of these restrictive covenants will either be suspended or fall away. The Ventas Issuers' senior notes also require us and our subsidiaries to maintain total unencumbered assets of at least 150% of our unsecured debt. Our unsecured revolving credit facility and term loans also require us to maintain certain financial covenants pertaining to, among other things, our consolidated leverage, secured debt, fixed charge coverage and net worth.

As of December 31, 2011, we were in compliance with all of these covenants.

Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Note 10 Borrowing Arrangements (Continued)***Derivatives and Hedging*

In the normal course of our business, we are exposed to the effects of interest rate movements on future cash flows under our variable rate debt obligations and foreign currency exchange rate movements on our senior living operations. We follow established risk management policies and procedures, including the use of derivative instruments, to mitigate these risks.

For interest rate exposures, we use derivatives primarily to fix the rate on our variable rate debt and to manage the cost of our borrowing obligations. We prohibit the use of derivative instruments for trading or speculative purposes, and we have a policy of entering into contracts only with major financial institutions based upon their credit ratings and other factors. When considered together with the underlying exposure that the derivative is designed to hedge, we do not expect that the use of derivatives in this manner would have any material adverse effect on our future net income or financial position.

*Capital Leases*

As of December 31, 2011, we leased eight seniors housing communities pursuant to arrangements we assumed in connection with the ASLG acquisition that are accounted for as capital leases. Under each capital lease agreement, rent is subject to increase based upon changes in the Consumer Price Index or gross revenues attributable to the property, subject to certain limits, and we have a bargain option to purchase the leased property and an option to exercise renewal terms.

Future minimum lease payments required under the capital lease agreements, including amounts that would be due under purchase options, as of December 31, 2011 are as follows (in thousands):

|                                     |                   |
|-------------------------------------|-------------------|
| 2012                                | \$ 9,446          |
| 2013                                | 9,573             |
| 2014                                | 9,699             |
| 2015                                | 9,826             |
| 2016                                | 9,953             |
| Thereafter                          | 162,600           |
| <b>Total minimum lease payments</b> | <b>211,097</b>    |
| Less: Amount related to interest    | (68,091)          |
|                                     | <b>\$ 143,006</b> |

Net assets held under capital leases are included in net real estate investments on our Consolidated Balance Sheets and totaled \$224.7 million and \$0 as of December 31, 2011 and 2010, respectively.

*Unamortized Fair Value Adjustment*

As of December 31, 2011, the unamortized fair value adjustment related to the long-term debt we assumed in connection with various acquisitions was \$144.9 million and will be recognized as effective yield adjustments over the remaining term of the instruments. The estimated aggregate amortization of the fair value adjustment related to long-term debt (reduction of interest expense) for each of the next five years is as follows: 2012 \$54.0 million; 2013 \$29.3 million; 2014 \$23.3 million; 2015 \$12.5 million; and 2016 \$6.9 million.



Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Note 11 Fair Values of Financial Instruments**

As of December 31, 2011 and 2010, the carrying amounts and fair values of our financial instruments were as follows:

|  | 2011            |            | 2010            |            |
|--|-----------------|------------|-----------------|------------|
|  | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| (In thousands)                               |                 |            |                 |            |
| <b>Assets:</b>                               |                 |            |                 |            |
| Cash and cash equivalents                    | \$ 45,807       | \$ 45,807  | \$ 21,812       | \$ 21,812  |
| Secured loans receivable, net                | 212,577         | 216,315    | 149,263         | 155,377    |
| Derivative instruments                       | 11              | 11         | 99              | 99         |
| Marketable debt securities                   | 43,331          | 43,331     | 66,675          | 66,675     |
| Unsecured loans receivable, net              | 63,598          | 65,219     |                 |            |
| <b>Liabilities:</b>                          |                 |            |                 |            |
| Senior notes payable and other debt, gross   | 6,180,443       | 6,637,691  | 2,926,954       | 3,055,435  |
| Derivative instruments and other liabilities | 80,815          | 80,815     | 3,722           | 3,722      |
| Redeemable OP unitholder interests           | 102,837         | 102,837    |                 |            |

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

At December 31, 2011, we held corporate marketable debt securities, classified as available-for-sale and included within other assets on our Consolidated Balance Sheets, having an aggregate amortized cost basis and fair value of \$41.2 million and \$43.3 million, respectively. At December 31, 2010, our marketable debt securities had an aggregate amortized cost basis and fair value of \$61.9 million and \$66.7 million, respectively. The contractual maturities of our current marketable debt securities range from October 1, 2012 to April 15, 2016. During 2011, we sold certain marketable debt securities for \$23.1 million in proceeds and recognized aggregate gains from these sales of approximately \$1.8 million (included in income from loans and investments in our Consolidated Statements of Income).

**Note 12 Stock-Based Compensation****Compensation Plans**

We have: four plans under which outstanding options to purchase common stock and/or shares or units of restricted stock have been, or may be, granted to officers, employees and non-employee directors (the 2000 Incentive Compensation Plan (Employee Plan), the 2004 Stock Plan for Directors, the 2006 Incentive Plan, and the 2006 Stock Plan for Directors); one plan under which executive officers may receive common stock in lieu of compensation (the Executive Deferred Stock Compensation Plan); and two plans under which certain directors have received or may receive common stock in lieu of director fees (the Common Stock Purchase Plan for Directors (the "Directors Stock Purchase Plan") and the Nonemployee Directors' Deferred Stock Compensation Plan). These plans are referred to collectively as the "Plans."

Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Note 12 Stock-Based Compensation (Continued)**

During the year ended December 31, 2011, we were permitted to make option, restricted stock and restricted stock unit grants and stock issuances only under the Executive Deferred Stock Compensation Plan, the Nonemployee Directors' Deferred Stock Compensation Plan, the 2006 Incentive Plan and the 2006 Stock Plan for Directors.

The number of shares initially reserved for issuance and the number of shares available for future grants or issuance under these Plans as of December 31, 2011 were as follows:

Executive Deferred Stock Compensation Plan 500,000 shares were reserved initially for issuance to our executive officers in lieu of the payment of all or a portion of their salary, at their option, and 500,000 shares were available for future issuance as of December 31, 2011.

Nonemployee Directors' Deferred Stock Compensation Plan 500,000 shares were reserved initially for issuance to nonemployee directors in lieu of the payment of all or a portion of their retainer and meeting fees, at their option, and 443,135 shares were available for future issuance as of December 31, 2011.

2006 Incentive Plan 5,000,000 shares were reserved initially for grants or issuance to employees, and 1,905,338 shares were available for future grants or issuance as of December 31, 2011. This plan replaced the 2000 Incentive Compensation Plan (Employee Plan).

2006 Stock Plan for Directors 400,000 shares were reserved initially for grants or issuance to non-employee directors and 165,313 shares were available for future grants or issuance as of December 31, 2011. This plan replaced the 2004 Stock Plan for Directors.

Under the Plans that provide for the issuance of stock options, outstanding options are exercisable at the market price on the date of grant, expire ten years from the date of grant, and vest over periods of two or three years. Vesting of certain options may accelerate upon a change of control of Ventas, as defined in the applicable Plan, and other specified events.

In connection with the NHP acquisition, we assumed certain outstanding options, shares of restricted stock and restricted stock units previously issued to NHP employees pursuant to the Nationwide Health Properties, Inc. 2005 Performance Incentive Plan, as amended (the "NHP Plan"). The outstanding awards continue to be subject to the terms and conditions of the NHP Plan and the applicable award agreements.

***Stock Options***

In determining the estimated fair value of our stock options as of the date of grant, we used the Black-Scholes option pricing model with the following assumptions:

|  | 2011             | 2010             | 2009            |
|--|------------------|------------------|-----------------|
| Risk-free interest rate  | 1.22 - 2.78%     | 2.00 - 3.45%     | 1.37 - 2.32%    |
| Dividend yield   | 6.75%            | 6.75%            | 5.75%           |
| Volatility factors of the expected market price for our common stock | 35.7 - 44.3%     | 37.1 - 44.6%     | 36.1 - 42.7%    |
| Weighted average expected life of options                            | 4.25 - 7.0 years | 4.25 - 7.0 years | 3.5 - 6.0 years |

Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Note 12 Stock-Based Compensation (Continued)**

The following is a summary of stock option activity in 2011:

| Activity                            | Shares    | Range of Exercise Prices | Weighted Average Exercise Price | Weighted Average Remaining Contractual Life (years) | Intrinsic Value (\$000's) |
|-------------------------------------|-----------|--------------------------|---------------------------------|---|---------------------------|
| Outstanding as of December 31, 2010 | 1,656,558 | \$ 11.34 - \$45.26       | \$ 38.12                        |   |                           |
| Options granted                     | 376,451   | 52.48 - 57.19            | 53.64                           |   |                           |
| Options assumed from NHP            | 108,785   | 48.60 - 48.60            | 48.60                           |   |                           |
| Options exercised                   | (94,789)  | 11.34 - 48.60            | 26.00                           |   |                           |
| Options canceled                    |           |                          |                                 |   |                           |
| Outstanding as of December 31, 2011 | 2,047,005 | 11.45 - 57.19            | 42.10                           | 6.9   | \$ 26,734                 |
| Exercisable as of December 31, 2011 | 1,685,965 | \$ 11.45 - \$57.19       | \$ 40.22                        | 6.5   | \$ 25,158                 |

Compensation costs for all share-based awards are based on the grant date fair value and are recognized on a straight-line basis during the requisite service periods. Compensation costs related to stock options for the years ended December 31, 2011, 2010 and 2009 were \$4.2 million, \$3.1 million and \$2.9 million, respectively.

A summary of the status of our nonvested stock options as of December 31, 2011 and changes during the year then ended follows:

| Activity                       | Shares    | Weighted Average Grant Date Fair Value |
|--------------------------------|-----------|--|
| Nonvested at beginning of year | 340,203   | \$ 8.33                                |
| Granted                        | 376,451   | 11.17                                  |
| Assumed from NHP               | 108,785   | 9.93                                   |
| Vested                         | (464,399) | 9.12                                   |
| Forfeited                      |           |  |
| Nonvested at end of year       | 361,040   | \$ 10.76                               |

As of December 31, 2011, we had \$1.3 million of total unrecognized compensation cost related to nonvested stock options granted under the Plans and \$0.1 million in total unrecognized compensation cost related to nonvested options assumed in the NHP acquisition. We expect to recognize that cost over a weighted average period of one year. Proceeds received from options exercised under the Plans for the years ended December 31, 2011, 2010 and 2009 were \$2.5 million, \$10.9 million and \$2.2 million, respectively.

**Restricted Stock and Restricted Stock Units**

We recognize the market value of shares of restricted stock and restricted stock units on the date of the award as stock-based compensation expense over the service period, with charges to general and administrative expenses of approximately \$15.1 million in 2011, \$11.0 million in 2010 and \$9.0 million in 2009. Restricted stock and restricted stock units generally vest over periods ranging from two to five years. The vesting of restricted stock and restricted stock units may accelerate upon a change of control of Ventas, as defined in the applicable Plan, and other specified events.

Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Note 12 Stock-Based Compensation (Continued)**

A summary of the status of our nonvested restricted stock and restricted stock units as of December 31, 2011, and changes during the year ended December 31, 2011 follows:

|                                | Restricted<br>Stock | Weighted<br>Average<br>Grant Date<br>Fair Value | Restricted<br>Stock Units | Weighted<br>Average<br>Grant Date<br>Fair Value |
|--------------------------------|---------------------|---|---------------------------|---|
| Nonvested at December 31, 2010 | 493,967             | \$ 43.10  | 4,690                     | \$ 39.28  |
| Granted                        | 393,764             | 53.33   | 2,050                     | 52.48   |
| Assumed from NHP               | 1,337               | 53.74   | 41,495                    | 53.74   |
| Vested                         | (281,090)           | 42.29   | (14,946)                  | 50.08   |
| Forfeited                      | (15,780)            | 51.22   |                           |   |
| Nonvested at December 31, 2011 | 592,198             | \$ 50.09  | 33,289                    | \$ 53.27  |

As of December 31, 2011, we had \$19.5 million of unrecognized compensation cost related to nonvested restricted stock and restricted stock units under the Plans and \$0.3 million of unrecognized compensation cost related to nonvested restricted stock and restricted stock units assumed in the NHP acquisition. We expect to recognize that cost over a weighted average period of 3.1 years.

***Employee and Director Stock Purchase Plan***

We have in effect an Employee and Director Stock Purchase Plan ("ESPP") under which our employees and directors may purchase shares of our common stock at a discount. Pursuant to the terms of the ESPP, on each purchase date, participants may purchase shares of common stock at a price not less than 90% of the market price on that date (with respect to the employee tax-favored portion of the plan) and not less than 95% of the market price on that date (with respect to the additional employee and director portion of the plan). We initially reserved 2,500,000 shares for issuance under the ESPP. As of December 31, 2011, 44,238 shares had been purchased under the ESPP and 2,455,762 shares were available for future issuance.

***Employee Benefit Plan***

We maintain a 401(K) plan that allows eligible employees to defer compensation subject to certain limitations imposed by the Code. In 2011, 2010 and 2009, we made contributions for each qualifying employee of up to 3% of his or her salary, subject to certain limitations, regardless of the employee's individual contribution. During 2011, 2010 and 2009, our aggregate contributions were approximately \$267,000, \$200,000 and \$189,000, respectively.

**Note 13 Income Taxes**

We have elected to be taxed as a REIT under the Code commencing with the year ended December 31, 1999. We have also elected for certain of our subsidiaries to be treated as taxable REIT subsidiaries ("TRS" or "TRS entities"), which are subject to federal and state income taxes. All entities other than the TRS entities are collectively referred to as "the REIT" within this Note 13.

Although we intend to continue to operate in such a manner as to enable us to qualify as a REIT, our actual qualification and taxation as a REIT depends upon our ability to meet, on a continuing basis, distribution levels, stock ownership and various qualification tests. During the years ended

Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Note 13 Income Taxes (Continued)**

December 31, 2011, 2010 and 2009, our tax treatment of distributions per common share was as follows:

|   | 2011       | 2010       | 2009      |
|---|------------|------------|-----------|
| Tax treatment of distributions:                                   |            |            |           |
| Ordinary income   | \$ 2.28131 | \$ 1.99928 | \$ 1.8356 |
| Long-term capital gain  | 0.01869    | 0.07644    | 0.1510    |
| Unrecaptured Section 1250 gain                                    |            | 0.06428    | 0.0634    |
| Distribution reported for 1099-DIV purposes                       | 2.30000    | 2.14000    | 2.0500    |
| Less: Dividend declared in prior year and taxable in current year |            |            |           |
| Distributions declared per common share outstanding               | \$ 2.30000 | \$ 2.14000 | \$ 2.0500 |

We believe we have met the annual REIT distribution requirement by payment of at least 90% of our estimated taxable income for 2011, 2010 and 2009. Our consolidated provision (benefit) for income taxes for the years ended December 31, 2011, 2010 and 2009 was as follows:

|                | 2011        | 2010     | 2009       |
|----------------|-------------|----------|------------|
| (In thousands) |             |          |            |
| Current        | \$ (4,080)  | \$ 2,459 | \$ 2,166   |
| Deferred       | (27,057)    | 2,742    | (3,885)    |
| Total          | \$ (31,137) | \$ 5,201 | \$ (1,719) |

The benefit for the year ended December 31, 2011 primarily relates to the reversal of certain income tax contingency reserves, including interest, and the deferred tax liabilities established for the ASLG acquisition. The statute of limitations with respect to our 2007 U.S. federal income tax returns expired in September 2011. We did not recognize any income tax expense as a result of the litigation proceeds that we received in the third and fourth quarters of 2011, as no income taxes are payable on these proceeds.

The deferred tax expense/benefit for the years ended December 31, 2011, 2010 and 2009 was adjusted by income tax expense of \$0 million, \$2.3 million and \$1.7 million, respectively, related to the noncontrolling interest share of net income. For the tax year ended December 31, 2011, the Canadian income tax expense included in the consolidated benefit for income taxes was \$0.5 million. For the tax years ended December 31, 2010 and 2009, the Canadian income tax benefit included in the consolidated benefit for income taxes was \$0.3 million and \$2.0 million, respectively.

Although the TRS entities were not liable for any cash federal income taxes for the year ended December 31, 2011, their federal income tax liabilities may increase in future years as we exhaust net operating loss carryforwards and as our senior living operations and MOB operations reportable segments grow. Such increases could be significant.

Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Note 13 Income Taxes (Continued)**

A reconciliation of income tax expense, which is computed by applying the federal corporate tax rate for the years ended December 31, 2011, 2010 and 2009, to the income tax benefit is as follows:

|   | 2011               | 2010            | 2009              |
|---|--------------------|-----------------|-------------------|
|   | (In thousands)     |                 |                   |
| Tax at statutory rate on earnings from continuing operations before unconsolidated entities, noncontrolling interest and income taxes | \$ 115,673         | \$ 78,663       | \$ 67,049         |
| State income taxes, net of federal benefit  | (2,396)            | 700             | (126)             |
| Increase in valuation allowance   | 9,408              | 5,705           | 7,713             |
| (Decrease) increase in ASC 740 income tax liability   | (4,084)            | 2,420           | 2,166             |
| Tax at statutory rate on earnings not subject to federal income taxes   | (151,429)          | (82,490)        | (78,176)          |
| Other differences   | 1,691              | 203             | (345)             |
| <b>Income tax (benefit) expense</b>   | <b>\$ (31,137)</b> | <b>\$ 5,201</b> | <b>\$ (1,719)</b> |

The REIT made no income tax payments for the years ended December 31, 2011, 2010 and 2009.

In connection with the Sunrise REIT and ASLG acquisitions, we established a beginning net deferred tax liability of \$306.3 million and \$44.6 million, respectively, related to temporary differences between the financial reporting and tax bases of assets and liabilities acquired (primarily property, intangible and related assets, net of net operating loss carryforwards). No net deferred tax asset or liability was recorded for the Lillibridge acquisition.

Each TRS is a tax paying component for purposes of classifying deferred tax assets and liabilities. The tax effects of temporary differences and carryforwards included in the net deferred tax liabilities at December 31, 2011, 2010 and 2009 are summarized as follows:

|   | 2011                | 2010                | 2009                |
|---|---------------------|---------------------|---------------------|
|   | (In thousands)      |                     |                     |
| Property, primarily differences in depreciation and amortization, the tax basis of land assets and the treatment of interests and certain costs | \$ (332,111)        | \$ (287,165)        | \$ (293,800)        |
| Operating loss and interest deduction carryforwards   | 343,843             | 103,733             | 86,014              |
| Expense accruals and other  | 11,511              | 3,093               | (58)                |
| Valuation allowance   | (281,954)           | (60,994)            | (45,821)            |
| <b>Net deferred tax liabilities(1)</b>  | <b>\$ (258,711)</b> | <b>\$ (241,333)</b> | <b>\$ (253,665)</b> |

(1) 2011 includes approximately \$2 million of deferred tax assets included in other assets on our Consolidated Balance Sheets.

Our net deferred tax liability increased \$17.4 million during 2011 due primarily to the initial deferred tax liability related to the ASLG acquisition. Our net deferred tax liability decreased \$12.3 million during 2010 due primarily to the purchase of Sunrise's noncontrolling interests in 58 of our seniors housing communities. See "Note 4 Acquisitions of Real Estate Property."

Due to our uncertainty regarding the realization of certain deferred tax assets, we have established valuation allowances, the majority of which relate to the net operating loss ("NOL") carryforward related to the REIT.

Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Note 13 Income Taxes (Continued)**

We are subject to corporate level taxes for any asset dispositions during the ten-year period immediately after the assets were owned by a C corporation (either prior to our REIT election, through stock acquisition or merger) ("built-in gains tax"). The amount of income potentially subject to built-in gains tax is generally equal to the lesser of the excess of the fair value of the asset over its adjusted tax basis as of the date it became a REIT asset or the actual amount of gain. Some, but not all, future gains could be offset by available NOLs.

Generally, we are subject to audit under the statute of limitations by the Internal Revenue Service ("IRS") for the year ended December 31, 2008 and subsequent years and are subject to audit by state taxing authorities for the year ended December 31, 2007 and subsequent years. We are also subject to audit by the Canada Revenue Agency ("CRA") and provincial authorities generally for periods subsequent to 2006 related to entities acquired or formed in connection with our Sunrise REIT acquisition.

At December 31, 2011, we had a combined NOL carryforward of \$240 million related to the TRS entities and an NOL carryforward related to the REIT of \$690 million (including carryforwards related to Lillibridge entities of \$10.4 million and \$16.2 million, respectively). The REIT NOL carryforward increased from 2010 by \$38.7 million and \$543.8 million due to the NHP and ASLG acquisitions, respectively. These amounts can be used to offset future taxable income (and/or taxable income for prior years if an audit determines that tax is owed), if any. The REIT will be entitled to utilize NOLs and tax credit carryforwards only to the extent that REIT taxable income exceeds our deduction for dividends paid. Lillibridge and ASLG NOL carryforwards are limited as to their utilization by Section 382 of the Code. The NOL carryforwards begin to expire in 2024 with respect to the TRS entities and in 2016 for the REIT.

As a result of our uncertainty regarding the use of existing REIT NOLs, we have not ascribed any net deferred tax benefit to REIT NOL carryforwards as of December 31, 2011 and 2010. The IRS may challenge our entitlement to these tax attributes during its review of the tax returns for the previous tax years. We believe we are entitled to these tax attributes, but we cannot provide any assurance as to the outcome of these matters.

The following table summarizes the activity related to our unrecognized tax benefits:

|  | 2011           | 2010      |
|--|----------------|-----------|
|  | (In thousands) |           |
| Balance as of January 1                                | \$ 17,868      | \$ 15,444 |
| Additions to tax positions related to the current year | 2,961          | 2,424     |
| Additions to tax positions related to prior years      | 490            |           |
| Subtractions to tax positions related to prior years   | (6,425)        |           |
| Balance as of December 31                              | \$ 14,894      | \$ 17,868 |

Included in the unrecognized tax benefits of \$14.9 million and \$17.9 million at December 31, 2011 and 2010, respectively, was \$14.6 million and \$17.3 million of tax benefits that, if recognized, would reduce our annual effective tax rate. We accrued no penalties. Interest of \$0.5 million related to the unrecognized tax benefits was accrued during 2011. We expect our unrecognized tax benefits to increase by \$3 million during 2012.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**Note 14 Commitments and Contingencies**

***Certain Obligations, Liabilities and Litigation***

We may be subject to various obligations, liabilities and litigation assumed in connection with or arising out of our acquisitions or otherwise arising in connection with our business. Some of these liabilities may be indemnified by third parties. However, if these liabilities are greater than expected or were not known to us at the time of acquisition, if we are not entitled to indemnification, or if the responsible third party fails to indemnify us for these liabilities, such obligations, liabilities and litigation could have a Material Adverse Effect on us. In addition, in connection with the sale or leasing of our properties, we may incur various obligations and liabilities, including indemnification obligations, relating to the operations of those properties, which could have a Material Adverse Effect on us.

***Other***

We are subject to certain operating and ground lease obligations that generally require fixed monthly or annual rent payments and may also include escalation clauses and renewal options. These leases have terms that expire during the next 89 years, excluding extension options. Our future minimum lease obligations under non-cancelable operating and ground leases as of December 31, 2011 were \$17.6 million in 2012, \$16.5 million in 2013, \$15.8 million in 2014, \$14.0 million in 2015, \$13.9 million in 2016, and \$322.5 million thereafter.



Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Note 15 Earnings Per Share**

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

|  | <b>For the Year Ended December 31,</b> |                   |                   |
|--|--|-------------------|-------------------|
|  | <b>2011</b>                            | <b>2010</b>       | <b>2009</b>       |
| <b>(In thousands, except per share amounts)</b>                                    |  |                   |                   |
| <b>Numerator for basic and diluted earnings per share:</b>                         |  |                   |                   |
| Income from continuing operations attributable to common stockholders              | \$ 362,810                             | \$ 215,324        | \$ 190,423        |
| Discontinued operations  | 1,683                                  | 30,843            | 76,072            |
| <b>Net income attributable to common stockholders</b>                              | <b>\$ 364,493</b>                      | <b>\$ 246,167</b> | <b>\$ 266,495</b> |
| <b>Denominator:</b>  |  |                   |                   |
| Denominator for basic earnings per share weighted average shares                   | 228,453                                | 156,608           | 152,566           |
| <b>Effect of dilutive securities:</b>  |  |                   |                   |
| Stock options  | 449                                    | 407               | 126               |
| Restricted stock awards  | 53                                     | 70                | 64                |
| OP units   | 942                                    |                   |                   |
| Convertible notes  | 893                                    | 572               | 2                 |
| <b>Denominator for diluted earnings per share adjusted weighted average shares</b> | <b>230,790</b>                         | <b>157,657</b>    | <b>152,758</b>    |
| <b>Basic earnings per share:</b>   |  |                   |                   |
| Income from continuing operations attributable to common stockholders              | \$ 1.59                                | \$ 1.37           | \$ 1.25           |
| Discontinued operations  | 0.01                                   | 0.20              | 0.50              |
| <b>Net income attributable to common stockholders</b>                              | <b>\$ 1.60</b>                         | <b>\$ 1.57</b>    | <b>\$ 1.75</b>    |
| <b>Diluted earnings per share:</b>   |  |                   |                   |
| Income from continuing operations attributable to common stockholders              | \$ 1.57                                | \$ 1.36           | \$ 1.24           |
| Discontinued operations  | 0.01                                   | 0.20              | \$ 0.50           |
| <b>Net income attributable to common stockholders</b>                              | <b>\$ 1.58</b>                         | <b>\$ 1.56</b>    | <b>\$ 1.74</b>    |

There were 309,650, 0 and 975,500 anti-dilutive options outstanding for the years ended December 31, 2011, 2010 and 2009, respectively.

**Note 16 Litigation*****Litigation Relating to the Sunrise REIT Acquisition***

On May 3, 2007, we filed a lawsuit against HCP, Inc. ("HCP") in the United States District Court for the Western District of Kentucky (the "District Court"), entitled *Ventas, Inc. v. HCP, Inc.*, Case No. 07-cv-238-JGH. We asserted claims of tortious interference with contract and tortious interference with prospective business advantage. Our complaint alleged that HCP interfered with our purchase agreement to acquire the assets and liabilities of Sunrise REIT and with the process for unitholder

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**Note 16 Litigation (Continued)**

consideration of the purchase agreement. The complaint alleged, among other things, that HCP made certain improper and misleading public statements and/or offers to acquire Sunrise REIT and that HCP's actions caused us to suffer substantial damages, including, among other things, the payment of materially greater consideration to acquire Sunrise REIT resulting from the substantial increase in the purchase price above the original contract price necessary to obtain unitholder approval and increased costs associated with the delay in closing the acquisition, including increased costs to finance the transaction as a result of the delay.

HCP brought counterclaims against us alleging misrepresentation and negligent misrepresentation by Sunrise REIT related to its sale process, claiming that we were responsible for those actions as successor. HCP sought compensatory and punitive damages. On March 25, 2009, the District Court granted us judgment on the pleadings against all counterclaims brought by HCP and dismissed HCP's counterclaims with prejudice.

On July 16, 2009, the District Court denied HCP's summary judgment motion as to our claim for tortious interference with business advantage, permitting us to present that claim against HCP at trial. The District Court granted HCP's motion for summary judgment as to our claim for tortious interference with contract and dismissed that claim. The District Court also ruled that we could not seek to recover a portion of our alleged damages.

On September 4, 2009, the jury unanimously held that HCP tortiously interfered with our business expectation to acquire Sunrise REIT at the agreed price by employing significantly wrongful means such as fraudulent misrepresentation, deceit and coercion. The jury awarded us \$101.6 million in compensatory damages, which is the full amount of damages the District Court permitted us to seek at trial. The District Court entered judgment on the jury's verdict on September 8, 2009.

On November 17, 2009, HCP appealed the District Court's judgment to the United States Court of Appeals for the Sixth Circuit (the "Sixth Circuit"). HCP argued that the judgment against it should be vacated and the case remanded for a new trial and/or that judgment should be entered in its favor as a matter of law. On November 24, 2009, we filed a cross-appeal to the Sixth Circuit.

On May 17, 2011, the Sixth Circuit unanimously affirmed the \$101.6 million jury verdict in our favor and ruled that we were entitled to seek punitive damages against HCP for its intentionally wrongful conduct. The Sixth Circuit also denied our appeal seeking additional compensatory damages and pre-judgment interest.

On July 5, 2011, the Sixth Circuit issued a mandate terminating the appellate proceedings and transferring jurisdiction back to the District Court for the enforcement of the \$101.6 million compensatory damages award and the trial for punitive damages.

On August 23, 2011, HCP paid us \$102.8 million for the judgment plus certain costs and interest.

On November 9, 2011, HCP paid us an additional \$125.0 million in final settlement of our outstanding litigation against HCP. As part of the settlement, both parties agreed to dismissals of their cases, appeals and petitions, and all aspects of the litigation were terminated.

After certain fees and expenses, the contingent fee for our outside legal counsel and donations to the Ventas Charitable Foundation, we recognized approximately \$202.3 million in net proceeds from the compensatory damages award and the final settlement in our Consolidated Statements of Income.

Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Note 16 Litigation (Continued)***Litigation Relating to the NHP Acquisition*

In the weeks following the announcement of our acquisition of NHP on February 28, 2011, purported stockholders of NHP filed seven lawsuits against NHP and its directors. Six of these lawsuits also named Ventas, Inc. as a defendant and five named our subsidiary, Needles Acquisition LLC, as a defendant. The purported stockholder plaintiffs commenced these actions in two jurisdictions: the Superior Court of the State of California, Orange County (the "California State Court"); and the Circuit Court for Baltimore City, Maryland (the "Maryland State Court"). All of these actions were brought as putative class actions, and two also purport to assert derivative claims on behalf of NHP. All of these stockholder complaints allege that NHP's directors breached certain alleged duties to NHP's stockholders by approving the merger agreement with us, and certain complaints allege that NHP aided and abetted those breaches. Those complaints that name Ventas, Inc. and Needles Acquisition LLC allege that we aided and abetted the purported breaches of certain alleged duties by NHP's directors. All of the complaints request an injunction of the merger. Certain of the complaints also seek damages.

In the California State Court, the following actions were filed purportedly on behalf of NHP stockholders: on February 28, 2011, a putative class action entitled *Palma v. Nationwide Health Properties, Inc., et al.*; on March 3, 2011, a putative class action entitled *Barker v. Nationwide Health Properties, Inc., et al.*; and on March 3, 2011, a putative class action entitled *Davis v. Nationwide Health Properties, Inc., et al.*, which was subsequently amended on March 11, 2011 under the caption *Davids v. Nationwide Health Properties, Inc., et al.* Each action names NHP and members of the NHP board of directors as defendants. The *Barker* and *Davids* actions also name Ventas, Inc. as a defendant, and the *Davids* action names Needles Acquisition LLC as a defendant. Each complaint alleges, among other things, that NHP's directors breached certain alleged duties by approving the merger agreement between us and NHP because the proposed transaction purportedly fails to maximize stockholder value and provides the directors personal benefits not shared by NHP stockholders, and the *Barker* and *Davids* actions allege that we aided and abetted those purported breaches. Along with other relief, the complaints seek an injunction against the closing of the proposed merger. On April 4, 2011, the defendants demurred and moved to stay the *Palma*, *Barker*, and *Davids* actions in favor of the parallel litigation in the Maryland State Court described below. On April 27, 2011, all three actions were consolidated pursuant to a Stipulation and Proposed Order on Consolidation of Related Actions signed by the parties on March 22, 2011. On May 12, 2011, the California State Court granted the defendants' motion to stay.

In the Maryland State Court, the following actions were filed purportedly on behalf of NHP stockholders: on March 7, 2011, a putative class action entitled *Crowley v. Nationwide Health Properties, Inc., et al.*; on March 10, 2011, a putative class action entitled *Taylor v. Nationwide Health Properties, Inc., et al.*; on March 17, 2011, a putative class action entitled *Haughey Family Trust v. Pasquale, et al.*; and on March 31, 2011, a putative class action entitled *Rappoport v. Pasquale, et al.* All four actions name NHP, its directors, Ventas, Inc. and Needles Acquisition LLC as defendants. All four actions allege, among other things, that NHP's directors breached certain alleged duties by approving the merger agreement between us and NHP because the proposed transaction purportedly fails to maximize stockholder value and provides certain directors personal benefits not shared by NHP stockholders and that we aided and abetted those purported breaches. In addition to asserting direct claims on behalf of a putative class of NHP shareholders, the *Haughey* and *Rappoport* actions purport to bring derivative claims on behalf of NHP, asserting breaches of certain alleged duties by NHP's directors in connection with their approval of the proposed transaction. All four actions seek to enjoin the proposed merger, and the *Taylor* action seeks damages.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**Note 16 Litigation (Continued)**

On March 30, 2011, pursuant to stipulation of the parties, the Maryland State Court entered an order consolidating the *Crowley, Taylor* and *Haughey* actions. The *Rappoport* action was consolidated with the other actions on April 15, 2011.

On April 1, 2011, pursuant to stipulation of the parties, the Maryland State Court entered an order: (i) certifying a class of NHP shareholders; and (ii) providing for the plaintiffs to file a consolidated amended complaint. The plaintiffs filed a consolidated amended complaint on April 19, 2011, which the defendants moved to dismiss on April 29, 2011. Plaintiffs opposed that motion on May 9, 2011. Plaintiffs moved for expedited discovery on April 19, 2011, and the defendants simultaneously opposed that motion and moved for a protective order staying discovery on April 26, 2011. The Maryland State Court denied plaintiffs' motion for expedited discovery and granted defendants' motion for a protective order on May 3, 2011. On May 6, 2011, plaintiffs moved for reconsideration of the Maryland State Court's grant of the protective order. The Maryland State Court denied the plaintiffs' motion for reconsideration on May 11, 2011. On May 27, 2011, the Maryland State Court entered an order dismissing the consolidated action with prejudice. Plaintiffs moved for reconsideration of that order on June 6, 2011.

On June 9, 2011, we and NHP agreed on a settlement in principle with the plaintiffs in the consolidated action pending in Maryland State Court, which required us and NHP to make certain supplemental disclosures to stockholders concerning the merger. We and NHP made the supplemental disclosures on June 10, 2011. The settlement is subject to appropriate documentation by the parties and approval by the Maryland State Court.

We believe that each of these actions is without merit.

***Litigation Relating to the Cogdell Acquisition***

In the weeks following the announcement of our acquisition of Cogdell on December 27, 2011, purported stockholders of Cogdell filed seven lawsuits against Cogdell and its directors. Each of these lawsuits also named Ventas, Inc. as a defendant, and certain of the lawsuits also named our subsidiaries, TH Merger Corp, Inc. and TH Merger Sub, LLC, as defendants. Plaintiffs commenced these actions in two jurisdictions: the Superior Court of the State of North Carolina, Mecklenburg County; and the Circuit Court for Baltimore City, Maryland.

Each of these actions was brought as a putative class action and alleges that Cogdell's directors breached their fiduciary duties to Cogdell's stockholders by approving the merger agreement with us. The complaints also allege that Ventas, Inc. and, in some cases, Cogdell, TH Merger Corp, Inc. and TH Merger Sub, LLC aided and abetted those purported breaches. All of the complaints request an injunction of the merger, declaratory relief, attorneys' fees and costs, and other unspecified monetary relief.

We believe that each of these actions is without merit, and the plaintiffs' claims are being vigorously contested.

***Proceedings against Tenants, Operators and Managers***

From time to time, Kindred, Brookdale Senior Living, Sunrise, Atria and our other tenants, operators and managers are parties to certain legal actions, regulatory investigations and claims arising in the conduct of their business and operations. Even though we generally are not party to these proceedings, the unfavorable resolution of any such actions, investigations or claims could, individually

Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Note 16 Litigation (Continued)**

or in the aggregate, materially adversely affect such tenants', operators' or managers' liquidity, financial condition or results of operations and their ability to satisfy their respective obligations to us, which, in turn, could have a Material Adverse Effect on us.

***Proceedings Indemnified and Defended by Third Parties***

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

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

From time to time, we are party to various legal actions, regulatory investigations and claims (some of which may not be insured) arising in connection with our senior living and MOB operations or otherwise in the course of our business. In limited circumstances, the manager of the applicable seniors housing community or MOB may be contractually obligated to indemnify, defend and hold us harmless against such actions, investigations and claims. It is the opinion of management that, except as otherwise set forth in this Note 16, the disposition of any such actions, investigations and claims that are currently pending will not, individually or in the aggregate, have a Material Adverse Effect on us. However, regardless of their merits, these matters may force us to expend significant financial resources. We are unable to predict the ultimate outcome of these actions, investigations and claims, and if management's assessment of our liability with respect thereto is incorrect, such actions, investigations and claims could have a Material Adverse Effect on us.

**Note 17 Capital Stock**

On November 15, 2011, we issued an aggregate of 943,714 shares of our common stock in settlement of the conversion value in excess of the \$230.0 million principal amount outstanding of our 3<sup>7</sup>/<sub>8</sub>% convertible senior notes due 2011 upon maturity.

On July 1, 2011, following approval by our stockholders, we amended our Amended and Restated Certificate of Incorporation, as previously amended ("Charter"), to increase the number of authorized

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**Note 17 Capital Stock (Continued)**

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.

On July 1, 2011, in connection with the NHP acquisition, we issued 99,849,106 shares of our common stock to NHP stockholders and holders of NHP equity awards (which shares had a total value of \$5.4 billion based on the July 1, 2011 closing price of our common stock of \$53.74 per share). We reserved 2,253,366 additional shares of our common stock for issuance in connection with equity awards and other convertible or exchangeable securities (specifically the OP Units) that we assumed in connection with the NHP acquisition.

On May 12, 2011, as partial consideration for the ASLG acquisition, we issued to the sellers in a private placement an aggregate of 24,958,543 shares of our common stock (which shares had a total value of \$1.38 billion based on the May 12, 2011 closing price of our common stock of \$55.33 per share). On November 2, 2011, we cancelled 83,441 shares issued to the sellers for a working capital adjustment in accordance with the purchase agreement.

In February 2011, we completed the sale of 5,563,000 shares of our common stock in an underwritten public offering pursuant to our existing shelf registration statement. We received \$300.0 million in aggregate proceeds from the sale, which we used to repay existing mortgage debt and for working capital and other general corporate purposes.

***Excess Share Provision***

In order to preserve our ability to maintain REIT status, our Charter provides that if a person acquires beneficial ownership of more than 9% of our outstanding common stock or 9.9% of our outstanding preferred stock, the shares that are beneficially owned in excess of such limit are deemed to be excess shares. These shares 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 shares and the trustee may exercise all voting power over the shares.

We have the right to buy the excess shares for a purchase price equal to the lesser of the price per share in the transaction that created the excess shares or the market price on the date we buy the shares, and we may defer payment of the purchase price for the excess shares for up to five years. If we do not purchase the excess shares, the trustee of the trust is required to transfer the excess shares at the direction of the Board of Directors. The owner of the excess shares is entitled to receive the lesser of the proceeds from the sale or the original purchase price for such excess shares, and any additional amounts are payable to the beneficiary of the trust.

Our Board of Directors is empowered to grant waivers from the excess share provisions of our Charter.

***Distribution Reinvestment and Stock Purchase Plan***

Under our Distribution Reinvestment and Stock Purchase Plan ("DRIP"), 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. Existing stockholders and new investors also may purchase shares of our common stock under the DRIP by making optional cash payments, subject to certain limits. We currently offer a 1% discount on the purchase price of our common stock to shareholders who reinvest their dividends and/or make optional cash purchases through the DRIP. The

Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Note 17 Capital Stock (Continued)**

amount and availability of this discount is at our discretion. The granting of a discount for one month or quarter, as applicable, will not insure the availability or amount of a discount in future periods, and each month or quarter, as applicable, we may lower or eliminate the discount without prior notice. We may also, without prior notice, change our determination as to whether common shares will be purchased by the plan administrator directly from us or in the open market.

***Accumulated Other Comprehensive Income***

|   | As of December 31, |           |
|---|--------------------|-----------|
|   | 2011               | 2010      |
|   | (In thousands)     |           |
| Foreign currency translation                  | \$ 21,066          | \$ 23,010 |
| Unrealized gain on marketable debt securities | 2,103              | 4,794     |
| Other   | (1,107)            | (936)     |
| Total accumulated other comprehensive income  | \$ 22,062          | \$ 26,868 |

**Note 18 Related Party Transactions**

In December 2011, we entered into a joint venture with Pacific Medical Buildings LLC to develop a new MOB to be located on the Sutter Medical Center Castro Valley campus. Our 82.8% interest in the building will be subject to a ground lease from Sutter Health, and the MOB, when completed, is expected to be 100% leased by Sutter Health pursuant to long-term triple-net leases. Robert D. Reed, Senior Vice President and Chief Financial Officer of Sutter Health, has served as a member of our Board of Directors since March 2008.

Upon consummation of the ASLG acquisition, we entered into long-term management agreements with Atria to operate the acquired assets. Atria is owned by private equity funds managed by Lazard Real Estate Partners LLC ("LREP"). Effective May 13, 2011, LREP Chief Executive Officer and Managing Principal and Atria Chairman Matthew J. Lustig was appointed to our Board of Directors pursuant to the terms of a Director Appointment Agreement between us and the sellers of the acquired assets. For the period from May 12, 2011 through December 31, 2011, we paid Atria \$20.2 million in management fees.

From time to time, we may engage Cushman & Wakefield, a global commercial real estate firm, to act as a leasing agent or broker with respect to certain of our properties. Cushman & Wakefield President and Chief Executive Officer Glenn J. Rufrano has served as a member of our Board of Directors since June 2010. We believe the fees we pay to Cushman & Wakefield in connection with the provision of these services are customary and represent market rates. Total fees we paid to Cushman & Wakefield during the year ended December 31, 2011 were de minimis.

Effective upon consummation of the NHP acquisition, Richard I. Gilchrist, a former NHP director, was appointed to our Board of Directors. Mr. Gilchrist currently serves as Senior Advisor to The Irvine Company, and from 2006 until July 2011, he served as President of The Irvine Company's Investment Properties Group, from whom NHP leased its corporate headquarters prior to the acquisition. NHP LLC, the successor to NHP and our wholly owned subsidiary, continues to rent office space in the building owned by The Irvine Company. For the period from July 1, 2011 through December 31, 2011, we paid approximately \$280,000 in rent to The Irvine Company.

Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Note 18 Related Party Transactions (Continued)**

In connection with the closing of our Lillibridge acquisition, we entered into an Intellectual Property Rights Purchase and Sale Agreement with Todd W. Lillibridge, who became our Executive Vice President, Medical Property Operations. Under the agreement, we acquired Mr. Lillibridge's rights in and to the use of the Lillibridge name and the "LILLIBRIDGE" trademark, as well as certain derivative trademarks, design marks and slogans for an aggregate purchase price of \$3.0 million, which was reported in the total purchase price for the acquisition. See "Note 4 Acquisitions of Real Estate Property."

We lease eight personal care facilities to Tangram Rehabilitation Network, Inc. ("Tangram") pursuant to a master lease agreement that is guaranteed by its parent company, Res-Care, Inc. ("Res-Care"), of which Ronald G. Geary, a member of our Board of Directors, served as Chairman of the Board until December 2010. For each of the years ended December 31, 2010 and 2009, Tangram paid us approximately \$1.0 million in base rent.

**Note 19 Quarterly Financial Information (Unaudited)**

Summarized unaudited consolidated quarterly information for the years ended December 31, 2011 and 2010 is provided below.

|  | For the Year Ended December 31, 2011     |                   |                  |                   |
|--|--|-------------------|------------------|-------------------|
|  | First<br>Quarter                         | Second<br>Quarter | Third<br>Quarter | Fourth<br>Quarter |
|  | (In thousands, except per share amounts) |                   |                  |                   |
| Revenues(1)  | \$ 268,432                               | \$ 362,630        | \$ 562,528       | \$ 571,401        |
| Income from continuing operations attributable to common stockholders(1) | \$ 48,218                                | \$ 18,906         | \$ 102,470       | \$ 193,216        |
| Discontinued operations(1)   | 766                                      | 770               | 415              | (268)             |
| Net income attributable to common stockholders                           | \$ 48,984                                | \$ 19,676         | \$ 102,885       | \$ 192,948        |
| Earnings per share:  |  |                   |                  |                   |
| Basic:   |  |                   |                  |                   |
| Income from continuing operations attributable to common stockholders    | \$ 0.30                                  | \$ 0.11           | \$ 0.36          | \$ 0.67           |
| Discontinued operations  | 0.01                                     | 0.00              | 0.00             | (0.00)            |
| Net income attributable to common stockholders                           | \$ 0.31                                  | \$ 0.11           | \$ 0.36          | \$ 0.67           |
| Diluted:   |  |                   |                  |                   |
| Income from continuing operations attributable to common stockholders    | \$ 0.30                                  | \$ 0.11           | \$ 0.35          | \$ 0.66           |
| Discontinued operations  | 0.00                                     | 0.00              | 0.00             | (0.00)            |
| Net income attributable to common stockholders                           | \$ 0.30                                  | \$ 0.11           | \$ 0.35          | \$ 0.66           |
| Dividends declared per share   | \$ 0.575                                 | \$ 0.7014         | \$ 0.4486        | \$ 0.575          |

- (1) The amounts presented for the three months ended March 31, 2011, June 30, 2011 and September 30, 2011 differ from the amounts previously reported in our Quarterly Reports on Form 10-Q as a result of discontinued operations consisting of properties sold in 2011 or held for sale as of December 31, 2011.



Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Note 19 Quarterly Financial Information (Unaudited) (Continued)**

|   | <b>For the Three Months Ended</b>               |                          |                               |
|---|---|--------------------------|-------------------------------|
|   | <b>March 31,<br/>2011</b>                       | <b>June 30,<br/>2011</b> | <b>September 30,<br/>2011</b> |
|   | <b>(In thousands, except per share amounts)</b> |                          |                               |
| Revenues, previously reported in Form 10-Q  | \$ 270,461                                      | \$ 364,660               | \$ 565,957                    |
| Revenues, previously reported in Form 10-Q, subsequently reclassified to discontinued operations  | (2,029)   | (2,030)                  | (3,429)                       |
| <b>Total revenues disclosed in Form 10-K</b>  | <b>\$ 268,432</b>                               | <b>\$ 362,630</b>        | <b>\$ 562,528</b>             |
| Income from continuing operations attributable to common stockholders, previously reported in Form 10-Q   | \$ 48,984                                       | \$ 19,676                | \$ 102,885                    |
| Income from continuing operations attributable to common stockholders, previously reported in Form 10-Q, subsequently reclassified to discontinued operations | (766)   | (770)                    | (415)                         |
| Income from continuing operations attributable to common stockholders disclosed in Form 10-K  | \$ 48,218                                       | \$ 18,906                | \$ 102,470                    |
| Discontinued operations, previously reported in Form 10-Q   | \$  | \$                       | \$                            |
| Discontinued operations from properties sold or held for sale subsequent to the respective reporting period   | 766   | 770                      | 415                           |
| <b>Discontinued operations disclosed in Form 10-K</b>   | <b>\$ 766</b>                                   | <b>\$ 770</b>            | <b>\$ 415</b>                 |

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## Note 19 Quarterly Financial Information (Unaudited) (Continued)

|  | For the Year Ended December 31, 2010     |                   |                  |                   |
|--|--|-------------------|------------------|-------------------|
|  | First<br>Quarter                         | Second<br>Quarter | Third<br>Quarter | Fourth<br>Quarter |
|  | (In thousands, except per share amounts) |                   |                  |                   |
| Revenues(1)  | \$ 238,859                               | \$ 241,291        | \$ 262,636       | \$ 265,965        |
| Income from continuing operations attributable to common stockholders(1) | \$ 51,169                                | \$ 51,451         | \$ 56,563        | \$ 56,141         |
| Discontinued operations(1)   | 1,450                                    | 6,616             | 1,335            | 21,442            |
| Net income attributable to common stockholders                           | \$ 52,619                                | \$ 58,067         | \$ 57,898        | \$ 77,583         |
| Earnings per share:  |  |                   |                  |                   |
| Basic:   |  |                   |                  |                   |
| Income from continuing operations attributable to common stockholders    | \$ 0.33                                  | \$ 0.33           | \$ 0.36          | \$ 0.36           |
| Discontinued operations  | 0.01                                     | 0.04              | 0.01             | 0.13              |
| Net income attributable to common stockholders                           | \$ 0.34                                  | \$ 0.37           | \$ 0.37          | \$ 0.49           |
| Diluted:   |  |                   |                  |                   |
| Income from continuing operations attributable to common stockholders    | \$ 0.33                                  | \$ 0.33           | \$ 0.36          | \$ 0.35           |
| Discontinued operations  | 0.01                                     | 0.04              | 0.01             | 0.14              |
| Net income attributable to common stockholders                           | \$ 0.34                                  | \$ 0.37           | \$ 0.37          | \$ 0.49           |
| Dividends declared per share   | \$ 0.535                                 | \$ 0.535          | \$ 0.535         | \$ 0.535          |

(1)

The amounts presented for the three months ended March 31, 2010, June 30, 2010, September 30, 2010 and December 31, 2010 differ from the amounts previously reported in our Annual Report on Form 10-K as a result of discontinued operations consisting of properties sold in 2011 or held for sale as of December 31, 2011.

Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Note 19 Quarterly Financial Information (Unaudited) (Continued)**

|   | March 31,<br>2010                        | For the Three Months Ended |                       |                      |
|---|--|----------------------------|-----------------------|----------------------|
|   |  | June 30,<br>2010           | September 30,<br>2010 | December 31,<br>2010 |
|   | (In thousands, except per share amounts) |                            |                       |                      |
| Revenues, previously reported in Form 10-K  | \$ 240,888                               | \$ 243,320                 | \$ 264,665            | \$ 267,994           |
| Revenues, previously reported in Form 10-K, subsequently reclassified to discontinued operations  | (2,029)                                  | (2,029)                    | (2,029)               | (2,029)              |
| <b>Total revenues disclosed in Form 10-K</b>  | <b>\$ 238,859</b>                        | <b>\$ 241,291</b>          | <b>\$ 262,636</b>     | <b>\$ 265,965</b>    |
| Income from continuing operations attributable to common stockholders, previously reported in Form 10-K   | \$ 51,874                                | \$ 52,215                  | \$ 57,356             | \$ 56,925            |
| Income from continuing operations attributable to common stockholders, previously reported in Form 10-K, subsequently reclassified to discontinued operations | (705)                                    | (764)                      | (793)                 | (784)                |
| Income from continuing operations attributable to common stockholders disclosed in Form 10-K  | \$ 51,169                                | \$ 51,451                  | \$ 56,563             | \$ 56,141            |
| Discontinued operations, previously reported in Form 10-K   | \$ 745                                   | \$ 5,852                   | \$ 542                | \$ 20,658            |
| Discontinued operations from properties sold or held for sale subsequent to the respective reporting period   | 705                                      | 764                        | 793                   | 784                  |
| <b>Discontinued operations disclosed in Form 10-K</b>   | <b>\$ 1,450</b>                          | <b>\$ 6,616</b>            | <b>\$ 1,335</b>       | <b>\$ 21,442</b>     |

**Note 20 Segment Information**

As of December 31, 2011, we operated through three reportable business segments: triple-net leased properties, senior living operations and MOB operations. Our triple-net leased properties segment consists of acquiring and owning seniors housing and healthcare properties in the United States and leasing those properties to healthcare operating companies under "triple-net" or "absolute-net" leases, which require the tenants to pay all property-related expenses. Our senior living operations segment consists of investments in seniors housing communities located in the United States and Canada for which we engage independent third parties, such as Atria and Sunrise, to manage the operations. Our MOB operations segment primarily consists of acquiring, owning, developing, leasing and managing MOBs. Information provided for "all other" includes revenues such as 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.

With the addition of the Lillibridge businesses and properties in July 2010, we believed the segregation of our MOB operations into its own reporting segment would be useful in assessing the performance of this portion of our business in the same way that management intends to review our performance and make operating decisions. Prior to the Lillibridge acquisition, we operated through two reportable business segments: triple-net leased properties and senior living operations. Prior year

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**Note 20 Segment Information (Continued)**

amounts have been restated to reflect the segregation of our MOB operations into a reportable business segment.

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

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

Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Note 20 Segment Information (Continued)**

Summary information by reportable business segment is as follows:

For the year ended December 31, 2011:

|  | Triple-Net<br>Leased<br>Properties | Senior<br>Living<br>Operations | MOB<br>Operations | All<br>Other     | Total               |
|--|------------------------------------|--------------------------------|-------------------|------------------|---------------------|
|  | (In thousands)                     |                                |                   |                  |                     |
| <b>Revenues:</b>                                   |                                    |                                |                   |                  |                     |
| Rental income                                      | \$ 652,577                         | \$                             | \$ 167,003        | \$               | \$ 819,580          |
| Resident fees and services                         |                                    | 873,308                        |                   |                  | 873,308             |
| Medical office building and other services revenue | 2,217                              |                                | 34,254            |                  | 36,471              |
| Income from loans and investments                  |                                    |                                |                   | 34,415           | 34,415              |
| Interest and other income                          |                                    |                                |                   | 1,217            | 1,217               |
| <b>Total revenues</b>                              | <b>\$ 654,794</b>                  | <b>\$ 873,308</b>              | <b>\$ 201,257</b> | <b>\$ 35,632</b> | <b>\$ 1,764,991</b> |
| <b>Total revenues</b>                              | <b>\$ 654,794</b>                  | <b>\$ 873,308</b>              | <b>\$ 201,257</b> | <b>\$ 35,632</b> | <b>\$ 1,764,991</b> |
| <b>Less:</b>                                       |                                    |                                |                   |                  |                     |
| Interest and other income                          |                                    |                                |                   | 1,217            | 1,217               |
| Property-level operating expenses                  |                                    | 593,977                        | 57,584            |                  | 651,561             |
| Medical office building services costs             |                                    |                                | 27,082            |                  | 27,082              |
| <b>Segment NOI</b>                                 | <b>654,794</b>                     | <b>279,331</b>                 | <b>116,591</b>    | <b>34,415</b>    | <b>1,085,131</b>    |
| Income (loss) from unconsolidated entities         | 295                                |                                | (347)             |                  | (52)                |
| <b>Segment profit</b>                              | <b>\$ 655,089</b>                  | <b>\$ 279,331</b>              | <b>\$ 116,244</b> | <b>\$ 34,415</b> | <b>1,085,079</b>    |
| Interest and other income                          |                                    |                                |                   |                  | 1,217               |
| Interest expense                                   |                                    |                                |                   |                  | (236,807)           |
| Depreciation and amortization                      |                                    |                                |                   |                  | (456,590)           |
| General, administrative and professional fees      |                                    |                                |                   |                  | (74,537)            |
| Loss on extinguishment of debt                     |                                    |                                |                   |                  | (27,604)            |
| Litigation proceeds, net                           |                                    |                                |                   |                  | 202,259             |
| Merger-related expenses and deal costs             |                                    |                                |                   |                  | (153,923)           |
| Other  |                                    |                                |                   |                  | (8,653)             |
| Income tax benefit                                 |                                    |                                |                   |                  | 31,137              |
| Discontinued operations                            |                                    |                                |                   |                  | 1,683               |
| <b>Net income</b>                                  |                                    |                                |                   |                  | <b>\$ 363,261</b>   |

Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Note 20 Segment Information (Continued)**

For the year ended December 31, 2010:

|   | Triple-Net<br>Leased<br>Properties | Senior<br>Living<br>Operations | MOB<br>Operations | All<br>Other     | Total               |
|---|------------------------------------|--------------------------------|-------------------|------------------|---------------------|
|   | (In thousands)                     |                                |                   |                  |                     |
| <b>Revenues:</b>                                      |                                    |                                |                   |                  |                     |
| Rental income   | \$ 461,709                         | \$                             | \$ 69,747         | \$               | \$ 531,456          |
| Resident fees and services                            |                                    | 446,301                        |                   |                  | 446,301             |
| Medical office building and other services<br>revenue |                                    |                                | 14,098            |                  | 14,098              |
| Income from loans and investments                     |                                    |                                |                   | 16,412           | 16,412              |
| Interest and other income                             |                                    |                                |                   | 484              | 484                 |
| <b>Total revenues</b>                                 | <b>\$ 461,709</b>                  | <b>\$ 446,301</b>              | <b>\$ 83,845</b>  | <b>\$ 16,896</b> | <b>\$ 1,008,751</b> |
| Total revenues  | \$ 461,709                         | \$ 446,301                     | \$ 83,845         | \$ 16,896        | \$ 1,008,751        |
| <b>Less:</b>  |                                    |                                |                   |                  |                     |
| Interest and other income                             |                                    |                                |                   | 484              | 484                 |
| Property-level operating expenses                     |                                    | 291,831                        | 24,122            |                  | 315,953             |
| Medical office building services costs                |                                    |                                | 9,518             |                  | 9,518               |
| <b>Segment NOI</b>                                    | <b>461,709</b>                     | <b>154,470</b>                 | <b>50,205</b>     | <b>16,412</b>    | <b>682,796</b>      |
| Loss from unconsolidated entities                     |                                    |                                | (664)             |                  | (664)               |
| <b>Segment profit</b>                                 | <b>\$ 461,709</b>                  | <b>\$ 154,470</b>              | <b>\$ 49,541</b>  | <b>\$ 16,412</b> | <b>682,132</b>      |
| Interest and other income                             |                                    |                                |                   |                  | 484                 |
| Interest expense                                      |                                    |                                |                   |                  | (175,631)           |
| Depreciation and amortization                         |                                    |                                |                   |                  | (203,762)           |
| General, administrative and professional fees         |                                    |                                |                   |                  | (49,830)            |
| Loss on extinguishment of debt                        |                                    |                                |                   |                  | (9,791)             |
| Merger-related expenses and deal costs                |                                    |                                |                   |                  | (19,243)            |
| Other   |                                    |                                |                   |                  | (272)               |
| Income tax expense                                    |                                    |                                |                   |                  | (5,201)             |
| Discontinued operations                               |                                    |                                |                   |                  | 30,843              |
| <b>Net income</b>                                     |                                    |                                |                   |                  | <b>\$ 249,729</b>   |

Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Note 20 Segment Information (Continued)**

For the year ended December 31, 2009:

|   | Triple-Net<br>Leased<br>Properties | Senior<br>Living<br>Operations | MOB<br>Operations | All<br>Other     | Total             |
|---|------------------------------------|--------------------------------|-------------------|------------------|-------------------|
| (In thousands)                                |                                    |                                |                   |                  |                   |
| <b>Revenues:</b>                              |                                    |                                |                   |                  |                   |
| Rental income                                 | \$ 452,536                         | \$                             | \$ 35,922         | \$               | \$ 488,458        |
| Resident fees and services                    |                                    | 421,058                        |                   |                  | 421,058           |
| Income from loans and investments             |                                    |                                |                   | 13,107           | 13,107            |
| Interest and other income                     |                                    |                                |                   | 842              | 842               |
| <b>Total revenues</b>                         | <b>\$ 452,536</b>                  | <b>\$ 421,058</b>              | <b>\$ 35,922</b>  | <b>\$ 13,949</b> | <b>\$ 923,465</b> |
| <b>Total revenues</b>                         | <b>\$ 452,536</b>                  | <b>\$ 421,058</b>              | <b>\$ 35,922</b>  | <b>\$ 13,949</b> | <b>\$ 923,465</b> |
| <b>Less:</b>                                  |                                    |                                |                   |                  |                   |
| Interest and other income                     |                                    |                                |                   | 842              | 842               |
| Property-level operating expenses             |                                    | 290,045                        | 12,768            |                  | 302,813           |
| <b>Segment NOI</b>                            | <b>452,536</b>                     | <b>131,013</b>                 | <b>23,154</b>     | <b>13,107</b>    | <b>619,810</b>    |
| Income (loss) from unconsolidated entities    |                                    |                                |                   |                  |                   |
| <b>Segment profit</b>                         | <b>\$ 452,536</b>                  | <b>\$ 131,013</b>              | <b>\$ 23,154</b>  | <b>\$ 13,107</b> | <b>619,810</b>    |
| Interest and other income                     |                                    |                                |                   |                  | 842               |
| Interest expense                              |                                    |                                |                   |                  | (173,810)         |
| Depreciation and amortization                 |                                    |                                |                   |                  | (197,298)         |
| General, administrative and professional fees |                                    |                                |                   |                  | (38,830)          |
| Loss on extinguishment of debt                |                                    |                                |                   |                  | (6,080)           |
| Merger-related expenses and deal costs        |                                    |                                |                   |                  | (13,015)          |
| Other   |                                    |                                |                   |                  | (50)              |
| Income tax benefit                            |                                    |                                |                   |                  | 1,719             |
| Discontinued operations                       |                                    |                                |                   |                  | 76,072            |
| <b>Net income</b>                             |                                    |                                |                   |                  | <b>\$ 269,360</b> |

Assets by reportable business segment are as follows:

|                              | As of December 31,   |               |                     |               |
|------------------------------|----------------------|---------------|---------------------|---------------|
|                              | 2011                 |               | 2010                |               |
| (In thousands)               |                      |               |                     |               |
| <b>Assets:</b>               |                      |               |                     |               |
| Triple-net leased properties | \$ 8,704,061         | 50.4%         | \$ 2,474,612        | 43.0%         |
| Senior living operations     | 5,758,497            | 33.3          | 2,297,041           | 39.9          |
| MOB operations               | 2,433,160            | 14.1          | 748,945             | 13.0          |
| All other assets             | 376,192              | 2.2           | 237,423             | 4.1           |
| <b>Total assets</b>          | <b>\$ 17,271,910</b> | <b>100.0%</b> | <b>\$ 5,758,021</b> | <b>100.0%</b> |





Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Note 20 Segment Information (Continued)**

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

|                                   | <b>For the Year Ended December 31,</b> |                   |                   |
|-----------------------------------|--|-------------------|-------------------|
|                                   | <b>2011</b>                            | <b>2010</b>       | <b>2009</b>       |
|                                   | <b>(In thousands)</b>                  |                   |                   |
| <b>Capital expenditures:</b>      |  |                   |                   |
| Triple-net leased properties(1)   | \$ 133,761                             | \$ 12,884         | \$ 10,867         |
| Senior living operations          | 370,455                                | 10,268            | 11,081            |
| MOB operations(2)                 | 125,453                                | 271,144           | 105,880           |
| <b>Total capital expenditures</b> | <b>\$ 629,669</b>                      | <b>\$ 294,296</b> | <b>\$ 127,828</b> |

(1) 2009 includes \$9.3 million from funds held in a Code Section 1031 exchange escrow account with a qualified intermediary.

(2) 2009 includes \$55.7 million from funds held in a Code Section 1031 exchange escrow account with a qualified intermediary.

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

Geographic information regarding our operations is as follows:

|                       | <b>For the Year Ended December 31,</b> |                     |                   |
|-----------------------|--|---------------------|-------------------|
|                       | <b>2011</b>                            | <b>2010</b>         | <b>2009</b>       |
|                       | <b>(In thousands)</b>                  |                     |                   |
| <b>Revenues:</b>      |  |                     |                   |
| United States         | \$ 1,672,952                           | \$ 924,221          | \$ 849,737        |
| Canada                | 92,039                                 | 84,530              | 73,728            |
| <b>Total revenues</b> | <b>\$ 1,764,991</b>                    | <b>\$ 1,008,751</b> | <b>\$ 923,465</b> |

|                                       | <b>As of December 31,</b> |                     |
|---------------------------------------|---------------------------|---------------------|
|                                       | <b>2011</b>               | <b>2010</b>         |
|                                       | <b>(In thousands)</b>     |                     |
| <b>Net real estate property:</b>      |                           |                     |
| United States                         | \$ 15,510,824             | \$ 4,857,510        |
| Canada                                | 402,908                   | 422,009             |
| <b>Total net real estate property</b> | <b>\$ 15,913,732</b>      | <b>\$ 5,279,519</b> |

**Note 21 Condensed Consolidating Information**

## Edgar Filing: VENTAS INC - Form 10-K

At the time of initial issuance, we and certain of our direct and indirect wholly owned subsidiaries (the "Wholly Owned Subsidiary Guarantors") fully and unconditionally guaranteed, on a joint and several basis, the obligation to pay principal and interest with respect to the Ventas Issuers' 9% senior notes due 2012, 6<sup>1</sup>/<sub>2</sub>% senior notes due 2016 and 6<sup>3</sup>/<sub>4</sub>% senior notes due 2017. Ventas Capital Corporation, one of the Ventas Issuers, was formed in 2002 to facilitate offerings of the senior notes,

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**Note 21 Condensed Consolidating Information (Continued)**

has no assets or operations, and is a direct subsidiary of Ventas Realty, Limited Partnership, the other Ventas Issuer. Our other subsidiaries (the "Non-Guarantor Subsidiaries") did not provide a guarantee and therefore were not obligated with respect to the Ventas Issuers' senior notes. In September 2010, the Wholly Owned Subsidiary Guarantors were released from their obligations with respect to the Ventas Issuers' 6<sup>1</sup>/<sub>2</sub>% senior notes due 2016 and 6<sup>3</sup>/<sub>4</sub>% senior notes due 2017 pursuant to the terms of the applicable indentures.

In connection with the NHP acquisition, our wholly owned subsidiary, NHP LLC, assumed the obligation to pay principal and interest with respect to the 8<sup>1</sup>/<sub>4</sub>% senior notes due 2012, the 6.25% senior notes due 2013, the 6.00% senior notes due 2015, the 6.90% senior notes due 2037 and the 6.59% senior notes due 2038 of NHP. We, the Ventas Issuers and our subsidiaries (other than NHP LLC) are not obligated with respect to NHP LLC's senior notes.

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

Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Note 21 Condensed Consolidating Information (Continued)**

The following summarizes our condensed consolidating information as of December 31, 2011 and 2010 and for the years ended December 31, 2011, 2010, and 2009:

**CONDENSED CONSOLIDATING BALANCE SHEET**  
As of December 31, 2011

|  | Ventas, Inc.        | Wholly<br>Owned<br>Subsidiary<br>Guarantors | Ventas<br>Issuers   | Non-Guarantor<br>Subsidiaries | Consolidated<br>Elimination | Consolidated         |
|--|---------------------|---|---------------------|-------------------------------|-----------------------------|----------------------|
| (In thousands)                           |                     |   |                     |                               |                             |                      |
| <b>Assets</b>                            |                     |   |                     |                               |                             |                      |
| Net real estate investments              | \$ 309              | \$ 3,629,489                                | \$ 519,042          | \$ 12,082,772                 | \$                          | \$ 16,231,612        |
| Cash and cash equivalents                | 2,335               | 7,820                                       |                     | 35,652                        |                             | 45,807               |
| Escrow deposits and restricted cash      | 1,971               | 27,523                                      | 7,513               | 39,583                        |                             | 76,590               |
| Deferred financing costs, net            | 757                 | 434   | 19,239              | 6,239                         |                             | 26,669               |
| Investment in and advances to affiliates | 8,612,892           |   | 1,728,635           |                               | (10,341,527)                |                      |
| Other assets                             | 54,415              | 183,801                                     | 47,063              | 605,953                       |                             | 891,232              |
| <b>Total assets</b>                      | <b>\$ 8,672,679</b> | <b>\$ 3,849,067</b>                         | <b>\$ 2,321,492</b> | <b>\$ 12,770,199</b>          | <b>\$ (10,341,527)</b>      | <b>\$ 17,271,910</b> |
| <b>Liabilities and equity</b>            |                     |   |                     |                               |                             |                      |
| <b>Liabilities:</b>                      |                     |   |                     |                               |                             |                      |
| Senior notes payable and other debt      | \$                  | \$ 502,215                                  | \$ 2,593,176        | \$ 3,333,725                  | \$                          | \$ 6,429,116         |
| Intercompany loans                       | (68,408)            | 679,634                                     | (655,914)           | 44,688                        |                             |                      |
| Accrued interest                         |                     | 1,431                                       | 12,561              | 23,702                        |                             | 37,694               |
| Accounts payable and other liabilities   | 86,101              | 184,331                                     | 18,162              | 797,003                       |                             | 1,085,597            |
| Deferred income taxes                    | 260,722             |   |                     |                               |                             | 260,722              |
| <b>Total liabilities</b>                 | <b>278,415</b>      | <b>1,367,611</b>                            | <b>1,967,985</b>    | <b>4,199,118</b>              |                             | <b>7,813,129</b>     |
| Redeemable OP unitholder interests       |                     |   |                     | 102,837                       |                             | 102,837              |
| <b>Total equity</b>                      | <b>8,394,264</b>    | <b>2,481,456</b>                            | <b>353,507</b>      | <b>8,468,244</b>              | <b>(10,341,527)</b>         | <b>9,355,944</b>     |
| <b>Total liabilities and equity</b>      | <b>\$ 8,672,679</b> | <b>\$ 3,849,067</b>                         | <b>\$ 2,321,492</b> | <b>\$ 12,770,199</b>          | <b>\$ (10,341,527)</b>      | <b>\$ 17,271,910</b> |

Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Note 21 Condensed Consolidating Information (Continued)****CONDENSED CONSOLIDATING BALANCE SHEET  
As of December 31, 2010**

|   | Ventas, Inc.      | Wholly<br>Owned<br>Subsidiary<br>Guarantors | Ventas<br>Issuers   | Non-Guarantor<br>Subsidiaries | Consolidated<br>Elimination | Consolidated        |
|---|-------------------|---|---------------------|-------------------------------|-----------------------------|---------------------|
| (In thousands)                              |                   |   |                     |                               |                             |                     |
| <b>Assets</b>                               |                   |   |                     |                               |                             |                     |
| Net real estate investments                 | \$ 937            | \$ 3,228,731                                | \$ 688,158          | \$ 1,526,288                  | \$                          | \$ 5,444,114        |
| Cash and cash equivalents                   | 1,083             | 13,440                                      |                     | 7,289                         |                             | 21,812              |
| Escrow deposits and<br>restricted cash      | 76                | 19,787                                      | 9,169               | 9,908                         |                             | 38,940              |
| Deferred financing costs,<br>net            | 2,691             | 1,961                                       | 7,961               | 6,920                         |                             | 19,533              |
| Investment in and<br>advances to affiliates | 712,545           |   | 1,728,685           |                               | (2,441,230)                 |                     |
| Other assets                                | 75,794            | 106,211                                     | 8,057               | 43,560                        |                             | 233,622             |
| <b>Total assets</b>                         | <b>\$ 793,126</b> | <b>\$ 3,370,130</b>                         | <b>\$ 2,442,030</b> | <b>\$ 1,593,965</b>           | <b>\$ (2,441,230)</b>       | <b>\$ 5,758,021</b> |
| <b>Liabilities and equity</b>               |                   |   |                     |                               |                             |                     |
| <b>Liabilities:</b>                         |                   |   |                     |                               |                             |                     |
| Senior notes payable and<br>other debt      | \$ 225,644        | \$ 539,564                                  | \$ 1,301,089        | \$ 833,747                    | \$                          | \$ 2,900,044        |
| Intercompany loans                          | (144,897)         | 571,955                                     | (434,454)           | 7,396                         |                             |                     |
| Accrued interest                            | (113)             | 2,704                                       | 12,852              | 3,853                         |                             | 19,296              |
| Accounts payable and<br>other liabilities   | 41,339            | 102,723                                     | 15,712              | 47,369                        |                             | 207,143             |
| Deferred income taxes                       | 241,333           |   |                     |                               |                             | 241,333             |
| <b>Total liabilities</b>                    | <b>363,306</b>    | <b>1,216,946</b>                            | <b>895,199</b>      | <b>892,365</b>                |                             | <b>3,367,816</b>    |
| <b>Total equity</b>                         | <b>429,820</b>    | <b>2,153,184</b>                            | <b>1,546,831</b>    | <b>701,600</b>                | <b>(2,441,230)</b>          | <b>2,390,205</b>    |
| <b>Total liabilities and equity</b>         | <b>\$ 793,126</b> | <b>\$ 3,370,130</b>                         | <b>\$ 2,442,030</b> | <b>\$ 1,593,965</b>           | <b>\$ (2,441,230)</b>       | <b>\$ 5,758,021</b> |

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## Note 21 Condensed Consolidating Information (Continued)

CONDENSED CONSOLIDATING STATEMENT OF INCOME  
For the Year Ended December 31, 2011

|  | Ventas, Inc. | Wholly<br>Owned<br>Subsidiary<br>Guarantors | Ventas<br>Issuers | Non-Guarantor<br>Subsidiaries | Consolidated<br>Elimination | Consolidated |
|--|--------------|---|-------------------|-------------------------------|-----------------------------|--------------|
| (In thousands)   |              |   |                   |                               |                             |              |
| <b>Revenues:</b>   |              |   |                   |                               |                             |              |
| Rental income  | \$ 2,471     | \$ 224,683                                  | \$ 284,320        | \$ 308,106                    | \$                          | \$ 819,580   |
| Resident fees and services   |              | 355,946                                     |                   | 517,362                       |                             | 873,308      |
| Medical office building and other services revenues  |              | 34,374                                      |                   | 2,097                         |                             | 36,471       |
| Income from loans and investments  | 6,305        | 2,755                                       | 8,570             | 16,785                        |                             | 34,415       |
| Equity earnings in affiliates  | 231,297      | 1,447                                       |                   |                               | (232,744)                   |              |
| Interest and other income  | 208          | 9   | 57                | 943                           |                             | 1,217        |
| Total revenues   | 240,281      | 619,214                                     | 292,947           | 845,293                       | (232,744)                   | 1,764,991    |
| <b>Expenses:</b>   |              |   |                   |                               |                             |              |
| Interest   | (1,897)      | 59,642                                      | 74,157            | 104,905                       |                             | 236,807      |
| Depreciation and amortization  | 1,715        | 129,588                                     | 35,441            | 289,846                       |                             | 456,590      |
| Property-level operating expenses  |              | 271,605                                     | 510               | 379,446                       |                             | 651,561      |
| Medical office building services costs   |              | 27,082                                      |                   |                               |                             | 27,082       |
| General, administrative and professional fees  | (5,328)      | 38,115                                      | 29,336            | 12,414                        |                             | 74,537       |
| Loss on extinguishment of debt   | 2,071        | 16,764                                      | 8,769             |                               |                             | 27,604       |
| Litigation proceeds, net   | (202,259)    |   |                   |                               |                             | (202,259)    |
| Merger-related expenses and deal costs   | 111,845      | 3,779                                       |                   | 38,299                        |                             | 153,923      |
| Other  | 778          | 5,010                                       |                   | 2,865                         |                             | 8,653        |
| Total expenses   | (93,075)     | 551,585                                     | 148,213           | 827,775                       |                             | 1,434,498    |
| Income before loss from unconsolidated entities, income taxes, discontinued operations and noncontrolling interest | 333,356      | 67,629                                      | 144,734           | 17,518                        | (232,744)                   | 330,493      |
| Loss from unconsolidated entities  |              |   | (52)              |                               |                             | (52)         |
| Income tax benefit   | 31,137       |   |                   |                               |                             | 31,137       |
| Income from continuing operations  | 364,493      | 67,629                                      | 144,682           | 17,518                        | (232,744)                   | 361,578      |
| Discontinued operations  |              |   |                   | 1,683                         |                             | 1,683        |
| Net income   | 364,493      | 67,629                                      | 144,682           | 19,201                        | (232,744)                   | 363,261      |
| Net loss attributable to noncontrolling interest   |              |   |                   | (1,232)                       |                             | (1,232)      |
| Net income attributable to common stockholders   | \$ 364,493   | \$ 67,629                                   | \$ 144,682        | \$ 20,433                     | \$ (232,744)                | \$ 364,493   |

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## Note 21 Condensed Consolidating Information (Continued)

CONDENSED CONSOLIDATING STATEMENT OF INCOME  
For the Year Ended December 31, 2010

|  | Ventas, Inc. | Wholly<br>Owned<br>Subsidiary<br>Guarantors | Ventas<br>Issuers | Non-Guarantor<br>Subsidiaries | Consolidated<br>Elimination | Consolidated |
|--|--------------|---|-------------------|-------------------------------|-----------------------------|--------------|
| (In thousands)   |              |   |                   |                               |                             |              |
| <b>Revenues:</b>   |              |   |                   |                               |                             |              |
| Rental income  | \$ 2,409     | \$ 196,676                                  | \$ 272,366        | \$ 60,005                     | \$                          | \$ 531,456   |
| Resident fees and services   |              | 257,659                                     |                   | 188,642                       |                             | 446,301      |
| Medical office building and other services revenues  |              | 14,570                                      |                   | (472)                         |                             | 14,098       |
| Income from loans and investments  | 5,666        | 2,957                                       | 7,789             |                               |                             | 16,412       |
| Equity earnings in affiliates  | 258,442      | 1,914                                       |                   |                               | (260,356)                   |              |
| Interest and other income  | 332          | 60  | 83                | 9                             |                             | 484          |
| Total revenues   | 266,849      | 473,836                                     | 280,238           | 248,184                       | (260,356)                   | 1,008,751    |
| <b>Expenses:</b>   |              |   |                   |                               |                             |              |
| Interest   | 1,758        | 74,937                                      | 50,403            | 48,533                        |                             | 175,631      |
| Depreciation and amortization  | 1,636        | 111,456                                     | 35,851            | 54,819                        |                             | 203,762      |
| Property-level operating expenses  |              | 177,733                                     | 519               | 137,701                       |                             | 315,953      |
| Medical office building services costs   |              | 9,517                                       |                   | 1                             |                             | 9,518        |
| General, administrative and professional fees  | (2,549)      | 25,306                                      | 21,618            | 5,455                         |                             | 49,830       |
| Loss on extinguishment of debt   |              | 798   | 8,993             |                               |                             | 9,791        |
| Merger-related expenses and deal costs   | 14,291       | 4,710                                       |                   | 242                           |                             | 19,243       |
| Other  | 219          | 52  |                   | 1                             |                             | 272          |
| Total expenses   | 15,355       | 404,509                                     | 117,384           | 246,752                       |                             | 784,000      |
| Income before loss from unconsolidated entities, income taxes, discontinued operations and noncontrolling interest | 251,494      | 69,327                                      | 162,854           | 1,432                         | (260,356)                   | 224,751      |
| Loss from unconsolidated entities  |              |   | (664)             |                               |                             | (664)        |
| Income tax expense   | (5,201)      |   |                   |                               |                             | (5,201)      |
| Income from continuing operations  | 246,293      | 69,327                                      | 162,190           | 1,432                         | (260,356)                   | 218,886      |
| Discontinued operations  | (126)        | 216   | 29,207            | 1,546                         |                             | 30,843       |
| Net income   | 246,167      | 69,543                                      | 191,397           | 2,978                         | (260,356)                   | 249,729      |
| Net income attributable to noncontrolling interest, net of tax   |              |   |                   | 3,562                         |                             | 3,562        |
| Net income (loss) attributable to common stockholders  | \$ 246,167   | \$ 69,543                                   | \$ 191,397        | \$ (584)                      | \$ (260,356)                | \$ 246,167   |

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## Note 21 Condensed Consolidating Information (Continued)

CONDENSED CONSOLIDATING STATEMENT OF INCOME  
For the Year Ended December 31, 2009

|   | Ventas, Inc.   | Wholly<br>Owned<br>Subsidiary<br>Guarantors | Ventas<br>Issuers | Non-<br>Guarantor<br>Subsidiaries | Consolidated<br>Elimination | Consolidated |
|---|----------------|---|-------------------|-----------------------------------|-----------------------------|--------------|
|   | (In thousands) |   |                   |                                   |                             |              |
| <b>Revenues:</b>  |                |   |                   |                                   |                             |              |
| Rental income   | \$ 2,351       | \$ 147,737                                  | \$ 276,008        | \$ 62,362                         | \$                          | \$ 488,458   |
| Resident fees and services  |                | 161,380                                     |                   | 259,678                           |                             | 421,058      |
| Income from loans and investments   |                | 3   | 13,104            |                                   |                             | 13,107       |
| Equity earnings in affiliates   | 264,163        | 2,309                                       |                   |                                   | (266,472)                   |              |
| Interest and other income   | 1              | 18  | 800               | 23                                |                             | 842          |
| Total revenues  | 266,515        | 311,447                                     | 289,912           | 322,063                           | (266,472)                   | 923,465      |
| <b>Expenses:</b>  |                |   |                   |                                   |                             |              |
| Interest  | 4,318          | 21,975                                      | 88,988            | 58,529                            |                             | 173,810      |
| Depreciation and amortization   | 651            | 89,156                                      | 40,398            | 67,093                            |                             | 197,298      |
| Property-level operating expenses   |                | 118,625                                     | 456               | 183,732                           |                             | 302,813      |
| General, administrative and professional fees                                   | 109            | 14,709                                      | 18,934            | 5,078                             |                             | 38,830       |
| Loss on extinguishment of debt  |                |   | 6,012             | 68                                |                             | 6,080        |
| Merger-related expenses and deal costs  |                | 11,682                                      | 1,333             |                                   |                             | 13,015       |
| Other   | (3,339)        | 39,140                                      | (35,107)          | (644)                             |                             | 50           |
| Total expenses  | 1,739          | 295,287                                     | 121,014           | 313,856                           |                             | 731,896      |
| Income before income taxes, discontinued operations and noncontrolling interest | 264,776        | 16,160                                      | 168,898           | 8,207                             | (266,472)                   | 191,569      |
| Income tax benefit  | 1,719          |   |                   |                                   |                             | 1,719        |
| Income from continuing operations   | 266,495        | 16,160                                      | 168,898           | 8,207                             | (266,472)                   | 193,288      |
| Discontinued operations   |                | 1,273                                       | 61,981            | 12,818                            |                             | 76,072       |
| Net income  | 266,495        | 17,433                                      | 230,879           | 21,025                            | (266,472)                   | 269,360      |
| Net (loss) income attributable to noncontrolling interest, net of tax           |                | (431)                                       |                   | 3,296                             |                             | 2,865        |
| Net income attributable to common stockholders                                  | \$ 266,495     | \$ 17,864                                   | \$ 230,879        | \$ 17,729                         | \$ (266,472)                | \$ 266,495   |



Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Note 21 Condensed Consolidating Information (Continued)****CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS  
For the Year Ended December 31, 2011**

|   | Ventas, Inc.   | Wholly<br>Owned<br>Subsidiary<br>Guarantors | Ventas<br>Issuers | Non-<br>Guarantor Consolidated<br>Subsidiaries Elimination | Consolidated |
|---|----------------|---|-------------------|--|--------------|
|   | (In thousands) |   |                   |  |              |
| Net cash provided by operating activities                           | \$ 124,784     | \$ 147,052                                  | \$ 199,431        | \$ 301,930   | \$ 773,197   |
| Net cash (used in) provided by investing activities                 | (618,663)      | 105,279                                     | (500,879)         | 16,824   | (997,439)    |
| Cash flows from financing activities:                               |                |   |                   |  |              |
| Net change in borrowings under revolving credit facilities          |                | 132,452                                     | 405,000           |  | 537,452      |
| Proceeds from debt  | (230,000)      |   | 1,069,374         | 504,266  | 1,343,640    |
| Repayment of debt   |                | (216,293)                                   | (206,500)         | (966,169)  | (1,388,962)  |
| Net change in intercompany debt                                     | 1,363,963      | (62,196)                                    | (1,559,518)       | 257,751  |              |
| Payment of deferred financing costs                                 |                |   | (19,661)          | (379)  | (20,040)     |
| Issuance of common stock, net                                       | 299,847        |   |                   |  | 299,847      |
| Cash distribution (to) from affiliates                              | (417,763)      | (111,914)                                   | 612,798           | (83,121)   |              |
| Cash distribution to common stockholders                            | (521,046)      |   |                   |  | (521,046)    |
| Cash distribution to redeemable OP unitholders                      | (2,359)        |   |                   |  | (2,359)      |
| Purchases of redeemable OP units                                    |                |   |                   | (185)  | (185)        |
| Contributions from noncontrolling interest                          |                |   |                   | 2  | 2            |
| Distributions to noncontrolling interest                            |                |   |                   | (2,556)  | (2,556)      |
| Other   | 2,489          |   |                   |  | 2,489        |
| Net cash provided by (used in) financing activities                 | 495,131        | (257,951)                                   | 301,493           | (290,391)  | 248,282      |
| Net increase (decrease) in cash and cash equivalents                | 1,252          | (5,620)                                     | 45                | 28,363   | 24,040       |
| Effect of foreign currency translation on cash and cash equivalents |                |   | (45)              |  | (45)         |
| Cash and cash equivalents at beginning of period                    | 1,083          | 13,440                                      |                   | 7,289  | 21,812       |
| Cash and cash equivalents at end of period                          | \$ 2,335       | \$ 7,820                                    | \$                | \$ 35,652  | \$ 45,807    |

Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Note 21 Condensed Consolidating Information (Continued)****CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS  
For the Year Ended December 31, 2010**

|   | Ventas, Inc.   | Wholly<br>Owned<br>Subsidiary<br>Guarantors | Ventas<br>Issuers | Non-<br>Guarantor<br>Subsidiaries | Consolidated<br>Elimination | Consolidated |
|---|----------------|---|-------------------|-----------------------------------|-----------------------------|--------------|
|   | (In thousands) |   |                   |                                   |                             |              |
| Net cash provided by operating activities                           | \$ 14,092      | \$ 217,820                                  | \$ 213,295        | \$ 2,415                          | \$                          | \$ 447,622   |
| Net cash used in investing activities                               |                | (32,175)                                    | (266,609)         | (3,136)                           |                             | (301,920)    |
| Cash flows from financing activities:                               |                |   |                   |                                   |                             |              |
| Net change in borrowings under revolving credit facilities          |                | (11,436)                                    | 40,000            |                                   |                             | 28,564       |
| Proceeds from debt  |                |   | 595,712           | 1,670                             |                             | 597,382      |
| Repayment of debt   |                | (262,370)                                   | (244,710)         | (17,680)                          |                             | (524,760)    |
| Net change in intercompany debt                                     | (95,762)       | 128,791                                     | (26,250)          | (6,779)                           |                             |              |
| Payment of deferred financing costs                                 |                | (47)  | (2,647)           |                                   |                             | (2,694)      |
| Cash distribution from (to) affiliates                              | 405,433        | (34,933)                                    | (391,842)         | 21,342                            |                             |              |
| Cash distribution to common stockholders                            | (336,085)      |   |                   |                                   |                             | (336,085)    |
| Contributions from noncontrolling interest                          |                |   |                   | 818                               |                             | 818          |
| Distributions to noncontrolling interest                            |                |   |                   | (8,082)                           |                             | (8,082)      |
| Other   | 13,405         |   |                   |                                   |                             | 13,405       |
| Net cash used in financing activities                               | (13,009)       | (179,995)                                   | (29,737)          | (8,711)                           |                             | (231,452)    |
| Net increase (decrease) in cash and cash equivalents                | 1,083          | 5,650                                       | (83,051)          | (9,432)                           |                             | (85,750)     |
| Effect of foreign currency translation on cash and cash equivalents |                |   | 165               |                                   |                             | 165          |
| Cash and cash equivalents at beginning of period                    |                | 7,790                                       | 82,886            | 16,721                            |                             | 107,397      |
| Cash and cash equivalents at end of period                          | \$ 1,083       | \$ 13,440                                   | \$                | \$ 7,289                          | \$                          | \$ 21,812    |

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## Note 21 Condensed Consolidating Information (Continued)

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS  
For the Year Ended December 31, 2009

|   | Ventas, Inc.   | Wholly<br>Owned<br>Subsidiary<br>Guarantors | Ventas<br>Issuers | Non-<br>Guarantor<br>Subsidiaries | Consolidated<br>Elimination | Consolidated |
|---|----------------|---|-------------------|-----------------------------------|-----------------------------|--------------|
|   | (In thousands) |   |                   |                                   |                             |              |
| Net cash provided by operating activities                           | \$ 1,385       | \$ 125,216                                  | \$ 220,936        | \$ 74,564                         | \$                          | \$ 422,101   |
| Net cash provided by (used in) investing activities                 |                | 570   | 11,447            | (13,763)                          |                             | (1,746)      |
| Cash flows from financing activities:                               |                |   |                   |                                   |                             |              |
| Net change in borrowings under revolving credit facilities          |                | (42,633)                                    | (250,240)         |                                   |                             | (292,873)    |
| Proceeds from debt  |                | 276   | 166,000           | 199,406                           |                             | 365,682      |
| Repayment of debt   |                | (36,703)                                    | (433,528)         | (54,942)                          |                             | (525,173)    |
| Net change in intercompany debt                                     | (44,623)       | (22,143)                                    | 105,402           | (38,636)                          |                             |              |
| Payment of deferred financing costs                                 |                | (1,172)                                     | (11,034)          | (4,449)                           |                             | (16,655)     |
| Issuance of common stock, net                                       | 299,201        |   |                   |                                   |                             | 299,201      |
| Cash distribution from (to) affiliates                              | 55,741         | (29,603)                                    | 128,575           | (154,713)                         |                             |              |
| Cash distribution to common stockholders                            | (314,399)      |   |                   |                                   |                             | (314,399)    |
| Contributions from noncontrolling interest                          |                |   |                   | 1,211                             |                             | 1,211        |
| Distributions to noncontrolling interest                            |                | (379)                                       |                   | (9,490)                           |                             | (9,869)      |
| Other   | 2,695          |   |                   |                                   |                             | 2,695        |
| Net cash used in financing activities                               | (1,385)        | (132,357)                                   | (294,825)         | (61,613)                          |                             | (490,180)    |
| Net decrease in cash and cash equivalents                           |                | (6,571)                                     | (62,442)          | (812)                             |                             | (69,825)     |
| Effect of foreign currency translation on cash and cash equivalents |                |   | 410               |                                   |                             | 410          |
| Cash and cash equivalents at beginning of period                    |                | 14,361                                      | 144,918           | 17,533                            |                             | 176,812      |
| Cash and cash equivalents at end of period                          | \$             | \$ 7,790                                    | \$ 82,886         | \$ 16,721                         | \$                          | \$ 107,397   |

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## VENTAS, INC.

**SCHEDULE III**  
**REAL ESTATE AND ACCUMULATED DEPRECIATION**  
**December 31, 2011**  
**(Dollars in Thousands)**

For the Years Ended December 31,

2011                      2010                      2009

(In thousands)

|  |               |              |              |
|--|---------------|--------------|--------------|
| Reconciliation of real estate:                 |               |              |              |
| Carrying cost:                                 |               |              |              |
| Balance at beginning of period                 | \$ 6,600,886  | \$ 6,292,621 | \$ 6,160,630 |
| Additions during period:                       |               |              |              |
| Acquisitions                                   | 10,491,275    | 315,538      | 108,376      |
| Capital expenditures                           | 102,918       | 21,038       | 13,798       |
| Dispositions:                                  |               |              |              |
| Sales and/or transfers to assets held for sale | (157,764)     | (46,083)     | (34,525)     |
| Foreign currency translation                   | (7,911)       | 17,772       | 44,342       |
| Balance at end of period                       | \$ 17,029,404 | \$ 6,600,886 | \$ 6,292,621 |
| Accumulated depreciation:                      |               |              |              |
| Balance at beginning of period                 | \$ 1,368,219  | \$ 1,177,911 | \$ 987,691   |
| Additions during period:                       |               |              |              |
| Depreciation expense                           | 380,734       | 197,256      | 198,789      |
| Dispositions:                                  |               |              |              |
| Sales and/or transfers to assets held for sale | (16,536)      | (8,259)      | (11,469)     |
| Foreign currency translation                   | (2,441)       | 1,311        | 2,900        |
| Balance at end of period                       | \$ 1,729,976  | \$ 1,368,219 | \$ 1,177,911 |

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## VENTAS, INC.

**SCHEDULE III  
REAL ESTATE AND ACCUMULATED DEPRECIATION**

**December 31, 2011  
(Dollars in Thousands)**

| Property #                                | Property Name  | City          | State /<br>Province | Accumulated<br>Improvements | Initial Cost to<br>Company<br>Land<br>and Buildings | Subsequent<br>Improvements | Gross Amount<br>Carried at Close<br>of Period<br>Land<br>and Buildings | Gross Amount<br>Carried at Close<br>of Period<br>Improvements | Total    | Accumulated<br>Depreciation | NBV      | Construction<br>Year | Year<br>Acquired | Life on<br>Which<br>Depreciation<br>in Income<br>Statement<br>is Computed |
|---|--|---------------|---------------------|-----------------------------|---|----------------------------|--|---|----------|-----------------------------|----------|----------------------|------------------|---|
|   |  |               |                     |                             |   |                            |  |   |          |                             |          |                      |                  |   |
| <b>KINDRED SKILLED NURSING FACILITIES</b> |  |               |                     |                             |   |                            |  |   |          |                             |          |                      |                  |   |
| 0791                                      | Whitesburg Gardens Health Care Center                  | Huntsville    | AL                  | \$                          | \$ 534  | \$ 4,216                   | \$ 534   | \$ 4,216  | \$ 4,750 | \$ 3,491                    | \$ 1,259 | 1968                 | 1991             | 25 years  |
| 0824                                      | Specialty Healthcare & Rehabilitation Center of Mobile | Mobile        | AL                  |                             | 5   | 2,981                      | 5  | 2,981   | 2,986    | 2,042                       | 944      | 1967                 | 1992             | 29 years  |
| 0853                                      | Kachina Point Health Care and Rehabilitation Center    | Sedona        | AZ                  |                             | 364   | 4,179                      | 364  | 4,179   | 4,543    | 2,842                       | 1,701    | 1983                 | 1984             | 45 years  |
| 0743                                      | Desert Life Rehabilitation and Care Center             | Tucson        | AZ                  |                             | 611   | 5,117                      | 611  | 5,117   | 5,728    | 4,117                       | 1,611    | 1979                 | 1982             | 37 years  |
| 0851                                      | Villa Campana Health Care Center                       | Tucson        | AZ                  |                             | 533   | 2,201                      | 533  | 2,201   | 2,734    | 1,258                       | 1,476    | 1983                 | 1993             | 35 years  |
| 0738                                      | Bay View Nursing and Rehabilitation Center             | Alameda       | CA                  |                             | 1,462   | 5,981                      | 1,462  | 5,981   | 7,443    | 4,140                       | 3,303    | 1967                 | 1993             | 45 years  |
| 0167                                      | Canyonwood Nursing and Rehab Center                    | Redding       | CA                  |                             | 401   | 3,784                      | 401  | 3,784   | 4,185    | 1,947                       | 2,238    | 1989                 | 1989             | 45 years  |
| 0150                                      | The Tunnell Center for Rehabilitation & Healthcare     | San Francisco | CA                  |                             | 1,902   | 7,531                      | 1,902  | 7,531   | 9,433    | 5,100                       | 4,333    | 1967                 | 1993             | 28 years  |
| 0335                                      | Lawton Healthcare Center                               | San Francisco | CA                  |                             | 943   | 514                        | 943  | 514   | 1,457    | 447                         | 1,010    | 1962                 | 1996             | 20 years  |
| 0148                                      | Village Square Nursing and Rehabilitation Center       | San Marcos    | CA                  |                             | 766   | 3,507                      | 766  | 3,507   | 4,273    | 1,585                       | 2,688    | 1989                 | 1993             | 42 years  |
| 0350                                      | Valley Gardens Health Care & Rehabilitation Center     | Stockton      | CA                  |                             | 516   | 3,405                      | 516  | 3,405   | 3,921    | 1,837                       | 2,084    | 1988                 | 1988             | 29 years  |
| 0745                                      | Aurora Care Center                                     | Aurora        | CO                  |                             | 197   | 2,328                      | 197  | 2,328   | 2,525    | 1,530                       | 995      | 1962                 | 1995             | 30 years  |
| 0873                                      | Brighton Care Center                                   | Brighton      | CO                  |                             | 282   | 3,377                      | 282  | 3,377   | 3,659    | 2,276                       | 1,383    | 1969                 | 1992             | 30 years  |
| 0744                                      | Cherry Hills Health Care Center                        | Englewood     | CO                  |                             | 241   | 2,180                      | 241  | 2,180   | 2,421    | 1,514                       | 907      | 1960                 | 1995             | 30 years  |
| 0859                                      |  | Northglenn    | CO                  |                             | 501   | 8,294                      | 501  | 8,294   | 8,795    | 5,300                       | 3,495    | 1971                 | 1993             | 29 years  |

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|      |   |               |    |     |       |     |       |       |       |       |      |      |            |  |
|------|---|---------------|----|-----|-------|-----|-------|-------|-------|-------|------|------|------------|--|
|      | Malley<br>Healthcare and<br>Rehabilitation<br>Center  |               |    |     |       |     |       |       |       |       |      |      |            |  |
| 0568 | Parkway<br>Pavilion<br>Healthcare                     | Enfield       | CT | 337 | 3,607 | 337 | 3,607 | 3,944 | 2,663 | 1,281 | 1968 | 1994 | 28 years   |  |
| 0562 | Andrew House<br>Healthcare                            | New Britain   | CT | 247 | 1,963 | 247 | 1,963 | 2,210 | 1,252 | 958   | 1967 | 1992 | 29 years   |  |
| 0563 | The Crossings<br>West Campus                          | New<br>London | CT | 202 | 2,363 | 202 | 2,363 | 2,565 | 1,612 | 953   | 1969 | 1994 | 28 years   |  |
| 0567 | The Crossings<br>East Campus                          | New<br>London | CT | 401 | 2,776 | 401 | 2,776 | 3,177 | 2,056 | 1,121 | 1968 | 1992 | 29 years   |  |
| 0566 | Windsor<br>Rehabilitation<br>and Healthcare<br>Center | Windsor       | CT | 368 | 2,520 | 368 | 2,520 | 2,888 | 1,853 | 1,035 | 1965 | 1994 | 30 years   |  |
| 1228 | Lafayette<br>Nursing and<br>Rehab Center              | Fayetteville  | GA | 598 | 6,623 | 598 | 6,623 | 7,221 | 5,305 | 1,916 | 1989 | 1995 | 20 years   |  |
| 0645 | Specialty Care of<br>Marietta                         | Marietta      | GA | 241 | 2,782 | 241 | 2,782 | 3,023 | 1,930 | 1,093 | 1968 | 1993 | 28.5 years |  |
| 0155 | Savannah<br>Rehabilitation &<br>Nursing Center        | Savannah      | GA | 213 | 2,772 | 213 | 2,772 | 2,985 | 1,846 | 1,139 | 1968 | 1993 | 28.5 years |  |
| 0660 | Savannah<br>Specialty Care<br>Center                  | Savannah      | GA | 157 | 2,219 | 157 | 2,219 | 2,376 | 1,735 | 641   | 1972 | 1991 | 26 years   |  |
| 0216 | Boise Health and<br>Rehabilitation<br>Center          | Boise         | ID | 256 | 3,593 | 256 | 3,593 | 3,849 | 1,360 | 2,489 | 1977 | 1998 | 45 years   |  |
| 0218 | Canyon West<br>Health and<br>Rehabilitation<br>Center | Caldwell      | ID | 312 | 2,050 | 312 | 2,050 | 2,362 | 859   | 1,503 | 1974 | 1998 | 45 years   |  |
| 0409 | Mountain Valley<br>Care &<br>Rehabilitation<br>Center | Kellogg       | ID | 68  | 1,280 | 68  | 1,280 | 1,348 | 1,280 | 68    | 1971 | 1984 | 25 years   |  |
| 0221 | Lewiston<br>Rehabilitation &<br>Care Center           | Lewiston      | ID | 133 | 3,982 | 133 | 3,982 | 4,115 | 3,130 | 985   | 1964 | 1984 | 29 years   |  |
| 0225 | Aspen Park<br>Healthcare                              | Moscow        | ID | 261 | 2,571 | 261 | 2,571 | 2,832 | 2,198 | 634   | 1955 | 1990 | 25 years   |  |
| 0222 | Nampa Care<br>Center                                  | Nampa         | ID | 252 | 2,810 | 252 | 2,810 | 3,062 | 2,662 | 400   | 1950 | 1983 | 25 years   |  |
| 0223 | Weiser<br>Rehabilitation &<br>Care Center             | Weiser        | ID | 157 | 1,760 | 157 | 1,760 | 1,917 | 1,821 | 96    | 1963 | 1983 | 25 years   |  |
| 0269 | Meadowvale<br>Health and<br>Rehabilitation<br>Center  | Bluffton      | IN | 7   | 787   | 7   | 787   | 794   | 553   | 241   | 1962 | 1995 | 22 years   |  |
| 0290 | Bremen Health<br>Care Center                          | Bremen        | IN | 109 | 3,354 | 109 | 3,354 | 3,463 | 1,932 | 1,531 | 1982 | 1996 | 45 years   |  |
| 0694 | Wedgewood<br>Healthcare<br>Center                     | Clarksville   | IN | 119 | 5,115 | 119 | 5,115 | 5,234 | 2,929 | 2,305 | 1985 | 1995 | 35 years   |  |
| 0780 | Columbus Health<br>and<br>Rehabilitation<br>Center    | Columbus      | IN | 345 | 6,817 | 345 | 6,817 | 7,162 | 5,571 | 1,591 | 1966 | 1991 | 25 years   |  |
| 0131 | Harrison Health<br>and<br>Rehabilitation<br>Centre    | Corydon       | IN | 125 | 6,068 | 125 | 6,068 | 6,193 | 1,886 | 4,307 | 1998 | 1998 | 45 years   |  |
| 0209 | Valley View<br>Health Care<br>Center                  | Elkhart       | IN | 87  | 2,665 | 87  | 2,665 | 2,752 | 1,991 | 761   | 1985 | 1993 | 25 years   |  |
| 0213 |   | Indianapolis  | IN | 134 | 4,983 | 134 | 4,983 | 5,117 | 3,677 | 1,440 | 1988 | 1993 | 25 years   |  |

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|      |  |             |    |     |       |     |       |       |       |       |      |      |          |  |
|------|--|-------------|----|-----|-------|-----|-------|-------|-------|-------|------|------|----------|--|
|      | Wildwood Health Care Center                      |             |    |     |       |     |       |       |       |       |      |      |          |  |
| 0294 | Windsor Estates Health & Rehab Center            | Kokomo      | IN | 256 | 6,625 | 256 | 6,625 | 6,881 | 3,727 | 3,154 | 1962 | 1995 | 35 years |  |
| 0407 | Parkwood Health Care Center                      | Lebanon     | IN | 121 | 4,512 | 121 | 4,512 | 4,633 | 3,314 | 1,319 | 1977 | 1993 | 25 years |  |
| 0406 | Muncie Health & Rehabilitation Center            | Muncie      | IN | 108 | 4,202 | 108 | 4,202 | 4,310 | 3,067 | 1,243 | 1980 | 1993 | 25 years |  |
| 0111 | Rolling Hills Health Care Center                 | New Albany  | IN | 81  | 1,894 | 81  | 1,894 | 1,975 | 1,423 | 552   | 1984 | 1993 | 25 years |  |
| 0112 | Royal Oaks Health Care and Rehabilitation Center | Terre Haute | IN | 418 | 5,779 | 418 | 5,779 | 6,197 | 2,266 | 3,931 | 1995 | 1995 | 45 years |  |

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| Property # | Property Name  | Location         |                  | Initial Cost to Company |           | Gross Amount Carried at Close of Period |           | Accumulated Depreciation | Year of Construction | Year Acquired | Life on Which Depreciation in Income Statement is Computed |      |          |
|------------|--|------------------|------------------|-------------------------|-----------|---|-----------|--------------------------|----------------------|---------------|--|------|----------|
|            |  | City             | State / Province | Land                    | Buildings | Land                                    | Buildings |                          |                      |               |  |      |          |
| 0113       | Southwood Health & Rehabilitation Center               | Terre Haute      | IN               | 90                      | 2,868     | 90                                      | 2,868     | 2,958                    | 2,127                | 831           | 1988   | 1993 | 25 years |
| 0277       | Rosewood Health Care Center                            | Bowling Green    | KY               | 248                     | 5,371     | 248                                     | 5,371     | 5,619                    | 3,837                | 1,782         | 1970   | 1990 | 30 years |
| 0281       | Riverside Manor Healthcare Center                      | Calhoun          | KY               | 103                     | 2,119     | 103                                     | 2,119     | 2,222                    | 1,533                | 689           | 1963   | 1990 | 30 years |
| 0278       | Oakview Nursing and Rehabilitation Center              | Calvert City     | KY               | 124                     | 2,882     | 124                                     | 2,882     | 3,006                    | 2,059                | 947           | 1967   | 1990 | 30 years |
| 0782       | Danville Centre for Health and Rehabilitation          | Danville         | KY               | 322                     | 3,538     | 322                                     | 3,538     | 3,860                    | 2,173                | 1,687         | 1962   | 1995 | 30 years |
| 0787       | Woodland Terrace Health Care Facility                  | Elizabethtown    | KY               | 216                     | 1,795     | 216                                     | 1,795     | 2,011                    | 1,889                | 122           | 1969   | 1982 | 26 years |
| 0282       | Maple Manor Health Care Center                         | Greenville       | KY               | 59                      | 3,187     | 59                                      | 3,187     | 3,246                    | 2,297                | 949           | 1968   | 1990 | 30 years |
| 0864       | Harrodsburg Health Care Center                         | Harrodsburg      | KY               | 137                     | 1,830     | 137                                     | 1,830     | 1,967                    | 1,477                | 490           | 1974   | 1985 | 35 years |
| 0784       | Northfield Centre for Health and Rehabilitation        | Louisville       | KY               | 285                     | 1,555     | 285                                     | 1,555     | 1,840                    | 1,212                | 628           | 1969   | 1985 | 30 years |
| 0785       | Hillcrest Health Care Center                           | Owensboro        | KY               | 544                     | 2,619     | 544                                     | 2,619     | 3,163                    | 2,678                | 485           | 1963   | 1982 | 22 years |
| 0280       | Fountain Circle Health and Rehabilitation              | Winchester       | KY               | 137                     | 6,120     | 137                                     | 6,120     | 6,257                    | 4,328                | 1,929         | 1967   | 1990 | 30 years |
| 0582       | Colony House Nursing and Rehabilitation Center         | Abington         | MA               | 132                     | 999       | 132                                     | 999       | 1,131                    | 1,072                | 59            | 1965   | 1969 | 40 years |
| 0581       | Blueberry Hill Skilled Nursing & Rehabilitation Center | Beverly          | MA               | 129                     | 4,290     | 129                                     | 4,290     | 4,419                    | 3,144                | 1,275         | 1965   | 1968 | 40 years |
| 0506       | Presentation Nursing & Rehabilitation Center           | Brighton         | MA               | 184                     | 1,220     | 184                                     | 1,220     | 1,404                    | 1,241                | 163           | 1968   | 1982 | 28 years |
| 0588       | Walden Rehabilitation and Nursing Center               | Concord          | MA               | 181                     | 1,347     | 181                                     | 1,347     | 1,528                    | 1,371                | 157           | 1969   | 1968 | 40 years |
| 0514       | Sachem Skilled Nursing & Rehabilitation Center         | East Bridgewater | MA               | 529                     | 1,238     | 529                                     | 1,238     | 1,767                    | 1,514                | 253           | 1968   | 1982 | 27 years |
| 0508       | Crawford Skilled Nursing and Rehabilitation Center     | Fall River       | MA               | 127                     | 1,109     | 127                                     | 1,109     | 1,236                    | 1,108                | 128           | 1968   | 1982 | 29 years |



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|      |   |                  |    |     |       |     |       |       |       |       |      |      |            |
|------|---|------------------|----|-----|-------|-----|-------|-------|-------|-------|------|------|------------|
| 0532 | Hillcrest Nursing and Rehabilitation Center             | Fitchburg        | MA | 175 | 1,461 | 175 | 1,461 | 1,636 | 1,467 | 169   | 1957 | 1984 | 25 years   |
| 0584 | Franklin Skilled Nursing and Rehabilitation Center      | Franklin         | MA | 156 | 757   | 156 | 757   | 913   | 795   | 118   | 1967 | 1969 | 40 years   |
| 0518 | Timberlyn Heights Nursing and Rehabilitation Center     | Great Barrington | MA | 120 | 1,305 | 120 | 1,305 | 1,425 | 1,248 | 177   | 1968 | 1982 | 29 years   |
| 0585 | Great Barrington Rehabilitation and Nursing Center      | Great Barrington | MA | 60  | 1,142 | 60  | 1,142 | 1,202 | 1,136 | 66    | 1967 | 1969 | 40 years   |
| 0327 | Laurel Ridge Rehabilitation and Nursing Center          | Jamaica Plain    | MA | 194 | 1,617 | 194 | 1,617 | 1,811 | 1,268 | 543   | 1968 | 1989 | 30 years   |
| 0587 | River Terrace Healthcare                                | Lancaster        | MA | 268 | 957   | 268 | 957   | 1,225 | 1,103 | 122   | 1969 | 1969 | 40 years   |
| 0529 | Bolton Manor Nursing and Rehabilitation Center          | Marlborough      | MA | 222 | 2,431 | 222 | 2,431 | 2,653 | 1,988 | 665   | 1973 | 1984 | 34.5 years |
| 0526 | The Eliot Healthcare Center                             | Natick           | MA | 249 | 1,328 | 249 | 1,328 | 1,577 | 1,291 | 286   | 1996 | 1982 | 31 years   |
| 0513 | Hallmark Nursing and Rehabilitation Center              | New Bedford      | MA | 202 | 2,694 | 202 | 2,694 | 2,896 | 2,348 | 548   | 1968 | 1982 | 26 years   |
| 0503 | Brigham Manor Nursing and Rehabilitation Center         | Newburyport      | MA | 126 | 1,708 | 126 | 1,708 | 1,834 | 1,518 | 316   | 1806 | 1982 | 27 years   |
| 0507 | Country Rehabilitation and Nursing Center               | Newburyport      | MA | 199 | 3,004 | 199 | 3,004 | 3,203 | 2,618 | 585   | 1968 | 1982 | 27 years   |
| 0537 | Quincy Rehabilitation and Nursing Center                | Quincy           | MA | 216 | 2,911 | 216 | 2,911 | 3,127 | 2,679 | 448   | 1965 | 1984 | 24 years   |
| 0542 | Den-Mar Rehabilitation and Nursing Center               | Rockport         | MA | 23  | 1,560 | 23  | 1,560 | 1,583 | 1,403 | 180   | 1963 | 1985 | 30 years   |
| 0516 | Hammersmith House Nursing Care Center                   | Saugus           | MA | 112 | 1,919 | 112 | 1,919 | 2,031 | 1,652 | 379   | 1965 | 1982 | 28 years   |
| 0573 | Eagle Pond Rehabilitation and Living Center             | South Dennis     | MA | 296 | 6,896 | 296 | 6,896 | 7,192 | 3,566 | 3,626 | 1985 | 1987 | 50 years   |
| 0501 | Blue Hills Alzheimer's Care Center                      | Stoughton        | MA | 511 | 1,026 | 511 | 1,026 | 1,537 | 1,361 | 176   | 1965 | 1982 | 28 years   |
| 0534 | Country Gardens Skilled Nursing & Rehabilitation Center | Swansea          | MA | 415 | 2,675 | 415 | 2,675 | 3,090 | 2,375 | 715   | 1969 | 1984 | 27 years   |
| 0198 | Harrington House Nursing and Rehabilitation Center      | Walpole          | MA | 4   | 4,444 | 4   | 4,444 | 4,448 | 2,085 | 2,363 | 1991 | 1991 | 45 years   |

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|      |  |                |    |     |       |     |       |       |       |       |      |      |          |
|------|--|----------------|----|-----|-------|-----|-------|-------|-------|-------|------|------|----------|
| 0517 | Oakwood Rehabilitation and Nursing Center        | Webster        | MA | 102 | 1,154 | 102 | 1,154 | 1,256 | 1,121 | 135   | 1967 | 1982 | 31 years |
| 0539 | Newton and Wellesley Alzheimer Center            | Wellesley      | MA | 297 | 3,250 | 297 | 3,250 | 3,547 | 2,641 | 906   | 1971 | 1984 | 30 years |
| 0544 | Augusta Rehabilitation Center                    | Augusta        | ME | 152 | 1,074 | 152 | 1,074 | 1,226 | 974   | 252   | 1968 | 1985 | 30 years |
| 0545 | Eastside Rehabilitation and Living Center        | Bangor         | ME | 316 | 1,349 | 316 | 1,349 | 1,665 | 1,164 | 501   | 1967 | 1985 | 30 years |
| 0554 | Westgate Manor                                   | Bangor         | ME | 287 | 2,718 | 287 | 2,718 | 3,005 | 2,281 | 724   | 1969 | 1985 | 31 years |
| 0546 | Winship Green Nursing Center                     | Bath           | ME | 110 | 1,455 | 110 | 1,455 | 1,565 | 1,156 | 409   | 1974 | 1985 | 35 years |
| 0547 | Brewer Rehabilitation and Living Center          | Brewer         | ME | 228 | 2,737 | 228 | 2,737 | 2,965 | 2,055 | 910   | 1974 | 1985 | 33 years |
| 0549 | Kennebunk Nursing and Rehabilitation Center      | Kennebunk      | ME | 99  | 1,898 | 99  | 1,898 | 1,997 | 1,387 | 610   | 1977 | 1985 | 35 years |
| 0550 | Norway Rehabilitation & Living Center            | Norway         | ME | 133 | 1,658 | 133 | 1,658 | 1,791 | 1,212 | 579   | 1972 | 1985 | 39 years |
| 0555 | Brentwood Rehabilitation and Nursing Center      | Yarmouth       | ME | 181 | 2,789 | 181 | 2,789 | 2,970 | 2,112 | 858   | 1945 | 1985 | 45 years |
| 0433 | Parkview Acres Care and Rehabilitation Center    | Dillon         | MT | 207 | 2,578 | 207 | 2,578 | 2,785 | 1,735 | 1,050 | 1965 | 1993 | 29 years |
| 0416 | Park Place Health Care Center                    | Great Falls    | MT | 600 | 6,311 | 600 | 6,311 | 6,911 | 4,213 | 2,698 | 1963 | 1993 | 28 years |
| 0806 | Chapel Hill Rehabilitation and Healthcare Center | Chapel Hill    | NC | 347 | 3,029 | 347 | 3,029 | 3,376 | 2,104 | 1,272 | 1984 | 1993 | 28 years |
| 0116 | Pettigrew Rehabilitation and Healthcare Center   | Durham         | NC | 101 | 2,889 | 101 | 2,889 | 2,990 | 2,030 | 960   | 1969 | 1993 | 28 years |
| 0146 | Rose Manor Healthcare Center                     | Durham         | NC | 200 | 3,527 | 200 | 3,527 | 3,727 | 2,764 | 963   | 1972 | 1991 | 26 years |
| 0726 | Guardian Care of Elizabeth City                  | Elizabeth City | NC | 71  | 561   | 71  | 561   | 632   | 632   |       | 1977 | 1982 | 20 years |
| 0724 | Rehabilitation and Health Center of Gastonia     | Gastonia       | NC | 158 | 2,359 | 158 | 2,359 | 2,517 | 1,652 | 865   | 1968 | 1992 | 29 years |
| 0706 | Guardian Care of Henderson                       | Henderson      | NC | 206 | 1,997 | 206 | 1,997 | 2,203 | 1,347 | 856   | 1957 | 1993 | 29 years |
| 0711 | Kinston Rehabilitation and Healthcare Center     | Kinston        | NC | 186 | 3,038 | 186 | 3,038 | 3,224 | 1,963 | 1,261 | 1961 | 1993 | 29 years |
| 0307 | Lincoln Nursing Center                           | Lincolnton     | NC | 39  | 3,309 | 39  | 3,309 | 3,348 | 2,439 | 909   | 1976 | 1986 | 35 years |
| 0707 | Rehabilitation and Nursing Center of Monroe      | Monroe         | NC | 185 | 2,654 | 185 | 2,654 | 2,839 | 1,893 | 946   | 1963 | 1993 | 28 years |



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| Property # | Property Name  | Location         |                  | Initial Cost to Company |                            | Gross Amount Carried at Close of Period |                            | Total | Accumulated Depreciation | NBV   | Year of Construction | Year Acquired | Life on Which Depreciation in Income Statement is Computed |
|------------|--|------------------|------------------|-------------------------|----------------------------|---|----------------------------|-------|--------------------------|-------|----------------------|---------------|--|
|            |  | City             | State / Province | Land                    | Buildings and Improvements | Land                                    | Buildings and Improvements |       |                          |       |                      |               |  |
| 0137       | Sunnybrook Healthcare and Rehabilitation Specialists | Raleigh          | NC               | 187                     | 3,409                      | 187                                     | 3,409                      | 3,596 | 2,797                    | 799   | 1971                 | 1991          | 25 years   |
| 0143       | Raleigh Rehabilitation & Healthcare Center           | Raleigh          | NC               | 316                     | 5,470                      | 316                                     | 5,470                      | 5,786 | 4,449                    | 1,337 | 1969                 | 1991          | 25 years   |
| 0704       | Guardian Care of Roanoke Rapids                      | Roanoke Rapids   | NC               | 339                     | 4,132                      | 339                                     | 4,132                      | 4,471 | 3,292                    | 1,179 | 1967                 | 1991          | 25 years   |
| 0723       | Guardian Care of Rocky Mount                         | Rocky Mount      | NC               | 240                     | 1,732                      | 240                                     | 1,732                      | 1,972 | 1,394                    | 578   | 1975                 | 1997          | 25 years   |
| 0188       | Cypress Pointe Rehabilitation and Health Care Centre | Wilmington       | NC               | 233                     | 3,710                      | 233                                     | 3,710                      | 3,943 | 2,653                    | 1,290 | 1966                 | 1993          | 28.5 years   |
| 0191       | Silas Creek Manor                                    | Winston-Salem    | NC               | 211                     | 1,893                      | 211                                     | 1,893                      | 2,104 | 1,289                    | 815   | 1966                 | 1993          | 28.5 years   |
| 0713       | Guardian Care of Zebulon                             | Zebulon          | NC               | 179                     | 1,933                      | 179                                     | 1,933                      | 2,112 | 1,306                    | 806   | 1973                 | 1993          | 29 years   |
| 0591       | Dover Rehabilitation and Living Center               | Dover            | NH               | 355                     | 3,797                      | 355                                     | 3,797                      | 4,152 | 3,375                    | 777   | 1969                 | 1990          | 25 years   |
| 0593       | Hanover Terrace Healthcare                           | Hanover          | NH               | 326                     | 1,825                      | 326                                     | 1,825                      | 2,151 | 1,214                    | 937   | 1969                 | 1993          | 29 years   |
| 0592       | Greenbriar Terrace Healthcare                        | Nashua           | NH               | 776                     | 6,011                      | 776                                     | 6,011                      | 6,787 | 4,906                    | 1,881 | 1963                 | 1990          | 25 years   |
| 0640       | Las Vegas Healthcare and Rehabilitation Center       | Las Vegas        | NV               | 454                     | 1,018                      | 454                                     | 1,018                      | 1,472 | 575                      | 897   | 1940                 | 1992          | 30 years   |
| 0641       | Torrey Pines Care Center                             | Las Vegas        | NV               | 256                     | 1,324                      | 256                                     | 1,324                      | 1,580 | 959                      | 621   | 1971                 | 1992          | 29 years   |
| 0634       | Cambridge Health & Rehabilitation Center             | Cambridge        | OH               | 108                     | 2,642                      | 108                                     | 2,642                      | 2,750 | 1,986                    | 764   | 1975                 | 1993          | 25 years   |
| 0572       | Winchester Place Nursing and Rehabilitation Center   | Canal Winchester | OH               | 454                     | 7,149                      | 454                                     | 7,149                      | 7,603 | 5,355                    | 2,248 | 1974                 | 1993          | 28 years   |
| 0569       | Chillicothe Nursing & Rehabilitation Center          | Chillicothe      | OH               | 128                     | 3,481                      | 128                                     | 3,481                      | 3,609 | 2,727                    | 882   | 1976                 | 1985          | 34 years   |
| 0560       | Franklin Woods Nursing and Rehabilitation Center     | Columbus         | OH               | 190                     | 4,712                      | 190                                     | 4,712                      | 4,902 | 2,497                    | 2,405 | 1986                 | 1992          | 38 years   |
| 0577       | Minerva Park Nursing and Rehabilitation Center       | Columbus         | OH               | 210                     | 3,684                      | 210                                     | 3,684                      | 3,894 | 1,434                    | 2,460 | 1973                 | 1997          | 45 years   |
| 0635       | Coshocton Health & Rehabilitation Center             | Coshocton        | OH               | 203                     | 1,979                      | 203                                     | 1,979                      | 2,182 | 1,475                    | 707   | 1974                 | 1993          | 25 years   |
| 0868       |  | Lebanon          | OH               | 105                     | 3,617                      | 105                                     | 3,617                      | 3,722 | 2,263                    | 1,459 | 1984                 | 1986          | 43 years   |

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|      |   |                |    |       |       |       |       |       |       |       |       |      |          |          |
|------|---|----------------|----|-------|-------|-------|-------|-------|-------|-------|-------|------|----------|----------|
|      | Lebanon Country Manor                                 |                |    |       |       |       |       |       |       |       |       |      |          |          |
| 0571 | Logan Health Care Center                              | Logan          | OH | 169   | 3,750 | 169   | 3,750 | 3,919 | 2,577 | 1,342 | 1979  | 1991 | 30 years |          |
| 0570 | Pickerington Nursing & Rehabilitation Center          | Pickerington   | OH | 312   | 4,382 | 312   | 4,382 | 4,694 | 2,351 | 2,343 | 1984  | 1992 | 37 years |          |
| 0453 | Medford Rehabilitation and Healthcare Center          | Medford        | OR | 362   | 4,610 | 362   | 4,610 | 4,972 | 3,151 | 1,821 | 1961  | 1991 | 34 years |          |
| 0452 | Sunnyside Care Center                                 | Salem          | OR | 1,512 | 2,249 | 1,512 | 2,249 | 3,761 | 1,386 | 2,375 | 1981  | 1991 | 30 years |          |
| 1237 | Wyomissing Nursing and Rehabilitation Center          | Reading        | PA | 61    | 5,095 | 61    | 5,095 | 5,156 | 2,004 | 3,152 | 1966  | 1993 | 45 years |          |
| 1224 | Chestnut Terrace Nursing and Rehabilitation Center    | E. Providence  | RI | 174   | 2,643 | 174   | 2,643 | 2,817 | 1,061 | 1,756 | 1962  | 1990 | 45 years |          |
| 1231 | Oak Hill Nursing and Rehabilitation Center            | Pawtucket      | RI | 91    | 6,724 | 91    | 6,724 | 6,815 | 2,680 | 4,135 | 1966  | 1990 | 45 years |          |
| 0884 | Masters Health Care Center                            | Algood         | TN | 524   | 4,370 | 524   | 4,370 | 4,894 | 2,996 | 1,898 | 1981  | 1987 | 38 years |          |
| 0132 | Madison Healthcare and Rehabilitation Center          | Madison        | TN | 168   | 1,445 | 168   | 1,445 | 1,613 | 1,010 | 603   | 1968  | 1992 | 29 years |          |
| 0822 | Primacy Healthcare and Rehabilitation Center          | Memphis        | TN | 1,222 | 8,344 | 1,222 | 8,344 | 9,566 | 5,005 | 4,561 | 1980  | 1990 | 37 years |          |
| 0140 | Wasatch Care Center                                   | Ogden          | UT | 373   | 597   | 373   | 597   | 970   | 591   | 379   | 1964  | 1990 | 25 years |          |
| 0247 | St. George Care and Rehabilitation Center             | Saint George   | UT | 419   | 4,465 | 419   | 4,465 | 4,884 | 2,781 | 2,103 | 1976  | 1993 | 29 years |          |
| 0655 | Federal Heights Rehabilitation and Nursing Center     | Salt Lake City | UT | 201   | 2,322 | 201   | 2,322 | 2,523 | 1,617 | 906   | 1962  | 1992 | 29 years |          |
| 0230 | Crosslands Rehabilitation & Healthcare Center         | Sandy          | UT | 334   | 4,300 | 334   | 4,300 | 4,634 | 2,211 | 2,423 | 1987  | 1992 | 40 years |          |
| 0826 | Harbour Pointe Medical and Rehabilitation Center      | Norfolk        | VA | 427   | 4,441 | 427   | 4,441 | 4,868 | 3,040 | 1,828 | 1969  | 1993 | 28 years |          |
| 0825 | Nansemond Pointe Rehabilitation and Healthcare Center | Suffolk        | VA | 534   | 6,990 | 534   | 6,990 | 7,524 | 4,479 | 3,045 | 1963  | 1991 | 32 years |          |
| 0829 | River Pointe Rehabilitation and Healthcare Center     | Virginia Beach | VA | 770   | 4,440 | 770   | 4,440 | 5,210 | 3,703 | 1,507 | 1953  | 1991 | 25 years |          |
| 0842 | Bay Pointe Medical and Rehabilitation Center          | Virginia Beach | VA | 805   | 2,886 | (380) | 425   | 2,886 | 3,311 | 1,898 | 1,413 | 1971 | 1993     | 29 years |
| 0559 | Birchwood Terrace Healthcare                          | Burlington     | VT | 15    | 4,656 | 15    | 4,656 | 4,671 | 3,936 | 735   | 1965  | 1990 | 27 years |          |

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|      |  |            |    |       |        |       |        |        |        |       |      |      |            |
|------|--|------------|----|-------|--------|-------|--------|--------|--------|-------|------|------|------------|
| 0158 | Bellingham Health Care and Rehabilitation Services   | Bellingham | WA | 441   | 3,824  | 441   | 3,824  | 4,265  | 2,583  | 1,682 | 1972 | 1993 | 28.5 years |
| 0168 | Lakewood Healthcare Center                           | Lakewood   | WA | 504   | 3,511  | 504   | 3,511  | 4,015  | 1,959  | 2,056 | 1989 | 1989 | 45 years   |
| 0127 | Northwest Continuum Care Center                      | Longview   | WA | 145   | 2,563  | 145   | 2,563  | 2,708  | 1,761  | 947   | 1955 | 1992 | 29 years   |
| 0165 | Rainier Vista Care Center                            | Puyallup   | WA | 520   | 4,780  | 520   | 4,780  | 5,300  | 2,429  | 2,871 | 1986 | 1991 | 40 years   |
| 0114 | Arden Rehabilitation and Healthcare Center           | Seattle    | WA | 1,111 | 4,013  | 1,111 | 4,013  | 5,124  | 2,693  | 2,431 | 1950 | 1993 | 28.5 years |
| 0462 | Queen Anne Healthcare                                | Seattle    | WA | 570   | 2,750  | 570   | 2,750  | 3,320  | 1,928  | 1,392 | 1970 | 1993 | 29 years   |
| 0180 | Vancouver Health & Rehabilitation Center             | Vancouver  | WA | 449   | 2,964  | 449   | 2,964  | 3,413  | 2,051  | 1,362 | 1970 | 1993 | 28 years   |
| 0765 | Eastview Medical and Rehabilitation Center           | Antigo     | WI | 200   | 4,047  | 200   | 4,047  | 4,247  | 3,223  | 1,024 | 1962 | 1991 | 28 years   |
| 0767 | Colony Oaks Care Center                              | Appleton   | WI | 353   | 3,571  | 353   | 3,571  | 3,924  | 2,640  | 1,284 | 1967 | 1993 | 29 years   |
| 0773 | Mount Carmel Medical and Rehabilitation Center       | Burlington | WI | 274   | 7,205  | 274   | 7,205  | 7,479  | 4,430  | 3,049 | 1971 | 1991 | 30 years   |
| 0289 | San Luis Medical and Rehabilitation Center           | Green Bay  | WI | 259   | 5,299  | 259   | 5,299  | 5,558  | 4,152  | 1,406 | 1968 | 1996 | 25 years   |
| 0775 | Sheridan Medical Complex                             | Kenosha    | WI | 282   | 4,910  | 282   | 4,910  | 5,192  | 3,953  | 1,239 | 1964 | 1991 | 25 years   |
| 0776 | Woodstock Health and Rehabilitation Center           | Kenosha    | WI | 562   | 7,424  | 562   | 7,424  | 7,986  | 6,183  | 1,803 | 1970 | 1991 | 25 years   |
| 0769 | North Ridge Medical and Rehabilitation Center        | Manitowoc  | WI | 206   | 3,785  | 206   | 3,785  | 3,991  | 2,665  | 1,326 | 1964 | 1992 | 29 years   |
| 0774 | Mt. Carmel Health & Rehabilitation Center            | Milwaukee  | WI | 2,678 | 25,867 | 2,678 | 25,867 | 28,545 | 19,391 | 9,154 | 1958 | 1991 | 30 years   |
| 0770 | Vallhaven Care Center                                | Neenah     | WI | 337   | 5,125  | 337   | 5,125  | 5,462  | 3,620  | 1,842 | 1966 | 1993 | 28 years   |
| 0771 | Kennedy Park Medical & Rehabilitation Center         | Schofield  | WI | 301   | 3,596  | 301   | 3,596  | 3,897  | 3,594  | 303   | 1966 | 1982 | 29 years   |
| 0766 | Colonial Manor Medical and Rehabilitation Center     | Wausau     | WI | 169   | 3,370  | 169   | 3,370  | 3,539  | 2,120  | 1,419 | 1964 | 1995 | 30 years   |
| 0441 | Mountain Towers Healthcare and Rehabilitation Center | Cheyenne   | WY | 342   | 3,468  | 342   | 3,468  | 3,810  | 2,260  | 1,550 | 1964 | 1992 | 29 years   |
| 0481 | South Central Wyoming Healthcare and Rehabilitation  | Rawlins    | WY | 151   | 1,738  | 151   | 1,738  | 1,889  | 1,157  | 732   | 1955 | 1993 | 29 years   |

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|      |  |              |    |     |       |     |       |       |       |       |      |      |          |
|------|--|--------------|----|-----|-------|-----|-------|-------|-------|-------|------|------|----------|
| 0482 | Wind River<br>Healthcare and<br>Rehabilitation<br>Center | Riverton     | WY | 179 | 1,559 | 179 | 1,559 | 1,738 | 1,024 | 714   | 1967 | 1992 | 29 years |
| 0483 | Sage View Care<br>Center                                 | Rock Springs | WY | 287 | 2,392 | 287 | 2,392 | 2,679 | 1,614 | 1,065 | 1964 | 1993 | 30 years |

**TOTAL  
KINDRED  
SKILLED  
NURSING  
FACILITIES**

**50,734 544,311 (380) 50,354 544,311 594,665 383,013 211,652**

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| Property #                                    | Property Name                      | Location       |                  | Initial Cost to Company |           | Gross Amount Carried at Close of Period |           | Accumulated Depreciation | Year of Construction | Year Acquired | Life on Which Depreciation in Income Statement Computed |      |          |
|---|------------------------------------|----------------|------------------|-------------------------|-----------|---|-----------|--------------------------|----------------------|---------------|---|------|----------|
|   |                                    | City           | State / Province | Land                    | Buildings | Land                                    | Buildings |                          |                      |               |   |      |          |
| <b>NON-KINDRED SKILLED NURSING FACILITIES</b> |                                    |                |                  |                         |           |   |           |                          |                      |               |   |      |          |
| 7562  | Saline Nursing Center              | Benton         | AR               | 650                     | 13,540    | 650                                     | 13,540    | 14,190                   | 225                  | 14,141        | 1992  | 2011 | 35 years |
| 7565  | Regional Nursing Center            | Bryant         | AR               | 480                     | 12,455    | 480                                     | 12,455    | 12,935                   | 209                  | 12,886        | 1989  | 2011 | 35 years |
| 3786  | Beverly Health Care Golflinks      | Hot Springs    | AR               | 500                     | 11,311    | 500                                     | 11,311    | 11,811                   | 198                  | 11,765        | 1978  | 2011 | 35 years |
| 7566  | Lakewood Rehab Center              | Lake Village   | AR               | 560                     | 8,594     | 560                                     | 8,594     | 9,154                    | 152                  | 9,115         | 1998  | 2011 | 35 years |
| 7560  | Countrywood Estates                | Monticello     | AR               | 260                     | 9,542     | 260                                     | 9,542     | 9,802                    | 155                  | 9,767         | 1995  | 2011 | 35 years |
| 7561  | Riverview Manor                    | Morrilton      | AR               | 240                     | 9,476     | 240                                     | 9,476     | 9,716                    | 159                  | 9,677         | 1988  | 2011 | 35 years |
| 7564  | Brookridge Life Care & Rehab       | Morrilton      | AR               | 410                     | 11,069    | 410                                     | 11,069    | 11,479                   | 189                  | 11,432        | 1996  | 2011 | 35 years |
| 7563  | Wynwood Nursing Center             | Wynne          | AR               | 290                     | 10,763    | 290                                     | 10,763    | 11,053                   | 179                  | 11,011        | 1990  | 2011 | 35 years |
| 3765  | Chowchilla Convalescent Center     | Chowchilla     | CA               | 1,780                   | 5,097     | 1,780                                   | 5,097     | 6,877                    | 91                   | 6,874         | 1965  | 2011 | 35 years |
| 7140  | Driftwood Gilroy                   | Gilroy         | CA               | 3,330                   | 13,665    | 3,330                                   | 13,665    | 16,995                   | 234                  | 16,969        | 1968  | 2011 | 35 years |
| 7390  | Orange Hills Convalescent Hospital | Orange         | CA               | 960                     | 20,968    | 960                                     | 20,968    | 21,928                   | 338                  | 21,845        | 1987  | 2011 | 35 years |
| 7541  | Park Place Health Center           | Hartford       | CT               | 1,370                   | 2,908     | 1,370                                   | 2,908     | 4,278                    | 88                   | 4,901         | 1969  | 2011 | 35 years |
| 7542  | Spectrum Healthcare Torrington     | Torrington     | CT               | 1,770                   | 2,716     | 1,770                                   | 2,716     | 4,486                    | 71                   | 4,475         | 1969  | 2011 | 35 years |
| 7540  | Laurel Hills/Highland Acres        | Winsted        | CT               | 660                     | 1,914     | 660                                     | 1,914     | 2,574                    | 50                   | 2,566         | 1960  | 2011 | 35 years |
| 3779  | Beverly Health Ft. Pierce          | Ft. Pierce     | FL               | 840                     | 16,318    | 840                                     | 16,318    | 17,158                   | 277                  | 17,102        | 1960  | 2011 | 35 years |
| 7551  | Willowood Health & Rehab Center    | Flowery Branch | GA               | 1,130                   | 9,219     | 1,130                                   | 9,219     | 10,349                   | 157                  | 10,316        | 1970  | 2011 | 35 years |
| 2437  | Westbury                           | Lisle          | IL               | 730                     | 9,270     | 730                                     | 9,270     | 10,000                   | 1,090                | 8,910         | 1990  | 2009 | 35 years |
| 1568  | Rolling Hills                      | Anderson       | IN               | 1,600                   | 6,710     | 1,600                                   | 6,710     | 8,310                    | 123                  | 8,293         | 1967  | 2011 | 35 years |
| 1554  | Chalet Village                     | Berne          | IN               | 590                     | 1,654     | 590                                     | 1,654     | 2,244                    | 46                   | 2,383         | 1986  | 2011 | 35 years |
| 1565  | Vermillion Convalescent Center     | Clinton        | IN               | 700                     | 11,057    | 700                                     | 11,057    | 11,757                   | 190                  | 11,716        | 1971  | 2011 | 35 years |
| 1560  | Willow Crossing                    | Columbus       | IN               | 880                     | 4,963     | 880                                     | 4,963     | 5,843                    | 96                   | 5,821         | 1988  | 2011 | 35 years |
| 1555  | Willowbend Nursing Center          | East Muncie    | IN               | 1,080                   | 4,026     | 1,080                                   | 4,026     | 5,106                    | 75                   | 5,348         | 1976  | 2011 | 35 years |
| 1567  | Greenhill Manor                    | Fowler         | IN               | 380                     | 7,659     | 380                                     | 7,659     | 8,039                    | 128                  | 8,013         | 1973  | 2011 | 35 years |
| 1556  | Twin City Healthcare               | Gas City       | IN               | 350                     | 3,012     | 350                                     | 3,012     | 3,362                    | 62                   | 5,501         | 1974  | 2011 | 35 years |
| 1566  | Hanover                            | Hanover        | IN               | 1,070                   | 3,903     | 1,070                                   | 3,903     | 4,973                    | 92                   | 4,944         | 1975  | 2011 | 35 years |
| 1561  | AmeriCare of Hartford City         | Hartford City  | IN               | 470                     | 1,855     | 470                                     | 1,855     | 2,325                    | 48                   | 2,407         | 1988  | 2011 | 35 years |
| 1562  | Oakbrook Village                   | Huntington     | IN               | 600                     | 1,950     | 600                                     | 1,950     | 2,550                    | 43                   | 3,560         | 1987  | 2011 | 35 years |
| 1552  | Lakeview Manor                     | Indianapolis   | IN               | 2,780                   | 7,927     | 2,780                                   | 7,927     | 10,707                   | 161                  | 10,682        | 1968  | 2011 | 35 years |
| 1569  | Wintersong                         | Knox           | IN               | 420                     | 2,019     | 420                                     | 2,019     | 2,439                    | 42                   | 2,944         | 1984  | 2011 | 35 years |
| 1571  | Magnolia Woodland                  | Lawrenceburg   | IN               | 340                     | 3,757     | 340                                     | 3,757     | 4,097                    | 82                   | 4,291         | 1966  | 2011 | 35 years |



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|      |  |              |    |       |        |       |        |        |       |        |      |      |          |
|------|--|--------------|----|-------|--------|-------|--------|--------|-------|--------|------|------|----------|
| 1570 | Monticello                                       | Monticello   | IN | 460   | 8,461  | 460   | 8,461  | 8,921  | 143   | 8,891  | 1988 | 2011 | 35 years |
| 3767 | Petersburg Health Care Center                    | Petersburg   | IN | 310   | 8,443  | 310   | 8,443  | 8,753  | 146   | 8,720  | 1970 | 2011 | 35 years |
| 1563 | AmeriCare of Portland                            | Portland     | IN | 400   | 9,597  | 400   | 9,597  | 9,997  | 166   | 9,958  | 1964 | 2011 | 35 years |
| 3766 | Oakridge Convalescent Center                     | Richmond     | IN | 640   | 11,128 | 640   | 11,128 | 11,768 | 194   | 11,725 | 1975 | 2011 | 35 years |
| 1557 | Liberty Village                                  | St. Muncie   | IN | 1,520 | 7,542  | 1,520 | 7,542  | 9,062  | 133   | 9,069  | 2001 | 2011 | 35 years |
| 1553 | Westridge Healthcare Center                      | Terre Haute  | IN | 690   | 5,384  | 690   | 5,384  | 6,074  | 96    | 6,055  | 1965 | 2011 | 35 years |
| 1572 | Magnolia Washington                              | Washington   | IN | 220   | 10,054 | 220   | 10,054 | 10,274 | 177   | 13,245 | 1968 | 2011 | 35 years |
| 1558 | Americare of Winchester                          | Winchester   | IN | 730   | 6,039  | 730   | 6,039  | 6,769  | 103   | 6,752  | 1986 | 2011 | 35 years |
| 7343 | Belleville Health Care Center                    | Belleville   | KS | 590   | 4,170  | 590   | 4,170  | 4,760  | 80    | 4,740  | 1977 | 2011 | 35 years |
| 7347 | Oak Ridge Acres                                  | Hiawatha     | KS | 350   | 590    | 350   | 590    | 940    | 21    | 919    | 1974 | 2011 | 35 years |
| 7350 | Smokey Hill Rehab Center                         | Salina       | KS | 360   | 3,705  | 360   | 3,705  | 4,065  | 82    | 4,034  | 1981 | 2011 | 35 years |
| 7348 | Westwood Manor                                   | Topeka       | KS | 250   | 3,735  | 250   | 3,735  | 3,985  | 69    | 3,966  | 1973 | 2011 | 35 years |
| 7152 | Infinia at Wichita                               | Wichita      | KS | 350   | 13,065 | 350   | 13,065 | 13,415 | 211   | 13,360 | 1965 | 2011 | 35 years |
| 3835 | Jackson Manor                                    | Annville     | KY | 131   | 4,442  | 131   | 4,442  | 4,573  | 656   | 3,917  | 1989 | 2006 | 35 years |
| 3830 | Colonial Health & Rehabilitation Center          | Bardstown    | KY | 38    | 2,829  | 38    | 2,829  | 2,867  | 418   | 2,449  | 1968 | 2006 | 35 years |
| 3832 | Green Valley Health & Rehabilitation Center      | Carrollton   | KY | 29    | 2,325  | 29    | 2,325  | 2,354  | 343   | 2,011  | 1978 | 2006 | 35 years |
| 3845 | Summit Manor Health & Rehabilitation Center      | Columbia     | KY | 38    | 12,510 | 38    | 12,510 | 12,548 | 1,847 | 10,701 | 1965 | 2006 | 35 years |
| 3831 | Glasgow Health & Rehabilitation Center           | Glasgow      | KY | 21    | 2,997  | 21    | 2,997  | 3,018  | 442   | 2,576  | 1968 | 2006 | 35 years |
| 3841 | Professional Care Health & Rehabilitation Center | Hartford     | KY | 22    | 7,905  | 22    | 7,905  | 7,927  | 1,167 | 6,760  | 1967 | 2006 | 35 years |
| 3833 | Hart County Health Center                        | Horse Cave   | KY | 68    | 6,059  | 68    | 6,059  | 6,127  | 894   | 5,233  | 1993 | 2006 | 35 years |
| 3834 | Heritage Hall Health & Rehabilitation Center     | Lawrenceburg | KY | 38    | 3,920  | 38    | 3,920  | 3,958  | 579   | 3,379  | 1973 | 2006 | 35 years |
| 3844 | Tanbark Health & Rehabilitation Center           | Lexington    | KY | 868   | 6,061  | 868   | 6,061  | 6,929  | 895   | 6,034  | 1989 | 2006 | 35 years |
| 3836 | Jefferson Manor                                  | Louisville   | KY | 2,169 | 4,075  | 2,169 | 4,075  | 6,244  | 602   | 5,642  | 1982 | 2006 | 35 years |
| 3837 | Jefferson Place                                  | Louisville   | KY | 1,307 | 9,175  | 1,307 | 9,175  | 10,482 | 1,354 | 9,128  | 1991 | 2006 | 35 years |

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| Property # | Property Name                               | Location         |                  | Initial Cost to Company Land and Buildings | Gross Amount Carried at Close of Period | Subsequent Costs and Improvements | Total  | Accumulated Depreciation | NBV   | Year of Construction | Year Acquired | Life on Which Depreciation in Income Statement is Computed |          |
|------------|---|------------------|------------------|--|---|-----------------------------------|--------|--------------------------|-------|----------------------|---------------|--|----------|
|            |   | City             | State / Province |  |   |                                   |        |                          |       |                      |               |  |          |
| 3838       | Meadowview Health & Rehabilitation Center   | Louisville       | KY               | 317  | 4,666                                   | 317                               | 4,666  | 4,983                    | 689   | 4,294                | 1973          | 2006   | 35 years |
| 3842       | Rockford Health & Rehabilitation Center     | Louisville       | KY               | 364  | 9,568                                   | 364                               | 9,568  | 9,932                    | 1,412 | 8,520                | 1975          | 2006   | 35 years |
| 3843       | Summerfield Health & Rehabilitation Center  | Louisville       | KY               | 1,089                                      | 10,756                                  | 1,089                             | 10,756 | 11,845                   | 1,588 | 10,257               | 1979          | 2006   | 35 years |
| 3829       | McCreary Health & Rehabilitation Center     | Pine Knot        | KY               | 73   | 2,443                                   | 73                                | 2,443  | 2,516                    | 361   | 2,155                | 1990          | 2006   | 35 years |
| 3840       | North Hardin Health & Rehabilitation Center | Radcliff         | KY               | 218  | 11,944                                  | 218                               | 11,944 | 12,162                   | 1,763 | 10,399               | 1986          | 2006   | 35 years |
| 3839       | Monroe Health & Rehabilitation Center       | Tompkinsville    | KY               | 32   | 8,756                                   | 32                                | 8,756  | 8,788                    | 1,293 | 7,495                | 1969          | 2006   | 35 years |
| 1730       | Wingate at Andover                          | Andover          | MA               | 1,450                                      | 14,798                                  | 1,450                             | 14,798 | 16,248                   | 258   | 16,855               | 1992          | 2011   | 35 years |
| 1731       | Wingate at Brighton                         | Brighton         | MA               | 1,070                                      | 7,383                                   | 1,070                             | 7,383  | 8,453                    | 147   | 9,963                | 1995          | 2011   | 35 years |
| 7460       | Danvers Nursing and Rehab                   | Danvers          | MA               | 720  | 8,388                                   | 720                               | 8,388  | 9,108                    | 166   | 9,040                | 1998          | 2011   | 35 years |
| 1745       | Chestnut Hill Rehab & Nursing               | East Longmeadow  | MA               | 3,050                                      | 5,392                                   | 3,050                             | 5,392  | 8,442                    | 115   | 14,497               | 1985          | 2011   | 35 years |
| 1747       | Wingate at Haverhill                        | Haverhill        | MA               | 810  | 9,288                                   | 810                               | 9,288  | 10,098                   | 177   | 10,774               | 1973          | 2011   | 35 years |
| 1737       | Skilled Care Center at Silver Lake          | Kingston         | MA               | 3,230                                      | 19,870                                  | 3,230                             | 19,870 | 23,100                   | 372   | 22,988               | 1992          | 2011   | 35 years |
| 1739       | Wentworth Skilled Care Center               | Lowell           | MA               | 820  | 11,220                                  | 820                               | 11,220 | 12,040                   | 193   | 12,373               | 1966          | 2011   | 35 years |
| 1732       | Wingate at Needham                          | Needham          | MA               | 920  | 9,236                                   | 920                               | 9,236  | 10,156                   | 176   | 12,404               | 1996          | 2011   | 35 years |
| 1733       | Wingate at Reading                          | Reading          | MA               | 920  | 7,499                                   | 920                               | 7,499  | 8,419                    | 145   | 9,155                | 1988          | 2011   | 35 years |
| 1736       | Wingate at South Hadley                     | South Hadley     | MA               | 1,870                                      | 15,572                                  | 1,870                             | 15,572 | 17,442                   | 266   | 17,373               | 1988          | 2011   | 35 years |
| 1746       | Ring East                                   | Springfield      | MA               | 1,250                                      | 13,561                                  | 1,250                             | 13,561 | 14,811                   | 242   | 15,188               | 1987          | 2011   | 35 years |
| 1734       | Wingate at Sudbury                          | Sudbury          | MA               | 1,540                                      | 8,100                                   | 1,540                             | 8,100  | 9,640                    | 164   | 11,669               | 1997          | 2011   | 35 years |
| 1744       | Riverdale Gardens Rehab & Nursing           | West Springfield | MA               | 2,140                                      | 6,997                                   | 2,140                             | 6,997  | 9,137                    | 141   | 12,799               | 1960          | 2011   | 35 years |
| 1735       | Wingate at Wilbraham                        | Wilbraham        | MA               | 4,070                                      | 10,777                                  | 4,070                             | 10,777 | 14,847                   | 202   | 14,812               | 1988          | 2011   | 35 years |
| 1740       | Worcester Skilled Care Center               | Worcester        | MA               | 620  | 10,958                                  | 620                               | 10,958 | 11,578                   | 202   | 13,369               | 1970          | 2011   | 35 years |
| 3774       |   | Cumberland       | MD               | 660  | 23,970                                  | 660                               | 23,970 | 24,630                   | 381   | 24,556               | 1968          | 2011   | 35 years |

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|      |  |                |    |       |        |       |        |        |       |        |      |      |          |  |
|------|--|----------------|----|-------|--------|-------|--------|--------|-------|--------|------|------|----------|--|
|      | Cumberland<br>Villa Nursing<br>Center              |                |    |       |        |       |        |        |       |        |      |      |          |  |
| 3773 | Colton Villa                                       | Hagerstown     | MD | 1,550 | 16,973 | 1,550 | 16,973 | 18,523 | 287   | 18,466 | 1971 | 2011 | 35 years |  |
| 3775 | Westminster<br>Nursing &<br>Convalescent<br>Center | Westminster    | MD | 2,160 | 15,931 | 2,160 | 15,931 | 18,091 | 269   | 18,047 | 1973 | 2011 | 35 years |  |
| 7160 | Waters of Park<br>Point                            | Duluth         | MN | 2,920 | 8,271  | 2,920 | 8,271  | 11,191 | 174   | 12,328 | 1971 | 2011 | 35 years |  |
| 3784 | Hopkins<br>Healthcare                              | Hopkins        | MN | 4,470 | 21,409 | 4,470 | 21,409 | 25,879 | 349   | 25,863 | 1961 | 2011 | 35 years |  |
| 7005 | Andrew Care<br>Home                                | Minneapolis    | MN | 3,280 | 5,083  | 3,280 | 5,083  | 8,363  | 149   | 8,312  | 1941 | 2011 | 35 years |  |
| 3764 | Golden Living<br>Center Rochester<br>East          | Rochester      | MN | 639   | 3,497  | 639   | 3,497  | 4,136  | 3,549 | 587    | 1967 | 1982 | 28 years |  |
| 7250 | Ashland<br>Healthcare                              | Ashland        | MO | 770   | 4,400  | 770   | 4,400  | 5,170  | 79    | 5,232  | 1993 | 2011 | 35 years |  |
| 7257 | South Hampton<br>Place                             | Columbia       | MO | 710   | 11,279 | 710   | 11,279 | 11,989 | 189   | 11,952 | 1994 | 2011 | 35 years |  |
| 7253 | Dixon Nursing &<br>Rehab                           | Dixon          | MO | 570   | 3,342  | 570   | 3,342  | 3,912  | 64    | 3,897  | 1989 | 2011 | 35 years |  |
| 7252 | Current River<br>Nursing                           | Doniphan       | MO | 450   | 7,703  | 450   | 7,703  | 8,153  | 142   | 8,115  | 1991 | 2011 | 35 years |  |
| 7254 | Forsyth Care<br>Center                             | Forsyth        | MO | 710   | 6,731  | 710   | 6,731  | 7,441  | 129   | 7,406  | 1993 | 2011 | 35 years |  |
| 3785 | Maryville Health<br>Care Center                    | Maryville      | MO | 630   | 5,825  | 630   | 5,825  | 6,455  | 113   | 6,906  | 1972 | 2011 | 35 years |  |
| 7255 | Glenwood<br>Healthcare                             | Seymour        | MO | 670   | 3,737  | 670   | 3,737  | 4,407  | 70    | 4,393  | 1990 | 2011 | 35 years |  |
| 7256 | Silex<br>Community Care                            | Silex          | MO | 730   | 2,689  | 730   | 2,689  | 3,419  | 55    | 3,408  | 1991 | 2011 | 35 years |  |
| 7251 | Bellefontaine<br>Gardens                           | St. Louis      | MO | 1,610 | 4,314  | 1,610 | 4,314  | 5,924  | 90    | 5,910  | 1988 | 2011 | 35 years |  |
| 2227 | Gravios Nursing<br>Center                          | St. Louis      | MO | 1,560 | 10,582 | 1,560 | 10,582 | 12,142 | 199   | 12,318 | 1954 | 2011 | 35 years |  |
| 7258 | Strafford Care<br>Center                           | Strafford      | MO | 1,670 | 8,251  | 1,670 | 8,251  | 9,921  | 140   | 9,907  | 1995 | 2011 | 35 years |  |
| 7259 | Windsor<br>Healthcare                              | Windsor        | MO | 510   | 3,345  | 510   | 3,345  | 3,855  | 64    | 4,014  | 1996 | 2011 | 35 years |  |
| 3770 | Lakewood<br>Manor                                  | Hendersonville | NC | 1,610 | 7,759  | 1,610 | 7,759  | 9,369  | 148   | 9,342  | 1979 | 2011 | 35 years |  |
| 2505 | Lopatcong<br>Center                                | Phillipsburg   | NJ | 1,490 | 12,336 | 1,490 | 12,336 | 13,826 | 3,679 | 10,147 | 1982 | 2004 | 30 years |  |
| 2226 | Hearthstone of<br>Northern Nevada                  | Sparks         | NV | 1,400 | 9,365  | 1,400 | 9,365  | 10,765 | 173   | 10,724 | 1988 | 2011 | 35 years |  |
| 1742 | Wingate at<br>St. Francis                          | Beacon         | NY | 1,900 | 18,115 | 1,900 | 18,115 | 20,015 | 311   | 21,343 | 2002 | 2011 | 35 years |  |
| 7583 | Garden Gate  | Cheektowaga    | NY | 760   | 15,643 | 760   | 15,643 | 16,403 | 274   | 16,662 | 1979 | 2011 | 35 years |  |
| 7581 | Brookhaven   | East Patchogue | NY | 1,100 | 25,840 | 1,100 | 25,840 | 26,940 | 412   | 26,860 | 1988 | 2011 | 35 years |  |
| 1741 | Wingate at<br>Dutchess                             | Fishkill       | NY | 1,300 | 19,685 | 1,300 | 19,685 | 20,985 | 334   | 21,918 | 1996 | 2011 | 35 years |  |
| 7580 | Autumn View  | Hamburg        | NY | 1,190 | 24,687 | 1,190 | 24,687 | 25,877 | 413   | 31,810 | 1983 | 2011 | 35 years |  |
| 1743 | Wingate at<br>Ulster                               | Highland       | NY | 1,500 | 18,223 | 1,500 | 18,223 | 19,723 | 298   | 19,648 | 1998 | 2011 | 35 years |  |
| 7584 | North Gate   | Tonawanda      | NY | 1,010 | 14,801 | 1,010 | 14,801 | 15,811 | 265   | 15,741 | 1982 | 2011 | 35 years |  |
| 7585 | Seneca   | West Seneca    | NY | 1,400 | 13,491 | 1,400 | 13,491 | 14,891 | 236   | 14,838 | 1974 | 2011 | 35 years |  |
| 7582 | Harris Hill  | Williamsville  | NY | 1,240 | 33,574 | 1,240 | 33,574 | 34,814 | 533   | 34,711 | 1992 | 2011 | 35 years |  |
| 2702 | Burlington<br>House                                | Cincinnati     | OH | 918   | 5,087  | 918   | 5,087  | 6,005  | 1,331 | 4,674  | 1989 | 2004 | 35 years |  |
| 2701 | Regency Manor                                      | Columbus       | OH | 606   | 16,424 | 606   | 16,424 | 17,030 | 4,304 | 12,726 | 1883 | 2004 | 35 years |  |

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Table of Contents

| Property # | Property Name                                  | Location            |                  | Initial Cost to Company |           | Gross Amount Carried at Close of Period |           | Accumulated |              | Year of Construction | Year Required | Life on Which Depreciation in Income Statement is Computed |          |          |
|------------|--|---------------------|------------------|-------------------------|-----------|---|-----------|-------------|--------------|----------------------|---------------|--|----------|----------|
|            |  | City                | State / Province | Land                    | Buildings | Land                                    | Buildings | Total       | Depreciation |                      |               |  |          |          |
| 7451       | Rosewood Manor (OH)                            | Galion              | OH               | 540                     | 6,324     | 540                                     | 6,324     | 6,864       | 114          | 6,834                | 1967          | 2011   | 35 years |          |
| 3920       | Marietta Convalescent Center                   | Marietta            | OH               | 158                     | 3,266     | 75                                      | 158       | 3,341       | 3,499        | 2,495                | 1,004         | 1972   | 1993     | 25 years |
| 7453       | Horizon Village (Gillette's)                   | Warren              | OH               | 1,100                   | 8,196     |   | 1,100     | 8,196       | 9,296        | 173                  | 9,458         | 1967   | 2011     | 35 years |
| 7452       | Whispering Pines Healthcare Center             | Washington Ct House | OH               | 490                     | 13,460    |   | 490       | 13,460      | 13,950       | 219                  | 13,902        | 1984   | 2011     | 35 years |
| 7450       | Boardman Comm CC Little Forest                 | Youngstown          | OH               | 380                     | 5,960     |   | 380       | 5,960       | 6,340        | 143                  | 7,262         | 1962   | 2011     | 35 years |
| 7442       | Western Hills Health Care Center               | Lawton              | OK               | 520                     | 680       |   | 520       | 680         | 1,200        | 48                   | 1,152         | 1968   | 2011     | 35 years |
| 7443       | Willow Park Health Care Center                 | Lawton              | OK               | 300                     | 12,164    |   | 300       | 12,164      | 12,464       | 209                  | 12,406        | 1985   | 2011     | 35 years |
| 7440       | Temple Manor Nursing Home                      | Temple              | OK               | 300                     | 1,779     |   | 300       | 1,779       | 2,079        | 38                   | 2,067         | 1971   | 2011     | 35 years |
| 7441       | Tuttle Care Center                             | Tuttle              | OK               | 150                     | 1,377     |   | 150       | 1,377       | 1,527        | 33                   | 1,905         | 1960   | 2011     | 35 years |
| 1510       | Avamere Rehab of Coos Bay                      | Coos Bay            | OR               | 1,920                   | 3,394     |   | 1,920     | 3,394       | 5,314        | 66                   | 5,319         | 1968   | 2011     | 35 years |
| 1502       | Avamere Riverpark of Eugene                    | Eugene              | OR               | 1,960                   | 17,622    |   | 1,960     | 17,622      | 19,582       | 287                  | 19,555        | 1988   | 2011     | 35 years |
| 1509       | Avamere Rehab of Eugene                        | Eugene              | OR               | 1,080                   | 7,257     |   | 1,080     | 7,257       | 8,337        | 129                  | 8,319         | 1966   | 2011     | 35 years |
| 1513       | Avamere Rehab of Clackamas                     | Gladstone           | OR               | 820                     | 3,844     |   | 820       | 3,844       | 4,664        | 72                   | 4,654         | 1961   | 2011     | 35 years |
| 1507       | Avamere Rehab of Hillsboro                     | Hillsboro           | OR               | 1,390                   | 8,628     |   | 1,390     | 8,628       | 10,018       | 151                  | 10,000        | 1973   | 2011     | 35 years |
| 1508       | Avamere Rehab of Junction City                 | Junction City       | OR               | 590                     | 5,583     |   | 590       | 5,583       | 6,173        | 96                   | 6,159         | 1966   | 2011     | 35 years |
| 1506       | Avamere Rehab of King City                     | King City           | OR               | 1,290                   | 10,646    |   | 1,290     | 10,646      | 11,936       | 178                  | 11,917        | 1975   | 2011     | 35 years |
| 1504       | Avamere Rehab of Lebanon                       | Lebanon             | OR               | 980                     | 12,954    |   | 980       | 12,954      | 13,934       | 210                  | 13,910        | 1974   | 2011     | 35 years |
| 1528       | Newport Rehabilitation & Specialty Care Center | Newport             | OR               | 380                     | 3,420     |   | 380       | 3,420       | 3,800        | 45                   | 3,755         | N/A  | 2011     | 35 years |
| 1505       | Avamere Crestview of Portland                  | Portland            | OR               | 1,610                   | 13,942    |   | 1,610     | 13,942      | 15,552       | 230                  | 15,529        | 1964   | 2011     | 35 years |
| 1511       | Avamere Twin Oaks of Sweet Home                | Sweet Home          | OR               | 290                     | 4,536     |   | 290       | 4,536       | 4,826        | 77                   | 4,813         | 1972   | 2011     | 35 years |
| 3852       | Balanced Care at Bloomsburg                    | Bloomsburg          | PA               | 621                     | 1,371     |   | 621       | 1,371       | 1,992        | 202                  | 1,790         | 1997   | 2006     | 35 years |
| 2507       | The Belvedere                                  | Chester             | PA               | 822                     | 7,203     |   | 822       | 7,203       | 8,025        | 2,134                | 5,891         | 1899   | 2004     | 30 years |
| 2228       | Mountain View Nursing Home                     | Greensburg          | PA               | 580                     | 12,817    |   | 580       | 12,817      | 13,397       | 223                  | 15,409        | 1971   | 2011     | 35 years |
| 7222       | Laurels Health & Rehab at Kingston             | Kingston            | PA               | 910                     | 4,197     |   | 910       | 4,197       | 5,107        | 81                   | 5,090         | 1995   | 2011     | 35 years |
| 7220       | Laurels Health & Rehab at Mid                  | Peckville           | PA               | 350                     | 2,348     |   | 350       | 2,348       | 2,698        | 46                   | 2,685         | 1991   | 2011     | 35 years |

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|        |                                    |                  |    |       |        |       |       |        |        |       |        |      |      |          |
|--------|------------------------------------|------------------|----|-------|--------|-------|-------|--------|--------|-------|--------|------|------|----------|
| Valley |                                    |                  |    |       |        |       |       |        |        |       |        |      |      |          |
| 2509   | Pennsburg Manor                    | Pennsburg        | PA | 1,091 | 7,871  |       | 1,091 | 7,871  | 8,962  | 2,403 | 6,559  | 1982 | 2004 | 30 years |
| 2508   | Chapel Manor                       | Philadelphia     | PA | 1,595 | 13,982 | 1,358 | 1,595 | 15,340 | 16,935 | 4,143 | 12,792 | 1948 | 2004 | 30 years |
| 2506   | Wayne Center                       | Wayne            | PA | 662   | 6,872  | 850   | 662   | 7,722  | 8,384  | 2,187 | 6,197  | 1875 | 2004 | 30 years |
| 7176   | Epic- Bayview                      | Beaufort         | SC | 890   | 14,311 |       | 890   | 14,311 | 15,201 | 253   | 15,136 | 1970 | 2011 | 35 years |
| 7170   | Dundee Nursing Home                | Bennettsville    | SC | 320   | 8,693  |       | 320   | 8,693  | 9,013  | 154   | 8,970  | 1958 | 2011 | 35 years |
| 7175   | Epic-Conway                        | Conway           | SC | 1,090 | 16,880 |       | 1,090 | 16,880 | 17,970 | 292   | 17,900 | 1975 | 2011 | 35 years |
| 7171   | Mt. Pleasant Nursing Center        | Mt. Pleasant     | SC | 1,810 | 9,079  |       | 1,810 | 9,079  | 10,889 | 165   | 10,858 | 1977 | 2011 | 35 years |
| 7380   | Firesteel                          | Mitchell         | SD | 690   | 15,360 |       | 690   | 15,360 | 16,050 | 261   | 15,996 | 1966 | 2011 | 35 years |
| 7381   | Fountain Springs Healthcare Center | Rapid City       | SD | 940   | 28,647 |       | 940   | 28,647 | 29,587 | 440   | 29,527 | 1989 | 2011 | 35 years |
| 7550   | Brookewood Health Care Center      | Decatur          | TN | 470   | 4,617  |       | 470   | 4,617  | 5,087  | 89    | 5,060  | 1981 | 2011 | 35 years |
| 7172   | Tri-State Comp Care Center         | Harrogate        | TN | 1,520 | 11,515 |       | 1,520 | 11,515 | 13,035 | 195   | 13,004 | 1990 | 2011 | 35 years |
| 1661   | Green Acres Baytown                | Baytown          | TX | 490   | 9,104  |       | 490   | 9,104  | 9,594  | 153   | 9,563  | 1970 | 2011 | 35 years |
| 1662   | Allenbrook Healthcare              | Baytown          | TX | 470   | 11,304 |       | 470   | 11,304 | 11,774 | 192   | 11,731 | 1975 | 2011 | 35 years |
| 7603   | Summer Place Nursing and Rehab     | Beaumont         | TX | 1,160 | 15,934 |       | 1,160 | 15,934 | 17,094 | 267   | 17,041 | 2009 | 2011 | 35 years |
| 1664   | Green Acres Center                 | Center           | TX | 200   | 5,446  |       | 200   | 5,446  | 5,646  | 102   | 5,616  | 1972 | 2011 | 35 years |
| 1676   | Regency Nursing Home               | Clarksville      | TX | 380   | 8,711  |       | 380   | 8,711  | 9,091  | 156   | 9,050  | 1989 | 2011 | 35 years |
| 7270   | Park Manor Conroe                  | Conroe           | TX | 1,310 | 22,318 |       | 1,310 | 22,318 | 23,628 | 352   | 23,996 | 2001 | 2011 | 35 years |
| 7601   | Trisun Care Center Westwood        | Corpus Christi   | TX | 440   | 8,624  |       | 440   | 8,624  | 9,064  | 148   | 9,029  | 1973 | 2011 | 35 years |
| 7602   | Trisun Care Center River Ridge     | Corpus Christi   | TX | 890   | 7,695  |       | 890   | 7,695  | 8,585  | 141   | 10,324 | 1994 | 2011 | 35 years |
| 7606   | Heritage Oaks West                 | Corsicana        | TX | 510   | 15,806 |       | 510   | 15,806 | 16,316 | 264   | 16,257 | 1995 | 2011 | 35 years |
| 7531   | Park Manor                         | DeSoto           | TX | 1,080 | 14,484 |       | 1,080 | 14,484 | 15,564 | 248   | 15,509 | 1987 | 2011 | 35 years |
| 7510   | Hill Country Care                  | Dripping Springs | TX | 740   | 3,973  |       | 740   | 3,973  | 4,713  | 74    | 5,713  | 1986 | 2011 | 35 years |
| 7609   | Sandstone Ranch                    | El Paso          | TX | 1,580 | 8,396  |       | 1,580 | 8,396  | 9,976  | 213   | 9,915  | 2010 | 2011 | 35 years |
| 7511   | Pecan Tree Rehab & Healthcare      | Gainesville      | TX | 430   | 11,499 |       | 430   | 11,499 | 11,929 | 197   | 12,587 | 1990 | 2011 | 35 years |
| 1679   | Pleasant Valley Health & Rehab     | Garland          | TX | 1,040 | 9,383  |       | 1,040 | 9,383  | 10,423 | 171   | 11,167 | 2008 | 2011 | 35 years |
| 1674   | Upshur Manor                       | Gilmer           | TX | 770   | 8,126  |       | 770   | 8,126  | 8,896  | 146   | 9,475  | 1990 | 2011 | 35 years |
| 1667   | Beechnut Manor                     | Houston          | TX | 1,080 | 12,030 |       | 1,080 | 12,030 | 13,110 | 211   | 13,065 | 1982 | 2011 | 35 years |
| 7271   | Park Manor Cypress Station         | Houston          | TX | 1,450 | 19,542 |       | 1,450 | 19,542 | 20,992 | 314   | 20,941 | 2003 | 2011 | 35 years |
| 7274   | Park Manor of Westchase            | Houston          | TX | 2,760 | 16,715 |       | 2,760 | 16,715 | 19,475 | 274   | 19,444 | 2005 | 2011 | 35 years |
| 7275   | Park Manor Cyfair                  | Houston          | TX | 1,720 | 14,717 |       | 1,720 | 14,717 | 16,437 | 242   | 16,400 | 1999 | 2011 | 35 years |

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| Property # | Property Name                  | Location        |                  |         | Initial Cost to Company |                            |                  | Gross Amount Carried at Close of Period |                            |        | Accumulated Depreciation | Year of Construction | Year Required | Life on Which Depreciation in Income Statement is Computed |          |
|------------|--------------------------------|-----------------|------------------|---------|-------------------------|----------------------------|------------------|---|----------------------------|--------|--------------------------|----------------------|---------------|--|----------|
|            |                                | City            | State / Province | Country | Land                    | Buildings and Improvements | Subsequent Costs | Capitalized Land                        | Buildings and Improvements | Total  |                          |                      |               |  |          |
| 1666       | Green Acres                    | Humble          | TX               |         | 2,060                   | 6,738                      |                  | 2,060                                   | 6,738                      | 8,798  | 129                      | 8,780                | 1972          | 2011   | 35 years |
| 7272       | Park Manor                     | Humble          | TX               |         | 1,650                   | 17,257                     |                  | 1,650                                   | 17,257                     | 18,907 | 281                      | 18,862               | 2003          | 2011   | 35 years |
| 1663       | Green Acres                    | Huntsville      | TX               |         | 290                     | 2,568                      |                  | 290                                     | 2,568                      | 2,858  | 59                       | 3,672                | 1968          | 2011   | 35 years |
| 7512       | Legend Oaks Healthcare         | Jacksonville    | TX               |         | 760                     | 9,639                      |                  | 760                                     | 9,639                      | 10,399 | 169                      | 10,361               | 2006          | 2011   | 35 years |
| 7534       | Avalon                         | Kirbyville      | TX               |         | 260                     | 7,713                      |                  | 260                                     | 7,713                      | 7,973  | 140                      | 7,931                | 1987          | 2011   | 35 years |
| 1678       | Millbrook Healthcare           | Lancaster       | TX               |         | 750                     | 7,480                      |                  | 750                                     | 7,480                      | 8,230  | 144                      | 8,551                | 2008          | 2011   | 35 years |
| 1668       | Nexion Health at Linden        | Linden          | TX               |         | 680                     | 3,495                      |                  | 680                                     | 3,495                      | 4,175  | 80                       | 4,860                | 1968          | 2011   | 35 years |
| 7535       | SWLTC                          | Marshall        | TX               |         | 810                     | 10,093                     |                  | 810                                     | 10,093                     | 10,903 | 182                      | 10,856               | 2008          | 2011   | 35 years |
| 1677       | McKinney Healthcare & Rehab    | McKinney        | TX               |         | 1,450                   | 10,345                     |                  | 1,450                                   | 10,345                     | 11,795 | 185                      | 11,759               | 2006          | 2011   | 35 years |
| 7650       | Homestead of McKinney          | McKinney        | TX               |         | 1,540                   | 11,049                     |                  | 1,540                                   | 11,049                     | 12,589 | 195                      | 12,544               | 1993          | 2011   | 35 years |
| 7514       | Midland Nursing Center         | Midland         | TX               |         | 530                     | 13,311                     |                  | 530                                     | 13,311                     | 13,841 | 220                      | 13,796               | 2008          | 2011   | 35 years |
| 7273       | Park Manor of Quail Valley     | Missouri        | TX               |         | 1,920                   | 16,841                     |                  | 1,920                                   | 16,841                     | 18,761 | 275                      | 18,721               | 2005          | 2011   | 35 years |
| 1672       | Nexion Health at Mt. Pleasant  | Mount Pleasant  | TX               |         | 520                     | 5,050                      |                  | 520                                     | 5,050                      | 5,570  | 105                      | 5,863                | 1970          | 2011   | 35 years |
| 1669       | Nexion Health at New Boston    | New Boston      | TX               |         | 360                     | 4,718                      |                  | 360                                     | 4,718                      | 5,078  | 98                       | 5,171                | 1966          | 2011   | 35 years |
| 1671       | Nexion Health at Omaha         | Omaha           | TX               |         | 450                     | 2,455                      |                  | 450                                     | 2,455                      | 2,905  | 59                       | 3,212                | 1970          | 2011   | 35 years |
| 7604       | The Meadows Nursing and Rehab  | Orange          | TX               |         | 380                     | 10,777                     |                  | 380                                     | 10,777                     | 11,157 | 189                      | 11,108               | 2006          | 2011   | 35 years |
| 7607       | Cypress Glen Nursing and Rehab | Port Arthur     | TX               |         | 1,340                   | 14,142                     |                  | 1,340                                   | 14,142                     | 15,482 | 250                      | 15,426               | 2000          | 2011   | 35 years |
| 7608       | Cypress Glen East              | Port Arthur     | TX               |         | 490                     | 10,663                     |                  | 490                                     | 10,663                     | 11,153 | 185                      | 11,171               | 1986          | 2011   | 35 years |
| 7600       | Trisun Care Center             | Coastal Palms   | TX               |         | 390                     | 8,548                      |                  | 390                                     | 8,548                      | 8,938  | 148                      | 9,426                | 1998          | 2011   | 35 years |
| 7513       | Legend Oaks Healthcare         | San Angelo      | TX               |         | 870                     | 12,282                     |                  | 870                                     | 12,282                     | 13,152 | 210                      | 13,108               | 2006          | 2011   | 35 years |
| 2472       | Parklane West                  | San Antonio     | TX               |         | 770                     | 10,242                     |                  | 770                                     | 10,242                     | 11,012 | 183                      | 10,964               | 1988          | 2011   | 35 years |
| 7530       | San Pedro Manor                | San Antonio     | TX               |         | 740                     | 11,498                     |                  | 740                                     | 11,498                     | 12,238 | 201                      | 12,188               | 1986          | 2011   | 35 years |
| 1670       | Nexion Health at Sherman       | Sherman         | TX               |         | 250                     | 6,636                      |                  | 250                                     | 6,636                      | 6,886  | 125                      | 6,848                | 1971          | 2011   | 35 years |
| 7532       | Avalon                         | Trinity         | TX               |         | 330                     | 9,413                      |                  | 330                                     | 9,413                      | 9,743  | 165                      | 9,698                | 1985          | 2011   | 35 years |
| 1673       | Renfro Nursing Home            | Waxahachie      | TX               |         | 510                     | 7,602                      |                  | 510                                     | 7,602                      | 8,112  | 148                      | 8,067                | 1976          | 2011   | 35 years |
| 7533       | Avalon                         | Wharton         | TX               |         | 270                     | 5,107                      |                  | 270                                     | 5,107                      | 5,377  | 104                      | 5,339                | 1988          | 2011   | 35 years |
| 7153       | Infinia at Granite Hills       | Salt Lake City  | UT               |         | 740                     | 1,247                      |                  | 740                                     | 1,247                      | 1,987  | 36                       | 1,974                | 1972          | 2011   | 35 years |
| 3769       | Sleepy Hollow Manor            | Annandale       | VA               |         | 7,210                   | 13,562                     |                  | 7,210                                   | 13,562                     | 20,772 | 257                      | 22,099               | 1963          | 2011   | 35 years |
| 3768       | The Cedars Nursing Home        | Charlottesville | VA               |         | 2,810                   | 10,763                     |                  | 2,810                                   | 10,763                     | 13,573 | 195                      | 13,553               | 1964          | 2011   | 35 years |
| 7173       | Avis Adams                     | Emporia         | VA               |         | 620                     | 7,492                      | 16               | 620                                     | 7,508                      | 8,128  | 140                      | 8,092                | 1971          | 2011   | 35 years |
| 3771       | Walnut Hill Convalescent       | Petersburg      | VA               |         | 930                     | 11,597                     |                  | 930                                     | 11,597                     | 12,527 | 197                      | 12,491               | 1972          | 2011   | 35 years |

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|        |  |                     |    |       |        |       |        |        |     |        |      |      |          |
|--------|--|---------------------|----|-------|--------|-------|--------|--------|-----|--------|------|------|----------|
| Center |  |                     |    |       |        |       |        |        |     |        |      |      |          |
| 3772   | Battlefield Park<br>Convalescent<br>Center | Petersburg          | VA | 1,010 | 12,489 | 1,010 | 12,489 | 13,499 | 210 | 13,463 | 1976 | 2011 | 35 years |
| 7174   | Twin Oaks                                  | South Boston        | VA | 400   | 2,553  | 400   | 2,553  | 2,953  | 52  | 2,939  | 1966 | 2011 | 35 years |
| 1501   | St. Francis of<br>Bellingham               | Bellingham          | WA | 1,740 | 23,581 | 1,740 | 23,581 | 25,321 | 371 | 25,286 | 1984 | 2011 | 35 years |
| 7201   | Evergreen North<br>Cascades                | Bellingham          | WA | 1,220 | 7,554  | 1,220 | 7,554  | 8,774  | 147 | 10,118 | 1999 | 2011 | 35 years |
| 3924   | Everett<br>Rehabilitation &<br>Care        | Everett             | WA | 2,750 | 27,337 | 2,750 | 27,337 | 30,087 | 425 | 29,994 | 1995 | 2011 | 35 years |
| 1514   | Avamere Georgian<br>Lakewood               | Lakewood            | WA | 620   | 3,896  | 620   | 3,896  | 4,516  | 76  | 4,500  | 1958 | 2011 | 35 years |
| 3921   | SunRise Care &<br>Rehab Moses<br>Lake      | Moses Lake          | WA | 660   | 17,439 | 660   | 17,439 | 18,099 | 281 | 18,045 | 1972 | 2011 | 35 years |
| 3922   | SunRise Care &<br>Rehab Lake Ridge         | Moses Lake          | WA | 660   | 8,866  | 660   | 8,866  | 9,526  | 149 | 9,497  | 1988 | 2011 | 35 years |
| 1500   | Richmond Beach<br>Rehab                    | Seattle             | WA | 2,930 | 16,199 | 2,930 | 16,199 | 19,129 | 274 | 19,134 | 1993 | 2011 | 35 years |
| 1503   | Avamere Olympic<br>Rehab of Sequim         | Sequim              | WA | 590   | 16,896 | 590   | 16,896 | 17,486 | 276 | 17,442 | 1974 | 2011 | 35 years |
| 7200   | Shelton Nursing<br>Home                    | Shelton             | WA | 510   | 8,570  | 510   | 8,570  | 9,080  | 145 | 9,048  | 1998 | 2011 | 35 years |
| 1512   | Avamere Heritage<br>Rehab of Tacoma        | Tacoma              | WA | 1,760 | 4,616  | 1,760 | 4,616  | 6,376  | 91  | 6,370  | 1968 | 2011 | 35 years |
| 1515   | Avamere Skilled<br>Nursing Tacoma          | Tacoma              | WA | 1,320 | 1,544  | 1,320 | 1,544  | 2,864  | 53  | 2,849  | 1972 | 2011 | 35 years |
| 7360   | Cascade Park Care<br>Center                | Vancouver           | WA | 1,860 | 14,854 | 1,860 | 14,854 | 16,714 | 239 | 16,659 | 1991 | 2011 | 35 years |
| 7470   | Chilton Health and<br>Rehab                | Chilton             | WI | 440   | 6,114  | 440   | 6,114  | 6,554  | 115 | 6,523  | 1963 | 2011 | 35 years |
| 3781   | Florence Villa                             | Florence            | WI | 340   | 5,631  | 340   | 5,631  | 5,971  | 103 | 5,945  | 1970 | 2011 | 35 years |
| 3780   | Western Village                            | Green Bay           | WI | 1,310 | 4,882  | 1,310 | 4,882  | 6,192  | 102 | 7,570  | 1965 | 2011 | 35 years |
| 3783   | Greendale<br>Health & Rehab                | Sheboygan           | WI | 880   | 1,941  | 880   | 1,941  | 2,821  | 46  | 3,402  | 1967 | 2011 | 35 years |
| 3782   | South Shore<br>Manor                       | St. Francis         | WI | 630   | 2,300  | 630   | 2,300  | 2,930  | 44  | 2,923  | 1960 | 2011 | 35 years |
| 7240   | Waukesha Springs<br>(Westmoreland)         | Waukesha            | WI | 1,380 | 16,205 | 1,380 | 16,205 | 17,585 | 296 | 17,498 | 1973 | 2011 | 35 years |
| 3776   | Wisconsin Dells<br>Health & Rehab          | Wisconsin<br>Dells  | WI | 730   | 18,994 | 730   | 18,994 | 19,724 | 298 | 19,680 | 1972 | 2011 | 35 years |
| 2513   | Logan Center                               | Logan               | WV | 300   | 12,959 | 300   | 12,959 | 13,259 | 204 | 13,220 | 1987 | 2011 | 35 years |
| 2514   | Ravenswood<br>Healthcare Center            | Ravenswood          | WV | 320   | 12,710 | 320   | 12,710 | 13,030 | 200 | 12,992 | 1987 | 2011 | 35 years |
| 2512   | Valley Center                              | South<br>Charleston | WV | 750   | 24,115 | 750   | 24,115 | 24,865 | 384 | 24,789 | 1987 | 2011 | 35 years |
| 2515   | White Sulphur                              | White Sulphur       | WV | 250   | 13,055 | 250   | 13,055 | 13,305 | 207 | 13,263 | 1987 | 2011 | 35 years |

**TOTAL  
NON-KINDRED  
SKILLED  
NURSING  
FACILITIES  
TOTAL FOR  
SKILLED  
NURSING  
FACILITIES**

**216,234 2,093,287 2,299 216,234 2,095,586 2,311,820 77,131 2,317,306**

**266,968 2,637,598 1,919 266,588 2,639,897 2,906,485 460,144 2,528,958**

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| Property #               | Property Name            | Location                              |                    |         | Initial Cost to Company |           |                         |              |              | Gross Amount Carried |                          |      | Year of Construction |          | Life on Which Depreciation in Income Statement is Computed |
|--------------------------|--------------------------|---------------------------------------|--------------------|---------|-------------------------|-----------|-------------------------|--------------|--------------|----------------------|--------------------------|------|----------------------|----------|--|
|                          |                          | City                                  | State / Province   | Country | Land                    | Buildings | Subsequent Improvements | Acquisitions | Improvements | Total                | Accumulated Depreciation | NBV  | Year                 | Year     |  |
| <b>KINDRED HOSPITALS</b> |                          |                                       |                    |         |                         |           |                         |              |              |                      |                          |      |                      |          |  |
| 4656                     | Kindred Hospital Arizona | Phoenix                               | Phoenix            | AZ      | 226                     | 3,359     | 226                     | 3,359        | 3,585        | 2,320                | 1,265                    | 1980 | 1992                 | 30 years |  |
| 4826                     | Kindred Hospital         | Scottsdale                            | Scottsdale         | AZ      | 2,310                   | 6,322     | 2,310                   | 6,322        | 8,632        | 107                  | 10,142                   | 1986 | 2011                 | 35 years |  |
| 4658                     | Kindred Hospital         | Tucson                                | Tucson             | AZ      | 130                     | 3,091     | 130                     | 3,091        | 3,221        | 2,565                | 656                      | 1969 | 1994                 | 25 years |  |
| 4644                     | Kindred Hospital         | Brea                                  | Brea               | CA      | 3,144                   | 2,611     | 3,144                   | 2,611        | 5,755        | 1,049                | 4,706                    | 1990 | 1995                 | 40 years |  |
| 4807                     | Kindred Hospital         | Ontario                               | Ontario            | CA      | 523                     | 2,988     | 523                     | 2,988        | 3,511        | 2,433                | 1,078                    | 1950 | 1994                 | 25 years |  |
| 4848                     | Kindred Hospital         | San Diego                             | San Diego          | CA      | 670                     | 11,764    | 670                     | 11,764       | 12,434       | 9,987                | 2,447                    | 1965 | 1994                 | 25 years |  |
| 4822                     | Kindred Hospital         | San Francisco Bay Area                | San Leandro        | CA      | 2,735                   | 5,870     | 2,735                   | 5,870        | 8,605        | 5,711                | 2,894                    | 1962 | 1993                 | 25 years |  |
| 4842                     | Kindred Hospital         | Westminster                           | Westminster        | CA      | 727                     | 7,384     | 727                     | 7,384        | 8,111        | 7,055                | 1,056                    | 1973 | 1993                 | 20 years |  |
| 4665                     | Kindred Hospital         | Denver                                | Denver             | CO      | 896                     | 6,367     | 896                     | 6,367        | 7,263        | 6,051                | 1,212                    | 1963 | 1994                 | 20 years |  |
| 4602                     | Kindred Hospital         | South Florida                         | Coral Gables       | FL      | 1,071                   | 5,348     | 1,071                   | 5,348        | 6,419        | 4,435                | 1,984                    | 1956 | 1992                 | 30 years |  |
| 4645                     | Kindred Hospital         | South Florida                         | Ft. Lauderdale     | FL      | 1,758                   | 14,080    | 1,758                   | 14,080       | 15,838       | 11,939               | 3,899                    | N/A  | 1989                 | 30 years |  |
| 4652                     | Kindred Hospital         | North Florida                         | Green Cove Springs | FL      | 145                     | 4,613     | 145                     | 4,613        | 4,758        | 3,745                | 1,013                    | 1956 | 1994                 | 20 years |  |
| 4876                     | Kindred Hospital         | South Florida                         | Hollywood          | FL      | 605                     | 5,229     | 605                     | 5,229        | 5,834        | 4,639                | 1,195                    | 1937 | 1995                 | 20 years |  |
| 4674                     | Kindred Hospital         | Central Tampa                         | Tampa              | FL      | 2,732                   | 7,676     | 2,732                   | 7,676        | 10,408       | 4,080                | 6,328                    | 1970 | 1993                 | 40 years |  |
| 4611                     | Kindred Hospital         | Bay Area                              | St. Petersburg     | FL      | 1,401                   | 16,706    | 1,401                   | 16,706       | 18,107       | 12,144               | 5,963                    | 1968 | 1997                 | 40 years |  |
| 4637                     | Kindred Hospital         | Chicago (North Campus)                | Chicago            | IL      | 1,583                   | 19,980    | 1,583                   | 19,980       | 21,563       | 16,508               | 5,055                    | 1949 | 1995                 | 25 years |  |
| 4871                     | Kindred Hospital         | Chicago                               | Lakeshore          | IL      | 1,513                   | 9,525     | 1,513                   | 9,525        | 11,038       | 9,253                | 1,785                    | 1995 | 1976                 | 20 years |  |
| 4690                     | Kindred Hospital         | Chicago (Northlake Campus)            | Northlake          | IL      | 850                     | 6,498     | 850                     | 6,498        | 7,348        | 4,974                | 2,374                    | 1960 | 1991                 | 30 years |  |
| 4615                     | Kindred Hospital         | Sycamore                              | Sycamore           | IL      | 77                      | 8,549     | 77                      | 8,549        | 8,626        | 6,632                | 1,994                    | 1949 | 1993                 | 20 years |  |
| 4638                     | Kindred Hospital         | Indianapolis                          | Indianapolis       | IN      | 985                     | 3,801     | 985                     | 3,801        | 4,786        | 2,900                | 1,886                    | 1955 | 1993                 | 30 years |  |
| 4633                     | Kindred Hospital         | Louisville                            | Louisville         | KY      | 3,041                   | 12,279    | 3,041                   | 12,279       | 15,320       | 10,676               | 4,644                    | 1964 | 1995                 | 20 years |  |
| 4666                     | Kindred Hospital         | New Orleans                           | New Orleans        | LA      | 648                     | 4,971     | 648                     | 4,971        | 5,619        | 3,892                | 1,727                    | 1968 | 1978                 | 20 years |  |
| 4688                     | Kindred Hospital         | Boston                                | Boston             | MA      | 1,551                   | 9,796     | 1,551                   | 9,796        | 11,347       | 8,438                | 2,909                    | 1930 | 1994                 | 25 years |  |
| 4673                     | Kindred Hospital         | Boston                                | North Shore        | MA      | 543                     | 7,568     | 543                     | 7,568        | 8,111        | 4,660                | 3,451                    | 1974 | 1993                 | 40 years |  |
| 4612                     | Kindred Hospital         | Kansas City                           | Kansas City        | MO      | 277                     | 2,914     | 277                     | 2,914        | 3,191        | 2,321                | 870                      | N/A  | 1992                 | 30 years |  |
| 4680                     | Kindred Hospital         | St. Louis                             | St Louis           | MO      | 1,126                   | 2,087     | 1,126                   | 2,087        | 3,213        | 1,668                | 1,545                    | 1984 | 1991                 | 40 years |  |
| 4662                     | Kindred Hospital         | Greensboro                            | Greensboro         | NC      | 1,010                   | 7,586     | 1,010                   | 7,586        | 8,596        | 6,698                | 1,898                    | 1964 | 1994                 | 20 years |  |
| 4664                     | Kindred Hospital         | Albuquerque                           | Albuquerque        | NM      | 11                      | 4,253     | 11                      | 4,253        | 4,264        | 2,306                | 1,958                    | 1985 | 1993                 | 40 years |  |
| 4647                     | Kindred Hospital         | Las Vegas (Sahara)                    | Las Vegas          | NV      | 1,110                   | 2,177     | 1,110                   | 2,177        | 3,287        | 1,100                | 2,187                    | 1980 | 1994                 | 40 years |  |
| 4618                     | Kindred Hospital         | Oklahoma City                         | Oklahoma City      | OK      | 293                     | 5,607     | 293                     | 5,607        | 5,900        | 3,820                | 2,080                    | 1958 | 1993                 | 30 years |  |
| 4619                     | Kindred Hospital         | Pittsburgh                            | Oakdale            | PA      | 662                     | 12,854    | 662                     | 12,854       | 13,516       | 8,027                | 5,489                    | 1972 | 1996                 | 40 years |  |
| 4614                     | Kindred Hospital         | Philadelphia                          | Philadelphia       | PA      | 135                     | 5,223     | 135                     | 5,223        | 5,358        | 2,626                | 2,732                    | N/A  | 1995                 | 35 years |  |
| 4628                     | Kindred Hospital         | Chattanooga                           | Chattanooga        | TN      | 756                     | 4,415     | 756                     | 4,415        | 5,171        | 3,527                | 1,644                    | 1975 | 1993                 | 22 years |  |
| 4653                     | Kindred Hospital         | Tarrant County (Fort Worth Southwest) | Ft. Worth          | TX      | 2,342                   | 7,458     | 2,342                   | 7,458        | 9,800        | 6,929                | 2,871                    | 1987 | 1986                 | 20 years |  |
| 4668                     | Kindred Hospital         | Fort Worth                            | Ft. Worth          | TX      | 648                     | 10,608    | 648                     | 10,608       | 11,256       | 7,595                | 3,661                    | 1960 | 1994                 | 34 years |  |



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|      |                                      |             |    |       |        |       |        |        |       |       |      |      |          |
|------|--------------------------------------|-------------|----|-------|--------|-------|--------|--------|-------|-------|------|------|----------|
| 4654 | Kindred Hospital (Houston Northwest) | Houston     | TX | 1,699 | 6,788  | 1,699 | 6,788  | 8,487  | 4,415 | 4,072 | 1986 | 1985 | 40 years |
| 4685 | Kindred Hospital                     | Houston     | TX | 33    | 7,062  | 33    | 7,062  | 7,095  | 5,768 | 1,327 | N/A  | 1994 | 20 years |
| 4660 | Kindred Hospital                     | Mansfield   | TX | 267   | 2,462  | 267   | 2,462  | 2,729  | 1,651 | 1,078 | 1983 | 1990 | 40 years |
| 4635 | Kindred Hospital                     | San Antonio | TX | 249   | 11,413 | 249   | 11,413 | 11,662 | 7,329 | 4,333 | 1981 | 1993 | 30 years |

**TOTAL FOR KINDRED HOSPITALS**

**40,482    279,282    40,482    279,282    319,764    211,973    109,408**

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| Property #                                   | Property Name                               | Location      |                  | Initial Cost to Company |                                     | Gross Amount Carried at Close of Period |                    | Accumulated Depreciation | NBV            | Year of Construction | Year Required | Life on Which Depreciation in Income Statement is Computed |          |
|--|---|---------------|------------------|-------------------------|-------------------------------------|---|--------------------|--------------------------|----------------|----------------------|---------------|--|----------|
|  |   | City          | State / Province | Land and Buildings      | Subsequent Capitalized Improvements | Land and Buildings                      | Improvements Total |                          |                |                      |               |  |          |
| <b>NON-KINDRED HOSPITALS</b>                 |   |               |                  |                         |                                     |   |                    |                          |                |                      |               |  |          |
| 7280   | Southern Arizona Rehab                      | Tucson        | AZ               | 770                     | 25,589                              | 770                                     | 25,589             | 26,359                   | 382            | 26,335               | 1992          | 2011   | 35 years |
| 7403   | HealthBridge Children's Hospital            | Orange        | CA               | 1,330                   | 9,317                               | 1,330                                   | 9,317              | 10,647                   | 143            | 10,640               | 2000          | 2011   | 35 years |
| 7281   | HealthSouth Rehabilitation Hospital         | Tustin        | CA               | 2,810                   | 25,248                              | 2,810                                   | 25,248             | 28,058                   | 384            | 31,125               | 1991          | 2011   | 35 years |
| 3828   | Gateway Rehabilitation Hospital at Florence | Florence      | KY               | 3,600                   | 4,924                               | 3,600                                   | 4,924              | 8,524                    | 727            | 7,797                | 2001          | 2006   | 35 years |
| 7400   | The Ranch/Touchstone                        | Conroe        | TX               | 2,710                   | 28,428                              | 2,710                                   | 28,428             | 31,138                   | 425            | 31,124               | 1992          | 2011   | 35 years |
| 3864   | Highlands Regional Rehabilitation Hospital  | El Paso       | TX               | 1,900                   | 23,616                              | 1,900                                   | 23,616             | 25,516                   | 3,486          | 22,030               | 1999          | 2006   | 35 years |
| 7401   | Houston Children's Hospital                 | Houston       | TX               | 1,800                   | 15,770                              | 1,800                                   | 15,770             | 17,570                   | 239            | 17,563               | 1999          | 2011   | 35 years |
| 7402   | Beacon Specialty Hospital                   | The Woodlands | TX               | 960                     | 6,498                               | 960                                     | 6,498              | 7,458                    | 101            | 7,455                | 1995          | 2011   | 35 years |
| <b>TOTAL FOR NON-KINDRED HOSPITALS</b>       |   |               |                  | <b>15,880</b>           | <b>139,390</b>                      | <b>15,880</b>                           | <b>139,390</b>     | <b>155,270</b>           | <b>5,887</b>   | <b>154,069</b>       |               |  |          |
| <b>TOTAL FOR HOSPITALS</b>                   |   |               |                  | <b>56,362</b>           | <b>418,672</b>                      | <b>56,362</b>                           | <b>418,672</b>     | <b>475,034</b>           | <b>217,860</b> | <b>263,477</b>       |               |  |          |
| <b>BROOKDALE SENIORS HOUSING COMMUNITIES</b> |   |               |                  |                         |                                     |   |                    |                          |                |                      |               |  |          |
| 2445   | Cedar Springs (aka Decatur)                 | Decatur       | AL               | 1,960                   | 7,916                               | 1,960                                   | 7,916              | 9,876                    | 163            | 9,793                | 1987          | 2011   | 35 years |
| 2444   | Hanceville                                  | Hanceville    | AL               | 530                     | 3,822                               | 530                                     | 3,822              | 4,352                    | 69             | 4,451                | 1996          | 2011   | 35 years |
| 2477   | Wellington Place at Muscle Shoals           | Muscle Shoals | AL               | 340                     | 4,017                               | 340                                     | 4,017              | 4,357                    | 73             | 5,245                | 1999          | 2011   | 35 years |
| 2466   | Sterling House of Chandler                  | Chandler      | AZ               | 2,000                   | 6,538                               | 2,000                                   | 6,538              | 8,538                    | 112            | 8,505                | 1998          | 2011   | 35 years |
| 2471   | Park Regency Premier Club                   | Chandler      | AZ               | 2,260                   | 19,338                              | 2,260                                   | 19,338             | 21,598                   | 362            | 22,612               | 1992          | 2011   | 35 years |
| 2424   | The Springs of East Mesa                    | Mesa          | AZ               | 2,747                   | 24,918                              | 2,747                                   | 24,918             | 27,665                   | 7,012          | 20,653               | 1986          | 2005   | 35 years |
| 3219   | Sterling House of Mesa                      | Mesa          | AZ               | 655                     | 6,998                               | 655                                     | 6,998              | 7,653                    | 1,942          | 5,711                | 1998          | 2005   | 35 years |
| 3225   | Clare Bridge of Oro Valley                  | Oro Valley    | AZ               | 666                     | 6,169                               | 666                                     | 6,169              | 6,835                    | 1,711          | 5,124                | 1998          | 2005   | 35 years |
| 3227   | Sterling House of Peoria                    | Peoria        | AZ               | 598                     | 4,872                               | 598                                     | 4,872              | 5,470                    | 1,352          | 4,118                | 1998          | 2005   | 35 years |
| 3236   | Clare Bridge of Tempe                       | Tempe         | AZ               | 611                     | 4,066                               | 611                                     | 4,066              | 4,677                    | 1,128          | 3,549                | 1997          | 2005   | 35 years |
| 3238   | Sterling House on East Speedway             | Tucson        | AZ               | 506                     | 4,745                               | 506                                     | 4,745              | 5,251                    | 1,316          | 3,935                | 1998          | 2005   | 35 years |
| 2426   | Woodside Terrace                            | Redwood City  | CA               | 7,669                   | 66,691                              | 7,669                                   | 66,691             | 74,360                   | 19,035         | 55,325               | 1988          | 2005   | 35 years |
| 2428   | The Atrium                                  | San Jose      | CA               | 24,194                  | 6,240                               | 66,329                                  | 6,240              | 66,329                   | 17,758         | 54,811               | 1987          | 2005   | 35 years |
| 2429   | Brookdale Place                             | San Marcos    | CA               | 4,288                   | 36,204                              | 4,288                                   | 36,204             | 40,492                   | 10,439         | 30,053               | 1987          | 2005   | 35 years |
| 2438   | Ridge Point Assisted Living                 | Boulder       | CO               | 1,290                   | 20,683                              | 1,290                                   | 20,683             | 21,973                   | 329            | 21,847               | 1985          | 2011   | 35 years |

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| Inn  |                                |                  |    |        |       |        |       |        |        |        |        |      |      |          |
|------|--------------------------------|------------------|----|--------|-------|--------|-------|--------|--------|--------|--------|------|------|----------|
| 3206 | Wynwood of Colorado Springs    | Colorado Springs | CO |        | 715   | 9,279  | 715   | 9,279  | 9,994  | 2,574  | 7,420  | 1997 | 2005 | 35 years |
| 2470 | Heritage Club at Denver        | Denver           | CO | 24,038 | 1,680 | 91,751 | 1,680 | 91,751 | 93,431 | 1,380  | 92,804 | 1987 | 2011 | 35 years |
| 3220 | Wynwood of Pueblo              | Pueblo           | CO | 5,207  | 840   | 9,403  | 840   | 9,403  | 10,243 | 2,609  | 7,634  | 1997 | 2005 | 35 years |
| 2420 | The Gables at Farmington       | Farmington       | CT | 10,160 | 3,995 | 36,310 | 3,995 | 36,310 | 40,305 | 10,211 | 30,094 | 1984 | 2005 | 35 years |
| 2435 | Chatfield                      | West Hartford    | CT |        | 2,493 | 22,833 | 2,493 | 22,833 | 25,326 | 6,405  | 18,921 | 1989 | 2005 | 35 years |
| 3258 | Clare Bridge of Ft. Myers      | Ft. Myers        | FL |        | 1,510 | 7,862  | 1,510 | 7,862  | 9,372  | 124    | 10,086 | 1996 | 2011 | 35 years |
| 2478 | Wellington Place at Ft Walton  | Ft. Walton       | FL |        | 2,610 | 11,041 | 2,610 | 11,041 | 13,651 | 174    | 13,592 | 2000 | 2011 | 35 years |
| 2458 | Sterling House of Merrimac     | Jacksonville     | FL |        | 860   | 16,745 | 860   | 16,745 | 17,605 | 254    | 17,513 | 1997 | 2011 | 35 years |
| 3260 | Clare Bridge of Jacksonville   | Jacksonville     | FL |        | 1,300 | 9,659  | 1,300 | 9,659  | 10,959 | 151    | 10,908 | 1997 | 2011 | 35 years |
| 3284 | Clare Bridge of Leesburg       | Leesburg         | FL |        | 1,050 | 8,140  | 1,050 | 8,140  | 9,190  | 128    | 9,115  | 1999 | 2011 | 35 years |
| 3259 | Sterling House of Ormond Beach | Ormond Beach     | FL |        | 1,660 | 9,738  | 1,660 | 9,738  | 11,398 | 153    | 11,349 | 1997 | 2011 | 35 years |
| 2460 | Sterling House of Palm Coast   | Palm Coast       | FL |        | 470   | 9,187  | 470   | 9,187  | 9,657  | 146    | 9,600  | 1997 | 2011 | 35 years |
| 3226 | Sterling House of Pensacola    | Pensacola        | FL |        | 633   | 6,087  | 633   | 6,087  | 6,720  | 1,689  | 5,031  | 1998 | 2005 | 35 years |

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| Property # | Property Name                        | Location        |                  | Encumbrances | Improvements to Land | Initial Cost to Company | Subsequent Capitalized Land | Gross Amount Carried at Close of Period | Land Improvements | Total   | Accumulated Depreciation | NBV    | Year of Construction | Life on Which Depreciation is Computed |          |
|------------|--------------------------------------|-----------------|------------------|--------------|----------------------|-------------------------|-----------------------------|---|-------------------|---------|--------------------------|--------|----------------------|--|----------|
|            |                                      | City            | State / Province |              |                      |                         |                             |   |                   |         |                          |        |                      |  |          |
| 2461       | Sterling House of Englewood (FL)     | Rotunda West    | FL               |              |                      | 1,740                   | 4,331                       | 1,740                                   | 4,331             | 6,071   | 83                       | 6,102  | 1997                 | 2011                                   | 35 years |
| 3235       | Clare Bridge of Tallahassee          | Tallahassee     | FL               | 4,624        | 667                  | 6,168                   |                             | 667                                     | 6,168             | 6,835   | 1,711                    | 5,124  | 1998                 | 2005                                   | 35 years |
| 2452       | Sterling House of Tavares            | Tavares         | FL               |              |                      | 280                     | 15,980                      | 280                                     | 15,980            | 16,260  | 243                      | 16,167 | 1997                 | 2011                                   | 35 years |
| 2469       | Renaissance of Titusville            | Titusville      | FL               |              |                      | 2,330                   | 9,435                       | 2,330                                   | 9,435             | 11,765  | 176                      | 11,872 | 1987                 | 2011                                   | 35 years |
| 3241       | Clare Bridge of West Melbourne       | West Melbourne  | FL               | 6,589        | 586                  | 5,481                   |                             | 586                                     | 5,481             | 6,067   | 1,521                    | 4,546  | 2000                 | 2005                                   | 35 years |
| 2436       | The Classic at West Palm Beach       | West Palm Beach | FL               | 26,100       | 3,758                | 33,072                  |                             | 3,758                                   | 33,072            | 36,830  | 9,402                    | 27,428 | 1990                 | 2005                                   | 35 years |
| 3245       | Clare Bridge Cottage of Winter Haven | Winter Haven    | FL               |              |                      | 232                     | 3,006                       | 232                                     | 3,006             | 3,238   | 834                      | 2,404  | 1997                 | 2005                                   | 35 years |
| 3246       | Sterling House of Winter Haven       | Winter Haven    | FL               |              |                      | 438                     | 5,549                       | 438                                     | 5,549             | 5,987   | 1,540                    | 4,447  | 1997                 | 2005                                   | 35 years |
| 3239       | Wynwood of Twin Falls                | Twin Falls      | ID               |              |                      | 703                     | 6,153                       | 703                                     | 6,153             | 6,856   | 1,707                    | 5,149  | 1997                 | 2005                                   | 35 years |
| 2416       | The Hallmark                         | Chicago         | IL               |              |                      | 11,057                  | 107,517                     | 11,057                                  | 107,517           | 118,574 | 29,582                   | 88,992 | 1990                 | 2005                                   | 35 years |
| 2417       | The Kenwood of Lake View             | Chicago         | IL               | 11,472       | 3,072                | 26,668                  |                             | 3,072                                   | 26,668            | 29,740  | 7,617                    | 22,123 | 1950                 | 2005                                   | 35 years |
| 2418       | The Heritage                         | Des Plaines     | IL               | 32,000       | 6,871                | 60,165                  |                             | 6,871                                   | 60,165            | 67,036  | 17,133                   | 49,903 | 1993                 | 2005                                   | 35 years |
| 2421       | Devonshire of Hoffman Estates        | Hoffman Estates | IL               |              |                      | 3,886                   | 44,130                      | 3,886                                   | 44,130            | 48,016  | 11,590                   | 36,426 | 1987                 | 2005                                   | 35 years |
| 2423       | The Devonshire                       | Lisle           | IL               | 33,000       | 7,953                | 70,400                  |                             | 7,953                                   | 70,400            | 78,353  | 19,973                   | 58,380 | 1990                 | 2005                                   | 35 years |
| 2415       | Seasons at Glenview                  | Northbrook      | IL               |              |                      | 1,988                   | 39,762                      | 1,988                                   | 39,762            | 41,750  | 9,303                    | 32,447 | 1999                 | 2004                                   | 35 years |
| 2432       | Hawthorn Lakes                       | Vernon Hills    | IL               |              |                      | 4,439                   | 35,044                      | 4,439                                   | 35,044            | 39,483  | 10,349                   | 29,134 | 1987                 | 2005                                   | 35 years |
| 2433       | The Willows                          | Vernon Hills    | IL               |              |                      | 1,147                   | 10,041                      | 1,147                                   | 10,041            | 11,188  | 2,859                    | 8,329  | 1999                 | 2005                                   | 35 years |
| 3209       | Sterling House of Evansville         | Evansville      | IN               | 3,709        | 357                  | 3,765                   |                             | 357                                     | 3,765             | 4,122   | 1,044                    | 3,078  | 1998                 | 2005                                   | 35 years |
| 2422       | Berkshire of Castleton               | Indianapolis    | IN               |              |                      | 1,280                   | 11,515                      | 1,280                                   | 11,515            | 12,795  | 3,249                    | 9,546  | 1986                 | 2005                                   | 35 years |
| 3218       | Sterling House of Marion             | Marion          | IN               |              |                      | 207                     | 3,570                       | 207                                     | 3,570             | 3,777   | 990                      | 2,787  | 1998                 | 2005                                   | 35 years |
| 3285       | Sterling House of Michigan           | Michigan City   | IN               |              |                      | 530                     | 4,007                       | 530                                     | 4,007             | 4,537   | 74                       | 4,680  | 1998                 | 2011                                   | 35 years |

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|      |  |                     |    |       |       |        |       |        |        |        |        |      |      |          |
|------|--|---------------------|----|-------|-------|--------|-------|--------|--------|--------|--------|------|------|----------|
| 3286 | Clare<br>Bridge of<br>Michigan<br>City       | Michigan<br>City    | IN |       | 510   | 2,632  | 510   | 2,632  | 3,142  | 54     | 3,266  | 1999 | 2011 | 35 years |
| 3230 | Sterling<br>House of<br>Portage              | Portage             | IN |       | 128   | 3,649  | 128   | 3,649  | 3,777  | 1,012  | 2,765  | 1999 | 2005 | 35 years |
| 3232 | Sterling<br>House of<br>Richmond             | Richmond            | IN |       | 495   | 4,124  | 495   | 4,124  | 4,619  | 1,144  | 3,475  | 1998 | 2005 | 35 years |
| 3273 | Sterling<br>House of<br>Derby                | Derby               | KS |       | 440   | 4,422  | 440   | 4,422  | 4,862  | 72     | 4,835  | 1994 | 2011 | 35 years |
| 3216 | Clare<br>Bridge of<br>Leawood                | Leawood             | KS | 3,778 | 117   | 5,127  | 117   | 5,127  | 5,244  | 1,422  | 3,822  | 2000 | 2005 | 35 years |
| 2451 | Sterling<br>House of<br>Salina II            | Salina              | KS |       | 300   | 5,657  | 300   | 5,657  | 5,957  | 92     | 5,920  | 1996 | 2011 | 35 years |
| 3237 | Clare<br>Bridge<br>Cottage of<br>Topeka      | Topeka              | KS | 5,059 | 370   | 6,825  | 370   | 6,825  | 7,195  | 1,893  | 5,302  | 2000 | 2005 | 35 years |
| 3274 | Sterling<br>House of<br>Wellington           | Wellington          | KS |       | 310   | 2,434  | 310   | 2,434  | 2,744  | 43     | 2,727  | 1994 | 2011 | 35 years |
| 2425 | River Bay<br>Club                            | Quincy              | MA |       | 6,101 | 57,862 | 6,101 | 57,862 | 63,963 | 16,048 | 47,915 | 1986 | 2005 | 35 years |
| 3252 | Woven<br>Hearts of<br>Davison                | Davidson            | MI |       | 160   | 3,189  | 160   | 3,189  | 3,349  | 53     | 3,370  | 1997 | 2011 | 35 years |
| 3253 | Clare<br>Bridge of<br>Delta<br>Charter       | Delta               | MI |       | 730   | 11,471 | 730   | 11,471 | 12,201 | 178    | 12,135 | 1998 | 2011 | 35 years |
| 3257 | Woven<br>Hearts of<br>Delta<br>Charter       | Delta               | MI |       | 820   | 3,313  | 820   | 3,313  | 4,133  | 72     | 4,099  | 1998 | 2011 | 35 years |
| 3247 | Clare<br>Bridge of<br>Farmington<br>Hills I  | Farmington<br>Hills | MI |       | 580   | 10,497 | 580   | 10,497 | 11,077 | 183    | 10,995 | 1994 | 2011 | 35 years |
| 3248 | Clare<br>Bridge of<br>Farmington<br>Hills II | Farmington<br>Hills | MI |       | 700   | 10,246 | 700   | 10,246 | 10,946 | 186    | 10,860 | 1994 | 2011 | 35 years |
| 3254 | Clare<br>Bridge of<br>Grand<br>Blanc I       | Grand Blanc         | MI |       | 450   | 12,373 | 450   | 12,373 | 12,823 | 193    | 12,747 | 1998 | 2011 | 35 years |
| 3255 | Wynwood<br>of Grand<br>Blanc II              | Grand Blanc         | MI |       | 620   | 14,627 | 620   | 14,627 | 15,247 | 231    | 15,156 | 1998 | 2011 | 35 years |
| 3250 | Wynwood<br>of Meridian<br>Lansing II         | Haslett             | MI |       | 1,340 | 6,134  | 1,340 | 6,134  | 7,474  | 108    | 7,847  | 1998 | 2011 | 35 years |
| 3224 | Wynwood<br>of<br>Northville                  | Northville          | MI | 7,439 | 407   | 6,068  | 407   | 6,068  | 6,475  | 1,684  | 4,791  | 1996 | 2005 | 35 years |
| 3251 | Clare<br>Bridge of<br>Troy I                 | Troy                | MI |       | 630   | 17,178 | 630   | 17,178 | 17,808 | 264    | 17,707 | 1998 | 2011 | 35 years |
| 3256 | Wynwood<br>of Troy II                        | Troy                | MI |       | 950   | 12,503 | 950   | 12,503 | 13,453 | 207    | 14,589 | 1998 | 2011 | 35 years |
| 3240 | Wynwood<br>of Utica                          | Utica               | MI |       | 1,142 | 11,808 | 1,142 | 11,808 | 12,950 | 3,276  | 9,674  | 1996 | 2005 | 35 years |
| 3249 | Clare<br>Bridge of                           | Utica               | MI |       | 700   | 8,657  | 700   | 8,657  | 9,357  | 143    | 9,973  | 1995 | 2011 | 35 years |

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|      |              |              |    |     |       |     |       |       |       |       |      |      |          |
|------|--------------|--------------|----|-----|-------|-----|-------|-------|-------|-------|------|------|----------|
|      | Utica        |              |    |     |       |     |       |       |       |       |      |      |          |
| 3203 | Sterling     |              |    |     |       |     |       |       |       |       |      |      |          |
|      | House of     |              |    |     |       |     |       |       |       |       |      |      |          |
|      | Blaine       | Blaine       | MN | 150 | 1,675 | 150 | 1,675 | 1,825 | 465   | 1,360 | 1997 | 2005 | 35 years |
| 3208 | Clare        |              |    |     |       |     |       |       |       |       |      |      |          |
|      | Bridge of    |              |    |     |       |     |       |       |       |       |      |      |          |
|      | Eden Prairie | Eden Prairie | MN | 301 | 6,228 | 301 | 6,228 | 6,529 | 1,728 | 4,801 | 1998 | 2005 | 35 years |

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| Property # | Property Name                         | City                | State / Province | Encumbrances | Initial Cost to Land and Buildings | Company Costs | Gross Amount Carried at Close of Period | Land   | Buildings and Improvements | Accumulated Depreciation | Year of Construction | Year Required | Life on Which Depreciation in Income Statement is Computed |              |
|------------|---------------------------------------|---------------------|------------------|--------------|------------------------------------|---------------|---|--------|----------------------------|--------------------------|----------------------|---------------|--|--------------|
|            |                                       |                     |                  |              |                                    |               |   |        |                            |                          |                      |               |  | Improvements |
| 2419       | Edina Park Plaza                      | Edina               | MN               | 16,348       | 3,621                              | 33,141        | 3,621                                   | 33,141 | 36,762                     | 9,299                    | 27,463               | 1998          | 2005   | 35 years     |
| 3270       | Woven Hearts of Faribault             | Faribault           | MN               |              | 530                                | 1,085         | 530                                     | 1,085  | 1,615                      | 22                       | 1,985                | 1997          | 2011   | 35 years     |
| 3211       | Sterling House of Inver Grove Heights | Inver Grove Heights | MN               | 2,914        | 253                                | 2,655         | 253                                     | 2,655  | 2,908                      | 737                      | 2,171                | 1997          | 2005   | 35 years     |
| 3265       | Woven Hearts of Mankato               | Mankato             | MN               |              | 490                                | 410           | 490                                     | 410    | 900                        | 16                       | 1,343                | 1996          | 2011   | 35 years     |
| 3223       | Clare Bridge of North Oaks            | North Oaks          | MN               |              | 1,057                              | 8,296         | 1,057                                   | 8,296  | 9,353                      | 2,301                    | 7,052                | 1998          | 2005   | 35 years     |
| 3287       | Sterling House of Owatonna            | Owatonna            | MN               |              | 440                                | 445           | 440                                     | 445    | 885                        | 14                       | 1,011                | 1996          | 2011   | 35 years     |
| 3288       | Clare Bridge of Owatonna              | Owatonna            | MN               |              | 550                                | 1,189         | 550                                     | 1,189  | 1,739                      | 26                       | 1,868                | 1999          | 2011   | 35 years     |
| 3229       | Clare Bridge of Plymouth              | Plymouth            | MN               |              | 679                                | 8,675         | 679                                     | 8,675  | 9,354                      | 2,407                    | 6,947                | 1998          | 2005   | 35 years     |
| 3272       | Woven Hearts of Sauk Rapids           | Sauk Rapids         | MN               |              | 480                                | 3,178         | 480                                     | 3,178  | 3,658                      | 53                       | 3,638                | 1997          | 2011   | 35 years     |
| 3269       | Woven Hearts of Wilmar                | Wilmar              | MN               |              | 470                                | 4,833         | 470                                     | 4,833  | 5,303                      | 76                       | 5,275                | 1997          | 2011   | 35 years     |
| 3267       | Woven Hearts of Winona                | Winona              | MN               |              | 800                                | 1,390         | 800                                     | 1,390  | 2,190                      | 45                       | 2,432                | 1997          | 2011   | 35 years     |
| 2476       | Wellington Place of Greenville        | Greenville          | MS               |              | 600                                | 1,522         | 600                                     | 1,522  | 2,122                      | 37                       | 2,981                | 1999          | 2011   | 35 years     |
| 3204       | Clare Bridge of Cary                  | Cary                | NC               |              | 724                                | 6,466         | 724                                     | 6,466  | 7,190                      | 1,794                    | 5,396                | 1997          | 2005   | 35 years     |
| 2465       | Sterling House of Hickory             | Hickory             | NC               |              | 330                                | 10,981        | 330                                     | 10,981 | 11,311                     | 171                      | 11,244               | 1997          | 2011   | 35 years     |
| 3244       | Clare Bridge of Winston-Salem         | Winston-Salem       | NC               |              | 368                                | 3,497         | 368                                     | 3,497  | 3,865                      | 970                      | 2,895                | 1997          | 2005   | 35 years     |
| 2468       | Sterling House of Deptford            | Deptford            | NJ               |              | 1,190                              | 5,482         | 1,190                                   | 5,482  | 6,672                      | 95                       | 7,662                | 1998          | 2011   | 35 years     |
| 2434       | Brendenwood                           | Voorhees            | NJ               | 18,180       | 3,158                              | 29,909        | 3,158                                   | 29,909 | 33,067                     | 8,298                    | 24,769               | 1987          | 2005   | 35 years     |
| 3242       | Clare Bridge of Westampton            | Westampton          | NJ               |              | 881                                | 4,741         | 881                                     | 4,741  | 5,622                      | 1,315                    | 4,307                | 1997          | 2005   | 35 years     |
| 2430       | Ponce de Leon                         | Santa Fe            | NM               |              |                                    | 28,178        |   | 28,178 | 28,178                     | 7,516                    | 20,662               | 1986          | 2005   | 35 years     |
| 2462       | Westwood Assisted Living              | Sparks              | NV               |              | 1,040                              | 7,376         | 1,040                                   | 7,376  | 8,416                      | 120                      | 8,876                | 1991          | 2011   | 35 years     |
| 2463       | Westwood Active Retirement            | Sparks              | NV               |              | 1,520                              | 9,280         | 1,520                                   | 9,280  | 10,800                     | 155                      | 11,612               | 1993          | 2011   | 35 years     |
| 3205       | Villas of Sherman Brook               | Clinton             | NY               |              | 947                                | 7,528         | 947                                     | 7,528  | 8,475                      | 2,088                    | 6,387                | 1991          | 2005   | 35 years     |
| 3212       | Wynwood of Kenmore                    | Kenmore             | NY               | 13,871       | 1,487                              | 15,170        | 1,487                                   | 15,170 | 16,657                     | 4,209                    | 12,448               | 1995          | 2005   | 35 years     |
| 3261       | Wynwood of Liberty (Manlius)          | Manlius             | NY               |              | 890                                | 28,237        | 890                                     | 28,237 | 29,127                     | 430                      | 28,952               | 1994          | 2011   | 35 years     |
| 3221       | Clare Bridge of Niskayuna             | Niskayuna           | NY               |              | 1,021                              | 8,333         | 1,021                                   | 8,333  | 9,354                      | 2,312                    | 7,042                | 1997          | 2005   | 35 years     |
| 3222       | Wynwood of Niskayuna                  | Niskayuna           | NY               | 17,473       | 1,884                              | 16,103        | 1,884                                   | 16,103 | 17,987                     | 4,467                    | 13,520               | 1996          | 2005   | 35 years     |
| 3228       | Clare Bridge of Perinton              | Pittsford           | NY               |              | 611                                | 4,066         | 611                                     | 4,066  | 4,677                      | 1,128                    | 3,549                | 1997          | 2005   | 35 years     |
| 2427       | The Gables at Brighton                | Rochester           | NY               |              | 1,131                              | 9,498         | 1,131                                   | 9,498  | 10,629                     | 2,744                    | 7,885                | 1988          | 2005   | 35 years     |
| 3234       | Villas of Summerfield                 | Syracuse            | NY               |              | 1,132                              | 11,434        | 1,132                                   | 11,434 | 12,566                     | 3,172                    | 9,394                | 1991          | 2005   | 35 years     |

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|      |  |               |    |       |     |              |     |        |        |       |        |      |      |          |
|------|--|---------------|----|-------|-----|--------------|-----|--------|--------|-------|--------|------|------|----------|
| 3243 | Clare Bridge of<br>Williamsville         | Williamsville | NY | 7,171 | 839 | 3,841        | 839 | 3,841  | 4,680  | 1,066 | 3,614  | 1997 | 2005 | 35 years |
| 3200 | Sterling House<br>of Alliance            | Alliance      | OH | 2,372 | 392 | 6,283        | 392 | 6,283  | 6,675  | 1,743 | 4,932  | 1998 | 2005 | 35 years |
| 3201 | Clare Bridge<br>Cottage of<br>Austintown | Austintown    | OH |       | 151 | 3,087        | 151 | 3,087  | 3,238  | 856   | 2,382  | 1999 | 2005 | 35 years |
| 3275 | Sterling House<br>of Barberton           | Barberton     | OH |       | 440 | 10,884       | 440 | 10,884 | 11,324 | 169   | 11,259 | 1997 | 2011 | 35 years |
| 3202 | Sterling House<br>of Beaver Creek        | Beavercreek   | OH |       | 587 | 5,381        | 587 | 5,381  | 5,968  | 1,493 | 4,475  | 1998 | 2005 | 35 years |
| 3207 | Sterling House<br>of Westerville         | Columbus      | OH | 1,929 | 267 | 3,600        | 267 | 3,600  | 3,867  | 999   | 2,868  | 1999 | 2005 | 35 years |
| 3276 | Sterling House<br>of Englewood<br>(OH)   | Englewood     | OH |       | 630 | 6,477<br>177 | 630 | 6,477  | 7,107  | 106   | 7,066  | 1997 | 2011 | 35 years |

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| Property # | Property Name                      | Location       |                  | Encumbrance | Initial Cost to Company |                            |                             | Gross Amount Carried at Close of Period |                            | Accumulated Depreciation | NBV   | Year of Construction | Year Acquired | Life of Which Depreciation is Computed |
|------------|------------------------------------|----------------|------------------|-------------|-------------------------|----------------------------|-----------------------------|---|----------------------------|--------------------------|-------|----------------------|---------------|--|
|            |                                    | City           | State / Province |             | Land                    | Buildings and Improvements | Subsequent and Improvements | Land                                    | Buildings and Improvements |                          |       |                      |               |  |
| 2455       | Sterling House of Greenville       | Greenville     | OH               |             | 490                     | 4,144                      |                             | 490                                     | 4,144                      | 4,634                    | 80    | 1997                 | 2011          | 35 years                               |
| 2467       | Sterling House of Lancaster        | Lancaster      | OH               |             | 460                     | 4,662                      |                             | 460                                     | 4,662                      | 5,122                    | 81    | 1998                 | 2011          | 35 years                               |
| 3277       | Sterling House of Marion           | Marion         | OH               |             | 620                     | 3,306                      |                             | 620                                     | 3,306                      | 3,926                    | 62    | 1998                 | 2011          | 35 years                               |
| 3233       | Sterling House of Salem            | Salem          | OH               |             | 634                     | 4,659                      |                             | 634                                     | 4,659                      | 5,293                    | 1,292 | 1998                 | 2005          | 35 years                               |
| 2459       | Sterling House of Springdale       | Springdale     | OH               |             | 1,140                   | 9,134                      |                             | 1,140                                   | 9,134                      | 10,274                   | 144   | 1997                 | 2011          | 35 years                               |
| 3278       | Sterling House of Bartlesville     | Bartlesville   | OK               |             | 250                     | 10,529                     |                             | 250                                     | 10,529                     | 10,779                   | 161   | 1997                 | 2011          | 35 years                               |
| 3279       | Sterling House of Bethany          | Bethany        | OK               |             | 390                     | 1,499                      |                             | 390                                     | 1,499                      | 1,889                    | 30    | 1994                 | 2011          | 35 years                               |
| 2450       | Sterling House of Broken Arrow     | Broken Arrow   | OK               |             | 940                     | 6,312                      |                             | 940                                     | 6,312                      | 7,252                    | 101   | 1996                 | 2011          | 35 years                               |
| 3289       | Clare Bridge of Beaverton          | Beaverton      | OR               |             | 3,280                   | 20,590                     |                             | 3,280                                   | 20,590                     | 23,870                   | 312   | 2000                 | 2011          | 35 years                               |
| 3290       | Clare Bridge of Bend               | Bend           | OR               |             | 1,800                   | 14,443                     |                             | 1,800                                   | 14,443                     | 16,243                   | 225   | 2001                 | 2011          | 35 years                               |
| 2439       | Forest Grove Residential Community | Forest Grove   | OR               |             | 2,320                   | 9,633                      |                             | 2,320                                   | 9,633                      | 11,953                   | 168   | 1994                 | 2011          | 35 years                               |
| 2440       | The Heritage at Mt. Hood           | Gresham        | OR               |             | 2,410                   | 9,093                      |                             | 2,410                                   | 9,093                      | 11,503                   | 159   | 1988                 | 2011          | 35 years                               |
| 2441       | McMinnville Residential Estates    | McMinnville    | OR               | 2,328       | 1,230                   | 7,561                      |                             | 1,230                                   | 7,561                      | 8,791                    | 146   | 1989                 | 2011          | 35 years                               |
| 3291       | Clare Bridge of Troutdale          | Troutdale      | OR               |             | 1,400                   | 9,501                      |                             | 1,400                                   | 9,501                      | 10,901                   | 154   | 2000                 | 2011          | 35 years                               |
| 3292       | Clare Bridge of Dublin             | Dublin         | PA               |             | 1,010                   | 7,249                      |                             | 1,010                                   | 7,249                      | 8,259                    | 114   | 1998                 | 2011          | 35 years                               |
| 2475       | Homewood Residence at Deane Hill   | Knoxville      | TN               |             | 1,150                   | 15,705                     |                             | 1,150                                   | 15,705                     | 16,855                   | 263   | 2001                 | 2011          | 35 years                               |
| 2479       | Wellington Place at Newport        | Newport        | TN               |             | 820                     | 4,046                      |                             | 820                                     | 4,046                      | 4,866                    | 74    | 2000                 | 2011          | 35 years                               |
| 2449       | Trinity Towers                     | Corpus Christi | TX               |             | 1,920                   | 71,661                     |                             | 1,920                                   | 71,661                     | 73,581                   | 1,116 | 1985                 | 2011          | 35 years                               |
| 2446       | Sterling House of Denton           | Denton         | TX               |             | 1,750                   | 6,712                      |                             | 1,750                                   | 6,712                      | 8,462                    | 108   | 1996                 | 2011          | 35 years                               |
| 2448       | Sterling House of Ennis            | Ennis          | TX               |             | 460                     | 3,284                      |                             | 460                                     | 3,284                      | 3,744                    | 58    | 1996                 | 2011          | 35 years                               |
| 2474       | Broadway Plaza at Westover Hill    | Ft. Worth      | TX               |             | 1,660                   | 25,703                     |                             | 1,660                                   | 25,703                     | 27,363                   | 399   | 2001                 | 2011          | 35 years                               |
| 2453       | Hampton at Pearland                | Houston        | TX               |             | 1,250                   | 12,869                     |                             | 1,250                                   | 12,869                     | 14,119                   | 214   | 1998                 | 2011          | 35 years                               |
| 2454       | Hampton at Pinegate                | Houston        | TX               |             | 3,440                   | 15,913                     |                             | 3,440                                   | 15,913                     | 19,353                   | 261   | 1998                 | 2011          | 35 years                               |
| 2456       | Hampton at Shadowlake              | Houston        | TX               |             | 2,520                   | 13,770                     |                             | 2,520                                   | 13,770                     | 16,290                   | 231   | 1999                 | 2011          | 35 years                               |
| 2457       | Hampton at Spring Shadow           | Houston        | TX               |             | 1,250                   | 15,760                     |                             | 1,250                                   | 15,760                     | 17,010                   | 251   | 1999                 | 2011          | 35 years                               |
| 3280       | Sterling House of Kerrville        | Kerrville      | TX               |             | 460                     | 8,548                      |                             | 460                                     | 8,548                      | 9,008                    | 133   | 1997                 | 2011          | 35 years                               |
| 3281       | Sterling House of Lancaster        | Lancaster      | TX               |             | 410                     | 1,478                      |                             | 410                                     | 1,478                      | 1,888                    | 33    | 1997                 | 2011          | 35 years                               |
| 2447       | Sterling House of Paris            | Paris          | TX               |             | 360                     | 2,411                      |                             | 360                                     | 2,411                      | 2,771                    | 46    | 1996                 | 2011          | 35 years                               |
| 3282       | Sterling House of San Antonio      | San Antonio    | TX               |             | 1,400                   | 10,051                     |                             | 1,400                                   | 10,051                     | 11,451                   | 159   | 1997                 | 2011          | 35 years                               |

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|      |                                   |             |    |        |        |       |       |        |        |       |        |      |      |         |
|------|-----------------------------------|-------------|----|--------|--------|-------|-------|--------|--------|-------|--------|------|------|---------|
| 3283 | Sterling House of Temple          | Temple      | TX | 330    | 5,081  |       | 330   | 5,081  | 5,411  | 86    | 5,374  | 1997 | 2011 | 35 year |
| 3217 | Clare Bridge of Lynwood           | Lynwood     | WA | 1,219  | 9,573  |       | 1,219 | 9,573  | 10,792 | 2,656 | 8,136  | 1999 | 2005 | 35 year |
| 3231 | Clare Bridge of Puyallup          | Puyallup    | WA | 10,110 | 1,055  | 8,298 | 1,055 | 8,298  | 9,353  | 2,302 | 7,051  | 1998 | 2005 | 35 year |
| 2442 | Columbia Edgewater                | Richland    | WA | 960    | 23,270 |       | 960   | 23,270 | 24,230 | 373   | 24,080 | 1990 | 2011 | 35 year |
| 2431 | Park Place                        | Spokane     | WA | 1,622  | 12,895 |       | 1,622 | 12,895 | 14,517 | 3,798 | 10,719 | 1915 | 2005 | 35 year |
| 2443 | Crossings at Allenmore            | Tacoma      | WA | 620    | 16,186 |       | 620   | 16,186 | 16,806 | 251   | 16,703 | 1997 | 2011 | 35 year |
| 2473 | Union Park at Allenmore           | Tacoma      | WA | 1,710  | 3,326  |       | 1,710 | 3,326  | 5,036  | 84    | 7,992  | 1988 | 2011 | 35 year |
| 2464 | Crossings at Yakima               | Yakima      | WA | 860    | 15,276 |       | 860   | 15,276 | 16,136 | 244   | 16,041 | 1998 | 2011 | 35 year |
| 3210 | Sterling House of Fond du Lac     | Fond du Lac | WI | 196    | 1,603  |       | 196   | 1,603  | 1,799  | 445   | 1,354  | 2000 | 2005 | 35 year |
| 3213 | Clare Bridge of Kenosha           | Kenosha     | WI | 551    | 5,431  | 2,772 | 551   | 8,203  | 8,754  | 1,773 | 6,981  | 2000 | 2005 | 35 year |
| 3271 | Woven Hearts of Kenosha           | Kenosha     | WI | 630    | 1,694  |       | 630   | 1,694  | 2,324  | 31    | 2,314  | 1997 | 2011 | 35 year |
| 3214 | Clare Bridge Cottage of La Crosse | LaCrosse    | WI | 621    | 4,056  | 1,126 | 621   | 5,182  | 5,803  | 1,234 | 4,569  | 2004 | 2005 | 35 year |
| 3215 | Sterling House of La Crosse       | LaCrosse    | WI | 644    | 5,831  | 2,637 | 644   | 8,468  | 9,112  | 1,873 | 7,239  | 1998 | 2005 | 35 year |
| 3268 | Sterling House of Middleton       | Middleton   | WI | 360    | 5,041  |       | 360   | 5,041  | 5,401  | 79    | 5,371  | 1997 | 2011 | 35 year |
| 3263 | Woven Hearts of Neenah            | Neenah      | WI | 340    | 1,030  |       | 340   | 1,030  | 1,370  | 22    | 1,904  | 1996 | 2011 | 35 year |
| 3262 | Woven Hearts of Onalaska          | Onalaska    | WI | 250    | 4,949  |       | 250   | 4,949  | 5,199  | 77    | 5,233  | 1995 | 2011 | 35 year |
| 3266 | Woven Hearts of Oshkosh           | Oshkosh     | WI | 160    | 1,904  |       | 160   | 1,904  | 2,064  | 34    | 2,049  | 1996 | 2011 | 35 year |
| 3264 | Woven Hearts of Sun Prairie       | Sun Prairie | WI | 350    | 1,131  |       | 350   | 1,131  | 1,481  | 23    | 1,471  | 1994 | 2011 | 35 year |

**TOTAL FOR  
BROOKDALE  
SENIORS  
HOUSING  
COMMUNITIES**

**290,065 205,440 2,035,251 6,535 205,440 2,041,786 2,247,226 334,939 1,940,858**

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| Property # | Property Name                              | Location          |                  | Encumbrances | Initial Cost to Company |           |                         | Gross Amount Carried at Close of Period |                            |        | Accumulated Depreciation | Year of Construction | Year Acquired | Life on Which Depreciation in Income Statement is Computed |          |
|------------|--|-------------------|------------------|--------------|-------------------------|-----------|-------------------------|---|----------------------------|--------|--------------------------|----------------------|---------------|--|----------|
|            |  | City              | State / Province |              | Land                    | Buildings | Subsequent Acquisitions | Land                                    | Buildings and Improvements | Total  |                          |                      |               |  |          |
|            | <b>SUNRISE SENIORS HOUSING COMMUNITIES</b> |                   |                  |              |                         |           |                         |   |                            |        |                          |                      |               |  |          |
| 4064       | Sunrise of Scottsdale                      | Scottsdale        | AZ               |              | 2,229                   | 27,575    | 175                     | 2,238                                   | 27,741                     | 29,979 | 3,990                    | 25,989               | 2007          | 2007   | 35 years |
| 4012       | Sunrise of Sunnyvale                       | Sunnyvale         | CA               |              | 2,933                   | 34,361    | 305                     | 2,933                                   | 34,666                     | 37,599 | 5,085                    | 32,514               | 2000          | 2007   | 35 years |
| 4016       | Sunrise of Westlake Village                | Westlake Village  | CA               |              | 4,935                   | 30,722    | 340                     | 4,943                                   | 31,054                     | 35,997 | 4,464                    | 31,533               | 2004          | 2007   | 35 years |
| 4018       | Sunrise at Yorba Linda                     | Yorba Linda       | CA               |              | 1,689                   | 25,240    | 289                     | 1,689                                   | 25,529                     | 27,218 | 3,675                    | 23,543               | 2002          | 2007   | 35 years |
| 4023       | Sunrise at La Costa                        | Carlsbad          | CA               |              | 4,890                   | 20,590    | 493                     | 4,898                                   | 21,075                     | 25,973 | 3,650                    | 22,323               | 1999          | 2007   | 35 years |
| 4035       | Sunrise of San Mateo                       | San Mateo         | CA               |              | 2,682                   | 35,335    | 1,017                   | 2,682                                   | 36,352                     | 39,034 | 5,104                    | 33,930               | 1999          | 2007   | 35 years |
| 4043       | Sunrise at Canyon Crest                    | Riverside         | CA               | 12,064       | 5,486                   | 19,658    | 651                     | 5,505                                   | 20,290                     | 25,795 | 3,302                    | 22,493               | 2006          | 2007   | 35 years |
| 4045       | Sunrise of Mission Viejo                   | Mission Viejo     | CA               | 11,182       | 3,802                   | 24,560    | 430                     | 3,812                                   | 24,980                     | 28,792 | 3,990                    | 24,802               | 1998          | 2007   | 35 years |
| 4047       | Sunrise of Pacific Palisades               | Pacific Palisades | CA               | 8,039        | 4,458                   | 17,064    | 392                     | 4,458                                   | 17,456                     | 21,914 | 2,987                    | 18,927               | 2001          | 2007   | 35 years |
| 4050       | Sunrise at Sterling Canyon                 | Valencia          | CA               | 18,045       | 3,868                   | 29,293    | 3,157                   | 3,914                                   | 32,404                     | 36,318 | 4,901                    | 31,417               | 1998          | 2007   | 35 years |
| 4055       | Sunrise of Fair Oaks                       | Fair Oaks         | CA               | 11,434       | 1,456                   | 23,679    | 1,008                   | 2,166                                   | 23,977                     | 26,143 | 3,834                    | 22,309               | 2001          | 2007   | 35 years |
| 4066       | Sunrise of Rocklin                         | Rocklin           | CA               |              | 1,378                   | 23,565    | 311                     | 1,397                                   | 23,857                     | 25,254 | 3,488                    | 21,766               | 2007          | 2007   | 35 years |
| 4009       | Sunrise at Cherry Creek                    | Denver            | CO               |              | 1,621                   | 28,370    | 505                     | 1,621                                   | 28,875                     | 30,496 | 4,301                    | 26,195               | 2000          | 2007   | 35 years |
| 4030       | Sunrise at Pinehurst                       | Denver            | CO               |              | 1,417                   | 30,885    | 632                     | 1,417                                   | 31,517                     | 32,934 | 5,060                    | 27,874               | 1998          | 2007   | 35 years |
| 4059       | Sunrise at Orchard                         | Littleton         | CO               | 11,358       | 1,813                   | 22,183    | 560                     | 1,813                                   | 22,743                     | 24,556 | 3,642                    | 20,914               | 1997          | 2007   | 35 years |
| 4061       | Sunrise of Westminster                     | Westminster       | CO               | 8,131        | 2,649                   | 16,243    | 430                     | 2,675                                   | 16,647                     | 19,322 | 2,772                    | 16,550               | 2000          | 2007   | 35 years |
| 4028       | Sunrise of Stamford                        | Stamford          | CT               |              | 4,612                   | 28,533    | 805                     | 4,612                                   | 29,338                     | 33,950 | 4,664                    | 29,286               | 1999          | 2007   | 35 years |
| 4053       | Sunrise at East Cobb                       | Marietta          | GA               | 10,207       | 1,797                   | 23,420    | 395                     | 1,798                                   | 23,814                     | 25,612 | 3,682                    | 21,930               | 1997          | 2007   | 35 years |
| 4056       | Sunrise of Huntcliff I                     | Atlanta           | GA               | 33,035       | 4,232                   | 66,161    | 4,245                   | 4,240                                   | 70,398                     | 74,638 | 10,196                   | 64,442               | 1987          | 2007   | 35 years |
| 4057       | Sunrise of Huntcliff II                    | Atlanta           | GA               | 5,321        | 2,154                   | 17,137    | 444                     | 2,154                                   | 17,581                     | 19,735 | 2,727                    | 17,008               | 1998          | 2007   | 35 years |
| 4058       | Sunrise of Ivey Ridge                      | Alpharetta        | GA               | 5,540        | 1,507                   | 18,516    | 528                     | 1,507                                   | 19,044                     | 20,551 | 3,098                    | 17,453               | 1998          | 2007   | 35 years |
| 4014       | Sunrise of Park Ridge                      | Park Ridge        | IL               |              | 5,533                   | 39,557    | 399                     | 5,547                                   | 39,942                     | 45,489 | 5,876                    | 39,613               | 1998          | 2007   | 35 years |
| 4015       | Sunrise of Lincoln Park                    | Chicago           | IL               |              | 3,485                   | 26,687    | 190                     | 3,485                                   | 26,877                     | 30,362 | 3,800                    | 26,562               | 2003          | 2007   | 35 years |
| 4021       | Sunrise of Glen Ellyn                      | Glen Ellyn        | IL               |              | 2,455                   | 34,064    | 524                     | 2,470                                   | 34,573                     | 37,043 | 5,454                    | 31,589               | 2000          | 2007   | 35 years |
| 4024       | Sunrise of Naperville                      | Naperville        | IL               |              | 1,946                   | 28,538    | 613                     | 1,960                                   | 29,137                     | 31,097 | 4,664                    | 26,433               | 1999          | 2007   | 35 years |
| 4036       | Sunrise of Willowbrook                     | Willowbrook       | IL               | 20,038       | 1,454                   | 60,738    | 1,035                   | 1,973                                   | 61,254                     | 63,227 | 7,445                    | 55,782               | 2000          | 2007   | 35 years |
| 4040       | Sunrise of Bloomingdale                    | Bloomingdale      | IL               | 18,627       | 1,287                   | 38,625    | 482                     | 1,296                                   | 39,098                     | 40,394 | 5,882                    | 34,512               | 2000          | 2007   | 35 years |
| 4042       | Sunrise of Buffalo Grove                   | Buffalo Grove     | IL               | 14,765       | 2,154                   | 28,021    | 536                     | 2,189                                   | 28,522                     | 30,711 | 4,424                    | 26,287               | 1999          | 2007   | 35 years |
| 4060       | Sunrise of Palos Park                      | Palos Park        | IL               | 20,404       | 2,363                   | 42,205    | 460                     | 2,363                                   | 42,665                     | 45,028 | 6,459                    | 38,569               | 2001          | 2007   | 35 years |

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|      |                            |                  |    |        |       |        |       |       |        |        |       |        |      |      |          |
|------|----------------------------|------------------|----|--------|-------|--------|-------|-------|--------|--------|-------|--------|------|------|----------|
| 4052 | Sunrise of Baton Rouge     | Baton Rouge      | LA | 8,722  | 1,212 | 23,547 | 572   | 1,212 | 24,119 | 25,331 | 3,671 | 21,660 | 2000 | 2007 | 35 years |
| 4032 | Sunrise of Norwood         | Norwood          | MA |        | 2,230 | 30,968 | 812   | 2,240 | 31,770 | 34,010 | 4,546 | 29,464 | 1997 | 2007 | 35 years |
| 4051 | Sunrise of Arlington       | Arlington        | MA | 18,682 | 86    | 34,393 | 400   | 86    | 34,793 | 34,879 | 5,375 | 29,843 | 2001 | 2007 | 35 years |
| 4033 | Sunrise of Columbia        | Columbia         | MD |        | 1,780 | 23,083 | 1,066 | 1,852 | 24,077 | 25,929 | 3,470 | 22,459 | 1996 | 2007 | 35 years |
| 4034 | Sunrise of Rockville       | Rockville        | MD |        | 1,039 | 39,216 | 659   | 1,061 | 39,853 | 40,914 | 5,511 | 35,403 | 1997 | 2007 | 35 years |
| 4008 | Sunrise of North Ann Arbor | Ann Arbor        | MI |        | 1,703 | 15,857 | 439   | 1,668 | 16,331 | 17,999 | 2,591 | 15,408 | 2000 | 2007 | 35 years |
| 4031 | Sunrise of Troy            | Troy             | MI |        | 1,758 | 23,727 | 214   | 1,761 | 23,938 | 25,699 | 3,865 | 21,834 | 2001 | 2007 | 35 years |
| 4038 | Sunrise of Bloomfield      | Bloomfield Hills | MI |        | 3,736 | 27,657 | 1,216 | 3,737 | 28,872 | 32,609 | 4,258 | 28,351 | 2006 | 2007 | 35 years |
| 4046 | Sunrise of Northville      | Plymouth         | MI | 14,918 | 1,445 | 26,090 | 481   | 1,460 | 26,556 | 28,016 | 4,144 | 23,872 | 1999 | 2007 | 35 years |
| 4048 | Sunrise of Rochester       | Rochester        | MI | 18,614 | 2,774 | 38,666 | 383   | 2,774 | 39,049 | 41,823 | 5,935 | 35,888 | 1998 | 2007 | 35 years |
| 4054 | Sunrise of Edina           | Edina            | MN | 9,637  | 3,181 | 24,224 | 1,554 | 3,184 | 25,775 | 28,959 | 3,992 | 24,967 | 1999 | 2007 | 35 years |
| 4017 | Sunrise at North Hills     | Raleigh          | NC |        | 749   | 37,091 | 586   | 751   | 37,675 | 38,426 | 5,491 | 32,935 | 2000 | 2007 | 35 years |
| 4019 | Sunrise on Providence      | Charlotte        | NC |        | 1,976 | 19,472 | 591   | 1,981 | 20,058 | 22,039 | 3,136 | 18,903 | 1999 | 2007 | 35 years |
| 4001 | Sunrise of Morris Plains   | Morris Plains    | NJ | 19,284 | 1,492 | 32,052 | 401   | 1,492 | 32,453 | 33,945 | 4,856 | 29,089 | 1997 | 2007 | 35 years |
| 4002 | Sunrise of Old Tappan      | Old Tappan       | NJ | 17,909 | 2,985 | 36,795 | 275   | 2,985 | 37,070 | 40,055 | 5,517 | 34,538 | 1997 | 2007 | 35 years |
| 4005 | Sunrise of Wayne           | Wayne            | NJ | 14,226 | 1,288 | 24,990 | 530   | 1,290 | 25,518 | 26,808 | 3,845 | 22,963 | 1996 | 2007 | 35 years |
| 4006 | Sunrise of Westfield       | Westfield        | NJ | 18,851 | 5,057 | 23,803 | 574   | 5,057 | 24,377 | 29,434 | 3,731 | 25,703 | 1996 | 2007 | 35 years |
| 4025 | Sunrise of East Brunswick  | East Brunswick   | NJ |        | 2,784 | 26,173 | 611   | 2,784 | 26,784 | 29,568 | 4,387 | 25,181 | 1999 | 2007 | 35 years |
| 4029 | Sunrise of Woodcliff Lake  | Woodcliff Lake   | NJ |        | 3,493 | 30,801 | 279   | 3,496 | 31,077 | 34,573 | 5,088 | 29,485 | 2000 | 2007 | 35 years |
| 4062 | Sunrise of Wall            | Wall             | NJ | 10,331 | 1,053 | 19,101 | 377   | 1,055 | 19,476 | 20,531 | 3,095 | 17,436 | 1999 | 2007 | 35 years |
| 4011 | Sunrise of New City        | New City         | NY |        | 1,906 | 27,323 | 563   | 1,906 | 27,886 | 29,792 | 4,254 | 25,538 | 1999 | 2007 | 35 years |
| 4027 | Sunrise of North Lynbrook  | Lynbrook         | NY |        | 4,622 | 38,087 | 764   | 4,678 | 38,795 | 43,473 | 6,266 | 37,207 | 1999 | 2007 | 35 years |
| 4044 | Sunrise at Fleetwood       | Mount Vernon     | NY | 13,388 | 4,381 | 28,434 | 585   | 4,394 | 29,006 | 33,400 | 4,617 | 28,783 | 1999 | 2007 | 35 years |
| 4049 | Sunrise of Smithtown       | Smithtown        | NY | 13,923 | 2,853 | 25,621 | 910   | 3,027 | 26,357 | 29,384 | 4,533 | 24,851 | 1999 | 2007 | 35 years |
| 4063 | Sunrise of Staten Island   | Staten Island    | NY |        | 7,237 | 23,910 | (286) | 7,281 | 23,580 | 30,861 | 4,515 | 26,346 | 2006 | 2007 | 35 years |
| 4010 | Sunrise of Cuyahoga Falls  | Cuyahoga Falls   | OH |        | 626   | 10,239 | 234   | 626   | 10,473 | 11,099 | 1,720 | 9,379  | 2000 | 2007 | 35 years |
| 4013 | Sunrise at Parma           | Cleveland        | OH |        | 695   | 16,641 | 332   | 695   | 16,973 | 17,668 | 2,565 | 15,103 | 2000 | 2007 | 35 years |
| 4003 | Sunrise at Granite Run     | Media            | PA | 11,698 | 1,272 | 31,781 | 534   | 1,272 | 32,315 | 33,587 | 4,682 | 28,905 | 1997 | 2007 | 35 years |
| 4004 | Sunrise of Abington        | Abington         | PA | 24,226 | 1,838 | 53,660 | 847   | 1,862 | 54,483 | 56,345 | 8,060 | 48,285 | 1997 | 2007 | 35 years |
| 4007 | Sunrise of Haverford       | Haverford        | PA | 7,601  | 941   | 25,872 | 532   | 951   | 26,394 | 27,345 | 3,952 | 23,393 | 1997 | 2007 | 35 years |
| 4020 | Sunrise of Westtown        | West Chester     | PA |        | 1,547 | 22,996 | 546   | 1,562 | 23,527 | 25,089 | 4,086 | 21,003 | 1999 | 2007 | 35 years |
| 4022 | Sunrise of Exton           | Exton            | PA |        | 1,123 | 17,765 | 530   | 1,151 | 18,267 | 19,418 | 2,971 | 16,447 | 2000 | 2007 | 35 years |
| 4041 | Sunrise of Blue Bell       | Blue Bell        | PA | 8,981  | 1,765 | 23,920 | 809   | 1,807 | 24,687 | 26,494 | 3,944 | 22,550 | 2006 | 2007 | 35 years |

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| Property #   | Property Name            | Location      |                  | Encumbrance    | Initial Cost to Company |                            |                              | Gross Amount Carried at Close of Period |                            |                  | Accumulated Depreciation | NBV              | Year of Construction | Year Acquired | Life of Which Depreciation in Income Statement |
|--|--------------------------|---------------|------------------|----------------|-------------------------|----------------------------|------------------------------|---|----------------------------|------------------|--------------------------|------------------|----------------------|---------------|--|
|  |                          | City          | State / Province |                | Land                    | Buildings and Improvements | Subsequent Capitalized Costs | Land                                    | Buildings and Improvements | Total            |                          |                  |                      |               |  |
| 4037   | Sunrise of Hillcrest     | Dallas        | TX               |                | 2,616                   | 27,680                     | 144                          | 2,616                                   | 27,824                     | 30,440           | 4,122                    | 26,318           | 2006                 | 2007          | 35 years                                       |
| 4065   | Sunrise of Sandy         | Sandy         | UT               |                | 2,576                   | 22,987                     | (272)                        | 2,608                                   | 22,683                     | 25,291           | 3,437                    | 21,854           | 2007                 | 2007          | 35 years                                       |
| 4000   | Sunrise of Springfield   | Springfield   | VA               | 8,703          | 4,440                   | 18,834                     | 762                          | 4,441                                   | 19,595                     | 24,036           | 3,034                    | 21,002           | 1997                 | 2007          | 35 years                                       |
| 4026   | Sunrise of Richmond      | Richmond      | VA               |                | 1,120                   | 17,446                     | 659                          | 1,137                                   | 18,088                     | 19,225           | 2,938                    | 16,287           | 1999                 | 2007          | 35 years                                       |
| 4039   | Sunrise of Alexandria    | Alexandria    | VA               | 5,672          | 88                      | 14,811                     | 556                          | 115                                     | 15,340                     | 15,455           | 2,818                    | 12,727           | 1998                 | 2007          | 35 years                                       |
| 4069   | Sunrise of Victoria      | Victoria      | BC               | 13,990         | 8,332                   | 29,970                     | (706)                        | 8,116                                   | 29,480                     | 37,596           | 4,319                    | 33,277           | 2001                 | 2007          | 35 years                                       |
| 4073   | Sunrise of Lynn Valley   | Vancouver     | BC               | 14,719         | 11,759                  | 37,424                     | (1,150)                      | 11,445                                  | 36,588                     | 48,033           | 5,214                    | 42,819           | 2002                 | 2007          | 35 years                                       |
| 4077   | Sunrise of Vancouver     | Vancouver     | BC               |                | 6,649                   | 31,937                     | 245                          | 6,653                                   | 32,178                     | 38,831           | 4,922                    | 33,909           | 2005                 | 2007          | 35 years                                       |
| 4067   | Sunrise of Unionville    | Markham       | ON               | 14,921         | 2,322                   | 41,140                     | (657)                        | 2,299                                   | 40,506                     | 42,805           | 5,703                    | 37,102           | 2000                 | 2007          | 35 years                                       |
| 4068   | Sunrise of Mississauga   | Mississauga   | ON               | 13,057         | 3,554                   | 33,631                     | (646)                        | 3,500                                   | 33,039                     | 36,539           | 4,742                    | 31,797           | 2000                 | 2007          | 35 years                                       |
| 4070   | Sunrise of Burlington    | Burlington    | ON               |                | 1,173                   | 24,448                     | 152                          | 1,173                                   | 24,600                     | 25,773           | 3,540                    | 22,233           | 2001                 | 2007          | 35 years                                       |
| 4071   | Sunrise of Oakville      | Oakville      | ON               |                | 2,753                   | 37,489                     | 367                          | 2,753                                   | 37,856                     | 40,609           | 5,374                    | 35,235           | 2002                 | 2007          | 35 years                                       |
| 4072   | Sunrise of Richmond Hill | Richmond Hill | ON               | 12,300         | 2,155                   | 41,254                     | (924)                        | 2,100                                   | 40,385                     | 42,485           | 5,688                    | 36,797           | 2002                 | 2007          | 35 years                                       |
| 4074   | Sunrise of Windsor       | Windsor       | ON               |                | 1,813                   | 20,882                     | 248                          | 1,833                                   | 21,110                     | 22,943           | 3,141                    | 19,802           | 2001                 | 2007          | 35 years                                       |
| 4075   | Sunrise of Aurora        | Aurora        | ON               |                | 1,570                   | 36,113                     | (783)                        | 1,531                                   | 35,369                     | 36,900           | 5,208                    | 31,692           | 2002                 | 2007          | 35 years                                       |
| 4076   | Sunrise of Erin Mills    | Mississauga   | ON               |                | 1,957                   | 27,020                     | (575)                        | 1,905                                   | 26,497                     | 28,402           | 4,178                    | 24,224           | 2007                 | 2007          | 35 years                                       |
| 4078   | Thorne Mill of Steeles   | Vaughan       | ON               |                | 2,563                   | 57,513                     | 1,561                        | 1,401                                   | 60,236                     | 61,637           | 7,628                    | 54,009           | 2003                 | 2007          | 35 years                                       |
| <b>TOTAL FOR SUNRISE SENIORS HOUSING COMMUNITIES</b> |                          |               |                  | <b>522,543</b> | <b>212,352</b>          | <b>2,286,059</b>           | <b>39,252</b>                | <b>212,519</b>                          | <b>2,325,144</b>           | <b>2,537,663</b> | <b>351,291</b>           | <b>2,186,801</b> |                      |               |  |
| <b>ATRIA SENIORS HOUSING COMMUNITIES</b>             |                          |               |                  |                |                         |                            |                              |   |                            |                  |                          |                  |                      |               |  |
| 8248   | Atria Regency            | Mobile        | AL               | 6,216          | 950                     | 11,897                     | 7                            | 950                                     | 11,904                     | 12,854           | 346                      | 12,836           | 1996                 | 2011          | 35 years                                       |
| 8270   | Atria Campana Del Rio    | Tucson        | AZ               | 25,471         | 5,861                   | 37,284                     | 209                          | 5,861                                   | 37,493                     | 43,354           | 1,037                    | 43,061           | 1964                 | 2011          | 35 years                                       |
| 8272   | Atria Valley Manor       | Tucson        | AZ               | 3,278          | 1,709                   | 60                         | 19                           | 1,709                                   | 79                         | 1,788            | 6                        | 1,904            | 1963                 | 2011          | 35 years                                       |
| 8342   | Atria Bell Court Gardens | Tucson        | AZ               | 19,611         | 3,010                   | 30,969                     | 8                            | 3,010                                   | 30,977                     | 33,987           | 762                      | 33,719           | 1964                 | 2011          | 35 years                                       |
| 8584   | Atria Chandler Villas    | Chandler      | AZ               | 8,277          | 3,650                   | 8,450                      | 18                           | 3,650                                   | 8,468                      | 12,118           | 351                      | 11,939           | 1988                 | 2011          | 35 years                                       |
| 8502   | Atria Covina             | Covina        | CA               |                | 170                     | 4,131                      | 7                            | 170                                     | 4,138                      | 4,308            | 143                      | 4,400            | 1977                 | 2011          | 35 years                                       |
| 8510   | Atria Chateau Gardens    | San Jose      | CA               |                | 39                      | 487                        | 7                            | 39                                      | 494                        | 533              | 74                       | 2,037            | 1977                 | 2011          | 35 years                                       |
| 8517   | Atria Collwood           | San Diego     | CA               |                | 290                     | 10,650                     | 2                            | 290                                     | 10,652                     | 10,942           | 305                      | 12,462           | 1976                 | 2011          | 35 years                                       |
| 8523   | Atria Palm Desert        | Palm Desert   | CA               | 3,523          | 2,887                   | 9,843                      | 118                          | 2,887                                   | 9,961                      | 12,848           | 329                      | 12,780           | 1988                 | 2011          | 35 years                                       |
| 8529   | Atria Covell Gardens     | Davis         | CA               | 20,427         | 2,163                   | 39,657                     | 439                          | 2,163                                   | 40,096                     | 42,259           | 949                      | 41,893           | 1987                 | 2011          | 35 years                                       |
| 8532   | Atria Golden Creek       | Irvine        | CA               | 11,813         | 6,900                   | 23,544                     | 50                           | 6,900                                   | 23,594                     | 30,494           | 634                      | 30,471           | 1985                 | 2011          | 35 years                                       |
| 8533   | Atria Hillcrest          | Thousand Oaks | CA               | 21,589         | 6,020                   | 25,635                     | 1,168                        | 6,020                                   | 26,803                     | 32,823           | 639                      | 32,712           | 1987                 | 2011          | 35 years                                       |
| 8538   | Atria Bayside Landing    | Stockton      | CA               |                |                         | 467                        | 4                            |   | 471                        | 471              | 71                       | 2,724            | 1998                 | 2011          | 35 years                                       |

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|      |                             |                     |    |        |       |        |       |       |        |        |       |        |      |      |         |
|------|-----------------------------|---------------------|----|--------|-------|--------|-------|-------|--------|--------|-------|--------|------|------|---------|
| 8541 | Atria Chateau San Juan      | San Juan Capistrano | CA |        | 5,110 | 29,436 | 5,074 | 5,110 | 34,510 | 39,620 | 521   | 39,405 | 1985 | 2011 | 35 year |
| 8544 | Atria El Camino Gardens     | Carmichael          | CA |        | 6,930 | 32,318 | 56    | 6,930 | 32,374 | 39,304 | 706   | 39,426 | 1984 | 2011 | 35 year |
| 8545 | Atria Hacienda              | Palm Desert         | CA |        | 6,680 | 85,900 | 517   | 6,680 | 86,417 | 93,097 | 1,503 | 92,427 | 1989 | 2011 | 35 year |
| 8546 | Atria Hillsdale             | San Mateo           | CA | 9,252  | 5,240 | 15,956 | 4     | 5,240 | 15,960 | 21,200 | 413   | 21,243 | 1986 | 2011 | 35 year |
| 8553 | Atria Rancho Park           | San Dimas           | CA |        | 4,066 | 14,306 | 60    | 4,066 | 14,366 | 18,432 | 383   | 18,410 | 1975 | 2011 | 35 year |
| 8554 | Atria Tamalpais Creek       | Novato              | CA |        | 5,812 | 24,703 | 4     | 5,812 | 24,707 | 30,519 | 495   | 30,602 | 1978 | 2011 | 35 year |
| 8559 | Atria Del Rey               | Rancho Cucamonga    | CA |        | 3,290 | 17,427 | 1,733 | 3,290 | 19,160 | 22,450 | 356   | 22,477 | 1987 | 2011 | 35 year |
| 8560 | Atria Del Sol               | Mission Viejo       | CA | 5,966  | 3,500 | 12,458 | 1     | 3,500 | 12,459 | 15,959 | 264   | 16,034 | 1985 | 2011 | 35 year |
| 8561 | Atria Encinitas             | Encinitas           | CA |        | 5,880 | 9,212  | 24    | 5,880 | 9,236  | 15,116 | 238   | 15,228 | 1984 | 2011 | 35 year |
| 8563 | Atria Willow Glen           | San Jose            | CA |        | 8,521 | 43,168 | 7     | 8,521 | 43,175 | 51,696 | 7     | 53,286 | 1976 | 2011 | 35 year |
| 8575 | Atria Burlingame            | Burlingame          | CA | 7,661  | 2,494 | 12,373 | 95    | 2,494 | 12,468 | 14,962 | 304   | 15,002 | 1977 | 2011 | 35 year |
| 8578 | Atria Sunnyvale             | Sunnyvale           | CA | 8,814  | 6,120 | 30,068 | 578   | 6,120 | 30,646 | 36,766 | 711   | 36,466 | 1977 | 2011 | 35 year |
| 8579 | Atria Montego Heights       | Walnut Creek        | CA |        | 6,910 | 15,797 | (18)  | 6,910 | 15,779 | 22,689 | 512   | 22,688 | 1978 | 2011 | 35 year |
| 8580 | Atria Daly City             | Daly City           | CA | 7,778  | 3,090 | 13,448 |       | 3,090 | 13,448 | 16,538 | 341   | 16,497 | 1975 | 2011 | 35 year |
| 8582 | Atria Valley View           | Walnut Creek        | CA | 19,216 | 7,139 | 53,914 | 103   | 7,139 | 54,017 | 61,156 | 1,621 | 60,135 | 1977 | 2011 | 35 year |
| 8585 | Atria Las Posas             | Camarillo           | CA |        | 4,500 | 28,436 | 17    | 4,500 | 28,453 | 32,953 | 677   | 32,815 | 1997 | 2011 | 35 year |
| 8603 | Atria Inn at Lakewood       | Lakewood            | CO | 23,377 | 6,281 | 50,095 | 4     | 6,281 | 50,099 | 56,380 | 1,107 | 56,062 | 1999 | 2011 | 35 year |
| 8311 | Atria Stratford             | Stratford           | CT | 16,373 | 3,210 | 27,865 | 77    | 3,210 | 27,942 | 31,152 | 697   | 31,038 | 1999 | 2011 | 35 year |
| 8434 | Atria Darien                | Darien              | CT | 21,280 | 653   | 37,587 | 313   | 653   | 37,900 | 38,553 | 853   | 38,367 | 1997 | 2011 | 35 year |
| 8435 | Atria Stamford              | Stamford            | CT | 39,594 | 1,200 | 62,432 | 199   | 1,200 | 62,631 | 63,831 | 1,396 | 63,385 | 1975 | 2011 | 35 year |
| 8725 | Atria Crossroads Place      | Waterford           | CT | 25,158 | 2,401 | 36,495 | 193   | 2,401 | 36,688 | 39,089 | 836   | 38,797 | 2000 | 2011 | 35 year |
| 8726 | Atria Greenridge Place      | Rocky Hill          | CT | 17,259 | 2,170 | 32,553 | 15    | 2,170 | 32,568 | 34,738 | 743   | 34,573 | 1998 | 2011 | 35 year |
| 8727 | Atria Hamilton Heights      | West Hartford       | CT | 14,187 | 3,120 | 14,674 | 204   | 3,120 | 14,878 | 17,998 | 462   | 17,964 | 1904 | 2011 | 35 year |
| 8728 | Atria Larson Place          | Hamden              | CT | 11,569 | 1,850 | 16,098 | 26    | 1,850 | 16,124 | 17,974 | 456   | 17,885 | 1999 | 2011 | 35 year |
| 8229 | Atria San Pablo             | Jacksonville        | FL | 5,943  | 1,620 | 14,920 | 7     | 1,620 | 14,927 | 16,547 | 356   | 16,513 | 1999 | 2011 | 35 year |
| 8233 | The Heritage at Lake Forest | Sanford             | FL |        | 3,589 | 32,586 | 5     | 3,589 | 32,591 | 36,180 | 277   | 36,828 | 2002 | 2011 | 35 year |
| 8274 | Atria Evergreen Woods       | Spring Hill         | FL | 10,975 | 2,370 | 28,371 | 27    | 2,370 | 28,398 | 30,768 | 806   | 30,551 | 1981 | 2011 | 35 year |
| 8276 | Atria Windsor Woods         | Hudson              | FL | 14,552 | 1,610 | 32,432 | 70    | 1,610 | 32,502 | 34,112 | 881   | 33,787 | 1988 | 2011 | 35 year |
| 8537 | Atria Baypoint Village      | Hudson              | FL | 17,178 | 2,083 | 28,841 | 17    | 2,083 | 28,858 | 30,941 | 857   | 30,712 | 1986 | 2011 | 35 year |

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| Property # | Property Name           | Location        |                  | Initial Cost to Company |           |                 |               | Gross Amount Carried at Close of Period |               |             |              | Year of Acquisition | Life on Which Depreciation in Income Statement is Computed |      |          |
|------------|-------------------------|-----------------|------------------|-------------------------|-----------|-----------------|---------------|---|---------------|-------------|--------------|---------------------|--|------|----------|
|            |                         | City            | State / Province | Land                    | Buildings | Subsequent Land | Buildings and | Land                                    | Buildings and | Accumulated | Depreciation |                     |  |      |          |
| 8210       | Atria Johnson Ferry     | Marietta        | GA               | 3,895                   | 990       | 6,453           | 14            | 990                                     | 6,467         | 7,457       | 181          | 7,476               | 1995   | 2011 | 35 years |
| 8268       | Atria Buckhead          | Atlanta         | GA               | 4,987                   | 3,660     | 5,274           |               | 3,660                                   | 5,274         | 8,934       | 195          | 9,039               | 1996   | 2011 | 35 years |
| 8240       | Atria Newburgh          | Newburgh        | IN               | 4,798                   | 1,150     | 22,880          | 3             | 1,150                                   | 22,883        | 24,033      | 533          | 23,878              | 1998   | 2011 | 35 years |
| 8543       | Atria Eastlake Terrace  | Elkhart         | IN               |                         | 2         | 468             | 1             | 2                                       | 469           | 471         | 109          | 1,764               | 1997   | 2011 | 35 years |
| 8555       | Atria Tanglewood Trace  | Mishawaka       | IN               |                         |           | 961             | 9             |   | 970           | 970         | 196          | 1,483               | 1976   | 2011 | 35 years |
| 8249       | Atria Hearthstone East  | Topeka          | KS               | 7,732                   | 1,150     | 20,544          | 12            | 1,150                                   | 20,556        | 21,706      | 513          | 21,599              | 1998   | 2011 | 35 years |
| 8277       | Atria Hearthstone West  | Topeka          | KS               | 9,468                   | 1,230     | 28,379          | 9             | 1,230                                   | 28,388        | 29,618      | 763          | 29,322              | 1987   | 2011 | 35 years |
| 8209       | Atria St. Matthews      | Louisville      | KY               | 7,878                   | 939       | 9,274           | 12            | 939                                     | 9,286         | 10,225      | 326          | 10,155              | 1998   | 2011 | 35 years |
| 8228       | Atria Elizabethtown     | Elizabethtown   | KY               | 5,632                   | 850       | 12,510          | 4             | 850                                     | 12,514        | 13,364      | 306          | 13,308              | 1996   | 2011 | 35 years |
| 8235       | Atria Highland Crossing | Fort Wright     | KY               | 11,728                  | 1,677     | 14,393          | 76            | 1,677                                   | 14,469        | 16,146      | 444          | 16,019              | 1988   | 2011 | 35 years |
| 8245       | Atria Summit Hills      | Crestview Hills | KY               | 6,448                   | 1,780     | 15,769          | 1             | 1,780                                   | 15,770        | 17,550      | 418          | 17,493              | 1998   | 2011 | 35 years |
| 8246       | Atria Stony Brook       | Louisville      | KY               | 9,606                   | 1,860     | 17,561          | 7             | 1,860                                   | 17,568        | 19,428      | 459          | 19,347              | 1999   | 2011 | 35 years |
| 8258       | Atria Springdale        | Louisville      | KY               | 10,867                  | 1,410     | 16,702          | 2             | 1,410                                   | 16,704        | 18,114      | 437          | 18,033              | 1999   | 2011 | 35 years |
| 8162       | Atria Falmouth          | Falmouth        | MA               |                         | 4,630     |                 | 3,877         | 4,630                                   | 3,877         | 8,507       |              | 8,507               | CIP  | 2011 | CIP      |
| 8230       | Atria Woodbriar         | Falmouth        | MA               | 14,657                  | 1,970     | 43,693          | 13            | 1,970                                   | 43,706        | 45,676      | 940          | 45,508              | 1975   | 2011 | 35 years |
| 8730       | Atria Fairhaven (Alden) | Fairhaven       | MA               | 11,901                  | 1,100     | 16,093          | 2             | 1,100                                   | 16,095        | 17,195      | 372          | 17,173              | 1999   | 2011 | 35 years |
| 8731       | Atria Draper Place      | Hopedale        | MA               | 13,884                  | 1,140     | 17,794          | 6             | 1,140                                   | 17,800        | 18,940      | 428          | 18,890              | 1998   | 2011 | 35 years |
| 8733       | Atria Longmeadow Place  | Burlington      | MA               | 24,122                  | 5,310     | 58,021          | 16            | 5,310                                   | 58,037        | 63,347      | 1,262        | 62,907              | 1998   | 2011 | 35 years |
| 8735       | Atria Marina Place      | North Quincy    | MA               | 29,587                  | 2,590     | 33,899          | 68            | 2,590                                   | 33,967        | 36,557      | 810          | 36,258              | 1999   | 2011 | 35 years |
| 8736       | Atria Marland Place     | Andover         | MA               |                         | 1,831     | 34,592          | 72            | 1,831                                   | 34,664        | 36,495      | 822          | 36,284              | 1996   | 2011 | 35 years |
| 8737       | Atria Merrimack Place   | Newburyport     | MA               | 19,461                  | 2,774     | 40,645          | 14            | 2,774                                   | 40,659        | 43,433      | 878          | 43,177              | 2000   | 2011 | 35 years |
| 8332       | Atria Manresa           | Annapolis       | MD               | 6,620                   | 4,193     | 19,000          | 44            | 4,193                                   | 19,044        | 23,237      | 455          | 23,232              | 1920   | 2011 | 35 years |
| 8333       | Atria Salisbury         | Salisbury       | MD               | 6,350                   | 1,940     | 24,500          | 17            | 1,940                                   | 24,517        | 26,457      | 541          | 26,372              | 1995   | 2011 | 35 years |
| 8241       | Atria Kennebunk         | Kennebunk       | ME               | 9,140                   | 1,090     | 23,496          | 7             | 1,090                                   | 23,503        | 24,593      | 568          | 24,458              | 1998   | 2011 | 35 years |
| 8548       | Atria Kinghaven         | Riverview       | MI               | 14,404                  | 1,440     | 26,260          | 9             | 1,440                                   | 26,269        | 27,709      | 721          | 27,555              | 1987   | 2011 | 35 years |
| 8305       | Atria Merrywood         | Charlotte       | NC               | 21,416                  | 1,678     | 36,892          | 42            | 1,678                                   | 36,934        | 38,612      | 928          | 38,223              | 1991   | 2011 | 35 years |
| 8319       | Atria Cranford          | Cranford        | NJ               | 27,714                  | 8,260     | 61,411          | 65            | 8,260                                   | 61,476        | 69,736      | 1,411        | 69,464              | 1993   | 2011 | 35 years |
| 8335       | Atria Tinton Falls      | Tinton Falls    | NJ               | 9,662                   | 6,580     | 13,258          | 29            | 6,580                                   | 13,287        | 19,867      | 421          | 19,935              | 1999   | 2011 | 35 years |
| 8524       |                         | Reno            | NV               |                         | 4         | 407             | 3             | 4                                       | 410           | 414         | 72           | 676                 | 1997   | 2011 | 35 years |

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|                             |                |                    |    |        |       |        |     |       |        |        |       |        |      |      |          |
|-----------------------------|----------------|--------------------|----|--------|-------|--------|-----|-------|--------|--------|-------|--------|------|------|----------|
| Atria Summit Ridge          |                |                    |    |        |       |        |     |       |        |        |       |        |      |      |          |
| 8525                        | Atria Sunlake  | Las Vegas          | NV |        | 7     | 732    | 13  | 7     | 745    | 752    | 125   | 3,950  | 1998 | 2011 | 35 years |
| 8526                        | Atria Sutton   | Las Vegas          | NV |        |       | 863    | 6   |       | 869    | 869    | 142   | 4,106  | 1998 | 2011 | 35 years |
| 8587                        | Atria Seville  | Las Vegas          | NV |        |       | 796    | 10  |       | 806    | 806    | 126   | 4,251  | 1999 | 2011 | 35 years |
| 8309 Atria                  |                |                    |    |        |       |        |     |       |        |        |       |        |      |      |          |
|                             | 86th Street    | New York           | NY | 33,148 | 80    | 73,685 | 79  | 80    | 73,764 | 73,844 | 1,698 | 82,176 | 1998 | 2011 | 35 years |
| 8310 Atria Great Neck       |                |                    |    |        |       |        |     |       |        |        |       |        |      |      |          |
|                             |                | Great Neck         | NY | 15,315 | 3,390 | 54,051 | 14  | 3,390 | 54,065 | 57,455 | 1,175 | 57,274 | 1998 | 2011 | 35 years |
| 8312 Atria Kew Gardens      |                |                    |    |        |       |        |     |       |        |        |       |        |      |      |          |
|                             |                | Jamaica            | NY | 29,533 | 3,051 | 66,013 | 108 | 3,051 | 66,121 | 69,172 | 1,424 | 68,798 | 1999 | 2011 | 35 years |
| 8313 Atria Briarcliff Manor |                |                    |    |        |       |        |     |       |        |        |       |        |      |      |          |
|                             |                | Briarcliff Manor   | NY | 15,254 | 6,560 | 33,885 | 64  | 6,560 | 33,949 | 40,509 | 808   | 40,457 | 1997 | 2011 | 35 years |
| 8314 Atria                  |                |                    |    |        |       |        |     |       |        |        |       |        |      |      |          |
|                             | Riverdale      | Bronx              | NY | 22,914 | 1,020 | 24,149 | 29  | 1,020 | 24,178 | 25,198 | 656   | 25,075 | 1999 | 2011 | 35 years |
| 8321                        | Atria Shaker   | Albany             | NY | 13,087 | 1,520 | 29,667 | 5   | 1,520 | 29,672 | 31,192 | 703   | 31,028 | 1997 | 2011 | 35 years |
| 8323 Atria South            |                |                    |    |        |       |        |     |       |        |        |       |        |      |      |          |
|                             | Setauket       | Setauket           | NY |        | 8,450 | 14,534 | 8   | 8,450 | 14,542 | 22,992 | 454   | 23,271 | 1967 | 2011 | 35 years |
| 8325 Atria                  |                |                    |    |        |       |        |     |       |        |        |       |        |      |      |          |
|                             | Huntington     | Huntington Station | NY | 6,887  | 8,190 | 1,169  | 14  | 8,190 | 1,183  | 9,373  | 171   | 9,535  | 1987 | 2011 | 35 years |
| 8327                        | Atria Penfield | Penfield           | NY | 6,562  | 620   | 22,036 | 11  | 620   | 22,047 | 22,667 | 529   | 22,482 | 1972 | 2011 | 35 years |
| 8328                        | Atria Greece   | Rochester          | NY | 4,023  | 410   | 14,967 | 88  | 410   | 15,055 | 15,465 | 359   | 15,395 | 1970 | 2011 | 35 years |
| 8329 Atria                  |                |                    |    |        |       |        |     |       |        |        |       |        |      |      |          |
|                             | Lynbrook       | Lynbrook           | NY | 7,080  | 3,145 | 5,489  | 14  | 3,145 | 5,503  | 8,648  | 229   | 8,802  | 1996 | 2011 | 35 years |
| 8330 Atria                  |                |                    |    |        |       |        |     |       |        |        |       |        |      |      |          |
|                             | Crossgate      | Albany             | NY | 4,547  | 1,080 | 20,599 | 15  | 1,080 | 20,614 | 21,694 | 520   | 21,580 | 1980 | 2011 | 35 years |
| 8331 Atria East             |                |                    |    |        |       |        |     |       |        |        |       |        |      |      |          |
|                             | Northport      | East Northport     | NY |        | 9,960 | 34,467 | 191 | 9,960 | 34,658 | 44,618 | 862   | 44,562 | 1996 | 2011 | 35 years |



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| Property #   | Property Name                  | City           | State / Province | Encumbrance      | Initial Cost to Company |                            |                         | Gross Amount Carried at Close of Period |                            |                  | Accumulated Depreciation | Year of Construction | Year Required | Life of Which Depreciation in Income Statement |          |
|--|--------------------------------|----------------|------------------|------------------|-------------------------|----------------------------|-------------------------|---|----------------------------|------------------|--------------------------|----------------------|---------------|--|----------|
|  |                                |                |                  |                  | Land                    | Buildings and Improvements | Subsequent Acquisitions | Land                                    | Buildings and Improvements | Total            |                          |                      |               |  |          |
| 8436   | Atria Rye Brook                | Rye Brook      | NY               | 45,613           | 9,660                   | 74,936                     | 61                      | 9,660                                   | 74,997                     | 84,657           | 1,676                    | 84,131               | 2004          | 2011   | 35 years |
| 8437   | Atria on Roslyn Harbor         | Roslyn         | NY               | 65,325           | 12,909                  | 72,720                     | 5                       | 12,909                                  | 72,725                     | 85,634           | 1,582                    | 85,246               | 2006          | 2011   | 35 years |
| 8438   | Atria Cutter Mill              | Great Neck     | NY               | 36,605           | 2,750                   | 47,919                     | 93                      | 2,750                                   | 48,012                     | 50,762           | 1,093                    | 50,519               | 1999          | 2011   | 35 years |
| 8439   | Atria Glen Cove                | Glen Cove      | NY               | 11,705           | 2,035                   | 25,190                     | 650                     | 2,035                                   | 25,840                     | 27,875           | 727                      | 27,170               | 1997          | 2011   | 35 years |
| 8455   | Atria Bay Shore                | Bay Shore      | NY               | 15,275           | 4,440                   | 31,983                     | 3                       | 4,440                                   | 31,986                     | 36,426           | 741                      | 36,296               | 1900          | 2011   | 35 years |
| 8458   | Atria Forest Hills             | Forest Hills   | NY               | 12,500           | 2,050                   | 16,680                     | 26                      | 2,050                                   | 16,706                     | 18,756           | 411                      | 18,756               | 2001          | 2011   | 35 years |
| 8461   | Atria Plainview                | Plainview      | NY               | 14,299           | 2,480                   | 16,060                     |                         | 2,480                                   | 16,060                     | 18,540           | 408                      | 18,582               | 2000          | 2011   | 35 years |
| 8464   | Atria Tanglewood               | Lynbrook       | NY               | 27,175           | 4,120                   | 37,348                     | 5                       | 4,120                                   | 37,353                     | 41,473           | 835                      | 41,305               | 2005          | 2011   | 35 years |
| 8467   | Atria Woodlands                | Ardasley       | NY               | 47,967           | 7,660                   | 65,581                     | 100                     | 7,660                                   | 65,681                     | 73,341           | 1,492                    | 73,127               | 2005          | 2011   | 35 years |
| 8738   | Atria Guilderland              | Slingerlands   | NY               |                  | 1,170                   | 22,414                     | 4                       | 1,170                                   | 22,418                     | 23,588           | 528                      | 23,510               | 1950          | 2011   | 35 years |
| 8739   | Atria on the Hudson            | Ossining       | NY               |                  | 8,123                   | 63,089                     | 1,476                   | 8,123                                   | 64,565                     | 72,688           | 1,461                    | 71,455               | 1972          | 2011   | 35 years |
| 8338   | Atria Bethlehem                | Bethlehem      | PA               | 13,312           | 2,479                   | 22,870                     | 80                      | 2,479                                   | 22,950                     | 25,429           | 598                      | 25,342               | 1998          | 2011   | 35 years |
| 8339   | Atria South Hills              | Pittsburgh     | PA               | 5,132            | 880                     | 10,884                     | 3                       | 880                                     | 10,887                     | 11,767           | 323                      | 11,772               | 1998          | 2011   | 35 years |
| 8433   | Atria Center City              | Philadelphia   | PA               | 24,738           | 3,460                   | 18,291                     | 23                      | 3,460                                   | 18,314                     | 21,774           | 526                      | 21,776               | 1964          | 2011   | 35 years |
| 8742   | Atria Woodbridge Place         | Phoenixville   | PA               | 12,432           | 1,510                   | 19,130                     | 13                      | 1,510                                   | 19,143                     | 20,653           | 480                      | 20,629               | 1996          | 2011   | 35 years |
| 8602   | Atria Bay Spring Village       | Barrington     | RI               | 14,162           | 2,000                   | 33,400                     | 534                     | 2,000                                   | 33,934                     | 35,934           | 823                      | 35,594               | 2000          | 2011   | 35 years |
| 8743   | Atria Aquidneck Place          | Portsmouth     | RI               |                  | 2,810                   | 31,623                     | 12                      | 2,810                                   | 31,635                     | 34,445           | 567                      | 34,378               | 1999          | 2011   | 35 years |
| 8744   | Atria Harborhill Place         | East Greenwich | RI               |                  | 2,089                   | 21,702                     | 11                      | 2,089                                   | 21,713                     | 23,802           | 427                      | 23,825               | 1835          | 2011   | 35 years |
| 8745   | Atria Lincoln Place            | Lincoln        | RI               |                  | 1,440                   | 12,686                     | 10                      | 1,440                                   | 12,696                     | 14,136           | 308                      | 14,100               | 2000          | 2011   | 35 years |
| 8263   | Atria Forest Lake              | Columbia       | SC               | 5,545            | 670                     | 13,946                     | 7                       | 670                                     | 13,953                     | 14,623           | 337                      | 14,569               | 1999          | 2011   | 35 years |
| 8205   | Atria Weston Place             | Knoxville      | TN               | 10,155           | 793                     | 7,961                      | 6                       | 793                                     | 7,967                      | 8,760            | 260                      | 8,772                | 1993          | 2011   | 35 years |
| 8215   | Atria Cypresswood              | Spring         | TX               | 9,728            | 880                     | 9,192                      | 19                      | 880                                     | 9,211                      | 10,091           | 244                      | 10,075               | 1996          | 2011   | 35 years |
| 8218   | Atria Kingwood                 | Kingwood       | TX               | 335              | 1,170                   | 4,518                      | 1                       | 1,170                                   | 4,519                      | 5,689            | 164                      | 5,719                | 1998          | 2011   | 35 years |
| 8234   | Atria Copeland                 | Tyler          | TX               | 10,544           | 1,879                   | 17,901                     | 2                       | 1,879                                   | 17,903                     | 19,782           | 458                      | 19,624               | 1997          | 2011   | 35 years |
| 8243   | Atria Carrollton               | Carrollton     | TX               | 7,941            | 360                     | 20,465                     | 9                       | 360                                     | 20,474                     | 20,834           | 504                      | 20,888               | 1998          | 2011   | 35 years |
| 8247   | Atria Grapevine                | Grapevine      | TX               | 10,201           | 2,070                   | 23,104                     | 6                       | 2,070                                   | 23,110                     | 25,180           | 562                      | 25,035               | 1999          | 2011   | 35 years |
| 8252   | Atria Sugar Land               | Sugar Land     | TX               | 3,081            | 970                     | 17,542                     | 2                       | 970                                     | 17,544                     | 18,514           | 414                      | 18,417               | 1999          | 2011   | 35 years |
| 8254   | Atria Westchase                | Houston        | TX               | 7,056            | 2,318                   | 22,278                     | 10                      | 2,318                                   | 22,288                     | 24,606           | 554                      | 24,474               | 1999          | 2011   | 35 years |
| 8257   | Atria Richardson               | Richardson     | TX               | 11,214           | 1,590                   | 23,662                     | 14                      | 1,590                                   | 23,676                     | 25,266           | 565                      | 25,112               | 1998          | 2011   | 35 years |
| 8266   | Atria Willow Park              | Tyler          | TX               | 11,807           | 920                     | 31,271                     | 28                      | 920                                     | 31,299                     | 32,219           | 813                      | 31,923               | 1985          | 2011   | 35 years |
| 8278   | Atria Sandy                    | Sandy          | UT               | 13,868           | 3,356                   | 18,805                     | 19                      | 3,356                                   | 18,824                     | 22,180           | 580                      | 22,022               | 1986          | 2011   | 35 years |
| 8239   | Atria Virginia Beach (Hilltop) | Virginia Beach | VA               | 17,629           | 1,749                   | 33,004                     | 3                       | 1,749                                   | 33,007                     | 34,756           | 795                      | 34,489               | 1998          | 2011   | 35 years |
| <b>TOTAL FOR ATRIA SENIORS HOUSING COMMUNITIES</b> |                                |                |                  | <b>1,311,988</b> | <b>354,589</b>          | <b>2,963,329</b>           | <b>19,806</b>           | <b>354,589</b>                          | <b>2,983,135</b>           | <b>3,337,724</b> | <b>71,171</b>            | <b>3,350,450</b>     |               |  |          |

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|--|--|---------------|------------------|-------------------------|-----------|-------------------------|---|-----------|-------------------------|--------------------------|----------------------|---------------|--|----------|
|  |  | City          | State / Province | Land                    | Buildings | Subsequent Improvements | Land                                    | Buildings | Subsequent Improvements |                          |                      |               |  | Total    |
| <b>OTHER SENIORS HOUSING COMMUNITIES</b> |  |               |                  |                         |           |                         |   |           |                         |                          |                      |               |  |          |
| 3880                                     | Elmcroft of Grayson Valley             | Birmingham    | AL               | 1,040                   | 19,145    | 11                      | 1,040                                   | 19,156    | 20,196                  | 304                      | 20,077               | 2000          | 2011   | 35 years |
| 3873                                     | Elmcroft of Byrd Springs               | Hunstville    | AL               | 1,720                   | 11,270    |                         | 1,720                                   | 11,270    | 12,990                  | 192                      | 12,917               | 1999          | 2011   | 35 years |
| 3881                                     | Elmcroft of Heritage Woods             | Mobile        | AL               | 1,020                   | 10,241    |                         | 1,020                                   | 10,241    | 11,261                  | 178                      | 11,187               | 2000          | 2011   | 35 years |
| 3106                                     | CaraVita Village                       | Montgomery    | AL               | 779                     | 8,507     | 802                     | 779                                     | 9,309     | 10,088                  | 2,003                    | 8,085                | 1987          | 2005   | 35 years |
| 3800                                     | Elmcroft of Halcyon                    | Montgomery    | AL               | 220                     | 5,476     |                         | 220                                     | 5,476     | 5,696                   | 808                      | 4,888                | 1999          | 2006   | 35 years |
| 7635                                     | Rosewood Manor (AL)                    | Scottsboro    | AL               | 680                     | 4,038     |                         | 680                                     | 4,038     | 4,718                   | 67                       | 4,695                | 1998          | 2011   | 35 years |
| 7567                                     | The Arches                             | Benton        | AR               | 330                     | 1,462     |                         | 330                                     | 1,462     | 1,792                   | 32                       | 2,032                | 1990          | 2011   | 35 years |
| 3821                                     | Elmcroft of Blytheville                | Blytheville   | AR               | 294                     | 2,946     |                         | 294                                     | 2,946     | 3,240                   | 435                      | 2,805                | 1997          | 2006   | 35 years |
| 3605                                     | West Shores                            | Hot Springs   | AR               | 1,326                   | 10,904    |                         | 1,326                                   | 10,904    | 12,230                  | 2,089                    | 10,141               | 1988          | 2005   | 35 years |
| 3822                                     | Elmcroft of Maumelle                   | Maumelle      | AR               | 1,252                   | 7,601     |                         | 1,252                                   | 7,601     | 8,853                   | 1,122                    | 7,731                | 1997          | 2006   | 35 years |
| 3823                                     | Elmcroft of Mountain Home              | Mountain Home | AR               | 204                     | 8,971     |                         | 204                                     | 8,971     | 9,175                   | 1,324                    | 7,851                | 1997          | 2006   | 35 years |
| 3825                                     | Elmcroft of Sherwood                   | Sherwood      | AR               | 1,320                   | 5,693     |                         | 1,320                                   | 5,693     | 7,013                   | 840                      | 6,173                | 1997          | 2006   | 35 years |
| 7301                                     | Chandler Memory Care Community         | Chandler      | AZ               | 2,910                   |           | 7,944                   | 2,910                                   | 7,944     | 10,854                  |                          | 10,854               | 2011          | 2011   | 35 years |
| 3601                                     | Cottonwood Village                     | Cottonwood    | AZ               | 1,200                   | 15,124    |                         | 1,200                                   | 15,124    | 16,324                  | 2,865                    | 13,459               | 1986          | 2005   | 35 years |
| 7308                                     | Silver Creek Inn Memory Care Community | Gilbert       | AZ               |                         |           | 2,362                   |   | 2,362     | 2,362                   |                          | 2,362                | CIP           | 2011   | CIP      |
| 7010                                     | Arbor Rose                             | Mesa          | AZ               | 1,100                   | 11,880    | 1,576                   | 1,100                                   | 13,456    | 14,556                  | 186                      | 14,485               | 1999          | 2011   | 35 years |
| 3894                                     | Elmcroft of Tempe                      | Tempe         | AZ               | 1,090                   | 12,942    | 3                       | 1,090                                   | 12,945    | 14,035                  | 218                      | 13,946               | 1999          | 2011   | 35 years |
| 3891                                     | Elmcroft of River Centre               | Tucson        | AZ               | 1,940                   | 5,195     |                         | 1,940                                   | 5,195     | 7,135                   | 105                      | 7,096                | 1999          | 2011   | 35 years |
| 2803                                     | Emeritus at Fairwood Manor             | Anaheim       | CA               | 2,464                   | 7,908     |                         | 2,464                                   | 7,908     | 10,372                  | 1,855                    | 8,517                | 1977          | 2005   | 35 years |
| 7072                                     | Careage Banning                        | Banning       | CA               | 2,970                   | 16,037    |                         | 2,970                                   | 16,037    | 19,007                  | 283                      | 22,680               | 2004          | 2011   | 35 years |
| 3811                                     | Las Villas Del Carlsbad                | Carlsbad      | CA               | 1,760                   | 30,469    |                         | 1,760                                   | 30,469    | 32,229                  | 4,498                    | 27,731               | 1987          | 2006   | 35 years |
| 2245                                     | Villa Bonita                           | Chula Vista   | CA               | 1,610                   | 9,169     |                         | 1,610                                   | 9,169     | 10,779                  | 168                      | 14,142               | 1989          | 2011   | 35 years |
| 2813                                     | Emeritus at Barrington Court           | Danville      | CA               | 360                     | 4,640     |                         | 360                                     | 4,640     | 5,000                   | 814                      | 4,186                | 1999          | 2006   | 35 years |
| 3805                                     | Las Villas Del Norte                   | Escondido     | CA               | 2,791                   | 32,632    |                         | 2,791                                   | 32,632    | 35,423                  | 4,817                    | 30,606               | 1986          | 2006   | 35 years |
| 7480                                     | Alder Bay Assisted Living              | Eureka        | CA               | 1,170                   | 5,228     | 27                      | 1,170                                   | 5,255     | 6,425                   | 96                       | 6,386                | 1997          | 2011   | 35 years |
| 3808                                     | Elmcroft of La Mesa                    | La Mesa       | CA               | 2,431                   | 6,101     |                         | 2,431                                   | 6,101     | 8,532                   | 901                      | 7,631                | 1997          | 2006   | 35 years |
| 3810                                     | Grossmont Gardens                      | La Mesa       | CA               | 9,104                   | 59,349    |                         | 9,104                                   | 59,349    | 68,453                  | 8,761                    | 59,692               | 1964          | 2006   | 35 years |
| 3809                                     | Mountview Retirement Residence         | Montrose      | CA               | 1,089                   | 15,449    |                         | 1,089                                   | 15,449    | 16,538                  | 2,281                    | 14,257               | 1974          | 2006   | 35 years |
| 1701                                     | Villa de Palma                         | Placentia     | CA               | 1,260                   | 10,174    |                         | 1,260                                   | 10,174    | 11,434                  | 184                      | 14,831               | 1982          | 2011   | 35 years |
| 2244                                     | Wellington Place                       | Rancho Mirage | CA               | 6,800                   | 3,637     |                         | 6,800                                   | 3,637     | 10,437                  | 104                      | 11,962               | 1999          | 2011   | 35 years |
| 7481                                     | The Vistas                             | Redding       | CA               | 1,290                   | 22,033    |                         | 1,290                                   | 22,033    | 23,323                  | 355                      | 23,186               | 2007          | 2011   | 35 years |

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|      |                                    |                        |    |       |        |       |        |        |       |        |      |      |          |
|------|------------------------------------|------------------------|----|-------|--------|-------|--------|--------|-------|--------|------|------|----------|
| 2815 | Emeritus at<br>Roseville Gardens   | Roseville              | CA | 220   | 2,380  | 220   | 2,380  | 2,600  | 422   | 2,178  | 1996 | 2006 | 35 years |
| 3807 | Elmcroft of Point<br>Loma          | San Diego              | CA | 2,117 | 6,865  | 2,117 | 6,865  | 8,982  | 1,013 | 7,969  | 1999 | 2006 | 35 years |
| 2243 | Land of Cortese<br>Assisted Living | San Jose               | CA | 2,700 | 7,994  | 2,700 | 7,994  | 10,694 | 166   | 11,514 | 1998 | 2011 | 35 years |
| 1700 | Villa del Obispo                   | San Juan<br>Capistrano | CA | 2,660 | 9,560  | 2,660 | 9,560  | 12,220 | 170   | 14,460 | 1985 | 2011 | 35 years |
| 3604 | Villa Santa<br>Barbara             | Santa<br>Barbara       | CA | 1,219 | 12,426 | 1,219 | 12,426 | 13,645 | 2,369 | 11,276 | 1977 | 2005 | 35 years |
| 1702 | Maria del Sol                      | Santa Maria            | CA | 1,950 | 1,726  | 1,950 | 1,726  | 3,676  | 70    | 3,635  | 1967 | 2011 | 35 years |
| 2804 | Emeritus at<br>Heritage Place      | Tracy                  | CA | 1,110 | 13,296 | 1,110 | 13,296 | 14,406 | 2,689 | 11,717 | 1986 | 2005 | 35 years |
| 2242 | Buena Vista Knolls                 | Vista                  | CA | 1,630 | 5,640  | 1,630 | 5,640  | 7,270  | 112   | 8,444  | 1980 | 2011 | 35 years |
| 3806 | Rancho Vista                       | Vista                  | CA | 6,730 | 21,828 | 6,730 | 21,828 | 28,558 | 3,222 | 25,336 | 1982 | 2006 | 35 years |
| 1712 | Westminster<br>Terrace             | Westminster            | CA | 1,700 | 11,514 | 1,700 | 11,514 | 13,214 | 189   | 13,646 | 2001 | 2011 | 35 years |
| 7485 | Garden Square at<br>Westlake       | Greeley                | CO | 630   | 8,211  | 630   | 8,211  | 8,841  | 140   | 8,784  | 1998 | 2011 | 35 years |
| 7486 | Garden Square of<br>Greeley        | Greeley                | CO | 330   | 2,735  | 330   | 2,735  | 3,065  | 48    | 3,197  | 1995 | 2011 | 35 years |
| 7110 | Devonshire Acres                   | Sterling               | CO | 950   | 13,569 | 950   | 13,569 | 14,519 | 225   | 14,431 | 1979 | 2011 | 35 years |
| 7292 | Gardenside Terrace                 | Brandford              | CT | 7,000 | 31,518 | 7,000 | 31,518 | 38,518 | 509   | 38,328 | 1999 | 2011 | 35 years |
| 7291 | Hearth at Tuxis<br>Pond            | Madison                | CT | 1,610 | 44,322 | 1,610 | 44,322 | 45,932 | 680   | 45,633 | 2002 | 2011 | 35 years |
| 2802 | Emeritus at South<br>Windsor       | South<br>Windsor       | CT | 2,187 | 12,682 | 2,187 | 12,682 | 14,869 | 2,855 | 12,014 | 1999 | 2004 | 35 years |
| 7636 | Forsyth House                      | Milton                 | FL | 610   | 6,503  | 610   | 6,503  | 7,113  | 106   | 7,205  | 1999 | 2011 | 35 years |
| 7120 | Hampton Manor<br>Bellevue          | Bellevue               | FL | 390   | 8,337  | 390   | 8,337  | 8,727  | 141   | 8,665  | 1988 | 2011 | 35 years |

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|------------|-------------------------------|------------------|------------------|-------------|-------------------------|-----------|------------------------|---|-----------|--------|-------------|----------------------|---------------|--|
|            |                               | City             | State / Province |             | Land                    | Buildings | Subsequent Acquisition | Land                                    | Buildings | Total  |             |                      |               |  |
| 2807       | Emeritus at Bonita Springs    | Bonita Springs   | FL               | 9,380       | 1,540                   | 10,783    | 1,540                  | 10,783                                  | 12,323    | 2,932  | 9,391       | 1989                 | 2005          | 35 years   |
| 2808       | Emeritus at Boynton Beach     | Boynton Beach    | FL               | 14,375      | 2,317                   | 16,218    | 2,317                  | 16,218                                  | 18,535    | 4,211  | 14,324      | 1999                 | 2005          | 35 years   |
| 7638       | Sabal House                   | Cantonment       | FL               | 430         | 5,902                   | 430       | 5,902                  | 6,332                                   | 97        | 6,331  | 1999        | 2011                 | 35 years      |  |
| 7231       | Bristol Park of Coral Springs | Coral Springs    | FL               | 3,280       | 11,877                  | 3,280     | 11,877                 | 15,157                                  | 208       | 15,086 | 1999        | 2011                 | 35 years      |  |
| 2809       | Emeritus at Deer Creek        | Deerfield        | FL               | 1,399       | 9,791                   | 1,399     | 9,791                  | 11,190                                  | 2,929     | 8,261  | 1999        | 2005                 | 35 years      |  |
| 7639       | Stanley House                 | Defuniak Springs | FL               | 410         | 5,659                   | 410       | 5,659                  | 6,069                                   | 93        | 6,170  | 1999        | 2011                 | 35 years      |  |
| 7520       | The Peninsula                 | Hollywood        | FL               | 3,660       | 9,122                   | 3,660     | 9,122                  | 12,782                                  | 185       | 14,257 | 1972        | 2011                 | 35 years      |  |
| 3102       | Highland Terrace              | Inverness        | FL               | 269         | 4,108                   | 269       | 4,108                  | 4,377                                   | 899       | 3,478  | 1997        | 2005                 | 35 years      |  |
| 3801       | Elmcroft of Timberlin Parc    | Jacksonville     | FL               | 455         | 5,905                   | 455       | 5,905                  | 6,360                                   | 872       | 5,488  | 1998        | 2006                 | 35 years      |  |
| 2810       | Emeritus at Jensen Beach      | Jensen Beach     | FL               | 12,899      | 1,831                   | 12,820    | 1,831                  | 12,820                                  | 14,651    | 3,468  | 11,183      | 1999                 | 2005          | 35 years   |
| 3970       | The Carlisle Naples           | Naples           | FL               | 37,593      | 8,406                   | 78,091    | 8,406                  | 78,091                                  | 86,497    | 646    | 86,778      | N/A                  | 2011          | 35 years   |
| 7121       | Hampton Manor at 24th Road    | Ocala            | FL               | 690         | 8,767                   | 690       | 8,767                  | 9,457                                   | 143       | 9,401  | 1996        | 2011                 | 35 years      |  |
| 7122       | Hampton Manor at Deerwood     | Ocala            | FL               | 790         | 5,605                   | 790       | 5,605                  | 6,395                                   | 102       | 6,388  | 2005        | 2011                 | 35 years      |  |
| 1707       | Outlook Pointe at Pensacola   | Pensacola        | FL               | 2,230       | 2,362                   | 2,230     | 2,362                  | 4,592                                   | 64        | 6,938  | 1999        | 2011                 | 35 years      |  |
| 7637       | Magnolia House                | Quincy           | FL               | 400         | 5,190                   | 400       | 5,190                  | 5,590                                   | 87        | 5,555  | 1999        | 2011                 | 35 years      |  |
| 1708       | Outlook Pointe at Tallahassee | Tallahassee      | FL               | 2,430       | 17,745                  | 2,430     | 17,745                 | 20,175                                  | 305       | 20,056 | 1999        | 2011                 | 35 years      |  |
| 1714       | Magnolia Place                | Tallahassee      | FL               | 640         | 8,013                   | 640       | 8,013                  | 8,653                                   | 128       | 8,605  | 1999        | 2011                 | 35 years      |  |
| 7230       | Bristol Park of Tamarac       | Tamarac          | FL               | 3,920       | 14,130                  | 3,920     | 14,130                 | 18,050                                  | 239       | 17,974 | 2000        | 2011                 | 35 years      |  |
| 3874       | Elmcroft of Carrollwood       | Tampa            | FL               | 5,410       | 20,944                  | 2         | 5,410                  | 20,946                                  | 26,356    | 337    | 26,261      | 2001                 | 2011          | 35 years   |
| 7410       | Augusta Gardens               | Augusta          | GA               | 530         | 10,262                  | 530       | 10,262                 | 10,792                                  | 172       | 10,715 | 1997        | 2011                 | 35 years      |  |
| 3104       | Tara Plantation               | Cumming          | GA               | 1,381       | 7,707                   | 1,381     | 7,707                  | 9,088                                   | 1,654     | 7,434  | 1998        | 2005                 | 35 years      |  |
| 3103       | Peachtree Estates             | Dalton           | GA               | 501         | 5,229                   | 501       | 5,229                  | 5,730                                   | 1,157     | 4,573  | 2000        | 2005                 | 35 years      |  |
| 3888       | Elmcroft of Mt. Zion          | Jonesboro        | GA               | 1,140       | 15,447                  | 1,140     | 15,447                 | 16,587                                  | 257       | 16,482 | 2000        | 2011                 | 35 years      |  |
| 3107       | The Sanctuary at Northstar    | Kennesaw         | GA               | 906         | 5,614                   | 906       | 5,614                  | 6,520                                   | 1,189     | 5,331  | 2001        | 2005                 | 35 years      |  |
| 3101       | Greenwood Gardens             | Marietta         | GA               | 706         | 3,132                   | 706       | 3,132                  | 3,838                                   | 750       | 3,088  | 1997        | 2005                 | 35 years      |  |
| 3887       |                               | Marietta         | GA               | 3,350       | 7,431                   | 3,350     | 7,431                  | 10,781                                  | 143       | 10,737 | 2000        | 2011                 | 35 years      |  |

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|      |   |                 |    |        |        |        |        |        |        |        |        |      |          |          |
|------|---|-----------------|----|--------|--------|--------|--------|--------|--------|--------|--------|------|----------|----------|
|      | Elmcroft of<br>Milford<br>Chase         |                 |    |        |        |        |        |        |        |        |        |      |          |          |
| 3826 | Elmcroft of<br>Martinez                 | Martinez        | GA | 408    | 6,764  | 408    | 6,764  | 7,172  | 870    | 6,302  | 1997   | 2007 | 35 years |          |
| 3100 | Winterville<br>Retirement               | Winterville     | GA | 243    | 7,418  | 243    | 7,418  | 7,661  | 1,552  | 6,109  | 1999   | 2005 | 35 years |          |
| 7000 | Windsor<br>Court of<br>Carmel           | Carmel          | IN | 1,110  | 1,933  | 1,110  | 1,933  | 3,043  | 46     | 5,058  | 1998   | 2011 | 35 years |          |
| 1573 | Azalea Hills                            | Floyds<br>Knobs | IN | 2,370  | 8,708  | 2,370  | 8,708  | 11,078 | 148    | 13,108 | 2008   | 2011 | 35 years |          |
| 3606 | Georgetowne<br>Place                    | Fort Wayne      | IN | 1,315  | 18,185 | 1,315  | 18,185 | 19,500 | 3,300  | 16,200 | 1987   | 2005 | 35 years |          |
| 1559 | Greensburg<br>Assisted<br>Living        | Greensburg      | IN | 420    | 1,764  | 420    | 1,764  | 2,184  | 38     | 2,184  | 1999   | 2011 | 35 years |          |
| 1551 | Summit<br>West                          | Indianapolis    | IN | 1,240  | 7,922  | 1,240  | 7,922  | 9,162  | 142    | 9,372  | 1998   | 2011 | 35 years |          |
| 3603 | The Harrison                            | Indianapolis    | IN | 1,200  | 5,740  | 1,200  | 5,740  | 6,940  | 1,190  | 5,750  | 1985   | 2005 | 35 years |          |
| 3607 | Towne<br>Centre                         | Merrillville    | IN | 1,291  | 27,709 | 1,291  | 27,709 | 29,000 | 8,163  | 20,837 | 1987   | 2006 | 35 years |          |
| 1564 | Lakeview<br>Commons of<br>Monticello    | Monticello      | IN | 250    | 5,263  | 250    | 5,263  | 5,513  | 84     | 5,480  | 1999   | 2011 | 35 years |          |
| 3827 | Elmcroft of<br>Muncie                   | Muncie          | IN | 244    | 11,218 | 244    | 11,218 | 11,462 | 1,442  | 10,020 | 1998   | 2007 | 35 years |          |
| 7482 | Wood Ridge                              | South Bend      | IN | 590    | 4,850  | 57     | 590    | 4,907  | 5,497  | 85     | 5,462  | 1990 | 2011     | 35 years |
| 7344 | Drury Place<br>at Alvamar               | Lawrence        | KS | 1,700  | 9,156  | 1,700  | 9,156  | 10,856 | 159    | 10,799 | 1995   | 2011 | 35 years |          |
| 7345 | Drury Place<br>at Salina                | Salina          | KS | 1,300  | 1,738  | 1,300  | 1,738  | 3,038  | 50     | 4,091  | 1989   | 2011 | 35 years |          |
| 7346 | Drury Place<br>Retirement<br>Apartments | Topeka          | KS | 390    | 6,217  | 390    | 6,217  | 6,607  | 106    | 6,568  | 1986   | 2011 | 35 years |          |
| 2510 | Heritage<br>Woods                       | Agawam          | MA | 1,249  | 4,625  | 1,249  | 4,625  | 5,874  | 1,575  | 4,299  | 1997   | 2004 | 30 years |          |
| 2805 | Summerville<br>at Farm<br>Pond          | Framingham      | MA | 39,311 | 5,819  | 33,361 | 5,819  | 33,361 | 39,180 | 6,985  | 32,195 | 1999 | 2004     | 35 years |
| 2806 | Whitehall<br>Estate                     | Hyannis         | MA | 6,681  | 1,277  | 9,063  | 1,277  | 9,063  | 10,340 | 1,825  | 8,515  | 1999 | 2005     | 35 years |
| 1738 | Wingate at<br>Silver Lake               | Kingston        | MA | 3,330  | 20,624 | 3,330  | 20,624 | 23,954 | 375    | 23,777 | 1996   | 2011 | 35 years |          |
| 1709 | Outlook<br>Pointe at<br>Hagerstown      | Hagerstown      | MD | 2,010  | 1,293  | 2,010  | 1,293  | 3,303  | 45     | 5,415  | 1999   | 2011 | 35 years |          |
| 7130 | Clover<br>Healthcare                    | Auburn          | ME | 1,400  | 26,895 | 1,400  | 26,895 | 28,295 | 463    | 28,111 | 1982   | 2011 | 35 years |          |
| 7132 | Gorham<br>House                         | Gorham          | ME | 1,360  | 33,147 | 1,360  | 33,147 | 34,507 | 513    | 34,335 | 1990   | 2011 | 35 years |          |
| 7131 | Sentry Hill                             | York            | ME | 3,490  | 19,869 | 3,490  | 19,869 | 23,359 | 319    | 23,270 | 2000   | 2011 | 35 years |          |

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| Property # | Property Name                   | Location       |                  | Initial Cost to Company |           |                         |       | Gross Amount Carried at Close of Period |        |       |        | Accumulated Depreciation | Year of Construction | Year Acquired | Life on Which Depreciation in Income Statement is Computed |
|------------|---------------------------------|----------------|------------------|-------------------------|-----------|-------------------------|-------|---|--------|-------|--------|--------------------------|----------------------|---------------|--|
|            |                                 | City           | State / Province | Land                    | Buildings | Subsequent Improvements | Land  | Buildings and Improvements              | Total  |       |        |                          |                      |               |  |
| 3878       | Elmcroft of Downriver           | Brownstown     | MI               | 9,273                   | 320       | 32,652                  | 320   | 32,652                                  | 32,972 | 501   | 32,774 | 2000                     | 2011                 | 35 years      |  |
| 3883       | Elmcroft of Kentwood            | Kentwood       | MI               |                         | 510       | 13,976                  | 510   | 13,976                                  | 14,486 | 240   | 14,379 | 2001                     | 2011                 | 35 years      |  |
| 7421       | Primrose Austin                 | Austin         | MN               |                         | 2,540     | 11,707                  | 2,540 | 11,707                                  | 14,247 | 183   | 14,195 | 2002                     | 2011                 | 35 years      |  |
| 7423       | Primrose Duluth                 | Duluth         | MN               |                         | 6,190     | 8,296                   | 6,190 | 8,296                                   | 14,486 | 149   | 14,912 | 2003                     | 2011                 | 35 years      |  |
| 7424       | Primrose Mankato                | Mankato        | MN               |                         | 1,860     | 8,920                   | 1,860 | 8,920                                   | 10,780 | 153   | 10,726 | 1999                     | 2011                 | 35 years      |  |
| 3608       | Rose Arbor                      | Maple Grove    | MN               |                         | 1,140     | 12,421                  | 1,140 | 12,421                                  | 13,561 | 3,680 | 9,881  | 2000                     | 2006                 | 35 years      |  |
| 3609       | Wildflower Lodge                | Maple Grove    | MN               |                         | 504       | 5,035                   | 504   | 5,035                                   | 5,539  | 1,497 | 4,042  | 1981                     | 2006                 | 35 years      |  |
| 7521       | Silver Oak SL of Butler         | Butler         | MO               |                         | 520       | 648                     | 520   | 648                                     | 1,168  | 23    | 1,155  | 1995                     | 2011                 | 35 years      |  |
| 7522       | Silver Oak SL of Lamar          | Lamar          | MO               |                         | 1,650     | 810                     | 1,650 | 810                                     | 2,460  | 23    | 2,459  | 1996                     | 2011                 | 35 years      |  |
| 7523       | Silver Oak SL of Nevada I       | Nevada         | MO               |                         | 630       | 373                     | 630   | 373                                     | 1,003  | 17    | 995    | 1993                     | 2011                 | 35 years      |  |
| 7524       | Silver Oak SL of Nevada II      | Nevada         | MO               |                         | 790       | 324                     | 790   | 324                                     | 1,114  | 16    | 1,108  | 1996                     | 2011                 | 35 years      |  |
| 7300       | Canyon Creek Inn Memory Care    | Billings       | MT               |                         | 420       | 11,217                  | 420   | 11,217                                  | 11,637 | 90    | 11,547 | 2011                     | 2011                 | 35 years      |  |
| 2240       | Rainbow Retirement Community    | Great Falls    | MT               |                         | 386       | 5,254                   | 573   | 386                                     | 5,827  | 6,213 | 305    | 5,908                    | 1998                 | 2010          | 35 years   |
| 7090       | Carillon ALF of Asheboro        | Asheboro       | NC               |                         | 680       | 15,370                  | 680   | 15,370                                  | 16,050 | 245   | 15,952 | 1998                     | 2011                 | 35 years      |  |
| 3802       | Elmcroft of Little Avenue       | Charlotte      | NC               |                         | 250       | 5,077                   | 250   | 5,077                                   | 5,327  | 749   | 4,578  | 1997                     | 2006                 | 35 years      |  |
| 7093       | Carillon ALF of Cramer Mountain | Cramerton      | NC               |                         | 530       | 18,225                  | 530   | 18,225                                  | 18,755 | 293   | 19,479 | 1999                     | 2011                 | 35 years      |  |
| 7092       | Carillon ALF of Harrisburg      | Harrisburg     | NC               |                         | 1,660     | 15,130                  | 1,660 | 15,130                                  | 16,790 | 242   | 16,701 | 1997                     | 2011                 | 35 years      |  |
| 7097       | Carillon ALF of Hendersonville  | Hendersonville | NC               |                         | 2,210     | 7,372                   | 2,210 | 7,372                                   | 9,582  | 134   | 12,713 | 2005                     | 2011                 | 35 years      |  |
| 7098       | Carillon ALF of Hillsborough    | Hillsborough   | NC               |                         | 1,450     | 19,754                  | 1,450 | 19,754                                  | 21,204 | 310   | 21,088 | 2005                     | 2011                 | 35 years      |  |
| 7095       | Carillon ALF of Newton          | Newton         | NC               |                         | 540       | 14,935                  | 540   | 14,935                                  | 15,475 | 238   | 16,504 | 2000                     | 2011                 | 35 years      |  |
| 3846       | Elmcroft of Northridge          | Raleigh        | NC               |                         | 184       | 3,592                   | 184   | 3,592                                   | 3,776  | 530   | 3,246  | 1984                     | 2006                 | 35 years      |  |
| 7091       | Carillon ALF of Salisbury       | Salisbury      | NC               |                         | 1,580     | 25,026                  | 1,580 | 25,026                                  | 26,606 | 390   | 26,459 | 1999                     | 2011                 | 35 years      |  |
| 7094       | Carillon ALF of Shelby          | Shelby         | NC               |                         | 660       | 15,471                  | 660   | 15,471                                  | 16,131 | 247   | 16,257 | 2000                     | 2011                 | 35 years      |  |
| 3866       | Elmcroft of Southern Pines      | Southern Pines | NC               |                         | 1,196     | 10,766                  | 1,196 | 10,766                                  | 11,962 | 538   | 11,424 | 1998                     | 2010                 | 35 years      |  |
| 7096       | Carillon ALF of Southport       | Southport      | NC               |                         | 1,330     | 10,356                  | 1,330 | 10,356                                  | 11,686 | 177   | 14,087 | 2005                     | 2011                 | 35 years      |  |
| 7422       | Primrose Bismarck               | Bismarck       | ND               |                         | 1,210     | 9,768                   | 1,210 | 9,768                                   | 10,978 | 158   | 10,921 | 1994                     | 2011                 | 35 years      |  |
| 3602       | Crown Pointe                    | Omaha          | NE               |                         | 1,316     | 11,950                  | 1,316 | 11,950                                  | 13,266 | 2,305 | 10,961 | 1985                     | 2005                 | 35 years      |  |
| 7020       | Brandywine at Brick             | Brick          | NJ               |                         | 1,490     | 16,747                  | 1,490 | 16,747                                  | 18,237 | 256   | 18,091 | 1999                     | 2011                 | 35 years      |  |
| 3890       | Elmcroft of Quintessence        | Albuquerque    | NM               |                         | 1,150     | 26,527                  | 1,150 | 26,527                                  | 27,677 | 411   | 27,521 | 1998                     | 2011                 | 35 years      |  |

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|      |  |                |    |       |        |     |       |        |        |       |        |      |      |          |
|------|--|----------------|----|-------|--------|-----|-------|--------|--------|-------|--------|------|------|----------|
| 2233 | Cottonbloom Assisted Living            | Las Cruces     | NM | 153   | 897    | 109 | 153   | 1,006  | 1,159  | 79    | 1,080  | 1996 | 2009 | 35 years |
| 2239 | Peachtree Village Retirement Community | Roswell        | NM | 161   | 2,161  | 193 | 161   | 2,354  | 2,515  | 135   | 2,380  | 1999 | 2010 | 35 years |
| 3600 | The Amberleigh                         | Amherst        | NY | 3,498 | 19,097 |     | 3,498 | 19,097 | 22,595 | 3,883 | 18,712 | 1988 | 2005 | 35 years |
| 7290 | Castle Gardens                         | Vestal         | NY | 1,830 | 20,312 |     | 1,830 | 20,312 | 22,142 | 333   | 21,993 | 1994 | 2011 | 35 years |
| 2819 | Inn at Lakeview                        | Grovepoint     | OH | 770   | 11,220 |     | 770   | 11,220 | 11,990 | 187   | 13,401 | 1998 | 2011 | 35 years |
| 3847 | Elmcroft of Lima                       | Lima           | OH | 490   | 3,368  |     | 490   | 3,368  | 3,858  | 497   | 3,361  | 1998 | 2006 | 35 years |
| 3885 | Elmcroft of Lorain                     | Lorain         | OH | 500   | 15,461 |     | 500   | 15,461 | 15,961 | 256   | 15,851 | 2000 | 2011 | 35 years |
| 3812 | Elmcroft of Ontario                    | Mansfield      | OH | 523   | 7,968  |     | 523   | 7,968  | 8,491  | 1,176 | 7,315  | 1998 | 2006 | 35 years |
| 2817 | Summerville at Camelot Place           | Medina         | OH | 340   | 21,566 |     | 340   | 21,566 | 21,906 | 340   | 21,758 | 1995 | 2011 | 35 years |
| 2821 | Inn at Medina                          | Medina         | OH | 1,110 | 24,700 |     | 1,110 | 24,700 | 25,810 | 384   | 25,652 | 2000 | 2011 | 35 years |
| 3813 | Elmcroft of Medina                     | Medina         | OH | 661   | 9,788  |     | 661   | 9,788  | 10,449 | 1,445 | 9,004  | 1999 | 2006 | 35 years |
| 3814 | Elmcroft of Washington Township        | Miamisburg     | OH | 1,235 | 12,611 |     | 1,235 | 12,611 | 13,846 | 1,862 | 11,984 | 1998 | 2006 | 35 years |
| 2818 | Hillenvale                             | Mt. Vernon     | OH | 1,100 | 12,493 |     | 1,100 | 12,493 | 13,593 | 206   | 14,361 | 2001 | 2011 | 35 years |
| 3816 | Elmcroft of Sagamore Hills             | Sagamore Hills | OH | 980   | 12,604 |     | 980   | 12,604 | 13,584 | 1,861 | 11,723 | 2000 | 2006 | 35 years |
| 3848 | Elmcroft of Xenia                      | Xenia          | OH | 653   | 2,801  |     | 653   | 2,801  | 3,454  | 414   | 3,040  | 1999 | 2006 | 35 years |
| 2822 | Inn at North Hills                     | Zanesville     | OH | 1,560 | 11,067 |     | 1,560 | 11,067 | 12,627 | 189   | 14,318 | 1996 | 2011 | 35 years |
| 3889 | Elmcroft of Quail Springs              | Oklahoma       | OK | 500   | 16,632 |     | 500   | 16,632 | 17,132 | 273   | 17,017 | 1999 | 2011 | 35 years |
| 7349 | Southern Hills Nursing Center          | Tulsa          | OK | 750   | 10,739 |     | 750   | 10,739 | 11,489 | 216   | 11,377 | 1981 | 2011 | 35 years |
| 1518 | Avamere at Hillsboro                   | Hillsboro      | OR | 4,400 | 8,353  |     | 4,400 | 8,353  | 12,753 | 158   | 12,735 | 2000 | 2011 | 35 years |
| 1526 | Avamere court at Keizer                | Keizer         | OR | 1,260 | 30,183 |     | 1,260 | 30,183 | 31,443 | 498   | 31,317 | 1970 | 2011 | 35 years |
| 1523 | The Stafford                           | Lake Oswego    | OR | 1,800 | 16,122 |     | 1,800 | 16,122 | 17,922 | 275   | 17,844 | 2008 | 2011 | 35 years |
| 1527 | The Pearl at Kruse Way                 | Lake Oswego    | OR | 2,000 | 12,880 |     | 2,000 | 12,880 | 14,880 | 214   | 14,842 | 2005 | 2011 | 35 years |
| 1525 | Avamere at Three Fountains             | Medford        | OR | 2,340 | 33,187 |     | 2,340 | 33,187 | 35,527 | 541   | 35,407 | 1974 | 2011 | 35 years |
| 1521 | Avamere at Newberg                     | Newberg        | OR | 1,320 | 4,664  |     | 1,320 | 4,664  | 5,984  | 93    | 5,957  | 1999 | 2011 | 35 years |

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|------------|------------------------------|------------------|---------------------|-------------------------|-----------|----------------------------|---|-----------|---------------------|-----------------------------|----------------------------|------------------|---|----------|
|            |                              |                  |                     | Land                    | Buildings | Subsequent<br>Improvements | Land                                    | Buildings | and<br>Improvements |                             |                            |                  |   | Total    |
| 1524       | Avamere Living at Berry Park | Oregon City      | OR                  | 1,910                   | 4,249     |                            | 1,910                                   | 4,249     | 6,159               | 96                          | 6,131                      | 1972             | 2011  | 35 years |
| 1516       | Avamere at Bethany           | Portland         | OR                  | 3,150                   | 16,740    |                            | 3,150                                   | 16,740    | 19,890              | 282                         | 19,826                     | 2002             | 2011  | 35 years |
| 1520       | Avamere at Sandy             | Sandy            | OR                  | 1,000                   | 7,309     |                            | 1,000                                   | 7,309     | 8,309               | 133                         | 8,268                      | 1999             | 2011  | 35 years |
| 1522       | Suzanne Elise ALF            | Seaside          | OR                  | 1,940                   | 4,027     |                            | 1,940                                   | 4,027     | 5,967               | 93                          | 5,940                      | 1998             | 2011  | 35 years |
| 1519       | Avamere at Sherwood          | Sherwood         | OR                  | 1,010                   | 7,051     |                            | 1,010                                   | 7,051     | 8,061               | 129                         | 8,021                      | 2000             | 2011  | 35 years |
| 7483       | Chateau Gardens              | Springfield      | OR                  | 1,550                   | 4,197     |                            | 1,550                                   | 4,197     | 5,747               | 69                          | 5,806                      | 1991             | 2011  | 35 years |
| 1517       | Avamere at St Helens         | St. Helens       | OR                  | 1,410                   | 10,496    |                            | 1,410                                   | 10,496    | 11,906              | 179                         | 11,857                     | 2000             | 2011  | 35 years |
| 3849       | Elmcroft of Allison Park     | Allison Park     | PA                  | 1,171                   | 5,686     |                            | 1,171                                   | 5,686     | 6,857               | 839                         | 6,018                      | 1986             | 2006  | 35 years |
| 3853       | Elmcroft of Chippewa         | Beaver Falls     | PA                  | 1,394                   | 8,586     |                            | 1,394                                   | 8,586     | 9,980               | 1,267                       | 8,713                      | 1998             | 2006  | 35 years |
| 3851       | Elmcroft of Berwick          | Berwick          | PA                  | 111                     | 6,741     |                            | 111                                     | 6,741     | 6,852               | 995                         | 5,857                      | 1998             | 2006  | 35 years |
| 1703       | Outlook Pointe at Lakemont   | Bridgeville      | PA                  | 1,660                   | 12,624    |                            | 1,660                                   | 12,624    | 14,284              | 222                         | 15,011                     | 1999             | 2011  | 35 years |
| 3817       | Elmcroft of Dillsburg        | Dillsburg        | PA                  | 432                     | 7,797     |                            | 432                                     | 7,797     | 8,229               | 1,151                       | 7,078                      | 1998             | 2006  | 35 years |
| 3850       | Elmcroft of Altoona          | Duncansville     | PA                  | 331                     | 4,729     |                            | 331                                     | 4,729     | 5,060               | 698                         | 4,362                      | 1997             | 2006  | 35 years |
| 3111       | Moorehead House              | Indiana          | PA                  | 550                     | 15,804    |                            | 550                                     | 15,804    | 16,354              | 241                         | 16,257                     | 1997             | 2011  | 35 years |
| 7223       | Laurels at Kingston          | Kingston         | PA                  | 1,020                   | 3,080     |                            | 1,020                                   | 3,080     | 4,100               | 77                          | 4,091                      | 1992             | 2011  | 35 years |
| 3818       | Elmcroft of Lebanon          | Lebanon          | PA                  | 240                     | 7,336     |                            | 240                                     | 7,336     | 7,576               | 1,083                       | 6,493                      | 1999             | 2006  | 35 years |
| 3854       | Elmcroft of Lewisburg        | Lewisburg        | PA                  | 232                     | 5,666     |                            | 232                                     | 5,666     | 5,898               | 836                         | 5,062                      | 1999             | 2006  | 35 years |
| 3855       | Elmcroft of Reedsville       | Lewistown        | PA                  | 189                     | 5,170     |                            | 189                                     | 5,170     | 5,359               | 763                         | 4,596                      | 1998             | 2006  | 35 years |
| 2502       | Lehigh Commons               | Macungie         | PA                  | 420                     | 4,406     | 450                        | 420                                     | 4,856     | 5,276               | 1,330                       | 3,946                      | 1997             | 2004  | 30 years |
| 3856       | Elmcroft of Loyalsock        | Montoursville    | PA                  | 413                     | 3,412     |                            | 413                                     | 3,412     | 3,825               | 504                         | 3,321                      | 1999             | 2006  | 35 years |
| 7224       | Laurels at Old Forge         | Old Forge        | PA                  | 210                     | 1,806     |                            | 210                                     | 1,806     | 2,016               | 43                          | 1,992                      | 1990             | 2011  | 35 years |
| 2504       | Highgate at Paoli Pointe     | Paoli            | PA                  | 1,151                   | 9,079     |                            | 1,151                                   | 9,079     | 10,230              | 2,578                       | 7,652                      | 1997             | 2004  | 30 years |
| 7221       | Laurels at Mid Valley        | Peckville        | PA                  | 500                     | 2,885     |                            | 500                                     | 2,885     | 3,385               | 67                          | 3,509                      | 1989             | 2011  | 35 years |
| 2503       | Sanatoga Court               | Pottstown        | PA                  | 360                     | 3,233     |                            | 360                                     | 3,233     | 3,593               | 996                         | 2,597                      | 1997             | 2004  | 30 years |
| 2501       | Berkshire Commons            | Reading          | PA                  | 470                     | 4,301     |                            | 470                                     | 4,301     | 4,771               | 1,322                       | 3,449                      | 1997             | 2004  | 30 years |
| 3857       | Elmcroft of Reading          | Reading          | PA                  | 638                     | 4,942     |                            | 638                                     | 4,942     | 5,580               | 730                         | 4,850                      | 1998             | 2006  | 35 years |
| 3858       | Elmcroft of Saxonburg        | Saxonburg        | PA                  | 770                     | 5,949     |                            | 770                                     | 5,949     | 6,719               | 878                         | 5,841                      | 1994             | 2006  | 35 years |
| 2511       | Mifflin Court                | Shillington      | PA                  | 689                     | 4,265     | 351                        | 689                                     | 4,616     | 5,305               | 1,084                       | 4,221                      | 1997             | 2004  | 35 years |
| 3815       | Elmcroft of Shippensburg     | Shippensburg     | PA                  | 203                     | 7,634     |                            | 203                                     | 7,634     | 7,837               | 1,127                       | 6,710                      | 1999             | 2006  | 35 years |
| 3860       |                              | State College    | PA                  | 320                     | 7,407     |                            | 320                                     | 7,407     | 7,727               | 1,093                       | 6,634                      | 1997             | 2006  | 35 years |



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|      |   |             |    |       |        |       |        |        |       |        |      |      |          |
|------|---|-------------|----|-------|--------|-------|--------|--------|-------|--------|------|------|----------|
| 7225 | Elmcroft of<br>State College<br>Laurels at<br>Wyoming | Wyoming     | PA | 140   | 2,107  | 140   | 2,107  | 2,247  | 49    | 2,400  | 1993 | 2011 | 35 years |
| 1704 | Outlook<br>Pointe at York                             | York        | PA | 1,260 | 6,923  | 1,260 | 6,923  | 8,183  | 121   | 8,340  | 1999 | 2011 | 35 years |
| 3108 | Langston<br>House                                     | Clinton     | SC | 470   | 1,773  | 470   | 1,773  | 2,243  | 39    | 2,224  | 1997 | 2011 | 35 years |
| 3803 | Elmcroft of<br>Florence SC                            | Florence    | SC | 108   | 7,620  | 108   | 7,620  | 7,728  | 1,125 | 6,603  | 1998 | 2006 | 35 years |
| 3110 | Pinewood<br>House                                     | Goose Creek | SC | 1,170 | 11,629 | 1,170 | 11,629 | 12,799 | 180   | 12,732 | 1998 | 2011 | 35 years |
| 3109 | Ashley House  | Greenwood   | SC | 540   | 1,446  | 540   | 1,446  | 1,986  | 35    | 2,290  | 1997 | 2011 | 35 years |
| 3105 | The Inn at<br>Seneca                                  | Seneca      | SC | 365   | 2,768  | 365   | 2,768  | 3,133  | 631   | 2,502  | 1999 | 2005 | 35 years |
| 7420 | Primrose<br>Aberdeen                                  | Aberdeen    | SD | 850   | 659    | 850   | 659    | 1,509  | 26    | 4,602  | 1991 | 2011 | 35 years |
| 7425 | Primrose<br>Place                                     | Aberdeen    | SD | 310   | 3,242  | 310   | 3,242  | 3,552  | 55    | 3,797  | 2000 | 2011 | 35 years |
| 7426 | Primrose<br>Rapid City                                | Rapid City  | SD | 860   | 8,722  | 860   | 8,722  | 9,582  | 147   | 9,524  | 1997 | 2011 | 35 years |

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| Property # | Property Name                          | Location        |                  | Initial Cost to Company |           |                 | Gross Amount Carried at Close of Period |              |        | Accumulated Depreciation |        | Year of Construction | Year Required | Life on Which Depreciation in Income Statement is Computed |
|------------|--|-----------------|------------------|-------------------------|-----------|-----------------|---|--------------|--------|--------------------------|--------|----------------------|---------------|--|
|            |  | City            | State / Province | Land                    | Buildings | Subsequent Land | Buildings and                           | Improvements | Total  | Net Book Value           |        |                      |               |  |
| 7427       | Primrose<br>Sioux Falls                | Sioux Falls     | SD               | 2,180                   | 12,936    |                 | 2,180                                   | 12,936       | 15,116 | 221                      | 15,034 | 2002                 | 2011          | 35 years   |
| 3868       | Elmcroft of<br>Bartlett                | Bartlett        | TN               | 570                     | 25,552    |                 | 570                                     | 25,552       | 26,122 | 397                      | 25,965 | 1999                 | 2011          | 35 years   |
| 1706       | Outlook<br>Pointe of<br>Bristol        | Bristol         | TN               | 470                     | 16,006    |                 | 470                                     | 16,006       | 16,476 | 253                      | 16,374 | 1999                 | 2011          | 35 years   |
| 3804       | Elmcroft of<br>Hamilton<br>Place       | Chattanooga     | TN               | 87                      | 4,248     |                 | 87                                      | 4,248        | 4,335  | 627                      | 3,708  | 1998                 | 2006          | 35 years   |
| 3875       | Elmcroft of<br>Shallowford             | Chattanooga     | TN               | 580                     | 7,568     |                 | 580                                     | 7,568        | 8,148  | 139                      | 8,084  | 1999                 | 2011          | 35 years   |
| 7634       | Regency<br>House                       | Hixson          | TN               | 140                     | 6,611     |                 | 140                                     | 6,611        | 6,751  | 109                      | 7,329  | 2000                 | 2011          | 35 years   |
| 1710       | Outlook<br>Pointe at<br>Johnson City   | Johnson City    | TN               | 590                     | 10,043    |                 | 590                                     | 10,043       | 10,633 | 164                      | 10,567 | 1999                 | 2011          | 35 years   |
| 3819       | Elmcroft of<br>Kingsport               | Kingsport       | TN               | 22                      | 7,815     |                 | 22                                      | 7,815        | 7,837  | 1,154                    | 6,683  | 2000                 | 2006          | 35 years   |
| 3862       | Elmcroft of<br>West<br>Knoxville       | Knoxville       | TN               | 439                     | 10,697    |                 | 439                                     | 10,697       | 11,136 | 1,579                    | 9,557  | 2000                 | 2006          | 35 years   |
| 3863       | Elmcroft of<br>Lebanon                 | Lebanon         | TN               | 180                     | 7,086     |                 | 180                                     | 7,086        | 7,266  | 1,046                    | 6,220  | 2000                 | 2006          | 35 years   |
| 3892       | Elmcroft of<br>Twin Hills              | Madison         | TN               | 860                     | 8,208     |                 | 860                                     | 8,208        | 9,068  | 150                      | 9,002  | 1999                 | 2011          | 35 years   |
| 7630       | Kennington<br>Place                    | Memphis         | TN               | 1,820                   | 4,748     |                 | 1,820                                   | 4,748        | 6,568  | 126                      | 6,497  | 1989                 | 2011          | 35 years   |
| 7631       | Heritage Place                         | Memphis         | TN               | 2,250                   | 3,333     |                 | 2,250                                   | 3,333        | 5,583  | 108                      | 5,521  | 1985                 | 2011          | 35 years   |
| 7632       | Franklin Park                          | Memphis         | TN               | 1,240                   | 2,657     |                 | 1,240                                   | 2,657        | 3,897  | 83                       | 3,847  | 1989                 | 2011          | 35 years   |
| 7633       | Glenmary<br>Senior Manor               | Memphis         | TN               | 510                     | 5,860     |                 | 510                                     | 5,860        | 6,370  | 132                      | 6,295  | 1964                 | 2011          | 35 years   |
| 1705       | Outlook<br>Pointe at<br>Murfreesboro   | Murfreesboro    | TN               | 940                     | 8,030     |                 | 940                                     | 8,030        | 8,970  | 137                      | 9,439  | 1999                 | 2011          | 35 years   |
| 3871       | Elmcroft of<br>Brentwood               | Nashville       | TN               | 960                     | 22,020    |                 | 960                                     | 22,020       | 22,980 | 347                      | 22,844 | 1998                 | 2011          | 35 years   |
| 3923       | Trenton<br>Health Care<br>Center       | Trenton         | TN               | 460                     | 6,058     |                 | 460                                     | 6,058        | 6,518  | 114                      | 6,972  | 1974                 | 2011          | 35 years   |
| 3899       | Elmcroft of<br>Arlington               | Arlington       | TX               | 2,650                   | 14,060    |                 | 2,650                                   | 14,060       | 16,710 | 235                      | 16,629 | 1998                 | 2011          | 35 years   |
| 3867       | Elmcroft of<br>Austin                  | Austin          | TX               | 2,770                   | 25,820    |                 | 2,770                                   | 25,820       | 28,590 | 405                      | 28,448 | 2000                 | 2011          | 35 years   |
| 3869       | Elmcroft of<br>Bedford                 | Bedford         | TX               | 7,728                   | 770       | 19,691          | 770                                     | 19,691       | 20,461 | 314                      | 20,335 | 1999                 | 2011          | 35 years   |
| 3893       | Elmcroft of<br>Rivershire              | Conroe          | TX               | 860                     | 32,671    | 4               | 860                                     | 32,675       | 33,535 | 505                      | 33,338 | 1997                 | 2011          | 35 years   |
| 7605       | Heritage Oaks<br>Retirement<br>Village | Corsicana       | TX               | 790                     | 30,636    |                 | 790                                     | 30,636       | 31,426 | 489                      | 31,240 | 1996                 | 2011          | 35 years   |
| 7484       | Flower<br>Mound                        | Flower<br>Mound | TX               | 900                     | 5,512     |                 | 900                                     | 5,512        | 6,412  | 92                       | 6,380  | 1995                 | 2011          | 35 years   |
| 3879       | Elmcroft of<br>Garland                 | Garland         | TX               | 850                     | 12,482    |                 | 850                                     | 12,482       | 13,332 | 211                      | 13,244 | 1999                 | 2011          | 35 years   |
| 3870       | Elmcroft of<br>Braeswood               | Houston         | TX               | 3,970                   | 15,919    |                 | 3,970                                   | 15,919       | 19,889 | 260                      | 19,811 | 1999                 | 2011          | 35 years   |
| 3877       | Elmcroft of<br>Cy-Fair                 | Houston         | TX               | 1,580                   | 21,801    | 9               | 1,580                                   | 21,810       | 23,390 | 344                      | 23,261 | 1998                 | 2011          | 35 years   |
| 3882       |  | Irving          | TX               | 1,620                   | 18,755    | 2               | 1,620                                   | 18,757       | 20,377 | 299                      | 20,265 | 1999                 | 2011          | 35 years   |

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|      |   |              |    |       |        |        |       |        |        |       |        |      |          |          |
|------|---|--------------|----|-------|--------|--------|-------|--------|--------|-------|--------|------|----------|----------|
| 3610 | Elmcroft of Irving<br>Whitley Place               | Keller       | TX | 5,100 |        |        | 5,100 | 5,100  | 571    | 4,529 | 1998   | 2008 | 35 years |          |
| 3884 | Elmcroft of<br>Lake Jackson                       | Lake Jackson | TX | 710   | 14,765 |        | 710   | 14,765 | 15,475 | 240   | 15,378 | 1998 | 2011     | 35 years |
| 3896 | Elmcroft of<br>Vista Ridge                        | Lewisville   | TX | 6,280 | 10,548 | 3      | 6,280 | 10,551 | 16,831 | 183   | 16,803 | 1998 | 2011     | 35 years |
| 3897 | Elmcroft of<br>Windcrest                          | San Antonio  | TX | 920   | 13,011 | 20     | 920   | 13,031 | 13,951 | 216   | 13,863 | 1999 | 2011     | 35 years |
| 3876 | Elmcroft of<br>Cottonwood                         | Temple       | TX | 630   | 17,515 |        | 630   | 17,515 | 18,145 | 279   | 18,033 | 1997 | 2011     | 35 years |
| 3886 | Elmcroft of<br>Mainland                           | Texas City   | TX | 520   | 14,849 |        | 520   | 14,849 | 15,369 | 241   | 15,270 | 1996 | 2011     | 35 years |
| 3895 | Elmcroft of<br>Victoria                           | Victoria     | TX | 440   | 13,040 |        | 440   | 13,040 | 13,480 | 213   | 13,390 | 1997 | 2011     | 35 years |
| 3872 | Elmcroft of<br>Wharton                            | Wharton      | TX | 320   | 13,799 |        | 320   | 13,799 | 14,119 | 224   | 14,025 | 1996 | 2011     | 35 years |
| 3865 | Elmcroft of<br>Chesterfield                       | Richmond     | VA | 829   | 6,534  |        | 829   | 6,534  | 7,363  | 965   | 6,398  | 1999 | 2006     | 35 years |
| 2820 | Summerville<br>at Ridgewood                       | Salem        | VA | 1,900 | 16,219 |        | 1,900 | 16,219 | 18,119 | 252   | 18,107 | 1998 | 2011     | 35 years |
| 1717 | Cooks Hill<br>Manor                               | Cetralia     | WA | 520   | 6,144  |        | 520   | 6,144  | 6,664  | 111   | 7,858  | 1993 | 2011     | 35 years |
| 1716 | The Sequoia                                       | Olympia      | WA | 1,490 | 13,724 |        | 1,490 | 13,724 | 15,214 | 231   | 17,082 | 1995 | 2011     | 35 years |
| 1713 | Birchview   | Sedro Wolley | WA | 210   | 14,145 |        | 210   | 14,145 | 14,355 | 217   | 14,270 | 1996 | 2011     | 35 years |
| 1718 | Discovery<br>Memory care                          | Sequim       | WA | 320   | 10,544 |        | 320   | 10,544 | 10,864 | 170   | 10,794 | 1961 | 2011     | 35 years |
| 7370 | The Academy<br>Retirement<br>Comm                 | Spokane      | WA | 650   | 3,741  |        | 650   | 3,741  | 4,391  | 82    | 5,593  | 1959 | 2011     | 35 years |
| 1715 | The Village<br>Retirement &<br>Assisted<br>Living | Tacoma       | WA | 2,200 | 5,938  |        | 2,200 | 5,938  | 8,138  | 133   | 13,733 | 1976 | 2011     | 35 years |
| 1611 | Jansen House                                      | Appleton     | WI | 130   | 1,834  |        | 130   | 1,834  | 1,964  | 33    | 1,960  | 1996 | 2011     | 35 years |
| 1612 | Margaret<br>house                                 | Appleton     | WI | 140   | 2,016  |        | 140   | 2,016  | 2,156  | 36    | 2,151  | 1997 | 2011     | 35 years |
| 7590 | Hunters Ridge                                     | Beaver Dam   | WI | 260   | 2,380  |        | 260   | 2,380  | 2,640  | 41    | 2,631  | 1998 | 2011     | 35 years |
| 7033 | Harbor House<br>Beloit                            | Beloit       | WI | 150   | 4,356  |        | 150   | 4,356  | 4,506  | 69    | 4,480  | 1990 | 2011     | 35 years |
| 7032 | Harbor House<br>Clinton                           | Clinton      | WI | 290   | 4,390  |        | 290   | 4,390  | 4,680  | 70    | 4,654  | 1991 | 2011     | 35 years |
| 7591 | Creekside   | Cudahy       | WI | 760   | 1,693  |        | 760   | 1,693  | 2,453  | 32    | 2,519  | 2001 | 2011     | 35 years |
| 1631 | Harmony of<br>Denmark                             | Denmark      | WI | 1,182 | 220    | 2,228  | 220   | 2,228  | 2,448  | 39    | 2,537  | 1995 | 2011     | 35 years |
| 7035 | Harbor House<br>Eau Claire                        | Eau Claire   | WI | 210   | 6,259  |        | 210   | 6,259  | 6,469  | 97    | 6,434  | 1996 | 2011     | 35 years |
| 7592 | Chapel Valley                                     | Fitchburg    | WI | 450   | 2,372  |        | 450   | 2,372  | 2,822  | 42    | 2,925  | 1998 | 2011     | 35 years |
| 1642 | Harmony of<br>Brenwood<br>Park                    | Franklin     | WI | 6,174 | 1,870  | 13,804 | 1,870 | 13,804 | 15,674 | 214   | 15,607 | 2003 | 2011     | 35 years |

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| Property Name                    | Location     |                  | Initial Cost to Company |                   |                            | Gross Amount Carried at Close of Period |                    | Accumulated                |        | Year of Construction | Year Acquired | Debt in \$ |              |     |
|----------------------------------|--------------|------------------|-------------------------|-------------------|----------------------------|---|--------------------|----------------------------|--------|----------------------|---------------|------------|--------------|-----|
|                                  | City         | State / Province | Encumbrances            | Land Improvements | Buildings and Improvements | Subsequent Costs Capitalized            | Land and Buildings | Buildings and Improvements | Total  |                      |               |            | Depreciation | NBV |
| Windsor House of Glendale East   | Glendale     | WI               |                         | 1,810             | 943                        |   | 1,810              | 943                        | 2,753  | 21                   | 2,772         | 1999       | 2011         |     |
| Windsor House of Glendale West   | Glendale     | WI               |                         | 1,800             | 935                        |   | 1,800              | 935                        | 2,735  | 21                   | 2,754         | 1999       | 2011         |     |
| Laurel Oaks                      | Glendale     | WI               |                         | 2,390             | 43,587                     |   | 2,390              | 43,587                     | 45,977 | 689                  | 45,728        | 1988       | 2011         |     |
| Harmony of Green Bay             | Green Bay    | WI               | 3,077                   | 640               | 5,008                      |   | 640                | 5,008                      | 5,648  | 84                   | 6,174         | 1990       | 2011         |     |
| Layton Terrace                   | Greenfield   | WI               | 8,160                   | 3,490             | 39,201                     |   | 3,490              | 39,201                     | 42,691 | 632                  | 42,467        | 1999       | 2011         |     |
| Cambridge House                  | Hartland     | WI               |                         | 640               | 1,663                      |   | 640                | 1,663                      | 2,303  | 34                   | 3,309         | 1985       | 2011         |     |
| Winchester Place                 | Horicon      | WI               |                         | 340               | 3,327                      |   | 340                | 3,327                      | 3,667  | 61                   | 3,659         | 2002       | 2011         |     |
| Jefferson                        | Jefferson    | WI               |                         | 330               | 2,384                      |   | 330                | 2,384                      | 2,714  | 41                   | 2,706         | 1997       | 2011         |     |
| Harmony of Kenosha               | Kenosha      | WI               | 4,005                   | 1,180             | 8,717                      |   | 1,180              | 8,717                      | 9,897  | 138                  | 9,852         | 1999       | 2011         |     |
| Harbor House Kenosha             | Kenosha      | WI               |                         | 710               | 3,254                      |   | 710                | 3,254                      | 3,964  | 54                   | 4,593         | 1996       | 2011         |     |
| Harmony Commons of Stevens Point | Madison      | WI               |                         | 760               | 2,242                      |   | 760                | 2,242                      | 3,002  | 48                   | 4,582         | 2005       | 2011         |     |
| Harmony of Madison               | Madison      | WI               | 4,146                   | 650               | 4,279                      |   | 650                | 4,279                      | 4,929  | 77                   | 6,272         | 1998       | 2011         |     |
| Harmony of Manitowoc             | Manitowoc    | WI               | 4,866                   | 450               | 10,101                     |   | 450                | 10,101                     | 10,551 | 159                  | 10,491        | 1997       | 2011         |     |
| Harbor House Manitowoc           | Manitowoc    | WI               |                         | 140               | 1,520                      |   | 140                | 1,520                      | 1,660  | 25                   | 1,651         | 1997       | 2011         |     |
| Harmony of McFarland             | McFarland    | WI               | 3,717                   | 640               | 4,647                      |   | 640                | 4,647                      | 5,287  | 80                   | 6,193         | 1998       | 2011         |     |
| Acorn Ridge                      | Menasha      | WI               |                         | 110               | 537                        |   | 110                | 537                        | 647    | 11                   | 877           | 1994       | 2011         |     |
| Emerald Ridge                    | Menasha      | WI               |                         | 110               | 537                        |   | 110                | 537                        | 647    | 11                   | 869           | 1994       | 2011         |     |
| Silver Ridge                     | Menasha      | WI               |                         | 90                | 557                        |   | 90                 | 557                        | 647    | 12                   | 966           | 1993       | 2011         |     |
| West Ridge                       | Menasha      | WI               |                         | 90                | 557                        |   | 90                 | 557                        | 647    | 12                   | 982           | 1993       | 2011         |     |
| Riverview Village                | Falls        | WI               | 5,892                   | 2,170             | 11,758                     |   | 2,170              | 11,758                     | 13,928 | 184                  | 13,875        | 2003       | 2011         |     |
| The Arboretum                    | Falls        | WI               | 8,545                   | 5,640             | 49,083                     |   | 5,640              | 49,083                     | 54,723 | 813                  | 54,434        | 1989       | 2011         |     |
| Harbor House Monroe              | Monroe       | WI               |                         | 490               | 4,964                      |   | 490                | 4,964                      | 5,454  | 80                   | 5,426         | 1990       | 2011         |     |
| Phyllis Elaine                   | Neenah       | WI               |                         | 710               | 1,157                      |   | 710                | 1,157                      | 1,867  | 24                   | 1,955         | 2006       | 2011         |     |
| Judy Harris                      | Neenah       | WI               |                         | 720               | 2,339                      |   | 720                | 2,339                      | 3,059  | 43                   | 3,061         | 2007       | 2011         |     |
| Irish Road                       | Neenah       | WI               |                         | 320               | 1,036                      |   | 320                | 1,036                      | 1,356  | 22                   | 2,127         | 2001       | 2011         |     |
| Windsor House Oak Creek          | Oak Creek    | WI               |                         | 800               | 2,167                      |   | 800                | 2,167                      | 2,967  | 38                   | 2,972         | 1997       | 2011         |     |
| Wilkinson Woods of Oconomowoc    | Oconomowoc   | WI               |                         | 1,100             | 12,436                     |   | 1,100              | 12,436                     | 13,536 | 199                  | 13,466        | 1992       | 2011         |     |
| Harbor House Oshkosh             | Oshkosh      | WI               |                         | 190               | 949                        |   | 190                | 949                        | 1,139  | 21                   | 1,688         | 1993       | 2011         |     |
| Wyndham House                    | Pewaukee     | WI               |                         | 1,180             | 4,124                      |   | 1,180              | 4,124                      | 5,304  | 75                   | 5,561         | 2001       | 2011         |     |
| Harmony of Racine                | Racine       | WI               | 9,747                   | 590               | 11,726                     |   | 590                | 11,726                     | 12,316 | 182                  | 12,249        | 1998       | 2011         |     |
| Harmony of Commons of Racine     | Racine       | WI               |                         | 630               | 11,245                     |   | 630                | 11,245                     | 11,875 | 176                  | 11,810        | 2003       | 2011         |     |
| Harbor House Rib Mountain        | Rib Mountain | WI               |                         | 350               | 3,413                      |   | 350                | 3,413                      | 3,763  | 56                   | 3,742         | 1997       | 2011         |     |
| Harmony of Sheboygan             | Sheboygan    | WI               | 9,019                   | 810               | 17,908                     |   | 810                | 17,908                     | 18,718 | 279                  | 18,614        | 1996       | 2011         |     |
| Harbor House Sheboygan           | Sheboygan    | WI               |                         | 1,060             | 6,208                      |   | 1,060              | 6,208                      | 7,268  | 98                   | 7,239         | 1995       | 2011         |     |
| Windsor House of St. Francis I   | St. Francis  | WI               |                         | 1,370             | 1,428                      |   | 1,370              | 1,428                      | 2,798  | 28                   | 2,897         | 2000       | 2011         |     |
|                                  | St. Francis  | WI               |                         | 1,370             | 1,666                      |   | 1,370              | 1,666                      | 3,036  | 31                   | 3,049         | 2000       | 2011         |     |

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|   |               |    |       |       |        |       |        |        |       |        |      |      |  |
|---|---------------|----|-------|-------|--------|-------|--------|--------|-------|--------|------|------|--|
| Windsor House of St. Francis II           |               |    |       |       |        |       |        |        |       |        |      |      |  |
| 4 Howard Village of St. Francis           | St. Francis   | WI | 5,760 | 2,320 | 17,232 | 2,320 | 17,232 | 19,552 | 286   | 19,453 | 2001 | 2011 |  |
| 5 Harmony of Stevens Point                | Stevens Point | WI | 8,231 | 790   | 10,081 | 790   | 10,081 | 10,871 | 162   | 11,578 | 2002 | 2011 |  |
| 5 Harmony of Stoughton                    | Stoughton     | WI | 1,635 | 490   | 9,298  | 490   | 9,298  | 9,788  | 147   | 9,733  | 1997 | 2011 |  |
| 1 Harbor House Stoughton                  | Stoughton     | WI |       | 450   | 3,191  | 450   | 3,191  | 3,641  | 56    | 3,889  | 1992 | 2011 |  |
| 2 Harmony of Two Rivers                   | Two Rivers    | WI | 2,626 | 330   | 3,538  | 330   | 3,538  | 3,868  | 60    | 4,444  | 1998 | 2011 |  |
| 0 Oak Hill Terrace                        | Waukesha      | WI | 5,350 | 2,040 | 40,298 | 2,040 | 40,298 | 42,338 | 652   | 42,091 | 1985 | 2011 |  |
| 0 Harmony of Terrace Court                | Wausau        | WI | 7,325 | 430   | 5,037  | 430   | 5,037  | 5,467  | 83    | 5,815  | 1996 | 2011 |  |
| 1 Harmony of Terrace Commons              | Wausau        | WI |       | 740   | 6,556  | 740   | 6,556  | 7,296  | 109   | 8,022  | 2000 | 2011 |  |
| 7 Hart Park Square                        | Wauwatosa     | WI | 6,600 | 1,900 | 21,628 | 1,900 | 21,628 | 23,528 | 351   | 23,402 | 2005 | 2011 |  |
| 3 Library Square                          | West Allis    | WI | 5,150 | 1,160 | 23,714 | 1,160 | 23,714 | 24,874 | 384   | 24,728 | 1996 | 2011 |  |
| 5 Harmony of Wisconsin Rapids             | Rapids        | WI | 1,095 | 520   | 4,349  | 520   | 4,349  | 4,869  | 76    | 4,838  | 2000 | 2011 |  |
| 0 Wrightstown                             | Wrightstown   | WI |       | 140   | 376    | 140   | 376    | 516    | 12    | 1,158  | 1999 | 2011 |  |
| 1 Outlook Pointe at Teays Valley          | Hurricane     | WV |       | 1,950 | 14,489 | 1,950 | 14,489 | 16,439 | 228   | 16,362 | 1999 | 2011 |  |
| 0 Elmcroft of Martinsburg                 | Martinsburg   | WV |       | 248   | 8,320  | 248   | 8,320  | 8,568  | 1,228 | 7,340  | 1999 | 2006 |  |
| 7 Garden Square Assisted Living of Casper | Casper        | WY |       | 355   | 3,197  | 355   | 3,197  | 3,552  |       | 3,600  | 1996 | 2011 |  |

**TOTAL FOR OTHER SENIORS HOUSING COMMUNITIES**

**249,542 371,851 3,105,390 14,498 371,851 3,119,888 3,491,739 182,115 3,405,608**

**TOTAL FOR SENIORS HOUSING COMMUNITIES**

**2,374,138 1,144,232 10,390,029 80,091 1,144,399 10,469,953 11,614,352 939,516 10,883,717**

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| Property #                                | Property Name                             | Location   |                  | Initial Cost to Company |                   |              |                         | Gross Amount Carried at Close of Period |                            | Accumulated        |              | Year of Construction | Year Acquired | Life on Which Depreciation in Income Statement is Computed |          |
|---|---|------------|------------------|-------------------------|-------------------|--------------|-------------------------|---|----------------------------|--------------------|--------------|----------------------|---------------|--|----------|
|   |   | City       | State / Province | Encumbrances            | Land Improvements | Buildings    | Subsequent Improvements | Acquisition                             | Buildings and Improvements | Total Depreciation | NBV          |                      |               |  |          |
| <b>PERSONAL CARE FACILITIES</b>           |   |            |                  |                         |                   |              |                         |   |                            |                    |              |                      |               |  |          |
| 3721                                      | ResCare Tangram Ranch                     | Kingsbury  | TX               |                         | 147               | 806          |                         | 147                                     | 806                        | 953                | 534          | 419                  | N/A           | 1998   | 20 years |
| 3722                                      | ResCare Tangram Mesquite                  | Kingsbury  | TX               |                         | 15                | 1,078        |                         | 15                                      | 1,078                      | 1,093              | 714          | 379                  | N/A           | 1998   | 20 years |
| 3723                                      | ResCare Tangram Hacienda                  | Kingsbury  | TX               |                         | 31                | 841          |                         | 31                                      | 841                        | 872                | 557          | 315                  | N/A           | 1998   | 20 years |
| 3726                                      | ResCare Tangram Loma Linda                | Kingsbury  | TX               |                         | 40                | 220          |                         | 40                                      | 220                        | 260                | 146          | 114                  | N/A           | 1998   | 20 years |
| 3724                                      | ResCare Tangram Texas Hill Country School | Maxwell    | TX               |                         | 54                | 934          |                         | 54                                      | 934                        | 988                | 619          | 369                  | N/A           | 1998   | 20 years |
| 3725                                      | ResCare Tangram Chaparral                 | Maxwell    | TX               |                         | 82                | 552          |                         | 82                                      | 552                        | 634                | 366          | 268                  | N/A           | 1998   | 20 years |
| 3727                                      | ResCare Tangram Sierra Verde & Roca Vista | Maxwell    | TX               |                         | 20                | 910          |                         | 20                                      | 910                        | 930                | 603          | 327                  | N/A           | 1998   | 20 years |
| 3719                                      | ResCare Tangram 618 W. Hutchinson         | San Marcos | TX               |                         | 226               | 1,175        |                         | 226                                     | 1,175                      | 1,401              | 779          | 622                  | N/A           | 1998   | 20 years |
| <b>TOTAL FOR PERSONAL CARE FACILITIES</b> |   |            |                  |                         | <b>615</b>        | <b>6,516</b> |                         | <b>615</b>                              | <b>6,516</b>               | <b>7,131</b>       | <b>4,318</b> | <b>2,813</b>         |               |  |          |
| <b>MEDICAL OFFICE BUILDINGS</b>           |   |            |                  |                         |                   |              |                         |   |                            |                    |              |                      |               |  |          |
| 6370                                      | St. Vincent's Medical Center East #46     | Birmingham | AL               |                         |                   | 25,298       | 952                     |   | 26,250                     | 26,250             | 1,552        | 29,066               | 2005          | 2010   | 35 years |
| 6371                                      | St. Vincent's Medical Center East #48     | Birmingham | AL               |                         |                   | 12,698       | 21                      |   | 12,719                     | 12,719             | 917          | 12,872               | 1989          | 2010   | 35 years |
| 6372                                      | St. Vincent's Medical Center East #52     | Birmingham | AL               |                         |                   | 7,608        | 483                     |   | 8,091                      | 8,091              | 691          | 8,283                | 1985          | 2010   | 35 years |
| 3065                                      | Crestwood Medical Pavilion                | Huntsville | AL               | 5,684                   | 625               | 16,178       |                         | 625                                     | 16,178                     | 16,803             | 288          | 18,145               | 1994          | 2011   | 35 years |
| 6822                                      | Mercy Gilbert Medical Plaza               | Gilbert    | AZ               |                         | 720               | 11,277       | 14                      | 720                                     | 11,291                     | 12,011             | 234          | 17,518               | 2007          | 2011   | 35 years |
| 5001                                      | Arrowhead Orchards MOB-A                  | Glendale   | AZ               |                         | 825               | 6,624        |                         | 825                                     | 6,624                      | 7,449              | 46           | 8,574                | 2003          | 2011   | 35 years |
| 5002                                      | Arrowhead Orchards MOB-B                  | Glendale   | AZ               |                         | 744               | 6,045        |                         | 744                                     | 6,045                      | 6,789              | 39           | 7,356                | 2006          | 2011   | 35 years |
| 6707                                      | Thunderbird Paseo Medical Plaza           | Glendale   | AZ               | 10,268                  |                   | 12,904       |                         |   | 12,904                     | 12,904             |              | 15,175               | 1997          | 2011   | 35 years |
| 6708                                      | Thunderbird Paseo Medical Plaza II        | Glendale   | AZ               | 6,732                   |                   | 8,100        |                         |   | 8,100                      | 8,100              |              | 9,504                | 2001          | 2011   | 35 years |
| 6711                                      | Cobre Valley Medical Plaza                | Globe      | AZ               | 2,480                   |                   | 3,785        |                         |   | 3,785                      | 3,785              |              | 4,026                | 1998          | 2011   | 35 years |
| 6700                                      | Desert Samaritan Medical Building I       | Mesa       | AZ               | 8,011                   |                   | 11,923       |                         |   | 11,923                     | 11,923             |              | 12,837               | 1977          | 2011   | 35 years |
| 6701                                      | Desert Samaritan Medical Building         | Mesa       | AZ               | 5,965                   |                   | 7,395        |                         |   | 7,395                      | 7,395              |              | 8,662                | 1980          | 2011   | 35 years |

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| II   |  |               |    |        |        |        |        |        |        |        |        |         |      |          |          |
|------|--|---------------|----|--------|--------|--------|--------|--------|--------|--------|--------|---------|------|----------|----------|
| 6702 | Desert Samaritan Medical Building III                  | Mesa          | AZ | 10,242 |        | 13,665 |        | 13,665 | 13,665 |        | 15,082 | 1986    | 2011 | 35 years |          |
| 6703 | Deer Valley Medical Office Building II                 | Phoenix       | AZ | 14,177 |        | 22,663 |        | 22,663 | 22,663 | 75     | 24,820 | 2002    | 2011 | 35 years |          |
| 6704 | Deer Valley Medical Office Building III                | Phoenix       | AZ | 11,687 |        | 19,521 |        | 19,521 | 19,521 | 57     | 21,153 | 2009    | 2011 | 35 years |          |
| 6706 | Edwards Medical Plaza                                  | Phoenix       | AZ | 12,702 |        | 18,999 |        | 18,999 | 18,999 | 81     | 20,912 | 1984    | 2011 | 35 years |          |
| 6710 | Papago Medical Park                                    | Phoenix       | AZ | 7,616  |        | 12,172 |        | 12,172 | 12,172 |        | 13,613 | 1989    | 2011 | 35 years |          |
| 6809 | Burbank Medical Plaza                                  | Burbank       | CA | 13,521 | 1,241  | 23,322 |        | 1,241  | 23,322 | 24,563 | 479    | 33,803  | 2004 | 2011     | 35 years |
| 6827 | Burbank Medical Plaza II                               | Burbank       | CA | 30,346 | 491    | 45,641 | 632    | 491    | 46,273 | 46,764 | 751    | 51,201  | 2008 | 2011     | 35 years |
| 6808 | Eden Medical Plaza                                     | Castro Valley | CA |        | 258    | 2,455  | 71     | 258    | 2,526  | 2,784  | 83     | 6,361   | 1998 | 2011     | 25 years |
| 6828 | Sutter Medical Center                                  | Castro Valley | CA | 4,208  |        |        | 10,656 |        | 10,656 | 10,656 |        | 10,656  | CIP  | 2011     | CIP      |
| 6818 | PMB Chula Vista  | Chula Vista   | CA | 15,985 | 2,964  | 19,393 | 13     | 2,964  | 19,406 | 22,370 | 398    | 24,396  | 2001 | 2011     | 35 years |
| 6810 | St. Francis Lynwood Medical                            | Lynwood       | CA | 9,264  | 688    | 8,385  | 112    | 688    | 8,497  | 9,185  | 242    | 16,336  | 1993 | 2011     | 32 years |
| 6824 | PMB Mission Hills                                      | Mission Hills | CA | 15,299 | 15,468 |        | 16,514 | 15,468 | 16,514 | 31,982 |        | 31,982  | CIP  | 2011     | CIP      |
| 6816 | PDP Mission Viejo                                      | Mission Viejo | CA | 46,731 | 1,916  | 77,022 | 19     | 1,916  | 77,041 | 78,957 | 1,302  | 93,611  | 2007 | 2011     | 35 years |
| 6817 | PDP Orange   | Orange        | CA | 49,051 | 1,752  | 61,647 |        | 1,752  | 61,647 | 63,399 | 1,085  | 75,140  | 2008 | 2011     | 35 years |
| 6823 | NHP/PMB Pasadena                                       | Pasadena      | CA |        | 3,138  | 83,412 | 932    | 3,138  | 84,344 | 87,482 | 1,473  | 105,125 | 2009 | 2011     | 35 years |
| 6826 | Western University of Health Sciences Medical Pavilion | Pomona        | CA |        | 91     | 31,523 |        | 91     | 31,523 | 31,614 | 504    | 36,076  | 2009 | 2011     | 35 years |
| 6815 | Pomerado Outpatient Pavilion                           | Poway         | CA |        | 3,233  | 71,435 |        | 3,233  | 71,435 | 74,668 | 1,299  | 86,865  | 2007 | 2011     | 35 years |

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|------------|---|------------------|------------------|-------------------------|------------------------|-------------------------|---|-------------------------|--------------------------|----------------------|---------------|--|-------|----------|----------|
|            |   | City             | State / Province | Land Encumbered         | Buildings Improvements | Subsequent Acquisitions | Land Improvements                       | Buildings and Equipment |                          |                      |               |  | Total |          |          |
| 6820       | NHP SB<br>399-401 East San<br>Highland        | San Bernardino   | CA               | 789                     | 11,133                 | 95                      | 789                                     | 11,228                  | 12,017                   | 351                  | 17,166        | 1971   | 2011  | 27 years |          |
| 6821       | NHP SB<br>399-401 East San<br>Highland        | San Bernardino   | CA               | 416                     | 5,625                  | 104                     | 416                                     | 5,729                   | 6,145                    | 194                  | 9,096         | 1988   | 2011  | 26 years |          |
| 6811       | San Gabriel<br>Valley<br>Medical              | San Gabriel      | CA               | 9,475                   | 914                    | 5,510                   | 71                                      | 914                     | 5,581                    | 6,495                | 172           | 16,761   | 2004  | 2011     | 35 years |
| 6812       | Santa Clarita<br>Valley<br>Medical            | Santa Clarita    | CA               | 23,022                  | 9,708                  | 20,020                  | 6                                       | 9,708                   | 20,026                   | 29,734               | 390           | 33,126   | 2005  | 2011     | 35 years |
| 6825       | Kenneth E<br>Watts<br>Medical<br>Plaza        | Torrance         | CA               | 262                     | 6,945                  | 78                      | 262                                     | 7,023                   | 7,285                    | 212                  | 11,715        | 1989   | 2011  | 23 years |          |
| 2951       | Potomac<br>Medical<br>Plaza                   | Aurora           | CO               | 2,401                   | 9,118                  | 1,417                   | 2,442                                   | 10,494                  | 12,936                   | 2,901                | 10,092        | 1986   | 2007  | 35 years |          |
| 2952       | Briargate<br>Medical<br>Campus                | Colorado Springs | CO               | 1,238                   | 12,301                 | 238                     | 1,244                                   | 12,533                  | 13,777                   | 2,177                | 11,828        | 2002   | 2007  | 35 years |          |
| 2953       | Printers Park<br>Medical<br>Plaza             | Colorado Springs | CO               | 2,641                   | 47,507                 | 678                     | 2,641                                   | 48,185                  | 50,826                   | 8,147                | 44,367        | 1999   | 2007  | 35 years |          |
| 6310       | Community<br>Physicians<br>Pavilion           | Lafayette        | CO               |                         | 10,436                 | 797                     |   | 11,233                  | 11,233                   | 639                  | 11,032        | 2004   | 2010  | 35 years |          |
| 2956       | Avista Two<br>Medical<br>Plaza                | Louisville       | CO               |                         | 17,330                 | 1,312                   |   | 18,642                  | 18,642                   | 1,696                | 18,873        | 2003   | 2009  | 35 years |          |
| 3071       | The Sierra<br>Medical<br>Building             | Parker           | CO               | 11,734                  | 1,444                  | 14,059                  | 2,362                                   | 1,444                   | 16,421                   | 17,865               | 1,631         | 16,234   | 2009  | 2009     | 35 years |
| 6320       | Lutheran<br>Medical<br>Office<br>Building II  | Wheat Ridge      | CO               |                         | 2,655                  | 619                     |   | 3,274                   | 3,274                    | 247                  | 3,512         | 1976   | 2010  | 35 years |          |
| 6321       | Lutheran<br>Medical<br>Office<br>Building IV  | Wheat Ridge      | CO               |                         | 7,266                  | 362                     |   | 7,628                   | 7,628                    | 441                  | 8,250         | 1991   | 2010  | 35 years |          |
| 6322       | Lutheran<br>Medical<br>Office<br>Building III | Wheat Ridge      | CO               |                         | 11,947                 |                         |   | 11,947                  | 11,947                   | 777                  | 12,536        | 2004   | 2010  | 35 years |          |
| 6390       | DePaul<br>Professional<br>Office<br>Building  | Washington       | DC               |                         | 6,424                  | 453                     |   | 6,877                   | 6,877                    | 934                  | 7,168         | 1987   | 2010  | 35 years |          |
| 6391       | Providence<br>Medical<br>Office<br>Building   | Washington       | DC               |                         | 2,473                  | 123                     |   | 2,596                   | 2,596                    | 450                  | 2,661         | 1975   | 2010  | 35 years |          |
| 2930       | RTS Arcadia                                   | Arcadia          | FL               | 345                     | 2,884                  |                         | 345                                     | 2,884                   | 3,229                    | 59                   | 3,471         | 1993   | 2011  | 30 years |          |
| 2907       | Aventura<br>Heart &<br>Health                 | Aventura         | FL               | 16,764                  | 25,361                 | 2,763                   |   | 28,124                  | 28,124                   | 4,968                | 24,068        | 2006   | 2007  | 35 years |          |
| 2932       | RTS Cape<br>Coral                             | Cape Coral       | FL               | 368                     | 5,448                  |                         | 368                                     | 5,448                   | 5,816                    | 95                   | 6,217         | 1984   | 2011  | 34 years |          |



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|      |   |                   |    |       |        |        |       |        |        |        |        |        |      |          |          |
|------|---|-------------------|----|-------|--------|--------|-------|--------|--------|--------|--------|--------|------|----------|----------|
| 2933 | RTS<br>Englewood                              | Englewood         | FL | 1,071 | 3,516  |        | 1,071 | 3,516  | 4,587  | 65     | 4,911  | 1992   | 2011 | 35 years |          |
| 2934 | RTS Ft.<br>Myers                              | Ft. Myers         | FL | 1,153 | 4,127  |        | 1,153 | 4,127  | 5,280  | 86     | 5,635  | 1989   | 2011 | 31 years |          |
| 2935 | RTS Key<br>West                               | Key West          | FL | 486   | 4,380  |        | 486   | 4,380  | 4,866  | 68     | 5,174  | 1987   | 2011 | 35 years |          |
| 2902 | JFK Medical<br>Plaza                          | Lake Worth        | FL | 453   | 1,711  | 139    | 453   | 1,850  | 2,303  | 421    | 1,882  | 1999   | 2004 | 35 years |          |
| 2903 | Palms West<br>Building 6                      | Loxahatchee       | FL | 965   | 2,678  | 38     | 965   | 2,716  | 3,681  | 579    | 3,102  | 2000   | 2004 | 35 years |          |
| 2904 | Regency<br>Medical<br>Office Park<br>Phase II | Melbourne         | FL | 770   | 3,809  | 188    | 781   | 3,986  | 4,767  | 805    | 3,962  | 1998   | 2004 | 35 years |          |
| 2905 | Regency<br>Medical<br>Office Park<br>Phase I  | Melbourne         | FL | 590   | 3,156  | 97     | 603   | 3,240  | 3,843  | 666    | 3,177  | 1995   | 2004 | 35 years |          |
| 2938 | RTS Naples                                    | Naples            | FL | 1,152 | 3,726  |        | 1,152 | 3,726  | 4,878  | 65     | 5,204  | 1999   | 2011 | 35 years |          |
| 2939 | RTS Pt.<br>Charlotte                          | Pt. Charlotte     | FL | 966   | 4,581  |        | 966   | 4,581  | 5,547  | 84     | 5,942  | 1985   | 2011 | 34 years |          |
| 2940 | RTS<br>Sarasota                               | Sarasota          | FL | 1,914 | 3,889  |        | 1,914 | 3,889  | 5,803  | 76     | 6,821  | 1996   | 2011 | 35 years |          |
| 2906 | University<br>Medical<br>Office<br>Building   | Tamarac           | FL |       | 6,690  |        |       | 6,690  | 6,690  | 1,136  | 5,876  | 2006   | 2007 | 35 years |          |
| 3087 | UMC<br>Tamarac                                | Tamarac           | FL | 2,039 | 2,936  |        | 2,039 | 2,936  | 4,975  | 101    | 5,109  | 1980   | 2011 | 22 years |          |
| 2941 | RTS Venice                                    | Venice            | FL | 1,536 | 4,104  |        | 1,536 | 4,104  | 5,640  | 77     | 6,050  | 1997   | 2011 | 35 years |          |
| 3081 | Augusta<br>Medical<br>Plaza                   | Augusta           | GA | 594   | 4,847  |        | 594   | 4,847  | 5,441  | 160    | 5,923  | 1972   | 2011 | 25 years |          |
| 3082 | Augusta<br>Professional<br>Building           | Augusta           | GA | 687   | 6,057  | 16     | 687   | 6,073  | 6,760  | 200    | 7,802  | 1983   | 2011 | 27 years |          |
| 3008 | Cobb<br>Physicians<br>Center                  | Austell           | GA | 9,030 | 1,145  | 16,805 | 1,145 | 16,805 | 17,950 | 436    | 21,407 | 1992   | 2011 | 35 years |          |
| 3083 | Columbia<br>Medical<br>Plaza                  | Evans             | GA | 268   | 1,497  |        | 268   | 1,497  | 1,765  | 67     | 1,981  | 1940   | 2011 | 23 years |          |
| 3009 | Parkway<br>Physicians<br>Center               | Ringgold          | GA | 6,333 | 476    | 10,017 | 476   | 10,017 | 10,493 | 224    | 13,333 | 2004   | 2011 | 35 years |          |
| 3006 | Eastside<br>Physicians<br>Center              | Snellville        | GA | 1,289 | 25,019 | 634    | 1,289 | 25,653 | 26,942 | 3,350  | 23,795 | 1994   | 2008 | 35 years |          |
| 3007 | Eastside<br>Physicians<br>Plaza               | Snellville        | GA | 6,997 | 294    | 12,948 | 35    | 294    | 12,983 | 13,277 | 1,587  | 11,988 | 2003 | 2008     | 35 years |
| 2977 | Buffalo<br>Grove Acute<br>Care                | Buffalor<br>Grove | IL | 1,826 | 930    | 4      | 1,826 | 934    | 2,760  | 52     | 3,383  | 1992   | 2011 | 26 years |          |
| 6400 | Physicians<br>Plaza East                      | Decatur           | IL | 1,016 | 791    | 600    |       | 1,391  | 1,391  | 141    | 1,619  | 1976   | 2010 | 35 years |          |

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|------------|---|-------------------|------------------|-------------------------|-----------|-------------------------------|---|-----------|--------|--------------------------|----------------------|---------------|--|----------|----------|
|            |   | City              | State / Province | Land                    | Buildings | Subsequent Land and Buildings | Land                                    | Buildings | and    |                          |                      |               |  |          |          |
| 6401       | Physicians Plaza West                         | Decatur           | IL               | 1,684                   |           | 1,943                         | 21                                      | 1,964     | 1,964  | 295                      | 2,061                | 1987          | 2010   | 35 years |          |
| 6402       | Physicians and Dental Building                | Decatur           | IL               | 406                     |           | 676                           | 1                                       | 677       | 677    | 118                      | 705                  | 1972          | 2010   | 35 years |          |
| 6403       | Monroe Medical Center                         | Decatur           | IL               | 87                      |           | 93                            | 34                                      | 127       | 127    | 26                       | 130                  | 1971          | 2010   | 35 years |          |
| 6404       | Kenwood Medical Center                        | Decatur           | IL               | 2,555                   |           | 3,900                         | 30                                      | 3,930     | 3,930  | 485                      | 3,997                | 1996          | 2010   | 35 years |          |
| 6405       | 304 W Hay Building                            | Decatur           | IL               | 5,458                   |           | 8,702                         | 1                                       | 8,703     | 8,703  | 655                      | 9,134                | 2002          | 2010   | 35 years |          |
| 6406       | 302 W Hay Building                            | Decatur           | IL               | 2,351                   |           | 3,467                         | 14                                      | 3,481     | 3,481  | 398                      | 3,593                | 1993          | 2010   | 35 years |          |
| 6407       | ENTA  | Decatur           | IL               | 639                     |           | 1,150                         |   | 1,150     | 1,150  | 83                       | 1,180                | 1996          | 2010   | 35 years |          |
| 6408       | 301 W Hay Building                            | Decatur           | IL               | 232                     |           | 640                           |   | 640       | 640    | 64                       | 614                  | 1980          | 2010   | 35 years |          |
| 6409       | South Shore Medical Building                  | Decatur           | IL               | 406                     | 902       | 129                           |   | 902       | 129    | 1,031                    | 40                   | 1,171         | 1991   | 2010     | 35 years |
| 6410       | SIU Family Practice                           | Decatur           | IL               | 900                     |           | 1,689                         |   | 1,689     | 1,689  | 263                      | 1,380                | 1997          | 2010   | 35 years |          |
| 6411       | Corporate Health Services                     | Decatur           | IL               | 1,335                   | 934       | 1,386                         |   | 934       | 1,386  | 2,320                    | 123                  | 2,597         | 1996   | 2010     | 35 years |
| 6412       | Rock Springs Medical                          | Decatur           | IL               | 581                     | 399       | 495                           |   | 399       | 495    | 894                      | 47                   | 949           | 1990   | 2010     | 35 years |
| 6420       | 575 W Hay Building                            | Decatur           | IL               |                         | 111       | 739                           |   | 111       | 739    | 850                      | 59                   | 881           | 1984   | 2010     | 35 years |
| 2954       | Eberle Medical Office Building ("Eberle MOB") | Elk Grove Village | IL               |                         |           | 16,315                        | 50                                      | 16,365    | 16,365 | 2,130                    | 15,122               | 2005          | 2009   | 35 years |          |
| 2978       | Grayslake MOB                                 | Grayslake         | IL               |                         | 2,740     | 2,002                         | 3                                       | 2,740     | 2,005  | 4,745                    | 111                  | 5,531         | 1996   | 2011     | 25 years |
| 2971       | 1425 Hunt Club Road MOB                       | Gurnee            | IL               |                         | 249       | 1,452                         | 1                                       | 249       | 1,453  | 1,702                    | 49                   | 2,487         | 2005   | 2011     | 34 years |
| 2972       | 1445 Hunt Club Drive                          | Gurnee            | IL               |                         | 216       | 1,405                         | 1                                       | 216       | 1,406  | 1,622                    | 50                   | 2,353         | 2002   | 2011     | 31 years |
| 2973       | Gurnee Imaging Center                         | Gurnee            | IL               |                         | 82        | 2,731                         |   | 82        | 2,731  | 2,813                    | 50                   | 3,289         | 2002   | 2011     | 35 years |
| 2974       | Gurnee Center Club                            | Gurnee            | IL               |                         | 627       | 17,851                        |   | 627       | 17,851 | 18,478                   | 346                  | 21,810        | 2001   | 2011     | 35 years |
| 2981       | Gurnee Acute Care                             | Gurnee            | IL               |                         | 166       | 1,115                         | 1                                       | 166       | 1,116  | 1,282                    | 46                   | 2,397         | 1996   | 2011     | 30 years |
| 2955       | Doctors Office Building III ("DOB III")       | Hoffman Estates   | IL               |                         |           | 24,550                        | 53                                      | 24,603    | 24,603 | 3,107                    | 22,810               | 2005          | 2009   | 35 years |          |
| 2970       | 755 Milwaukee MOB                             | Libertyville      | IL               |                         | 421       | 3,716                         | 267                                     | 421       | 3,983  | 4,404                    | 169                  | 8,063         | 1990   | 2011     | 18 years |
| 2979       | 890 Professional                              | Libertyville      | IL               |                         | 214       | 2,630                         | 7                                       | 214       | 2,637  | 2,851                    | 84                   | 4,181         | 1980   | 2011     | 26 years |

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|      |                                  |              |    |       |        |       |       |        |        |     |        |      |      |          |
|------|----------------------------------|--------------|----|-------|--------|-------|-------|--------|--------|-----|--------|------|------|----------|
| MOB  |                                  |              |    |       |        |       |       |        |        |     |        |      |      |          |
| 2980 | Libertyville Center Club         | Libertyville | IL | 1,020 | 17,176 |       | 1,020 | 17,176 | 18,196 | 342 | 23,534 | 1988 | 2011 | 35 years |
| 2975 | Round Lake ACC                   | Round Lake   | IL | 758   | 370    | 1     | 758   | 371    | 1,129  | 41  | 1,775  | 1984 | 2011 | 13 years |
| 2976 | Vernon Hills Acute Care Center   | Vernon Hills | IL | 3,376 | 694    | 49    | 3,376 | 743    | 4,119  | 44  | 4,797  | 1986 | 2011 | 15 years |
| 6300 | Wilbur S. Roby Building          | Anderson     | IN |       | 2,653  | 97    |       | 2,750  | 2,750  | 275 | 2,480  | 1992 | 2010 | 35 years |
| 6301 | Ambulatory Services Building     | Anderson     | IN |       | 4,266  | 220   |       | 4,486  | 4,486  | 521 | 4,358  | 1995 | 2010 | 35 years |
| 6302 | St. John's Medical Arts Building | Anderson     | IN |       | 2,281  | 140   |       | 2,421  | 2,421  | 292 | 2,082  | 1973 | 2010 | 35 years |
| 3090 | Elkhart                          | Elkhart      | IN | 1,282 | 1,256  | 1,973 | 1,256 | 1,973  | 3,229  | 85  | 3,542  | 1994 | 2011 | 32 years |
| 3091 | LaPorte                          | LaPorte      | IN | 797   | 553    | 1,309 | 553   | 1,309  | 1,862  | 37  | 2,078  | 1997 | 2011 | 34 years |
| 3092 | Mishawaka                        | Mishawaka    | IN | 3,672 | 3,787  | 5,543 | 3,787 | 5,543  | 9,330  | 249 | 10,140 | 1993 | 2011 | 35 years |
| 3093 | South Bend                       | South Bend   | IN | 1,511 | 792    | 2,530 | 792   | 2,530  | 3,322  | 59  | 3,668  | 1996 | 2011 | 34 years |
| 6802 | Lakeview MOB                     | Covington    | LA | 1,838 | 5,508  | 101   | 1,838 | 5,609  | 7,447  | 179 | 8,488  | 1994 | 2011 | 28 years |
| 6804 | Medical Arts Courtyard           | Lafayette    | LA | 388   | 1,893  | 84    | 388   | 1,977  | 2,365  | 93  | 2,422  | 1984 | 2011 | 18 years |
| 6805 | SW Louisiana POB                 | Lafayette    | LA | 867   | 5,010  | 514   | 867   | 5,524  | 6,391  | 210 | 6,691  | 1984 | 2011 | 18 years |
| 6803 | Lakeview Surgery Center          | Mandeville   | LA | 753   | 956    | 3     | 753   | 959    | 1,712  | 47  | 1,696  | 1987 | 2011 | 16 years |
| 6800 | Lakeside POB I                   | Metairie     | LA | 3,334 | 4,974  | 99    | 3,334 | 5,073  | 8,407  | 208 | 9,297  | 1986 | 2011 | 22 years |
| 6801 | Lakeside POB II                  | Metairie     | LA | 1,046 | 802    | 14    | 1,046 | 816    | 1,862  | 68  | 2,161  | 1980 | 2011 | 7 years  |
| 6806 | Northshore I                     | Slidell      | LA | 977   | 1,054  | 396   | 977   | 1,450  | 2,427  | 79  | 2,807  | 1986 | 2011 | 14 years |
| 6807 | Northshore II                    | Slidell      | LA | 972   | 1,965  | 17    | 972   | 1,982  | 2,954  | 88  | 2,975  | 1990 | 2011 | 19 years |

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| Property # | Property Name                      | Location        |                  | Initial Cost to Company |           |                         | Gross Amount Carried at Close of Period |                            |        | Accumulated  |                | Year of Construction | Year Acquired | Life on Which Depreciation in Income Statement Computed |          |
|------------|------------------------------------|-----------------|------------------|-------------------------|-----------|-------------------------|---|----------------------------|--------|--------------|----------------|----------------------|---------------|---|----------|
|            |                                    | City            | State / Province | Land                    | Buildings | Subsequent Improvements | Land                                    | Buildings and Improvements | Total  | Depreciation | Net Book Value |                      |               |   |          |
| 2931       | RTS Berlin                         | Berlin          | MD               |                         |           | 2,216                   |   |                            | 2,216  | 2,216        | 42             | 2,383                | 1994          | 2011  | 29 years |
| 3015       | Charles O. Fisher Medical Building | Westminster     | MD               | 11,857                  |           | 13,795                  | 485                                     |                            | 14,280 | 14,280       | 1,503          | 14,679               | 2009          | 2009  | 35 years |
| 6330       | Medical Specialties Building       | Kalamazoo       | MI               |                         |           | 19,242                  | 106                                     |                            | 19,348 | 19,348       | 1,255          | 18,004               | 1989          | 2010  | 35 years |
| 6331       | North Professional Building        | Kalamazoo       | MI               |                         |           | 7,228                   | 40                                      |                            | 7,268  | 7,268        | 490            | 6,814                | 1983          | 2010  | 35 years |
| 6332       | Medical Commons Building           | Kalamazoo       | MI               |                         |           | 661                     | 6                                       |                            | 667    | 667          | 46             | 701                  | 1979          | 2010  | 35 years |
| 6333       | Borgess Navigation Center          | Kalamazoo       | MI               |                         |           | 2,391                   |   |                            | 2,391  | 2,391        | 171            | 2,536                | 1976          | 2010  | 35 years |
| 6334       | Borgess Visiting Nurses            | Kalamazoo       | MI               | 90                      | 2,328     |                         | 90                                      | 2,328                      | 2,418  | 2,418        | 209            | 2,209                | 1900          | 2010  | 35 years |
| 6337       | Borgess Health & Fitness Center    | Kalamazoo       | MI               |                         |           | 11,959                  |   |                            | 11,959 | 11,959       | 843            | 12,733               | 1984          | 2010  | 35 years |
| 6360       | Heart Center Building              | Kalamazoo       | MI               |                         |           | 8,420                   | 13                                      |                            | 8,433  | 8,433        | 568            | 8,840                | 1980          | 2010  | 35 years |
| 2936       | RTS Madison Heights                | Madison Heights | MI               | 401                     | 2,946     |                         | 401                                     | 2,946                      | 3,347  | 3,347        | 54             | 3,752                | 2002          | 2011  | 35 years |
| 2937       | RTS Monroe                         | Monroe          | MI               | 281                     | 3,450     |                         | 281                                     | 3,450                      | 3,731  | 3,731        | 71             | 4,019                | 1997          | 2011  | 31 years |
| 6336       | Pro Med Center Plainwell           | Plainwell       | MI               |                         |           | 697                     |   |                            | 697    | 697          | 56             | 745                  | 1991          | 2010  | 35 years |
| 6335       | Pro Med Center Richland            | Richland        | MI               | 233                     | 2,267     | 30                      | 233                                     | 2,297                      | 2,530  | 2,530        | 191            | 2,379                | 1996          | 2010  | 35 years |
| 2986       | Arnold Urgent Care                 | Arnold          | MO               | 1,058                   | 556       | 18                      | 1,058                                   | 574                        | 1,632  | 1,632        | 38             | 2,108                | 1999          | 2011  | 35 years |
| 2987       | Fenton Urgent Care Center          | Fenton          | MO               | 183                     | 2,714     | 1                       | 183                                     | 2,715                      | 2,898  | 2,898        | 79             | 3,715                | 2003          | 2011  | 35 years |
| 2950       | Broadway Medical Office Building   | Kansas City     | MO               | 6,350                   | 1,300     | 12,602                  | 1,638                                   | 1,335                      | 14,205 | 15,540       | 3,901          | 11,639               | 1976          | 2007  | 35 years |
| 2982       | Physicians Office Center           | St Louis        | MO               | 1,445                   | 13,825    | 32                      | 1,445                                   | 13,857                     | 15,302 | 15,302       | 384            | 21,120               | 2003          | 2011  | 35 years |
| 2983       | 12700 Southford Road Medical Plaza | St. Louis       | MO               | 595                     | 12,584    | 7                       | 595                                     | 12,591                     | 13,186 | 13,186       | 360            | 17,606               | 1993          | 2011  | 32 years |
| 2984       | St Anthony's MOB A                 | St. Louis       | MO               | 409                     | 4,687     | 9                       | 409                                     | 4,696                      | 5,105  | 5,105        | 200            | 7,266                | 1975          | 2011  | 20 years |
| 2985       | St Anthony's MOB B                 | St. Louis       | MO               | 350                     | 3,942     |                         | 350                                     | 3,942                      | 4,292  | 4,292        | 174            | 6,390                | 1980          | 2011  | 21 years |
| 2988       | Lemay Urgent Care Center           | St. Louis       | MO               | 2,317                   | 3,120     |                         | 2,317                                   | 3,120                      | 5,437  | 5,437        | 138            | 5,929                | 1983          | 2011  | 22 years |
| 6813       | Del E Webb Medical Plaza           | Henderson       | NV               | 1,028                   | 16,993    | 56                      | 1,028                                   | 17,049                     | 18,077 | 18,077       | 401            | 23,797               | 1999          | 2011  | 35 years |
| 6819       | The Terrace at South Meadows       | Reno            | NV               | 7,590                   | 504       | 9,966                   | 381                                     | 504                        | 10,347 | 10,851       | 219            | 16,621               | 2004          | 2011  | 35 years |
| 2925       | Anderson Medical Arts              | Cincinnati      | OH               |                         |           | 9,632                   | 1,108                                   |                            | 10,740 | 10,740       | 1,813          | 8,927                | 1984          | 2007  | 35 years |

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|      |   |             |    |        |       |        |       |       |        |        |       |        |      |      |          |
|------|---|-------------|----|--------|-------|--------|-------|-------|--------|--------|-------|--------|------|------|----------|
| 2926 | Building I<br>Anderson<br>Medical Arts<br>Building II | Cincinnati  | OH |        |       | 15,123 | 2,118 |       | 17,241 | 17,241 | 2,549 | 14,692 | 2007 | 2007 | 35 years |
| 3084 | 745 W State<br>Street                                 | Columbus    | OH | 7,800  | 545   | 10,686 | 17    | 545   | 10,703 | 11,248 | 267   | 13,655 | 1999 | 2011 | 35 years |
| 6950 | Zanesville<br>Surgery<br>Center                       | Zanesville  | OH |        | 172   | 9,403  |       | 172   | 9,403  | 9,575  | 164   | 10,455 | 2000 | 2011 | 35 years |
| 6951 | Dialysis<br>Center                                    | Zanesville  | OH |        | 534   | 855    |       | 534   | 855    | 1,389  | 40    | 1,487  | 1960 | 2011 | 21 years |
| 6952 | Genesis<br>Children's<br>Center                       | Zanesville  | OH |        | 538   | 3,781  |       | 538   | 3,781  | 4,319  | 91    | 4,745  | 2006 | 2011 | 30 years |
| 6953 | Medical Arts<br>Building I                            | Zanesville  | OH |        | 429   | 2,405  |       | 429   | 2,405  | 2,834  | 90    | 3,114  | 1970 | 2011 | 20 years |
| 6954 | Medical Arts<br>Building II                           | Zanesville  | OH |        | 485   | 6,013  | 147   | 485   | 6,160  | 6,645  | 201   | 7,798  | 1995 | 2011 | 25 years |
| 6955 | Medical Arts<br>Building III                          | Zanesville  | OH |        | 94    | 1,248  |       | 94    | 1,248  | 1,342  | 41    | 1,700  | 1970 | 2011 | 25 years |
| 6956 | Primecare<br>Building                                 | Zanesville  | OH |        | 130   | 1,344  |       | 130   | 1,344  | 1,474  | 66    | 1,753  | 1978 | 2011 | 20 years |
| 6957 | Outpatient<br>Rehabilitation<br>Building              | Zanesville  | OH |        | 82    | 1,541  |       | 82    | 1,541  | 1,623  | 40    | 1,910  | 1985 | 2011 | 28 years |
| 6958 | Radiation<br>Oncology<br>Building                     | Zanesville  | OH |        | 105   | 1,201  |       | 105   | 1,201  | 1,306  | 37    | 1,604  | 1988 | 2011 | 25 years |
| 6959 | Healthplex  | Zanesville  | OH |        | 2,488 | 15,849 | 11    | 2,488 | 15,860 | 18,348 | 401   | 19,431 | 1990 | 2011 | 32 years |
| 6960 | Physicians<br>Pavilion                                | Zanesville  | OH |        | 422   | 6,297  | 69    | 422   | 6,366  | 6,788  | 204   | 7,895  | 1990 | 2011 | 25 years |
| 6961 | Zanesville<br>Northside<br>Pharmacy                   | Zanesville  | OH |        | 42    | 635    |       | 42    | 635    | 677    | 17    | 828    | 1985 | 2011 | 28 years |
| 6962 | Bethesda<br>Campus MOB<br>III                         | Zanesville  | OH |        | 188   | 1,137  |       | 188   | 1,137  | 1,325  | 34    | 1,446  | 1978 | 2011 | 25 years |
| 6814 | Tuality<br>7th Avenue<br>Medical Plaza                | Hillsboro   | OR | 20,286 | 1,516 | 24,638 |       | 1,516 | 24,638 | 26,154 | 507   | 31,851 | 2003 | 2011 | 35 years |
| 3003 | DCMH<br>Medical<br>Office<br>Building                 | Drexel Hill | PA |        |       | 10,424 | 1,083 |       | 11,507 | 11,507 | 3,369 | 8,138  | 1984 | 2004 | 30 years |

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| Property Name                                  | Location      |                  | Initial Cost to Company |                   |                        | Gross Amount Carried at Close of Period |                   | Total  | Accumulated Depreciation | NBV    | Year of Construction | Year Acquired |                        |
|--|---------------|------------------|-------------------------|-------------------|------------------------|---|-------------------|--------|--------------------------|--------|----------------------|---------------|------------------------|
|  | City          | State / Province | Encumbrance             | Land Improvements | Buildings Improvements | Costs Capitalized                       | Land Improvements |        |                          |        |                      |               | Buildings Improvements |
| Penn State University Outpatient Center        | Hershey       | PA               | 57,415                  |                   | 55,439                 |   | 55,439            | 55,439 | 2,923                    | 59,700 | 2008                 | 2010          |                        |
| St. Joseph Medical Office Building             | Reading       | PA               |                         |                   | 10,823                 | 17                                      | 10,840            | 10,840 | 672                      | 9,867  | 2006                 | 2010          |                        |
| Professional Office Building                   | Upland        | PA               |                         |                   | 6,283                  | 806                                     | 7,089             | 7,089  | 2,049                    | 5,040  | 1978                 | 2004          |                        |
| St. Francis Millennium Medical Office Building | Greenville    | SC               | 17,673                  |                   | 13,062                 | 10,038                                  | 23,100            | 23,100 | 2,465                    | 20,635 | 2009                 | 2009          |                        |
| Irmo Professional MOB                          | Irmo          | SC               | 7,845                   | 1,726             | 5,414                  |   | 1,726             | 5,414  | 7,140                    | 150    | 9,649                | 2004          | 2011                   |
| Colleton Medical Arts Grandview MOB            | Walterboro    | SC               |                         | 983               | 2,780                  |   | 983               | 2,780  | 3,763                    | 105    | 4,109                | 1998          | 2011                   |
| Abilene Medical Commons I                      | Jasper        | TN               |                         | 1,011             | 5,322                  |   | 1,011             | 5,322  | 6,333                    | 184    | 7,590                | 1998          | 2011                   |
| East Houston MOB, LLC                          | Abilene       | TX               |                         | 179               | 1,611                  |   | 179               | 1,611  | 1,790                    | 341    | 1,449                | 2000          | 2004                   |
| East Houston Medical Plaza                     | Houston       | TX               |                         | 356               | 2,877                  | 203                                     | 356               | 3,080  | 3,436                    | 138    | 3,837                | 1982          | 2011                   |
| Mansfield MOB                                  | Houston       | TX               |                         | 671               | 426                    | 95                                      | 671               | 521    | 1,192                    | 54     | 1,376                | 1982          | 2011                   |
| Bayshore Surgery Center MOB                    | Mansfield     | TX               |                         | 411               | 1,133                  | 10                                      | 411               | 1,143  | 1,554                    | 64     | 1,811                | 1998          | 2011                   |
| Bayshore Rehabilitation Center MOB             | Pasadena      | TX               | 6,650                   | 765               | 9,123                  | 381                                     | 765               | 9,504  | 10,269                   | 7,289  | 2,980                | 2001          | 2005                   |
| Seton Williamson Medical Plaza                 | Pasadena      | TX               |                         | 95                | 1,128                  |   | 95                | 1,128  | 1,223                    | 223    | 1,000                | 1988          | 2005                   |
| 251 Medical Center                             | Round Rock    | TX               |                         |                   | 15,074                 | 269                                     | 15,343            | 15,343 | 1,109                    | 14,125 | 2008                 | 2010          |                        |
| 253 Medical Center                             | Webster       | TX               |                         | 1,158             | 12,078                 |   | 1,158             | 12,078 | 13,236                   | 105    | 14,016               | 2006          | 2011                   |
| Dr. Hal Smith Building POB                     | Webster       | TX               |                         | 1,181             | 11,862                 |   | 1,181             | 11,862 | 13,043                   | 98     | 14,154               | 2009          | 2011                   |
| Brandersmill MOB                               | Christianburg | VA               |                         | 175               | 432                    |   | 175               | 432    | 607                      | 17     | 701                  | 1997          | 2011                   |
| Henrico MOB                                    | Midlothian    | VA               |                         | 352               | 159                    |   | 352               | 159    | 511                      | 21     | 551                  | 1985          | 2011                   |
| Physician's Pavilion                           | Richmond      | VA               |                         | 968               | 6,189                  |   | 968               | 6,189  | 7,157                    | 170    | 7,988                | 1976          | 2011                   |
| Administration Building                        | Vancouver     | WA               |                         | 1,411             | 32,939                 |   | 1,411             | 32,939 | 34,350                   | 700    | 41,206               | 2001          | 2011                   |
| Medical Center Physician's Building            | Vancouver     | WA               |                         | 296               | 7,856                  |   | 296               | 7,856  | 8,152                    | 156    | 9,629                | 1972          | 2011                   |
| Memorial MOB                                   | Vancouver     | WA               |                         | 1,225             | 31,246                 | 35                                      | 1,225             | 31,281 | 32,506                   | 638    | 36,907               | 1980          | 2011                   |
| Salmon Creek MOB                               | Vancouver     | WA               |                         | 663               | 12,626                 | 17                                      | 663               | 12,643 | 13,306                   | 271    | 15,404               | 1999          | 2011                   |
| Fisher's Landing MOB                           | Vancouver     | WA               |                         | 1,325             | 9,238                  |   | 1,325             | 9,238  | 10,563                   | 181    | 11,484               | 1994          | 2011                   |
| Healthy Steps Clinic                           | Vancouver     | WA               |                         | 1,590             | 5,420                  |   | 1,590             | 5,420  | 7,010                    | 128    | 7,841                | 1995          | 2011                   |
|  | Vancouver     | WA               |                         | 626               | 1,505                  |   | 626               | 1,505  | 2,131                    | 41     | 2,227                | 1997          | 2011                   |

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|   |            |    |                     |                     |                      |                   |                     |                      |                      |                     |                      |      |
|---|------------|----|---------------------|---------------------|----------------------|-------------------|---------------------|----------------------|----------------------|---------------------|----------------------|------|
| Columbia Medical Plaza                      | Vancouver  | WA | 281                 | 5,266               | 43                   | 281               | 5,309               | 5,590                | 116                  | 7,033               | 1991                 | 2011 |
| Appleton Heart Institute                    | Appleton   | WI |                     | 7,775               |                      |                   | 7,775               | 7,775                | 446                  | 7,778               | 2003                 | 2010 |
| Appleton Medical Offices West               | Appleton   | WI |                     | 5,756               |                      |                   | 5,756               | 5,756                | 346                  | 5,712               | 1989                 | 2010 |
| Appleton Medical Offices South              | Appleton   | WI |                     | 9,058               | 35                   |                   | 9,093               | 9,093                | 530                  | 9,089               | 1983                 | 2010 |
| Brookfield Clinic                           | Brookfield | WI | 2,638               | 4,093               |                      | 2,638             | 4,093               | 6,731                | 100                  | 7,365               | 1999                 | 2011 |
| Hartland Clinic                             | Hartland   | WI | 321                 | 5,050               |                      | 321               | 5,050               | 5,371                | 105                  | 6,497               | 1994                 | 2011 |
| Theda Clark Medical Center                  |            |    |                     |                     |                      |                   |                     |                      |                      |                     |                      |      |
| Office Pavilion                             | Neenah     | WI |                     | 7,080               | 46                   |                   | 7,126               | 7,126                | 396                  | 7,020               | 1993                 | 2010 |
| Aylward Medical Building Condo Floors 3 & 4 | Neenah     | WI |                     | 4,462               |                      |                   | 4,462               | 4,462                | 209                  | 4,664               | 2006                 | 2010 |
| New Berlin Clinic                           | New Berlin | WI | 678                 | 7,121               |                      | 678               | 7,121               | 7,799                | 159                  | 10,175              | 1999                 | 2011 |
| WestWood Health & Fitness                   | Pewaukee   | WI | 823                 | 11,649              |                      | 823               | 11,649              | 12,472               | 262                  | 16,495              | 1997                 | 2011 |
| Watertown Clinic                            | Watertown  | WI | 166                 | 3,234               |                      | 166               | 3,234               | 3,400                | 65                   | 4,023               | 2003                 | 2011 |
| Southside Clinic                            | Waukesha   | WI | 218                 | 5,273               |                      | 218               | 5,273               | 5,491                | 107                  | 7,196               | 1997                 | 2011 |
| Rehabilitation Hospital                     | Waukesha   | WI | 372                 | 15,636              |                      | 372               | 15,636              | 16,008               | 278                  | 19,743              | 2008                 | 2011 |
| Casper WY MOB                               | Casper     | WY | 3,015               | 26,513              | 99                   | 3,017             | 26,610              | 29,627               | 3,165                | 26,462              | 2008                 | 2008 |
| <b>TOTAL FOR MEDICAL OFFICE BUILDINGS</b>   |            |    | <b>531,702</b>      | <b>146,775</b>      | <b>1,814,291</b>     | <b>65,336</b>     | <b>146,883</b>      | <b>1,879,519</b>     | <b>2,026,402</b>     | <b>108,138</b>      | <b>2,234,767</b>     |      |
| <b>TOTAL FOR ALL PROPERTIES</b>             |            |    | <b>\$ 2,905,840</b> | <b>\$ 1,614,952</b> | <b>\$ 15,267,106</b> | <b>\$ 147,346</b> | <b>\$ 1,614,847</b> | <b>\$ 15,414,557</b> | <b>\$ 17,029,404</b> | <b>\$ 1,729,976</b> | <b>\$ 15,913,732</b> |      |

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**ITEM 9. *Changes in and Disagreements with Accountants on Accounting and Financial Disclosure***

Not applicable.

**ITEM 9A. *Controls and Procedures***

**Evaluation of Disclosure Controls and Procedures**

As required by Rules 13a-15(b) and 15d-15(b) of the Exchange Act, our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures as of December 31, 2011. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) were effective as of December 31, 2011, at the reasonable assurance level.

**Internal Control over Financial Reporting**

The information set forth under "Management Report on Internal Control over Financial Reporting" and "Report of Independent Registered Public Accounting Firm on Internal Control over Financial Reporting" included in Part II, Item 8 of this Annual Report on Form 10-K is incorporated by reference into this Item 9A.

**Internal Control Changes**

During the fourth quarter of 2011, there were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**ITEM 9B. *Other Information***

Not applicable.

**PART III**

**ITEM 10. *Directors, Executive Officers and Corporate Governance***

The information required by this Item 10 is incorporated by reference to the material under the headings "Proposals Requiring Your Vote Proposal 1: Election of Directors," "Executive Officers," "Corporate Governance" and "Section 16(a) Beneficial Ownership Reporting Compliance" in our definitive Proxy Statement for the 2012 Annual Meeting of Stockholders, which we will file with the SEC not later than April 29, 2012.

**ITEM 11. *Executive Compensation***

The information required by this Item 11 is incorporated by reference to the material under the headings "Corporate Governance Non-Employee Director Compensation," "Executive Compensation" and "Corporate Governance Board and Committee Membership Executive Compensation Committee" in our definitive Proxy Statement for the 2012 Annual Meeting of Stockholders, which we will file with the SEC not later than April 29, 2012.

**ITEM 12. *Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters***

The information required by this Item 12 is incorporated by reference to the material under the headings "Equity Compensation Plan Information" and "Securities Ownership" in our definitive Proxy



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Statement for the 2012 Annual Meeting of Stockholders, which we will file with the SEC not later than April 29, 2012.

**ITEM 13. *Certain Relationships and Related Transactions, and Director Independence***

The information required by this Item 13 is incorporated by reference to the material under the headings "Transactions with Related Persons" and "Corporate Governance" in our definitive Proxy Statement for the 2012 Annual Meeting of Stockholders, which we will file with the SEC not later than April 29, 2012.

**ITEM 14. *Principal Accountant Fees and Services***

The information required by this Item 14 is incorporated by reference to the material under the headings "Proposals Requiring Your Vote Proposal 2: Ratification of the Selection of Ernst & Young as Our Independent Registered Public Accounting Firm for Fiscal Year 2012 Audit and Non-Audit Fees" and " Policy on Pre-Approval of Audit and Permissible Non-Audit Services" in our definitive Proxy Statement for the 2012 Annual Meeting of Stockholders, which we will file with the SEC not later than April 29, 2012.

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**PART IV**

**ITEM 15. Exhibits and Financial Statement Schedules**

**Financial Statements and Financial Statement Schedules**

The following documents have been included in Part II, Item 8 of this Annual Report on Form 10-K:

|   | <b>Page</b> |
|---|-------------|
| <u>Report of Independent Registered Public Accounting Firm</u>                                    | <u>94</u>   |
| <u>Consolidated Balance Sheets as of December 31, 2011 and 2010</u>                               | <u>96</u>   |
| <u>Consolidated Statements of Income for the years ended December 31, 2011, 2010 and 2009</u>     | <u>97</u>   |
| <u>Consolidated Statements of Equity for the years ended December 31, 2011, 2010 and 2009</u>     | <u>98</u>   |
| <u>Consolidated Statements of Cash Flows for the years ended December 31, 2011, 2010 and 2009</u> | <u>99</u>   |
| <u>Notes to Consolidated Financial Statements</u>   | <u>100</u>  |
| Consolidated Financial Statement Schedule   |             |
| <u>Schedule III Real Estate and Accumulated Depreciation</u>                                      | <u>166</u>  |

All other schedules have been omitted because they are inapplicable, not required or the information is included elsewhere in the Consolidated Financial Statements or notes thereto.

## Edgar Filing: VENTAS INC - Form 10-K

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#### Exhibits

| <b>Exhibit Number</b> | <b>Description of Document</b>  | <b>Location of Document</b>  |
|-----------------------|---|--|
| 2.1                   | Merger Agreement dated as of December 24, 2011 by and among Ventas, Inc., TH Merger Corp, Inc., TH Merger Sub, LLC, Cogdell Spencer Inc. and Cogdell Spencer LP.  | Incorporated by reference to Exhibit 2.1 to our Current Report on Form 8-K, filed on December 27, 2011.  |
| 2.2                   | Merger Agreement dated as of February 27, 2011 by and among Ventas, Inc., Needles Acquisition LLC and Nationwide Health Properties, Inc.  | Incorporated by reference to Exhibit 2.1 to our Current Report on Form 8-K, filed on February 28, 2011.  |
| 2.3.1                 | Merger Agreement dated as of October 21, 2010 by and among Ventas, Inc., Ventas SL I, LLC, Ventas SL II, LLC, Ventas SL III, LLC, Atria Holdings LLC, Lazard Senior Housing Partners LP, LSHP Coinvestment Partnership I LP, Atria Senior Living Group, Inc., One Lantern Senior Living Inc and LSHP Coinvestment I Inc.                      | Incorporated by reference to Exhibit 2.1 to our Current Report on Form 8-K, filed on October 27, 2010.   |
| 2.3.2                 | Amendment No. 1 to the Merger Agreement, dated as of May 12, 2011, by and among Ventas, Inc., Ventas SL I, LLC, Ventas SL II, LLC, Ventas SL III, LLC, Atria Holdings LLC, Lazard Senior Housing Partners LP, LSHP Coinvestment Partnership I LP, Atria Senior Living Group, Inc., One Lantern Senior Living Inc and LSHP Coinvestment I Inc. | Incorporated by reference to Exhibit 2.1 to our Current Report on Form 8-K, filed on May 18, 2011.   |
| 3.1                   | Amended and Restated Certificate of Incorporation, as amended, of Ventas, Inc.  | Incorporated by reference to Exhibit 3.1 to our Quarterly Report on Form 10-Q for the quarter ended June 30, 2011.                               |
| 3.2                   | Fourth Amended and Restated Bylaws, as amended, of Ventas, Inc.   | Incorporated by reference to Exhibit 3.2 to our Quarterly Report on Form 10-Q for the quarter ended June 30, 2011.                               |
| 4.1                   | Specimen common stock certificate.  | Incorporated by reference to Exhibit 4.1 to our Annual Report on Form 10-K for the year ended December 31, 1998.                                 |
| 4.2                   | Ventas, Inc. Distribution Reinvestment and Stock Purchase Plan.   | Incorporated by reference to the Prospectus included in our Registration Statement on Form S-3, filed on November 25, 2011, File No. 333-178185. |

## Edgar Filing: VENTAS INC - Form 10-K

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| <b>Exhibit<br/>Number</b> | <b>Description of Document</b>  | <b>Location of Document</b>   |
|---------------------------|---|---|
| 4.3                       | Certain instruments with respect to long-term debt of Ventas, Inc. and its consolidated subsidiaries are not filed herewith pursuant to Item 601(b)(4)(iii) of Regulation S-K, since the total amount of securities authorized under each such instrument does not exceed 10% of the total assets of Ventas, Inc. and its subsidiaries on a consolidated basis. Ventas, Inc. agrees to furnish a copy of any such instrument to the SEC upon request. |   |
| 10.1.1                    | Second Amended and Restated Master Lease Agreement No. 1 dated as of April 27, 2007 for lease executed by Ventas Realty, Limited Partnership, as Lessor, and Kindred Healthcare, Inc. and Kindred Healthcare Operating, Inc., as Tenant.  | Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K, filed on May 3, 2007.  |
| 10.1.2                    | Second Amended and Restated Master Lease Agreement No. 2 dated as of April 27, 2007 for lease executed by Ventas Realty, Limited Partnership, as Lessor, and Kindred Healthcare, Inc. and Kindred Healthcare Operating, Inc., as Tenant.  | Incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K, filed on May 3, 2007.  |
| 10.1.3                    | Second Amended and Restated Master Lease Agreement No. 3 dated as of April 27, 2007 for lease executed by Ventas Realty, Limited Partnership, as Lessor, and Kindred Healthcare, Inc. and Kindred Healthcare Operating, Inc., as Tenant.  | Incorporated by reference to Exhibit 10.3 to our Current Report on Form 8-K, filed on May 3, 2007.  |
| 10.1.4                    | Second Amended and Restated Master Lease Agreement No. 4 dated as of April 27, 2007 for lease executed by Ventas Realty, Limited Partnership, as Lessor, and Kindred Healthcare, Inc. and Kindred Healthcare Operating, Inc., as Tenant.  | Incorporated by reference to Exhibit 10.4 to our Current Report on Form 8-K, filed on May 3, 2007.  |
| 10.2.1                    | Form of Property Lease Agreement with respect to the Brookdale properties.  | Incorporated by reference to Exhibit 10.13 to Amendment No. 2 to Provident Senior Living Trust's Registration Statement on Form S-11, filed on January 18, 2005, File No. 333-120206. |
| 10.2.2                    | Form of Lease Guaranty with respect to the Brookdale properties.  | Incorporated by reference to Exhibit 10.16 to Amendment No. 2 to Provident Senior Living Trust's Registration Statement on Form S-11, filed on January 18, 2005, File No. 333-120206. |

## Edgar Filing: VENTAS INC - Form 10-K

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| Exhibit Number | Description of Document  | Location of Document  |
|----------------|--|---|
| 10.2.3         | Schedule of Agreements Substantially Identical in All Material Respects to the agreements incorporated by reference as Exhibits 10.2.1 and 10.2.2 to this Annual Report on Form 10-K, pursuant to Instruction 2 to Item 601 of Regulation S-K. | Incorporated by reference to Exhibit 10.3 to our Quarterly Report on Form 10-Q for the quarter ended September 30, 2005.  |
| 10.2.4.1       | Agreement Regarding Leases dated as of October 19, 2004 by and between Brookdale Provident Properties LLC and PSLT-BLC Properties Holdings, LLC.   | Incorporated by reference to Exhibit 10.14 to Amendment No. 2 to Provident Senior Living Trust's Registration Statement on Form S-11, filed on January 18, 2005, File No. 333-120206. |
| 10.2.4.2       | Letter Agreement dated March 28, 2005 by and among Brookdale Provident Properties LLC, PSLT-BLC Properties Holdings, LLC and Ventas Provident, LLC (successor to Provident Senior Living Trust).   | Incorporated by reference to Exhibit 10.19 to Amendment No. 4 to Provident Senior Living Trust's Registration Statement on Form S-11, filed on April 11, 2005, File No. 333-120206.   |
| 10.2.4.3       | Letter Agreement dated April 4, 2008 by and between Brookdale Provident Properties LLC and PSLT-BLC Properties Holdings, LLC.  | Incorporated by reference to Exhibit 10.2.4.3 to our Annual Report on Form 10-K for the year ended December 31, 2009.   |
| 10.2.4.4       | First Amendment to Agreement Regarding Leases dated as of February 11, 2009 by and between PSLT-BLC Properties Holdings, LLC, Brookdale Provident Properties LLC, Brookdale Provident Management LLC and Ventas Provident, LLC.                | Incorporated by reference to Exhibit 10.2.4.3 to our Annual Report on Form 10-K for the year ended December 31, 2008.   |
| 10.2.4.5       | Second Amendment to Agreement Regarding Leases dated as of March 2, 2009 by and between PSLT-BLC Properties Holdings, LLC and Brookdale Provident Properties LLC, et al.   | Incorporated by reference to Exhibit 10.2.4.5 to our Annual Report on Form 10-K for the year ended December 31, 2009.   |
| 10.2.4.6       | Third Amendment to Agreement Regarding Leases dated as of November 6, 2009 by and between PSLT-BLC Properties Holdings, LLC and Brookdale Provident Properties LLC, et al.   | Incorporated by reference to Exhibit 10.2.4.6 to our Annual Report on Form 10-K for the year ended December 31, 2009.   |
| 10.2.4.7       | Guaranty of Agreement Regarding Leases dated as of October 19, 2004 by Brookdale Living Communities, Inc. in favor of PSLT-BLC Properties Holdings, LLC.   | Incorporated by reference to Exhibit 10.15 to Amendment No. 2 to Provident Senior Living Trust's Registration Statement on Form S-11, filed on January 18, 2005, File No. 333-120206. |

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| Exhibit Number | Description of Document  | Location of Document   |
|----------------|--|--|
| 10.2.5         | Guaranty dated as of February 11, 2009 by Brookdale Senior Living Inc., for the benefit of the landlords with respect to the Brookdale and Alterra properties, PSLT-BLC Properties Holdings, LLC and PSLT-ALS Properties Holdings, LLC.  | Incorporated by reference to Exhibit 10.2.9 to our Annual Report on Form 10-K for the year ended December 31, 2009.                  |
| 10.3           | Letter Agreement dated as of January 14, 2007 between Ventas, Inc. and Sunrise Senior Living, Inc.   | Incorporated by reference to Exhibit 10.4 to our Annual Report on Form 10-K for the year ended December 31, 2006.                    |
| 10.4           | Loan Agreement dated May 17, 2011 by and between Ventas Realty, Limited Partnership and Nationwide Health Properties, LLC (as successor to Nationwide Health Properties, Inc.).  | Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K, filed on May 20, 2011.                                  |
| 10.5.1         | Term Loan Agreement dated as of June 3, 2011 among Nationwide Health Properties, LLC (as successor to Nationwide Health Properties, Inc.), the Lenders party thereto and JPMorgan Chase Bank, N.A., as Administrative Agent.   | Incorporated by reference to Exhibit 10.1 to Nationwide Health Properties, Inc.'s Current Report on Form 8-K, filed on June 6, 2011. |
| 10.5.2         | Guaranty Agreement dated as of July 1, 2011 among Ventas, Inc., as Guarantor, and JPMorgan Chase Bank, N.A., as Administrative Agent.  | Incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K, filed on July 11, 2011.                                 |
| 10.6           | Credit and Guaranty Agreement dated as of October 18, 2011 among Ventas Realty, Limited Partnership, Ventas SSL Ontario II, Inc. and Ventas SSL Ontario III, Inc., as Borrowers, Ventas, Inc., as Guarantor, the Lenders identified therein, and Bank of America, N.A., as Administrative Agent, Swing Line Lender, L/C Issuer and Alternative Currency Fronting Lender. | Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K, filed on October 24, 2011.                              |
| 10.7           | Registration Rights Agreement dated as of December 1, 2006 by and among Ventas, Inc. and Banc of America Securities LLC, J.P. Morgan Securities Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as Initial Purchasers.  | Incorporated by reference to Exhibit 4.2 to our Current Report on Form 8-K, filed on December 6, 2006.                               |
| 10.8           | Registration Rights Agreement dated as of May 12, 2011 by and among Ventas, Inc., Prometheus Senior Quarters LLC, Lazard Senior Housing Partners LP and LSHP Coinvestment Partnership I LP.  | Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K, filed on May 18, 2011.                                  |

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| Exhibit Number | Description of Document  | Location of Document   |
|----------------|--|--|
| 10.9           | Lockup Agreement dated as of May 12, 2011 by and among Ventas, Inc., Prometheus Senior Quarters LLC, Lazard Senior Housing Partners LP and LSHP Coinvestment Partnership I LP.                 | Incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K, filed on May 18, 2011.                  |
| 10.10          | Ownership Limit Waiver Agreement dated as of May 12, 2011 by and among Ventas, Inc., Prometheus Senior Quarters LLC, Lazard Senior Housing Partners LP and LSHP Coinvestment Partnership I LP. | Incorporated by reference to Exhibit 10.3 to our Current Report on Form 8-K, filed on May 18, 2011.                  |
| 10.11          | Director Appointment Letter dated as of May 12, 2011 by Ventas, Inc.   | Incorporated by reference to Exhibit 10.4 to our Current Report on Form 8-K, filed on May 18, 2011.                  |
| 10.12*         | Ventas, Inc. 2000 Incentive Compensation Plan, as amended.   | Incorporated by reference to Exhibit 10.14.1 to our Annual Report on Form 10-K for the year ended December 31, 2004. |
| 10.13*         | Ventas, Inc. 2004 Stock Plan for Directors, as amended.  | Incorporated by reference to Exhibit 10.16.1 to our Annual Report on Form 10-K for the year ended December 31, 2004. |
| 10.14.1*       | Ventas, Inc. 2006 Incentive Plan, as amended.  | Incorporated by reference to Exhibit 10.10.1 to our Annual Report on Form 10-K for the year ended December 31, 2008. |
| 10.14.2*       | Form of Stock Option Agreement 2006 Incentive Plan.  | Incorporated by reference to Exhibit 10.15.2 to our Annual Report on Form 10-K for the year ended December 31, 2006. |
| 10.14.3*       | Form of Restricted Stock Agreement 2006 Incentive Plan.  | Incorporated by reference to Exhibit 10.15.3 to our Annual Report on Form 10-K for the year ended December 31, 2006. |
| 10.15.1*       | Ventas, Inc. 2006 Stock Plan for Directors, as amended.  | Incorporated by reference to Exhibit 10.11.1 to our Annual Report on Form 10-K for the year ended December 31, 2008. |
| 10.15.2*       | Form of Stock Option Agreement 2006 Stock Plan for Directors.  | Incorporated by reference to Exhibit 10.11.2 to our Annual Report on Form 10-K for the year ended December 31, 2008. |
| 10.15.3*       | Form of Restricted Stock Agreement 2006 Stock Plan for Directors.  | Incorporated by reference to Exhibit 10.11.3 to our Annual Report on Form 10-K for the year ended December 31, 2008. |
| 10.15.4*       | Form of Restricted Stock Unit Agreement 2006 Stock Plan for Directors.   | Incorporated by reference to Exhibit 10.11.4 to our Annual Report on Form 10-K for the year ended December 31, 2008. |
| 10.16.1*       | Ventas Executive Deferred Stock Compensation Plan, as amended.   | Incorporated by reference to Exhibit 10.12.1 to our Annual Report on Form 10-K for the year ended December 31, 2008. |

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| Exhibit Number | Description of Document   | Location of Document   |
|----------------|---|--|
| 10.16.2*       | Deferral Election Form under the Ventas Executive Deferred Stock Compensation Plan.   | Incorporated by reference to Exhibit 10.12.2 to our Annual Report on Form 10-K for the year ended December 31, 2008.   |
| 10.17.1*       | Ventas Nonemployee Directors' Deferred Stock Compensation Plan, as amended.   | Incorporated by reference to Exhibit 10.13.1 to our Annual Report on Form 10-K for the year ended December 31, 2008.   |
| 10.17.2*       | Deferral Election Form under the Ventas Nonemployee Directors' Deferred Stock Compensation Plan.                              | Incorporated by reference to Exhibit 10.13.2 to our Annual Report on Form 10-K for the year ended December 31, 2008.   |
| 10.18.1*       | Nationwide Health Properties, Inc. 2005 Performance Incentive Plan.   | Incorporated by reference to Appendix B to Nationwide Health Properties, Inc. definitive Proxy Statement for the 2005 Annual Meeting, filed on March 24, 2005. |
| 10.18.2*       | First Amendment to the Nationwide Health Properties, Inc. 2005 Performance Incentive Plan, dated October 28, 2008.            | Incorporated by reference to Exhibit 10.1 to Nationwide Health Properties, Inc.'s Current Report on Form 8-K, filed on November 3, 2008.                       |
| 10.19.1*       | Nationwide Health Properties, Inc. Retirement Plan for Directors, as amended and restated on April 20, 2006.                  | Incorporated by reference to Exhibit 10.1 to Nationwide Health Properties, Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2006.          |
| 10.19.2*       | Amendment to the Nationwide Health Properties, Inc. Retirement Plan for Directors, as amended and restated on April 20, 2006. | Incorporated by reference to Exhibit 10.9 to Nationwide Health Properties, Inc.'s Current Report on Form 8-K, filed on November 3, 2008.                       |
| 10.20*         | Amended and Restated Deferred Compensation Plan of Nationwide Health Properties, Inc. dated October 28, 2008.                 | Incorporated by reference to Exhibit 10.6 to Nationwide Health Properties, Inc.'s Current Report on Form 8-K, filed on November 3, 2008.                       |
| 10.21*         | Second Amended and Restated Employment Agreement dated as of March 22, 2011 between Ventas, Inc. and Debra A. Cafaro.         | Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K, filed on March 24, 2011.  |
| 10.22.1*       | Employment Agreement dated as of July 31, 1998 between Ventas, Inc. and T. Richard Riney.                                     | Incorporated by reference to Exhibit 10.15.2.1 to our Annual Report on Form 10-K for the year ended December 31, 2002.   |
| 10.22.2*       | Amendment dated as of September 30, 1999 to Employment Agreement between Ventas, Inc. and T. Richard Riney.                   | Incorporated by reference to Exhibit 10.15.2.2 to our Annual Report on Form 10-K for the year ended December 31, 2002.   |
| 10.22.3*       | Amendment dated as of March 19, 2007 to Employment Agreement between Ventas, Inc. and T. Richard Riney.                       | Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K, filed on March 23, 2007.  |



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| <b>Exhibit<br/>Number</b> | <b>Description of Document</b>  | <b>Location of Document</b>  |
|---------------------------|---|--|
| 10.22.4*                  | Amendment dated as of December 31, 2008 to Employment Agreement between Ventas, Inc. and T. Richard Riney.                            | Incorporated by reference to Exhibit 10.15.4 to our Annual Report on Form 10-K for the year ended December 31, 2008.     |
| 10.22.5*                  | Amended and Restated Change-in-Control Severance Agreement dated as of March 22, 2011 between Ventas, Inc. and T. Richard Riney.      | Incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K, filed on March 24, 2011.                    |
| 10.23.1*                  | Amended and Restated Employment Agreement dated as of December 31, 2004 between Ventas, Inc. and Richard A. Schweinhart.              | Incorporated by reference to Exhibit 10.4 to our Current Report on Form 8-K filed on January 6, 2005.                    |
| 10.23.2*                  | Amendment dated as of March 19, 2007 to Amended and Restated Employment Agreement between Ventas, Inc. and Richard A. Schweinhart.    | Incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K, filed on March 23, 2007.                    |
| 10.23.3*                  | Amendment dated as of December 31, 2008 to Amended and Restated Employment Agreement between Ventas, Inc. and Richard A. Schweinhart. | Incorporated by reference to Exhibit 10.16.3 to our Annual Report on Form 10-K for the year ended December 31, 2008.     |
| 10.24.1*                  | Employment Agreement dated as of September 18, 2002 between Ventas, Inc. and Raymond J. Lewis.  | Incorporated by reference to Exhibit 10.3 to our Quarterly Report on Form 10-Q for the quarter ended September 30, 2002. |
| 10.24.2*                  | Amendment dated as of March 19, 2007 to Employment Agreement between Ventas, Inc. and Raymond J. Lewis.                               | Incorporated by reference to Exhibit 10.3 to our Current Report on Form 8-K, filed on March 23, 2007.                    |
| 10.24.3*                  | Amendment dated as of December 31, 2008 to Employment Agreement between Ventas, Inc. and Raymond J. Lewis.                            | Incorporated by reference to Exhibit 10.17.3 to our Annual Report on Form 10-K for the year ended December 31, 2008.     |
| 10.25*                    | Employment Agreement dated as of June 22, 2010 between Ventas, Inc. and Todd W. Lillibridge.  | Incorporated by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q for the quarter ended June 30, 2010.      |
| 10.26*                    | Letter Agreement dated as of June 30, 2011 between Ventas, Inc. and Douglas M. Pasquale.  | Incorporated by reference to Exhibit 10.3 to our Current Report on Form 8-K, filed on July 11, 2011.                     |
| 10.27*                    | Ventas Employee and Director Stock Purchase Plan, as amended.   | Incorporated by reference to Exhibit 10.18 to our Annual Report on Form 10-K for the year ended December 31, 2008.       |
| 10.28                     | First Amended and Restated Agreement of Limited Partnership of Ventas Realty, Limited Partnership.                                    | Incorporated by reference to Exhibit 3.5 to our Registration Statement on Form S-4, as amended, File No. 333-89312.      |
| 12                        | Statement Regarding Computation of Ratios of Earnings to Combined Fixed Charges and Preferred Stock Dividends.                        | Filed herewith.  |

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| <b>Exhibit Number</b> | <b>Description of Document</b>   | <b>Location of Document</b> |
|-----------------------|--|-----------------------------|
| 21                    | Subsidiaries of Ventas, Inc.   | Filed herewith.             |
| 23                    | Consent of Ernst & Young LLP.  | Filed herewith.             |
| 31.1                  | Certification of Debra A. Cafaro, Chairman and Chief Executive Officer, pursuant to Rule 13a-14(a) under the Exchange Act.   | Filed herewith.             |
| 31.2                  | Certification of Richard A. Schweinhart, Executive Vice President and Chief Financial Officer, pursuant to Rule 13a-14(a) under the Exchange Act.                    | Filed herewith.             |
| 32.1                  | Certification of Debra A. Cafaro, Chairman and Chief Executive Officer, pursuant to Rule 13a-14(b) under the Exchange Act and 18 U.S.C. 1350.                        | Filed herewith.             |
| 32.2                  | Certification of Richard A. Schweinhart, Executive Vice President and Chief Financial Officer, pursuant to Rule 13a-14(b) under the Exchange Act and 18 U.S.C. 1350. | Filed herewith.             |
| 101                   | Interactive Data File.   | Filed herewith.             |

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\*

Management contract or compensatory plan or arrangement required to be filed as an exhibit pursuant to Item 15(c) of Form 10-K.

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**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: February 22, 2012

VENTAS, INC.

By:

/s/ DEBRA A. CAFARO

Debra A. Cafaro

*Chairman and Chief Executive Officer*

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

| Signature   | Title  | Date              |
|---|--|-------------------|
| <u>/s/ DEBRA A. CAFARO</u><br>Debra A. Cafaro               | Chairman and Chief Executive Officer (Principal Executive Officer)                 | February 22, 2012 |
| <u>/s/ RICHARD A. SCHWEINHART</u><br>Richard A. Schweinhart | Executive Vice President and Chief Financial Officer (Principal Financial Officer) | February 22, 2012 |
| <u>/s/ ROBERT J. BREHL</u><br>Robert J. Brehl               | Chief Accounting Officer and Controller (Principal Accounting Officer)             | February 22, 2012 |
| <u>/s/ DOUGLAS CROCKER II</u><br>Douglas Crocker II         | Director   | February 22, 2012 |
| <u>/s/ RONALD G. GEARY</u><br>Ronald G. Geary               | Director   | February 22, 2012 |
| <u>/s/ JAY M. GELLERT</u><br>Jay M. Gellert                 | Director   | February 22, 2012 |
| <u>/s/ RICHARD I. GILCHRIST</u><br>Richard I. Gilchrist     | Director   | February 22, 2012 |

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| Signature   | Title    | Date              |
|---|----------|-------------------|
| <u>/s/ MATTHEW J. LUSTIG</u><br>Matthew J. Lustig     | Director | February 22, 2012 |
| <u>/s/ DOUGLAS M. PASQUALE</u><br>Douglas M. Pasquale | Director | February 22, 2012 |
| <u>/s/ ROBERT D. PAULSON</u><br>Robert D. Paulson     | Director | February 22, 2012 |
| <u>/s/ ROBERT D. REED</u><br>Robert D. Reed           | Director | February 22, 2012 |
| <u>/s/ SHELI Z. ROSENBERG</u><br>Sheli Z. Rosenberg   | Director | February 22, 2012 |
| <u>/s/ GLENN J. RUFRANO</u><br>Glenn J. Rufrano       | Director | February 22, 2012 |
| <u>/s/ JAMES D. SHELTON</u><br>James D. Shelton       | Director | February 22, 2012 |
| <u>/s/ THOMAS C. THEOBALD</u><br>Thomas C. Theobald   | Director | February 22, 2012 |

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**EXHIBIT INDEX**

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| 2.2                   | Merger Agreement dated as of February 27, 2011 by and among Ventas, Inc., Needles Acquisition LLC and Nationwide Health Properties, Inc.  | Incorporated by reference to Exhibit 2.1 to our Current Report on Form 8-K, filed on February 28, 2011.  |
| 2.3.1                 | Merger Agreement dated as of October 21, 2010 by and among Ventas, Inc., Ventas SL I, LLC, Ventas SL II, LLC, Ventas SL III, LLC, Atria Holdings LLC, Lazard Senior Housing Partners LP, LSHP Coinvestment Partnership I LP, Atria Senior Living Group, Inc., One Lantern Senior Living Inc and LSHP Coinvestment I Inc.                      | Incorporated by reference to Exhibit 2.1 to our Current Report on Form 8-K, filed on October 27, 2010.   |
| 2.3.2                 | Amendment No. 1 to the Merger Agreement, dated as of May 12, 2011, by and among Ventas, Inc., Ventas SL I, LLC, Ventas SL II, LLC, Ventas SL III, LLC, Atria Holdings LLC, Lazard Senior Housing Partners LP, LSHP Coinvestment Partnership I LP, Atria Senior Living Group, Inc., One Lantern Senior Living Inc and LSHP Coinvestment I Inc. | Incorporated by reference to Exhibit 2.1 to our Current Report on Form 8-K, filed on May 18, 2011.   |
| 3.1                   | Amended and Restated Certificate of Incorporation, as amended, of Ventas, Inc.  | Incorporated by reference to Exhibit 3.1 to our Quarterly Report on Form 10-Q for the quarter ended June 30, 2011.                               |
| 3.2                   | Fourth Amended and Restated Bylaws, as amended, of Ventas, Inc.   | Incorporated by reference to Exhibit 3.2 to our Quarterly Report on Form 10-Q for the quarter ended June 30, 2011.                               |
| 4.1                   | Specimen common stock certificate.  | Incorporated by reference to Exhibit 4.1 to our Annual Report on Form 10-K for the year ended December 31, 1998.                                 |
| 4.2                   | Ventas, Inc. Distribution Reinvestment and Stock Purchase Plan.   | Incorporated by reference to the Prospectus included in our Registration Statement on Form S-3, filed on November 25, 2011, File No. 333-178185. |

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| <b>Exhibit<br/>Number</b> | <b>Description of Document</b>  | <b>Location of Document</b>   |
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| 4.3                       | Certain instruments with respect to long-term debt of Ventas, Inc. and its consolidated subsidiaries are not filed herewith pursuant to Item 601(b)(4)(iii) of Regulation S-K, since the total amount of securities authorized under each such instrument does not exceed 10% of the total assets of Ventas, Inc. and its subsidiaries on a consolidated basis. Ventas, Inc. agrees to furnish a copy of any such instrument to the SEC upon request. |   |
| 10.1.1                    | Second Amended and Restated Master Lease Agreement No. 1 dated as of April 27, 2007 for lease executed by Ventas Realty, Limited Partnership, as Lessor, and Kindred Healthcare, Inc. and Kindred Healthcare Operating, Inc., as Tenant.  | Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K, filed on May 3, 2007.  |
| 10.1.2                    | Second Amended and Restated Master Lease Agreement No. 2 dated as of April 27, 2007 for lease executed by Ventas Realty, Limited Partnership, as Lessor, and Kindred Healthcare, Inc. and Kindred Healthcare Operating, Inc., as Tenant.  | Incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K, filed on May 3, 2007.  |
| 10.1.3                    | Second Amended and Restated Master Lease Agreement No. 3 dated as of April 27, 2007 for lease executed by Ventas Realty, Limited Partnership, as Lessor, and Kindred Healthcare, Inc. and Kindred Healthcare Operating, Inc., as Tenant.  | Incorporated by reference to Exhibit 10.3 to our Current Report on Form 8-K, filed on May 3, 2007.  |
| 10.1.4                    | Second Amended and Restated Master Lease Agreement No. 4 dated as of April 27, 2007 for lease executed by Ventas Realty, Limited Partnership, as Lessor, and Kindred Healthcare, Inc. and Kindred Healthcare Operating, Inc., as Tenant.  | Incorporated by reference to Exhibit 10.4 to our Current Report on Form 8-K, filed on May 3, 2007.  |
| 10.2.1                    | Form of Property Lease Agreement with respect to the Brookdale properties.  | Incorporated by reference to Exhibit 10.13 to Amendment No. 2 to Provident Senior Living Trust's Registration Statement on Form S-11, filed on January 18, 2005, File No. 333-120206. |
| 10.2.2                    | Form of Lease Guaranty with respect to the Brookdale properties.  | Incorporated by reference to Exhibit 10.16 to Amendment No. 2 to Provident Senior Living Trust's Registration Statement on Form S-11, filed on January 18, 2005, File No. 333-120206. |

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| Exhibit Number | Description of Document  | Location of Document  |
|----------------|--|---|
| 10.2.3         | Schedule of Agreements Substantially Identical in All Material Respects to the agreements incorporated by reference as Exhibits 10.2.1 and 10.2.2 to this Annual Report on Form 10-K, pursuant to Instruction 2 to Item 601 of Regulation S-K. | Incorporated by reference to Exhibit 10.3 to our Quarterly Report on Form 10-Q for the quarter ended September 30, 2005.  |
| 10.2.4.1       | Agreement Regarding Leases dated as of October 19, 2004 by and between Brookdale Provident Properties LLC and PSLT-BLC Properties Holdings, LLC.   | Incorporated by reference to Exhibit 10.14 to Amendment No. 2 to Provident Senior Living Trust's Registration Statement on Form S-11, filed on January 18, 2005, File No. 333-120206. |
| 10.2.4.2       | Letter Agreement dated March 28, 2005 by and among Brookdale Provident Properties LLC, PSLT-BLC Properties Holdings, LLC and Ventas Provident, LLC (successor to Provident Senior Living Trust).   | Incorporated by reference to Exhibit 10.19 to Amendment No. 4 to Provident Senior Living Trust's Registration Statement on Form S-11, filed on April 11, 2005, File No. 333-120206.   |
| 10.2.4.3       | Letter Agreement dated April 4, 2008 by and between Brookdale Provident Properties LLC and PSLT-BLC Properties Holdings, LLC.  | Incorporated by reference to Exhibit 10.2.4.3 to our Annual Report on Form 10-K for the year ended December 31, 2009.   |
| 10.2.4.4       | First Amendment to Agreement Regarding Leases dated as of February 11, 2009 by and between PSLT-BLC Properties Holdings, LLC, Brookdale Provident Properties LLC, Brookdale Provident Management LLC and Ventas Provident, LLC.                | Incorporated by reference to Exhibit 10.2.4.3 to our Annual Report on Form 10-K for the year ended December 31, 2008.   |
| 10.2.4.5       | Second Amendment to Agreement Regarding Leases dated as of March 2, 2009 by and between PSLT-BLC Properties Holdings, LLC and Brookdale Provident Properties LLC, et al.   | Incorporated by reference to Exhibit 10.2.4.5 to our Annual Report on Form 10-K for the year ended December 31, 2009.   |
| 10.2.4.6       | Third Amendment to Agreement Regarding Leases dated as of November 6, 2009 by and between PSLT-BLC Properties Holdings, LLC and Brookdale Provident Properties LLC, et al.   | Incorporated by reference to Exhibit 10.2.4.6 to our Annual Report on Form 10-K for the year ended December 31, 2009.   |
| 10.2.4.7       | Guaranty of Agreement Regarding Leases dated as of October 19, 2004 by Brookdale Living Communities, Inc. in favor of PSLT-BLC Properties Holdings, LLC.   | Incorporated by reference to Exhibit 10.15 to Amendment No. 2 to Provident Senior Living Trust's Registration Statement on Form S-11, filed on January 18, 2005, File No. 333-120206. |

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| Exhibit Number | Description of Document  | Location of Document   |
|----------------|--|--|
| 10.2.5         | Guaranty dated as of February 11, 2009 by Brookdale Senior Living Inc., for the benefit of the landlords with respect to the Brookdale and Alterra properties, PSLT-BLC Properties Holdings, LLC and PSLT-ALS Properties Holdings, LLC.  | Incorporated by reference to Exhibit 10.2.9 to our Annual Report on Form 10-K for the year ended December 31, 2009.                  |
| 10.3           | Letter Agreement dated as of January 14, 2007 between Ventas, Inc. and Sunrise Senior Living, Inc.   | Incorporated by reference to Exhibit 10.4 to our Annual Report on Form 10-K for the year ended December 31, 2006.                    |
| 10.4           | Loan Agreement dated May 17, 2011 by and between Ventas Realty, Limited Partnership and Nationwide Health Properties, LLC (as successor to Nationwide Health Properties, Inc.).  | Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K, filed on May 20, 2011.                                  |
| 10.5.1         | Term Loan Agreement dated as of June 3, 2011 among Nationwide Health Properties, LLC (as successor to Nationwide Health Properties, Inc.), the Lenders party thereto and JPMorgan Chase Bank, N.A., as Administrative Agent.   | Incorporated by reference to Exhibit 10.1 to Nationwide Health Properties, Inc.'s Current Report on Form 8-K, filed on June 6, 2011. |
| 10.5.2         | Guaranty Agreement dated as of July 1, 2011 among Ventas, Inc., as Guarantor, and JPMorgan Chase Bank, N.A., as Administrative Agent.  | Incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K, filed on July 11, 2011.                                 |
| 10.6           | Credit and Guaranty Agreement dated as of October 18, 2011 among Ventas Realty, Limited Partnership, Ventas SSL Ontario II, Inc. and Ventas SSL Ontario III, Inc., as Borrowers, Ventas, Inc., as Guarantor, the Lenders identified therein, and Bank of America, N.A., as Administrative Agent, Swing Line Lender, L/C Issuer and Alternative Currency Fronting Lender. | Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K, filed on October 24, 2011.                              |
| 10.7           | Registration Rights Agreement dated as of December 1, 2006 by and among Ventas, Inc. and Banc of America Securities LLC, J.P. Morgan Securities Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as Initial Purchasers.  | Incorporated by reference to Exhibit 4.2 to our Current Report on Form 8-K, filed on December 6, 2006.                               |
| 10.8           | Registration Rights Agreement dated as of May 12, 2011 by and among Ventas, Inc., Prometheus Senior Quarters LLC, Lazard Senior Housing Partners LP and LSHP Coinvestment Partnership I LP.  | Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K, filed on May 18, 2011.                                  |



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| Exhibit Number | Description of Document  | Location of Document   |
|----------------|--|--|
| 10.9           | Lockup Agreement dated as of May 12, 2011 by and among Ventas, Inc., Prometheus Senior Quarters LLC, Lazard Senior Housing Partners LP and LSHP Coinvestment Partnership I LP.                 | Incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K, filed on May 18, 2011.                  |
| 10.10          | Ownership Limit Waiver Agreement dated as of May 12, 2011 by and among Ventas, Inc., Prometheus Senior Quarters LLC, Lazard Senior Housing Partners LP and LSHP Coinvestment Partnership I LP. | Incorporated by reference to Exhibit 10.3 to our Current Report on Form 8-K, filed on May 18, 2011.                  |
| 10.11          | Director Appointment Letter dated as of May 12, 2011 by Ventas, Inc.   | Incorporated by reference to Exhibit 10.4 to our Current Report on Form 8-K, filed on May 18, 2011.                  |
| 10.12*         | Ventas, Inc. 2000 Incentive Compensation Plan, as amended.   | Incorporated by reference to Exhibit 10.14.1 to our Annual Report on Form 10-K for the year ended December 31, 2004. |
| 10.13*         | Ventas, Inc. 2004 Stock Plan for Directors, as amended.  | Incorporated by reference to Exhibit 10.16.1 to our Annual Report on Form 10-K for the year ended December 31, 2004. |
| 10.14.1*       | Ventas, Inc. 2006 Incentive Plan, as amended.  | Incorporated by reference to Exhibit 10.10.1 to our Annual Report on Form 10-K for the year ended December 31, 2008. |
| 10.14.2*       | Form of Stock Option Agreement 2006 Incentive Plan.  | Incorporated by reference to Exhibit 10.15.2 to our Annual Report on Form 10-K for the year ended December 31, 2006. |
| 10.14.3*       | Form of Restricted Stock Agreement 2006 Incentive Plan.  | Incorporated by reference to Exhibit 10.15.3 to our Annual Report on Form 10-K for the year ended December 31, 2006. |
| 10.15.1*       | Ventas, Inc. 2006 Stock Plan for Directors, as amended.  | Incorporated by reference to Exhibit 10.11.1 to our Annual Report on Form 10-K for the year ended December 31, 2008. |
| 10.15.2*       | Form of Stock Option Agreement 2006 Stock Plan for Directors.  | Incorporated by reference to Exhibit 10.11.2 to our Annual Report on Form 10-K for the year ended December 31, 2008. |
| 10.15.3*       | Form of Restricted Stock Agreement 2006 Stock Plan for Directors.  | Incorporated by reference to Exhibit 10.11.3 to our Annual Report on Form 10-K for the year ended December 31, 2008. |
| 10.15.4*       | Form of Restricted Stock Unit Agreement 2006 Stock Plan for Directors.   | Incorporated by reference to Exhibit 10.11.4 to our Annual Report on Form 10-K for the year ended December 31, 2008. |
| 10.16.1*       | Ventas Executive Deferred Stock Compensation Plan, as amended.   | Incorporated by reference to Exhibit 10.12.1 to our Annual Report on Form 10-K for the year ended December 31, 2008. |

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| Exhibit Number | Description of Document   | Location of Document   |
|----------------|---|--|
| 10.16.2*       | Deferral Election Form under the Ventas Executive Deferred Stock Compensation Plan.   | Incorporated by reference to Exhibit 10.12.2 to our Annual Report on Form 10-K for the year ended December 31, 2008.   |
| 10.17.1*       | Ventas Nonemployee Directors' Deferred Stock Compensation Plan, as amended.   | Incorporated by reference to Exhibit 10.13.1 to our Annual Report on Form 10-K for the year ended December 31, 2008.   |
| 10.17.2*       | Deferral Election Form under the Ventas Nonemployee Directors' Deferred Stock Compensation Plan.                              | Incorporated by reference to Exhibit 10.13.2 to our Annual Report on Form 10-K for the year ended December 31, 2008.   |
| 10.18.1*       | Nationwide Health Properties, Inc. 2005 Performance Incentive Plan.   | Incorporated by reference to Appendix B to Nationwide Health Properties, Inc. definitive Proxy Statement for the 2005 Annual Meeting, filed on March 24, 2005. |
| 10.18.2*       | First Amendment to the Nationwide Health Properties, Inc. 2005 Performance Incentive Plan, dated October 28, 2008.            | Incorporated by reference to Exhibit 10.1 to Nationwide Health Properties, Inc.'s Current Report on Form 8-K, filed on November 3, 2008.                       |
| 10.19.1*       | Nationwide Health Properties, Inc. Retirement Plan for Directors, as amended and restated on April 20, 2006.                  | Incorporated by reference to Exhibit 10.1 to Nationwide Health Properties, Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2006.          |
| 10.19.2*       | Amendment to the Nationwide Health Properties, Inc. Retirement Plan for Directors, as amended and restated on April 20, 2006. | Incorporated by reference to Exhibit 10.9 to Nationwide Health Properties, Inc.'s Current Report on Form 8-K, filed on November 3, 2008.                       |
| 10.20*         | Amended and Restated Deferred Compensation Plan of Nationwide Health Properties, Inc. dated October 28, 2008.                 | Incorporated by reference to Exhibit 10.6 to Nationwide Health Properties, Inc.'s Current Report on Form 8-K, filed on November 3, 2008.                       |
| 10.21*         | Second Amended and Restated Employment Agreement dated as of March 22, 2011 between Ventas, Inc. and Debra A. Cafaro.         | Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K, filed on March 24, 2011.  |
| 10.22.1*       | Employment Agreement dated as of July 31, 1998 between Ventas, Inc. and T. Richard Riney.                                     | Incorporated by reference to Exhibit 10.15.2.1 to our Annual Report on Form 10-K for the year ended December 31, 2002.   |
| 10.22.2*       | Amendment dated as of September 30, 1999 to Employment Agreement between Ventas, Inc. and T. Richard Riney.                   | Incorporated by reference to Exhibit 10.15.2.2 to our Annual Report on Form 10-K for the year ended December 31, 2002.   |
| 10.22.3*       | Amendment dated as of March 19, 2007 to Employment Agreement between Ventas, Inc. and T. Richard Riney.                       | Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K, filed on March 23, 2007.  |

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| Exhibit Number | Description of Document   | Location of Document   |
|----------------|---|--|
| 10.22.4*       | Amendment dated as of December 31, 2008 to Employment Agreement between Ventas, Inc. and T. Richard Riney.                            | Incorporated by reference to Exhibit 10.15.4 to our Annual Report on Form 10-K for the year ended December 31, 2008.     |
| 10.22.5*       | Amended and Restated Change-in-Control Severance Agreement dated as of March 22, 2011 between Ventas, Inc. and T. Richard Riney.      | Incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K, filed on March 24, 2011.                    |
| 10.23.1*       | Amended and Restated Employment Agreement dated as of December 31, 2004 between Ventas, Inc. and Richard A. Schweinhart.              | Incorporated by reference to Exhibit 10.4 to our Current Report on Form 8-K filed on January 6, 2005.                    |
| 10.23.2*       | Amendment dated as of March 19, 2007 to Amended and Restated Employment Agreement between Ventas, Inc. and Richard A. Schweinhart.    | Incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K, filed on March 23, 2007.                    |
| 10.23.3*       | Amendment dated as of December 31, 2008 to Amended and Restated Employment Agreement between Ventas, Inc. and Richard A. Schweinhart. | Incorporated by reference to Exhibit 10.16.3 to our Annual Report on Form 10-K for the year ended December 31, 2008.     |
| 10.24.1*       | Employment Agreement dated as of September 18, 2002 between Ventas, Inc. and Raymond J. Lewis.  | Incorporated by reference to Exhibit 10.3 to our Quarterly Report on Form 10-Q for the quarter ended September 30, 2002. |
| 10.24.2*       | Amendment dated as of March 19, 2007 to Employment Agreement between Ventas, Inc. and Raymond J. Lewis.                               | Incorporated by reference to Exhibit 10.3 to our Current Report on Form 8-K, filed on March 23, 2007.                    |
| 10.24.3*       | Amendment dated as of December 31, 2008 to Employment Agreement between Ventas, Inc. and Raymond J. Lewis.                            | Incorporated by reference to Exhibit 10.17.3 to our Annual Report on Form 10-K for the year ended December 31, 2008.     |
| 10.25*         | Employment Agreement dated as of June 22, 2010 between Ventas, Inc. and Todd W. Lillibridge.  | Incorporated by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q for the quarter ended June 30, 2010.      |
| 10.26*         | Letter Agreement dated as of June 30, 2011 between Ventas, Inc. and Douglas M. Pasquale.  | Incorporated by reference to Exhibit 10.3 to our Current Report on Form 8-K, filed on July 11, 2011.                     |
| 10.27*         | Ventas Employee and Director Stock Purchase Plan, as amended.   | Incorporated by reference to Exhibit 10.18 to our Annual Report on Form 10-K for the year ended December 31, 2008.       |
| 10.28          | First Amended and Restated Agreement of Limited Partnership of Ventas Realty, Limited Partnership.                                    | Incorporated by reference to Exhibit 3.5 to our Registration Statement on Form S-4, as amended, File No. 333-89312.      |
| 12             | Statement Regarding Computation of Ratios of Earnings to Combined Fixed Charges and Preferred Stock Dividends.                        | Filed herewith.  |

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| <b>Exhibit Number</b> | <b>Description of Document</b>   | <b>Location of Document</b> |
|-----------------------|--|-----------------------------|
| 21                    | Subsidiaries of Ventas, Inc.   | Filed herewith.             |
| 23                    | Consent of Ernst & Young LLP.  | Filed herewith.             |
| 31.1                  | Certification of Debra A. Cafaro, Chairman and Chief Executive Officer, pursuant to Rule 13a-14(a) under the Exchange Act.   | Filed herewith.             |
| 31.2                  | Certification of Richard A. Schweinhart, Executive Vice President and Chief Financial Officer, pursuant to Rule 13a-14(a) under the Exchange Act.                    | Filed herewith.             |
| 32.1                  | Certification of Debra A. Cafaro, Chairman and Chief Executive Officer, pursuant to Rule 13a-14(b) under the Exchange Act and 18 U.S.C. 1350.                        | Filed herewith.             |
| 32.2                  | Certification of Richard A. Schweinhart, Executive Vice President and Chief Financial Officer, pursuant to Rule 13a-14(b) under the Exchange Act and 18 U.S.C. 1350. | Filed herewith.             |
| 101                   | Interactive Data File.   | Filed herewith.             |

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Management contract or compensatory plan or arrangement required to be filed as an exhibit pursuant to Item 15(c) of Form 10-K.