VENTAS INC
Form 10-K/A
September 04, 2014

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

FORM 10-K/A
(Amendment No. 1)
(Mark One)

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

For the fiscal year ended December 31, 2013
OR

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

For the transition period from to
Commission File Number 1-10989

VENTAS, INC.
(Exact Name of Registrant as Specified in Its Charter)

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

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

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

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

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x No ¨
Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No x
Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨
Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files). Yes x No ¨
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment of this Form 10-K. x
Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

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

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

The aggregate market value of shares of the Registrant’s common stock held by non-affiliates of the Registrant, computed by reference to the closing price of the common stock as reported on the New York Stock Exchange as of June 28, 2013, was $20.3 billion. For purposes of the foregoing calculation only, all directors, executive officers and 10% beneficial owners of the Registrant have been deemed affiliates.

As of August 29, 2014, 294,335,008 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 held on May 15, 2014 are incorporated by reference into Part III, Items 10 through 14 of this Annual Report on Form 10-K.

Explanatory Note

This Amendment No. 1 to Ventas, Inc.'s (the "Company's") Annual Report on Form 10-K (the "Amendment") for the year ended December 31, 2013, as filed with the Securities and Exchange Commission (the "SEC") on February 18, 2014 (the "Original Filing"), is being filed to amend Part II, Items 8 and 9A, Part III, Item 14 and Part IV, Item 15 of the Original Filing following the re-audit of the Company's consolidated financial statements for the fiscal years ended December 31, 2013 and 2012 and the related financial statement schedule and the effectiveness of the Company's internal control over financial reporting as of December 31, 2013 under Section 404 of the Sarbanes-Oxley Act of 2002, as amended (collectively, the "Re-audit"), by its current independent registered public accounting firm, KPMG LLP ("KPMG"). The Re-audit by KPMG did not result in any adjustments or changes to the Company's consolidated financial statements or related notes for the fiscal years ended December 31, 2013 and 2012 or the related financial statement schedule.

Part II, Item 8 of the Original Filing has been amended solely to include KPMG's audit report on the Company's consolidated financial statements for the fiscal years ended December 31, 2013 and 2012 and the related financial statement schedule and KPMG's audit report on the effectiveness of the Company's internal control over financial reporting as of December 31, 2013, which replace the corresponding reports of Ernst & Young LLP ("EY") in the Original Filing that were withdrawn due solely to EY's determination subsequent to the date of the Original Filing that it was not independent of the Company for the referenced periods. Part II, Item 9A of the Original Filing has been amended solely to disclose under "Management Report on Internal Control over Financial Reporting" and "Report of Independent Registered Public Accounting Firm on Internal Control over Financial Reporting" that KPMG, not EY, audited the effectiveness of the Company's internal control over financial reporting as of December 31, 2013 and issued a report thereon, which is included in this Amendment. Part III, Item 14 of the Original Filing has been amended to include disclosure regarding KPMG's fees for completing the Re-Audit. Part IV, Item 15 of the Original Filing has been amended to include new certifications, as reflected in Exhibits 31.1, 31.2, 32.1, and 32.2, a consent from the Company's current independent registered public accounting firm, KPMG, as reflected in Exhibit 23.1, and a new consent from the Company's predecessor independent registered public accounting firm, EY, as reflected in Exhibit 23.2. No other changes have been made to the Original Filing.

This Amendment does not reflect events or transactions occurring after the date of the Original Filing or modify or update those disclosures that may have been affected by events or transactions occurring subsequent to such filing date, and, except as described above, all information and exhibits included in the Original Filing remain unchanged.

Background

As previously disclosed, on July 3, 2014, after the close of business, EY notified the Company that, in each case, due solely to a determination that EY was not independent of the Company for the referenced periods: (i) it was withdrawing its audit reports on the Company's financial statements for the fiscal years ended December 31, 2012 and 2013 and its reports on the effectiveness of the Company's internal control over financial reporting as of December 31, 2012 and 2013, and that such reports should no longer be relied upon, and (ii) its quarterly review procedures with respect to the Company's financial statements for the quarterly period ended March 31, 2014 should no longer be relied upon. EY stated that it had concluded it was not independent of the Company due solely to an inappropriate personal relationship between an EY partner, who, until June 30, 2014, was the EY lead audit partner on the Company's 2014 audit and quarterly review and was previously an audit engagement partner on the Company's 2013 and 2012 audits, and an individual in a financial reporting oversight role at the Company. EY did not bring any other matters to the Company's attention that would affect the Company's financial statements or internal control over financial reporting, and the Company continues to believe that the Company's financial statements covering the referenced periods present fairly, in all material respects, the financial condition, results of operations and cash flows of the Company as of the end of and for the referenced periods and that the Company's internal control over financial reporting was effective during these periods.

On July 5, 2014, the Company terminated EY as the Company's registered public accounting firm, effective immediately, due to EY's determination that it was not independent of the Company with respect to the above referenced periods, and not for any reason related to the Company's financial reporting or accounting operations, policies or practices.

Effective on July 9, 2014, the Company’s Audit Committee engaged KPMG as the Company’s new independent registered public accounting firm: (i) to perform independent audit services for the fiscal year ending December 31, 2014, (ii) to re-audit the Company’s financial statements for the fiscal years ended December 31, 2012 and 2013 and the effectiveness of the Company’s internal control over financial reporting as of December 31, 2013 and (iii) to perform quarterly review procedures for the Company’s Quarterly Reports on Form 10-Q filed in 2014.

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PART II

ITEM 8. Financial Statements and Supplementary Data

Ventas, Inc.

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MANAGEMENT REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of Ventas, Inc. (the "Company") is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rule 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended. Management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the Company's internal control over financial reporting based on the original framework (1992 framework) established in a report entitled Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this evaluation, management has determined that the Company's internal control over financial reporting as of December 31, 2013 was effective.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2013 has been audited by KPMG LLP, an independent registered public accounting firm, as stated in their report included herein.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Stockholders and Board of Directors
Ventas, Inc.:

We have audited the accompanying consolidated balance sheets of Ventas, Inc. and subsidiaries (the Company) as of December 31, 2013 and 2012, and the related consolidated statements of income, comprehensive income, equity, and cash flows for the years ended December 31, 2013 and 2012, respectively. In connection with our audits of the consolidated financial statements, we also have audited the 2013 and 2012 information in financial statement Schedule III. These consolidated financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Ventas, Inc. and subsidiaries as of December 31, 2013 and 2012, and the results of their operations and their cash flows for the years ended December 31, 2013 and 2012, respectively, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the financial statement Schedule III when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the 2013 and 2012 information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2013, based on criteria established in Internal Control - Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated September 4, 2014 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ KPMG LLP
Chicago, Illinois
September 4, 2014

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM
Stockholders and Board of Directors
Ventas, Inc.

We have audited the accompanying consolidated statements of income, comprehensive income, equity, and cash flows of Ventas, Inc. for the year ended December 31, 2011. Our audit also included the 2011 information in financial statement Schedule III. These financial statements and financial statement schedule are the responsibility of Ventas, Inc.'s management. Our responsibility is to express an opinion on these financial statements and financial statement schedule 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 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated results of operations and cash flows of Ventas, Inc. for the year 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 2011 information set forth therein.

/s/ Ernst & Young LLP
Chicago, Illinois
September 2, 2014

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM
Stockholders and Board of Directors
Ventas, Inc.:
We have audited Ventas, Inc. and subsidiaries' (the Company) internal control over financial reporting as of December 31, 2013, based on criteria established in Internal Control - Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company'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, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included 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.
In our opinion, Ventas, Inc. and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on criteria established in Internal Control - Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).
We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of the Company as of December 31, 2013 and 2012, and the related consolidated statements of income, comprehensive income, equity, and cash flows for the years ended December 31, 2013 and 2012, respectively, and our report dated September 4, 2014 expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP
Chicago, Illinois
September 4, 2014

VENTAS, INC.
CONSOLIDATED BALANCE SHEETS
As of December 31, 2013 and 2012
(In thousands, except per share amounts)

	2013	2012
	(In thousands, except per share amounts)	
Assets		
Real estate investments:		
Land and improvements	$1,855,968	$1,772,417
Buildings and improvements	18,457,028	16,920,821
Construction in progress	80,415	70,665
Acquired lease intangibles	1,010,181	981,704
	21,403,592	19,745,607
Accumulated depreciation and amortization	(3,328,006)	(2,634,075)
Net real estate property	18,075,586	17,111,532
Secured loans receivable and investments, net	376,229	635,002
Investments in unconsolidated entities	91,656	95,409
Net real estate investments	18,543,471	17,841,943
Cash and cash equivalents	94,816	67,908
Escrow deposits and restricted cash	84,657	105,913
Deferred financing costs, net	62,215	42,551
Other assets	946,335	921,685
Total assets	$19,731,494	$18,980,000
Liabilities and equity		
Liabilities:		
Senior notes payable and other debt	$9,364,992	$8,413,646
Accrued interest	54,349	47,565
Accounts payable and other liabilities	1,001,515	995,156
Deferred income taxes	250,167	259,715
Total liabilities	10,671,023	9,716,082
Redeemable OP unitholder and noncontrolling interests	156,660	174,555
Commitments and contingencies		
Equity:		
Ventas stockholders' equity:		
Preferred stock, $1.00 par value; 10,000 shares authorized, unissued	—	—
Common stock, $0.25 par value; 600,000 shares authorized, 297,901 and 295,565 shares issued at December 31, 2013 and 2012, respectively	74,488	73,904
Capital in excess of par value	10,078,592	9,920,962
Accumulated other comprehensive income	19,659	23,354
Retained earnings (deficit)	(1,126,541)	(777,927)
Treasury stock, 3,712 and 3,699 shares at December 31, 2013 and 2012, respectively	(221,917)	(221,165)
Total Ventas stockholders' equity	8,824,281	9,019,128
Noncontrolling interest	79,530	70,235
Total equity	8,903,811	9,089,363
Total liabilities and equity	$19,731,494	$18,980,000

See accompanying notes.

VENTAS, INC.
CONSOLIDATED STATEMENTS OF INCOME
For the Years Ended December 31, 2013, 2012 and 2011

	2013	2012	2011
	(In thousands, except per share amounts)		
Revenues:			
Rental income:			
Triple-net leased	$875,877	$818,000	$627,723
Medical office buildings	450,107	360,849	166,079
	1,325,984	1,178,849	793,802
Resident fees and services	1,406,005	1,227,124	865,800
Medical office building and other services revenue	17,809	20,741	36,471
Income from loans and investments	58,208	39,913	34,415
Interest and other income	2,047	1,106	1,216
Total revenues	2,810,053	2,467,733	1,731,704
Expenses:			
Interest	334,484	288,276	223,804
Depreciation and amortization	721,959	714,505	444,193
Property-level operating expenses:			
Senior living	956,684	841,022	588,095
Medical office buildings	152,948	125,400	56,987
	1,109,632	966,422	645,082
Medical office building services costs	8,315	9,883	27,082
General, administrative and professional fees	115,106	98,510	74,537
Loss on extinguishment of debt, net	1,201	37,640	27,604
Litigation proceeds, net	—	—	(202,259)
Merger-related expenses and deal costs	21,634	63,183	153,923
Other	18,732	6,940	7,270
Total expenses	2,331,063	2,185,359	1,401,236
Income before (loss) income from unconsolidated entities, income taxes, discontinued operations and noncontrolling interest	478,990	282,374	330,468
(Loss) income from unconsolidated entities	(508)	18,154	(52)
Income tax benefit	11,828	6,282	30,660
Income from continuing operations	490,310	306,810	361,076
Discontinued operations	(35,421)	54,965	2,185
Net income	454,889	361,775	363,261
Net income (loss) attributable to noncontrolling interest	1,380	(1,025)	(1,232)
Net income attributable to common stockholders	$453,509	$362,800	$364,493
Earnings per common share:			
Basic:			
Income from continuing operations attributable to common stockholders	$1.67	$1.05	$1.59
Discontinued operations	(0.12)	0.19	0.01
Net income attributable to common stockholders	$1.55	$1.24	$1.60
Diluted:			
Income from continuing operations attributable to common stockholders	$1.66	$1.04	$1.57
Discontinued operations	(0.12)	0.19	0.01
Net income attributable to common stockholders	$1.54	$1.23	$1.58

Weighted average shares used in computing earnings per common share:			
Basic	292,654	292,064	228,453
Diluted	295,110	294,488	230,790

See accompanying notes.

VENTAS, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the Years Ended December 31, 2013, 2012 and 2011

	2013	2012	2011
	(In thousands)		
Net income	$454,889	$361,775	$363,261
Other comprehensive income (loss):			
Foreign currency translation	(5,422)	2,375	(1,944)
Change in unrealized gain on marketable debt securities	(1,023)	(1,296)	(2,691)
Other	2,750	213	(171)
Total other comprehensive (loss) income	(3,695)	1,292	(4,806)
Comprehensive income	451,194	363,067	358,455
Comprehensive income (loss) attributable to noncontrolling interest	1,380	(1,025)	(1,232)
Comprehensive income attributable to common stockholders	$449,814	$364,092	$359,687

See accompanying notes.

VENTAS, INC.
CONSOLIDATED STATEMENTS OF EQUITY
For the Years Ended December 31, 2013, 2012 and 2011

	Common Stock Par Value	Capital in Excess of Par Value	Accumulated Other Comprehensive Income	Retained Earnings (Deficit)	Treasury Stock	Total Ventas Stockholders' Equity	Non-controlling Interest	Total Equity
	(In thousands, except per share amounts)							
Balance at January 1, 2011	$39,391	$2,576,843	$26,868	$(255,628)	$(748)	$2,386,726	$3,479	$2,390,205
Net income (loss)	—	—	—	364,493	—	364,493	(1,232)	363,261
Other comprehensive loss	—	—	(4,806)	—	—	(4,806)	—	(4,806)
Acquisition-related activity	31,181	6,711,081	—	—	(4,326)	6,737,936	81,192	6,819,128
Net change in noncontrolling interest	—	(3,188)	—	—	—	(3,188)	(2,452)	(5,640)
Dividends to common stockholders—$2.30 per share	—	—	—	(521,046)	—	(521,046)	—	(521,046)
Issuance of common stock	1,627	297,931	—	—	—	299,558	—	299,558
Issuance of common stock for stock plans	9	18,999	—	—	3,293	22,301	—	22,301
Adjust redeemable OP unitholder interests to current fair value	—	(4,442)	—	—	—	(4,442)	—	(4,442)
Purchase of 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
Net income (loss)	—	—	—	362,800	—	362,800	(1,025)	361,775
Other comprehensive income	—	—	1,292	—	—	1,292	—	1,292
Acquisition-related activity	—	(8,571)	—	—	(221,076)	(229,647)	(9,429)	(239,076)
Net change in noncontrolling interest	—	—	—	—	—	—	(5,194)	(5,194)
Dividends to common	—	—	—	(728,546)	—	(728,546)	—	(728,546)

stockholders—$2.48 per share								
Issuance of common stock	1,495	340,974	—	—	—	342,469	—	342,469
Issuance of common stock for stock plans	128	22,126	—	—	2,841	25,095	—	25,095
Change in redeemable noncontrolling interest	—	(17,317)	—	—	—	(17,317)	4,896	(12,421)
Adjust redeemable OP unitholder interests to current fair value	—	(19,819)	—	—	—	(19,819)	—	(19,819)
Purchase of OP units	3	(1,651)	—	—	324	(1,324)	—	(1,324)
Grant of restricted stock, net of forfeitures	38	11,637	—	—	(2,507)	9,168	—	9,168
Balance at December 31, 2012	73,904	9,920,962	23,354	(777,927)	(221,165)	9,019,128	70,235	9,089,363
Net income	—	—	—	453,509	—	453,509	1,380	454,889
Other comprehensive loss	—	—	(3,695)	—	—	(3,695)	—	(3,695)
Acquisition-related activity	—	(762)	—	—	—	(762)	12,717	11,955
Net change in noncontrolling interest	—	—	—	—	—	—	(8,202)	(8,202)
Dividends to common stockholders—$2.735 per share	—	—	—	(802,123)	—	(802,123)	—	(802,123)
Issuance of common stock	517	140,826	—	—	—	141,343	—	141,343
Issuance of common stock for stock plans	19	5,983	—	—	6,638	12,640	—	12,640
Change in redeemable noncontrolling interest	—	(13,751)	—	—	—	(13,751)	3,400	(10,351)
Adjust redeemable OP unitholder interests to current fair value	—	8,683	—	—	—	8,683	—	8,683
Purchase of OP units	—	(579)	—	—	502	(77)	—	(77)
Grant of restricted stock, net of	48	17,230	—	—	(7,892)	9,386	—	9,386

forfeitures								
Balance at December 31, 2013	$74,488	$10,078,592	$19,659	$(1,126,541)	$(221,917)	$8,824,281	$79,530	$8,903,811

See accompanying notes.

VENTAS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2013, 2012 and 2011

	2013	2012	2011
	(In thousands)		
Cash flows from operating activities:			
Net income	$454,889	$361,775	$363,261
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization (including amounts in discontinued operations)	769,881	764,775	459,704
Amortization of deferred revenue and lease intangibles, net	(15,793)	(17,118)	(12,159)
Other non-cash amortization	(16,745)	(39,943)	(13,163)
Stock-based compensation	20,653	20,784	19,346
Straight-lining of rental income, net	(30,540)	(24,042)	(14,885)
Loss on extinguishment of debt, net	1,048	37,640	27,604
Gain on real estate dispositions, net (including amounts in discontinued operations)	(3,617)	(80,952)	—
Gain on real estate loan investments	(5,056)	(5,230)	(3,255)
Gain on sale of marketable securities	(856)	—	(733)
Income tax benefit (including amounts in discontinued operations)	(11,828)	(6,286)	(31,137)
Loss (income) from unconsolidated entities	1,748	(1,509)	52
Gain on re-measurement of equity interest upon acquisition, net	(1,241)	(16,645)	—
Other	8,407	10,414	7,405
Changes in operating assets and liabilities:			
(Increase) decrease in other assets	(690)	3,756	424
Increase (decrease) in accrued interest	6,806	9,969	(9,150)
Decrease (increase) in accounts payable and other liabilities	17,689	(24,572)	(20,117)
Net cash provided by operating activities	1,194,755	992,816	773,197
Cash flows from investing activities:			
Net investment in real estate property	(1,437,002)	(1,453,065)	(531,605)
Purchase of private investment funds	—	(276,419)	—
Purchase of noncontrolling interest	(14,331)	(3,934)	(3,319)
Investment in loans receivable and other	(37,963)	(452,558)	(628,133)
Proceeds from real estate disposals	35,591	149,045	20,618
Proceeds from loans receivable	325,518	43,219	220,179
Proceeds from sale or maturity of marketable securities	5,493	37,500	23,050
Funds held in escrow for future development expenditures	19,458	(28,050)	—
Development project expenditures	(95,741)	(114,002)	(47,591)
Capital expenditures	(81,614)	(69,430)	(50,473)
Other	(2,169)	(1,995)	(165)
Net cash used in investing activities	(1,282,760)	(2,169,689)	(997,439)
Cash flows from financing activities:			
Net change in borrowings under credit facilities	(164,029)	84,938	537,452
Proceeds from debt	2,767,546	2,710,405	1,343,640
Repayment of debt	(1,792,492)	(1,193,023)	(1,388,962)
Payment of deferred financing costs	(31,277)	(23,770)	(20,040)
Issuance of common stock, net	141,343	342,469	299,847
Cash distribution to common stockholders	(802,123)	(728,546)	(521,046)
Cash distribution to redeemable OP unitholders	(5,040)	(4,446)	(2,359)

Purchases of redeemable OP units	(659)	(4,601)	(185)
Contributions from noncontrolling interest	2,395	38	2
Distributions to noncontrolling interest	(9,286)	(5,215)	(2,556)
Other	8,618	20,665	2,489
Net cash provided by financing activities	114,996	1,198,914	248,282
Net increase in cash and cash equivalents	26,991	22,041	24,040
Effect of foreign currency translation on cash and cash equivalents	(83)	60	(45)
Cash and cash equivalents at beginning of period	67,908	45,807	21,812
Cash and cash equivalents at end of period	$94,816	$67,908	$45,807

VENTAS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
For the Years Ended December 31, 2013, 2012 and 2011

	2013	2012	2011
	(In thousands)		
Supplemental disclosure of cash flow information:			
Interest paid including swap payments and receipts	$338,311	$329,655	$257,175
Supplemental schedule of non-cash activities:			
Assets and liabilities assumed from acquisitions:			
Real estate investments	$223,955	$582,694	$10,973,093
Utilization of funds held for an Internal Revenue Code Section 1031 exchange	—	(134,003)	—
Other assets acquired	6,635	77,730	594,176
Debt assumed	183,848	412,825	3,651,089
Other liabilities	29,868	70,391	952,279
Deferred income tax liability	5,181	4,299	43,889
Redeemable OP unitholder interests	—	—	100,888
Noncontrolling interests	11,693	34,580	81,192
Equity issued	—	4,326	6,737,932
Debt transferred on the sale of assets	—	14,535	—

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"), an S&P 500 company, is a real estate investment trust ("REIT") with a highly diversified portfolio of seniors housing and healthcare properties located throughout the United States and Canada. As of December 31, 2013, we owned nearly 1,500 properties, including seniors housing communities, medical office buildings ("MOBs"), skilled nursing and other facilities, and hospitals, in 46 states, the District of Columbia and two Canadian provinces, and we had three new properties under development. Our company is currently headquartered in Chicago, Illinois.

We primarily acquire and own seniors housing and healthcare properties and lease them to unaffiliated tenants or operate them through independent third-party managers. As of December 31, 2013, we leased a total of 907 properties (excluding MOBs and properties classified as held for sale) to various healthcare operating companies under "triple-net" or "absolute-net" leases that obligate the tenants to pay all property-related expenses, including maintenance, utilities, repairs, taxes, insurance and capital expenditures, and we engaged independent operators, such as Atria Senior Living, Inc. ("Atria") and Sunrise Senior Living, LLC (together with its subsidiaries, "Sunrise"), to manage a total of 239 of our seniors housing communities pursuant to long-term management agreements. Our two largest tenants, Brookdale Senior Living Inc. (together with its subsidiaries, "Brookdale Senior Living") and Kindred Healthcare, Inc. (together with its subsidiaries, "Kindred") leased from us 145 properties (excluding six properties included in investments in unconsolidated entities) and 142 properties, respectively, as of December 31, 2013.

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

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 our net earnings are reduced by the portion of net earnings attributable to noncontrolling interests.

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

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

As it relates to investments in joint ventures, GAAP may preclude consolidation by the sole general partner in certain circumstances based on the type of rights held by the limited partner(s). 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 there is a change to the terms or in the exercisability of the rights of the limited partners, the sole general partner increases or decreases its ownership of limited partnership interests, or 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.

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

We generally amortize any difference between our cost basis and the basis reflected at the joint venture level over the lives of the related assets and liabilities and include that amortization in our share of income or loss from unconsolidated entities. For earnings of equity method investments with pro rata distribution allocations, net income or loss is allocated between the partners in the joint venture based on their respective stated ownership percentages. In other instances, net income or loss is allocated between the partners in the joint venture based on the hypothetical liquidation at book value method (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 joint venture 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 joint venture is calculated as the amount that the partner would receive if the joint venture 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 record more or less 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.

Redeemable OP Unitholder and Noncontrolling Interests

We own a majority interest in NHP/PMB L.P. ("NHP/PMB"), a limited partnership 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, 2013, third party investors owned 2,451,878 Class A limited partnership units in NHP/PMB ("OP Units"), which represented 28.1% of the total units then outstanding, and we owned 6,287,831 Class B limited partnership units in NHP/PMB, representing the remaining 71.9%. 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 reflect the redeemable OP unitholder interests at the greater of cost or fair value. As of December 31, 2013 and 2012, the fair value of the redeemable OP unitholder interests was $111.6 million and $114.9 million, respectively. We recognize changes in fair value 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 redemption of the OP Units.

Certain noncontrolling interests of other consolidated joint ventures were also classified as redeemable at December 31, 2013 and 2012. Accordingly, we record the carrying amount of these noncontrolling interests at the greater of their initial carrying amount (increased or decreased for the noncontrolling interest's share of net income or loss and distributions) or the redemption value. With respect to these joint ventures, our joint venture partner has certain redemption rights that are outside our control and the redeemable noncontrolling interests are classified outside of permanent equity on our Consolidated Balance Sheets. We recognize changes in carrying value of redeemable

noncontrolling interests through capital in excess of par value.

Noncontrolling Interests

Other than redeemable noncontrolling interests described above, 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. For earnings of consolidated joint ventures with pro rata distribution allocations, net income or loss is allocated between the partners in the

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joint venture based on their respective stated ownership percentages. In other instances, net income or loss is allocated between the partners in the joint venture based on the HLBV method. We account for purchases or sales of equity interests that do not result in a change of control as equity transactions, through capital in excess of par value. In addition, we include net income attributable to the noncontrolling interests in net income in our Consolidated Statements of Income.

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

We estimate the fair value of buildings acquired on an as-if-vacant basis and depreciate the building value over the estimated remaining life of the building, not to exceed 35 years. We determine the allocated value of other fixed assets, such as site improvements and furniture, fixtures and equipment, based upon the replacement cost and depreciate such value over the assets’ estimated remaining useful lives as determined at the applicable acquisition date. We determine the value of land either by considering the sales prices of similar properties in recent transactions or based on internal analyses of recently acquired and existing comparable properties within our portfolio. We generally determine the value of construction in progress based upon the replacement cost. However, for certain acquired properties that are part of a ground-up development, we determine fair value by using the same valuation approach as for all other properties and deducting the estimated cost to complete the development. During the remaining construction period, we capitalize interest expense until the development has reached substantial completion. Construction in progress, including capitalized interest, is not depreciated until the development has reached substantial completion.

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

We estimate the fair value of purchase option intangible assets and liabilities by discounting the difference between the applicable property’s acquisition date fair value and an estimate of its future option price. We do not amortize the resulting intangible asset or liability over the term of the lease, but rather adjust the recognized value of the asset or liability upon sale. Net real estate property for which we have recorded a tenant purchase option intangible liability (excluding properties classified as held for sale) was $386.4 million and $432.5 million at December 31, 2013 and 2012, respectively.

We estimate the fair value of tenant or other customer relationships acquired, if any, by considering the nature and extent of existing business relationships with the tenant or customer, growth prospects for developing new business with the tenant or customer, the tenant’s credit quality, expectations of lease renewals with the tenant, and the potential for significant, additional future leasing arrangements with the tenant, and we amortize that value over the expected life of the associated arrangements or leases, including the remaining terms of the related leases and any expected

renewal periods. We estimate the fair value of trade names and trademarks using a royalty rate methodology and amortize that value over the estimated useful life of the trade name or trademark.

In connection with a business combination, we may assume rights and obligations under certain lease agreements pursuant to which we become the lessee of a given property. We assume the lease classification previously determined by the prior lessee absent a modification in the assumed lease agreement. We assess assumed operating leases, including ground leases, to determine whether the lease terms are favorable or unfavorable to us given current market conditions on the acquisition date. To the extent the lease terms are favorable or unfavorable relative to market conditions on the acquisition date, we recognize an intangible asset or liability at fair value and amortize that asset or liability to interest or rental expense in our

Consolidated Statements of Income over the applicable lease term. We include all lease-related intangible assets and liabilities within acquired lease intangibles and accounts payable and other liabilities, respectively, on our Consolidated Balance Sheets.

We determine the fair value of loans receivable acquired in connection with a business combination by discounting the estimated future cash flows using current interest rates at which similar loans on the same terms and having the same maturities would be made to borrowers with similar credit ratings. The estimated future cash flows already 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 at which we would expect to incur a replacement instrument on the date of acquisition, and recognize any fair value adjustments related to long-term debt as effective yield adjustments over the remaining term of the instrument.

Impairment of Long-Lived and Intangible Assets

We periodically evaluate our long-lived assets, primarily consisting of investments in real estate, for impairment indicators. If indicators of impairment are present, we evaluate the carrying value of the related real estate investments in relation to the future undiscounted cash flows of the underlying operations. In performing this evaluation, we consider market conditions and our current intentions with respect to holding or disposing of the asset. We adjust the net book value of leased properties and other long-lived assets to fair value if the sum of the expected future undiscounted cash flows, including sales proceeds, is less than book value. We recognize an impairment loss at the time we make any such determination. We recorded real estate impairment charges of $51.5 million, $35.6 million, and $0 for the years ended December 31, 2013, 2012 and 2011, respectively, primarily related to our triple-net leased properties reportable business segment. These charges are recorded primarily as a component of depreciation and amortization in both continuing and discontinued operations in our Consolidated Statements of Income.

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

We evaluate our investments in unconsolidated entities for impairment at least annually, and whenever events or changes in circumstances indicate that the carrying value of our investment may exceed its fair value. If we determine that a decline in the fair value of our investment in an unconsolidated entity is other-than-temporary, and if such reduced fair value is below the carrying value, we record an impairment. The determination of the fair value of investments in unconsolidated entities involves significant judgment. Our estimates consider all available evidence, including, as appropriate, the present value of the expected future cash flows discounted at market rates, general economic conditions and trends and other relevant factors.

We test goodwill for impairment at least annually, and more frequently if indicators arise. We first assess qualitative factors to determine the likelihood that the fair value of a reporting unit is less than its carrying amount. Qualitative factors we assess include current macroeconomic conditions, state of the equity and capital markets and our overall financial and operating performance. If we determine it is more likely than not that the fair value of a reporting unit is less than its carrying amount, then we proceed with the two-step approach to evaluating impairment. First, we estimate the fair value of the reporting unit and compare it to the reporting unit’s carrying value. If the carrying value exceeds fair value, we proceed with the second step, which requires us to assign the fair value of a reporting unit to all the assets and liabilities of the reporting unit as if it had been acquired in a business combination at the date of the impairment test. The excess fair value of the reporting unit over the amounts assigned to the assets and liabilities is the

implied value of goodwill and is used to determine the amount of impairment. We recognize an impairment loss to the extent the carrying value of goodwill exceeds the implied value in the current period.

Estimates of fair value used in our evaluation of goodwill, investments in real estate, investments in unconsolidated entities and intangible assets are based upon discounted future cash flow projections or other acceptable valuation techniques, which are based, in turn, upon level three inputs, such as revenue and expense growth rates, capitalization rates, discount rates or other available market data. Our ability to accurately predict future operating results and cash flows and to 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.

Assets Held for Sale and Discontinued Operations

We sell properties from time to time for various reasons, including favorable 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 GAAP, 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 disposition and the entity will not have any significant continuing involvement in the operations of the component after the disposition. The results of operations and any gain or loss on assets sold or classified as held for sale are reflected in our Consolidated Statements of Income as discontinued operations for all periods presented. We allocate estimated interest expense to discontinued operations based on property values and our weighted average interest rate or the property's actual 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 and investments, net or other assets, in the case of unsecured loans receivable) at the unpaid principal balance, net of any deferred origination fees, purchase discounts or premiums and valuation allowances. We amortize net deferred origination fees, which are comprised of loan fees collected from the borrower net of certain direct costs, and purchase discounts or premiums over the contractual life of the loan using the effective interest method and immediately recognize in income any unamortized balances if the loan is repaid before its contractual maturity.

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

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 $62.2 million and $42.6 million at December 31, 2013 and 2012, respectively. Amortized costs of approximately $13.5 million, $10.5 million and $17.8 million were included in interest expense for the years ended December 31, 2013, 2012 and 2011, 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. Our interest in a government-sponsored pooled loan investment is classified as secured loans receivable and investments, net 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 other assets or accounts payable and other 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 and interest rate swaps, for trading or speculative purposes. Our interest rate caps were designated as having a hedging relationship with the underlying securities and therefore meet the criteria for hedge accounting under GAAP. Accordingly, 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) were not designated as having a hedging relationship with the underlying securities and therefore do not meet the criteria for hedge accounting under GAAP. Accordingly, our interest rate swaps 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, GAAP establishes a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within levels one and two of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within level three of the hierarchy).

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

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

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

Marketable debt securities - Whenever possible, we estimate the fair value of marketable debt securities using level two inputs: we observe quoted prices for similar assets or liabilities in active markets that we have the ability to access. In other cases, we estimate the fair value of marketable debt securities using level three inputs: we consider credit spreads, underlying asset performance and credit quality, default rates and any other applicable criteria.

- Derivative instruments - With the assistance of a third party, we estimate the fair value of derivative instruments, including interest rate caps and interest rate swaps, using level two inputs: for interest rate caps, we observe

forward yield curves and other relevant information; for interest rate swaps, we observe alternative financing rates derived from market-based financing rates, forward yield curves and discount rates.

- Senior notes payable and other debt - We estimate the fair value of senior notes payable and other debt using level two inputs: we discount the future cash flows using current interest rates at which we could obtain similar borrowings.
- Redeemable OP unitholder interests - We estimate the fair value of our redeemable OP unitholder interests using level two inputs: we base fair value on the closing price of our common stock, as units may be redeemed at the election of the holder for cash or, at our option, 0.7866 shares of our common stock per unit, subject to adjustment in certain circumstances.

Revenue Recognition

Triple-Net Leased Properties and MOB Operations

Certain of our triple-net leases 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 generally results in recognized revenues during the first half of a lease term exceeding the cash amounts contractually due from our tenants, creating a straight-line rent receivable that is included in other assets on our Consolidated Balance Sheets. At December 31, 2013 and 2012, this cumulative excess totaled $150.8 million (net of allowances of $101.4 million) and $120.3 million (net of allowances of $59.7 million), respectively.

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

Senior Living Operations

We recognize resident fees and services, other than move-in fees, monthly as services are provided. We recognize move-in fees on a straight-line basis over the average resident stay. Our lease agreements with residents generally have a term of 12 to 18 months and are cancelable by the resident upon 30 days’ notice.

Other

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

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

Allowances

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

indicates it is probable that we will be unable to collect the rent payments due in the future, we defer recognition of the straight-line rental revenue and, in certain circumstances, provide a reserve against the previously recognized straight-line rent receivable asset for the portion, up to its full value, that we estimate may not

be recovered. If we change our assumptions or estimates regarding the collectibility of future rent payments required by a lease, we may adjust our reserve to increase or reduce the rental revenue recognized and/or to increase or reduce the reserve against the previously recognized straight-line rent receivable asset.

Stock-Based Compensation

We recognize share-based payments to employees and directors, including grants of stock options, 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.

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. Accordingly, we generally are not subject to federal income tax on net income that we distribute to our stockholders, provided that we continue to qualify as a REIT. However, with respect to certain of our subsidiaries that have elected to be treated as “taxable REIT subsidiaries,” we record income tax expense or benefit, as those entities are subject to federal income tax similar to regular corporations.

We account for deferred income taxes using the asset and liability method and recognize deferred tax assets and liabilities for the expected future tax consequences of events that have been included in our financial statements or tax returns. Under this method, we determine deferred tax assets and liabilities based on the differences between the financial reporting and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. Any increase or decrease in the deferred tax liability that results from a change in circumstances, and that causes us to change our judgment about expected future tax consequences of events, is included in the tax provision when such changes occur. Deferred income taxes also reflect the impact of operating loss and tax credit carryforwards. A valuation allowance is provided if we believe it is more likely than not that all or some portion of the deferred tax asset will not be realized. Any increase or decrease in the valuation allowance that results from a change in circumstances, and that causes us to change our judgment about the realizability of the related deferred tax asset, is included in the tax provision when such changes occur.

Foreign Currency

Certain of our subsidiaries’ functional currencies are the local currencies of their respective foreign jurisdictions. 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, and we record foreign currency transaction gains and losses in our Consolidated Statements of Income.

Segment Reporting

As of December 31, 2013, we operated through three reportable business segments: triple-net leased properties; senior living operations; and MOB operations. In our triple-net leased properties segment, we acquire and own seniors housing and healthcare properties throughout the United States and lease those properties to healthcare operating companies under “triple-net” or “absolute-net” leases that obligate the tenants to pay all property-related expenses. In our senior living operations segment, we invest in seniors housing communities throughout the United States and Canada

and engage independent operators, such as Atria and Sunrise, to manage those communities. In our MOB operations segment, we primarily acquire, own, develop, lease, and manage MOBs. See "Note 20—Segment Information."

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Operating Leases

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.

Recently Issued or Adopted Accounting Standards

In January 2013, the FASB issued Accounting Standards Update 2013-02, Reporting of Amounts Reclassified Out of Accumulated Comprehensive Income ("ASU 2013-02"), which requires an entity to report the effect of significant reclassifications out of accumulated other comprehensive income on the respective line items in net income if GAAP requires the amount being reclassified to be reclassified in its entirety to net income. For other amounts that are not required under GAAP to be reclassified in their entirety to net income within the same reporting period, an entity is required to cross-reference other disclosures that provide additional detail about the reclassified amounts. Our adoption of ASU 2013-02 on January 1, 2013 did not have a significant impact on our consolidated financial statements or disclosures.

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, 2013, Atria, Sunrise, Brookdale Senior Living and Kindred managed or operated approximately 19.9%, 13.9%, 9.7% and 3.2%, respectively, of our real estate investments based on gross book value (excluding properties classified as held for sale as of December 31, 2013). Seniors housing communities constituted approximately 64.2% of our real estate investments based on gross book value (excluding properties classified as held for sale), while MOBs, skilled nursing and other facilities, and hospitals collectively comprised the remaining 35.8%. Our properties were located in 46 states, the District of Columbia and two Canadian provinces as of December 31, 2013, with properties in only one state (California) accounting for more than 10% of our total revenues and total 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) (in each case excluding amounts in discontinued operations) for the years ended December 31, 2013, 2012 and 2011, respectively.

Triple-Net Leased Properties

For the years ended December 31, 2013, 2012 and 2011, approximately 5.6%, 6.3% and 7.7%, respectively, of our total revenues and 9.2%, 10.5% and 12.5%, respectively, of our total NOI (in each case excluding amounts in discontinued operations) were derived from our lease agreements with Brookdale Senior Living. For the same periods, approximately 8.1%, 10.3% and 14.3%, respectively, of our total revenues and 13.4%, 17.1% and 23.4%, respectively, of our total NOI (in each case excluding amounts in discontinued operations) were derived from our lease agreements with Kindred. Each of our leases with Brookdale Senior Living and the Kindred Master Leases 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 has guaranty and cross-default provisions tied to other leases with the same tenant or its affiliates, as well as bundled lease renewals.

The properties we lease to Brookdale Senior Living and Kindred accounted for a significant portion of our triple-net leased properties segment revenues and NOI and had a meaningful impact on our total revenues and NOI for the year ended December 31, 2013. If either Brookdale Senior Living or Kindred becomes unable or unwilling to satisfy its obligations to us or to renew its leases with us upon expiration of the terms thereof, our financial condition and results of operations could decline and our ability to service our indebtedness and to make distributions to our stockholders could be limited. We cannot assure you that Brookdale Senior Living and Kindred will have sufficient assets, income and access to financing to enable them to satisfy their respective obligations to us, and any failure, inability or unwillingness by Brookdale Senior Living or Kindred to do so could have a material adverse effect on our business, financial condition, results of operations and liquidity, our ability to service our indebtedness and other obligations and our ability to make distributions to our stockholders, as required for us to continue to qualify as a REIT (a "Material Adverse Effect"). We also cannot assure you that Brookdale Senior Living and Kindred will elect to renew

their respective leases with us upon expiration of the leases or that we will be able to reposition any non-renewed properties on a timely basis or on the same or better economic terms, if at all.

In September 2013, we entered into favorable agreements with Kindred to extend the leases with respect to 48 of the 108 licensed healthcare assets whose current lease term was originally scheduled to expire on April 30, 2015 (the "2015 Renewal Assets"). The 48 re-leased properties consist of 26 skilled nursing facilities and 22 long-term acute care hospitals. New annual

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

rent, commencing October 1, 2014, will be $95.9 million, an increase of $15 million over then current annual base rent. On October 1, 2013, Kindred also paid us $20 million, which will be amortized over the new lease terms.
We have launched a comprehensive project to re-lease to qualified healthcare operators or otherwise reposition the remaining 60 skilled nursing facilities included in the 2015 Renewal Assets (the "Marketed Assets"). As part of our agreements, we and Kindred agreed to accelerate the expiration of the lease term for the Marketed Assets to September 30, 2014. Kindred is required to continue to perform all of its obligations, including without limitation, payment of all rental amounts, under the applicable Kindred Master Lease for the Marketed Assets until expiration of the current lease term. Subject to the terms of our agreements, we have the flexibility to transition the Marketed Assets either before or after the September 30, 2014 lease expiration date. 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.
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, 2013 (excluding properties included in investments in unconsolidated entities and properties classified as held for sale as of December 31, 2013):

	Brookdale Senior Living	Kindred	Other	Total
	(In thousands)			
2014	$153,861	$208,883	$870,991	$1,233,735
2015	137,037	176,484	845,247	1,158,768
2016	135,267	178,383	795,119	1,108,769
2017	135,267	180,331	734,990	1,050,588
2018	135,267	146,025	697,882	979,174
Thereafter	164,725	616,588	4,371,185	5,152,498
Total	$861,424	$1,506,694	$8,315,414	$10,683,532

Senior Living Operations

As of December 31, 2013, Atria and Sunrise, collectively, provided comprehensive property management and accounting services with respect to 237 of our seniors housing communities, for which we pay annual management fees pursuant to long-term management agreements.
As managers, Atria and Sunrise do not lease our properties, and, therefore, we are not directly exposed to their credit risk in the same manner or to the same extent as our triple-net tenants. However, we rely on our managers' personnel, expertise, technical resources and information systems, proprietary information, good faith and judgment to manage our senior living operations efficiently and effectively. We also rely on our managers to set appropriate resident fees and otherwise operate our seniors housing communities in compliance with the terms of our management agreements and all applicable laws and regulations. Although we have various rights as the property owner under our management agreements, including various rights to terminate and exercise remedies under the agreements as provided therein, Atria's or Sunrise's failure, inability or unwillingness to satisfy its respective 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 equity ownership or any adverse developments in their businesses and affairs or financial condition could have a Material Adverse Effect on us.
Our 34% ownership interest in Atria entitles us to certain rights and minority protections, as well as the right to appoint two directors to the Atria board of directors.

Brookdale Senior Living, Kindred, Atria and Sunrise Information

Each of Brookdale Senior Living and Kindred 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 Brookdale Senior Living and Kindred contained or referred to in this

Annual Report on Form 10-K/A has been derived from SEC filings made by Brookdale Senior Living or Kindred, as the case may be, or other publicly available information, or was provided to us by Brookdale Senior Living or Kindred, and we have not verified this information through an independent investigation or otherwise. We have no reason to believe that this information is inaccurate in any material respect, but we cannot assure you of its accuracy. We are providing this data for informational purposes only,

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and you are encouraged to obtain Brookdale Senior Living's and Kindred's publicly available filings, which can be found at the SEC's website at www.sec.gov.

Neither Atria nor Sunrise is currently subject to the reporting requirements of the SEC. The information related to Atria and Sunrise contained or referred to in this Annual Report on Form 10-K/A has been derived from publicly available information or was provided to us by Atria or Sunrise, as the case may be, and we have not verified this information through an independent investigation or otherwise. We have no reason to believe that this information is inaccurate in any material respect, but we cannot assure you of its accuracy.

Note 4—Acquisitions of Real Estate Property

The following summarizes our acquisition and development activity in 2013, 2012 and 2011. We make acquisitions and investments in seniors housing and healthcare properties primarily to achieve an expected yield on investment, to grow and diversify our portfolio and revenue base, and to reduce our dependence on any single tenant, operator or manager, geographic location, asset type, business model or revenue source.

2013 Acquisitions

Triple-Net Leased Properties

During the year ended December 31, 2013, we acquired 27 seniors housing communities (including one property acquired through a joint venture) for approximately $860 million. Aggregate revenues and NOI attributable to the acquired triple-net leased properties were $21.3 million for the year ended December 31, 2013.

Senior Living Operations

During the year ended December 31, 2013, we acquired 24 seniors housing communities for approximately $770 million. We were previously the tenant under a capital lease with respect to eight of the acquired properties (see "Note 10—Borrowing Arrangements"), and management of all of the acquired properties was transitioned to Atria at the time of closing. Aggregate revenues and NOI attributable to these seniors housing operating communities (excluding the eight capital lease assets) were $38.3 million and $15.4 million for the year ended December 31, 2013.

MOB Operations

During the year ended December 31, 2013, we acquired 11 MOBs (including two MOBs previously owned through a joint venture that we account for as an equity method investment; see "Note 7—Investments in Unconsolidated Entities") for approximately $150 million. Aggregate revenues and NOI attributable to the acquired MOBs were $10.7 million and $6.8 million for the year ended December 31, 2013.

Completed Developments

During the year ended December 31, 2013, we completed the development of two seniors housing communities, one MOB, and one hospital. These completed developments represent $65.5 million of net real estate property on our Consolidated Balance Sheets as of December 31, 2013.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Estimated Fair Value

We are accounting for our 2013 acquisitions under the acquisition method in accordance with ASC Topic 805, Business Combinations ("ASC 805"), and have completed our initial accounting, which is subject to further adjustment. We accounted for the acquisition of the eight seniors housing communities that we previously leased pursuant to a capital lease in accordance with ASC Topic 840, Leases. 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:

	Triple-Net Leased Properties (In thousands)	Senior Living Operations (1)	MOB Operations	Total
Land and improvements	$51,419	$45,566	$3,923	$100,908
Buildings and improvements	803,227	579,577	138,792	1,521,596
Acquired lease intangibles	8,945	16,920	10,362	36,227
Other assets	3,285	2,607	2,453	8,345
Total assets acquired	866,876	644,670	155,530	1,667,076
Notes payable and other debt	36,300	5,136	—	41,436
Other liabilities	11,423	12,285	6,510	30,218
Total liabilities assumed	47,723	17,421	6,510	71,654
Noncontrolling interest assumed	10,113	—	1,672	11,785
Net assets acquired	809,040	627,249	147,348	1,583,637
Cash acquired	753	—	1,397	2,150
Total cash used	$808,287	$627,249	$145,951	$1,581,487

(1) Includes settlement of a $142.2 million capital lease obligation related to eight seniors housing communities.

Transaction Costs

As of December 31, 2013, we had incurred a total of $12.8 million of acquisition-related costs related to our 2013 acquisitions, 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, 2013, we expensed $12 million of these acquisition-related costs related to our 2013 acquisitions.

2012 Acquisitions

Funds Acquisition

In December 2012, we acquired 100% of certain private equity funds (the "Funds") previously managed by Lazard Frères Real Estate Investments LLC ("LFREI") or its affiliates. The acquired Funds primarily owned a 34% interest in Atria, which is recorded as an investment in unconsolidated entities on our Consolidated Balance Sheets, and approximately 3.7 million shares of our common stock. In conjunction with this acquisition, we also extinguished our obligation related to the "earnout," a contingent performance-based payment arising out of our 2011 acquisition of the real estate assets of Atria Senior Living Group, Inc. (together with its affiliates, "ASLG"), for an additional $44 million. This amount represented the discounted net present value of the potential future payment, which was previously reflected on our Consolidated Balance Sheets as a liability.

Cogdell Acquisition

In April 2012, we acquired Cogdell Spencer Inc. (together with its subsidiaries, "Cogdell"), including its 71 real estate assets (including properties owned through joint ventures) and its MOB property management business, which had existing agreements with third parties to manage 44 MOBs, in an all-cash transaction. At closing, our investment in Cogdell, including our share of debt, was approximately $760 million. In addition, our joint venture partners' share of net debt assumed was $36.3 million at the time of the acquisition.

Pursuant to the terms and subject to the conditions set forth in the agreement and plan of merger dated as of December 24, 2011, at the effective time of the merger, (a) each outstanding share of Cogdell common stock, and each outstanding unit of limited partnership interest in Cogdell's operating partnership, Cogdell Spencer LP, that was not

owned by subsidiaries of Cogdell was converted into the right to receive $4.25 in cash, and (b) each outstanding share of Cogdell’s 8.500% Series A

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Cumulative Redeemable Perpetual Preferred Stock was converted into the right to receive an amount in cash equal to $25.00, plus accrued and unpaid dividends through the date of closing. We financed our acquisition of Cogdell through the assumption of $203.8 million of existing Cogdell mortgage debt (inclusive of our joint venture partners' share of $36.3 million) and borrowings under our unsecured revolving credit facility. Prior to the closing, Cogdell completed the sale of its design-build and development business to an unaffiliated third party.

As of December 31, 2012, we had incurred a total of $28.6 million of acquisition-related costs related to the Cogdell acquisition, all of which were expensed as incurred and included in merger-related expenses and deal costs in our Consolidated Statements of Income for the applicable periods.

Completed Developments

During 2012, we completed the development of three MOBs and two seniors housing communities. These completed developments represent $116.9 million of net real estate property on our Consolidated Balance Sheets as of December 31, 2012.

Other 2012 Acquisitions

In May 2012, we acquired 16 seniors housing communities managed by Sunrise in an all-cash transaction. Sunrise continues to manage the acquired assets under existing long-term management agreements. During 2012, we also invested in 21 seniors housing communities, two skilled nursing facilities and 44 MOBs, including 36 MOBs that we had previously accounted for as investments in unconsolidated entities. See "Note 7—Investments in Unconsolidated Entities."

Estimated Fair Value

We accounted for our 2012 acquisitions under the acquisition method in accordance with ASC 805, and we have completed our accounting for these acquisitions. 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:

	Triple-Net Leased Properties	Senior Living Operations	MOB Operations (1)	Total
	(In thousands)			
Land and improvements	$21,881	$60,662	$112,504	$195,047
Buildings and improvements	225,950	413,750	1,085,148	1,724,848
Construction in progress	—	—	25,579	25,579
Acquired lease intangibles	2,323	18,070	182,406	202,799
Other assets	1,519	832	43,747	46,098
Total assets acquired	251,673	493,314	1,449,384	2,194,371
Notes payable and other debt	57,219	—	355,606	412,825
Other liabilities	13,851	11,806	106,367	132,024
Total liabilities assumed	71,070	11,806	461,973	544,849
Noncontrolling interest assumed	7,292	—	30,361	37,653
Net assets acquired	173,311	481,508	957,050	1,611,869
Cash acquired	1,250	—	24,115	25,365
Total cash used	$172,061	$481,508	$932,935	$1,586,504

(1) Includes the Cogdell acquisition.

2011 Acquisitions

ASLG Acquisition

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).

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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. As discussed above, in December 2012, we acquired a 34% interest in Atria.

NHP Acquisition

In July 2011, we acquired Nationwide Health Properties, Inc. (“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).

Other 2011 Acquisitions

During 2011, we also invested approximately $329.5 million, including the assumption of $134.9 million in debt, in 14 MOBs and five seniors housing communities.

Note 5—Dispositions

2013 Activity

Triple-Net Leased Properties

During 2013, we sold seven seniors housing communities and 12 skilled nursing facilities for aggregate consideration of $31.7 million, including lease termination fees of $0.3 million, and recognized a net gain on the sales of these assets of $4.5 million.

Senior Living Operations

During 2013, we sold one seniors housing community for consideration of $1.6 million and recognized no gain or loss on the sale of this asset.

MOB Operations

During 2013, we sold two MOBs for aggregate consideration of $1.8 million and recognized a net gain on the sales of these assets of $0.5 million.

2012 Activity

Triple-Net Leased Properties

During 2012, we sold 36 seniors housing communities (ten of which were pursuant to the exercise of tenant purchase options) and two skilled nursing facilities for aggregate consideration of $318.9 million, including fees of $5.0 million. We recognized a net gain on the sales of these assets of $81.0 million. We deposited a majority of the proceeds from the sale of 21 seniors housing communities in a Code Section 1031 exchange escrow account with a qualified intermediary, and we used approximately $134.5 million of these proceeds for certain of our acquisitions during 2012. As of December 31, 2012, no proceeds remained in the 1031 exchange escrow account related to these sales.

Senior Living Operations

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

MOB Operations

During 2012, we sold five MOBs for aggregate consideration of $27.2 million and recognized a gain on the sales of these assets of $4.5 million.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2011 Activity

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

Discontinued Operations

We present separately, as discontinued operations in all periods presented, the results of operations for all assets classified as held for sale as of December 31, 2013, and all assets disposed of and all operating leases (under which we were the lessee) not renewed during the three-year period ended December 31, 2013. Set forth below is a summary of our results of operations for properties within discontinued operations for the three years ended December 31, 2013, 2012 and 2011. As of December 31, 2013, we classified eight triple-net leased seniors housing communities, seven triple-net leased skilled nursing facilities, and four MOBs as assets held for sale. Assets classified as held for sale constituted $155.3 million and $111.6 million of other assets on our Consolidated Balance Sheets as of December 31, 2013 and 2012, respectively. Liabilities related to assets classified as held for sale were $64.5 million and $69.1 million as of December 31, 2013 and 2012, respectively, and reported within accounts payable and other liabilities on our Consolidated Balance Sheets. We recognized impairments of $39.7 million, $13.9 million and $0 for the years ended December 31, 2013, 2012 and 2011, respectively, representing our estimated aggregate loss on the expected sales of assets reported as discontinued operations. These charges are primarily recorded as a component of depreciation and amortization in the table below.

	2013	2012	2011
	(In thousands)		
Revenues:			
Rental income	$15,459	$36,722	$35,849
Resident fees and services	759	6,435	7,508
Interest and other income	—	5,052	1
	16,218	48,209	43,358
Expenses:			
Interest	5,897	13,755	18,253
Depreciation and amortization	47,922	50,269	15,511
Property-level operating expenses	1,994	7,971	6,503
General, administrative and professional fees	3	303	—
Gain on extinguishment of debt, net	(153)	—	—
Other	(407)	1,902	1,383
	55,256	74,200	41,650
(Loss) income before income taxes and gain on real estate dispositions, net	(39,038)	(25,991)	1,708
Income tax benefit	—	4	477
Gain on real estate dispositions, net	3,617	80,952	—
Discontinued operations	$(35,421)	$54,965	$2,185

Note 6—Loans Receivable and Investments

As of December 31, 2013 and 2012, we had $414.7 million and $697.1 million, respectively, of net loans receivable and investments relating to seniors housing and healthcare operators or properties.

During 2013, we received aggregate proceeds of $102.3 million in final repayment of seven secured loans receivable and three unsecured loans receivable and recognized a gain of $5.1 million.

In May 2013, we acquired an interest in a government-sponsored pooled loan investment that matures in 2023 for $21.0 million. The investment is a marketable debt security classified as available-for-sale and included within secured loans receivable and investments, net on our Consolidated Balance Sheets. As of December 31, 2013, the investment had an amortized cost basis and fair value of $21.7 million and $21.5 million, respectively.

In December 2012, we made a secured loan in the aggregate principal amount of $375.0 million, bearing interest at a fixed rate of 8.0% per annum and maturing in 2017, and in March 2013, we sold a pari passu portion of the loan

receivable, evidenced by a separate note, to a third party, at par. In July 2013, we sold a senior secured portion of our interest in the loan, evidenced by a separate note, which will accrue interest at a fixed rate of 4.5% per annum, to an institutional holder, at par, for

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

$66.4 million. After these transactions, our remaining interest in the loan totals $182.1 million principal amount and bears interest at a fixed rate of 9.4% per annum. Under the terms of the loan agreement, we act as the administrative agent for the secured loan and will continue to receive the stated interest rate on our remaining loan receivable balance.

Also in December 2012, we made a secured loan in the aggregate principal amount of $50.0 million, bearing interest at a fixed rate of 12.0% per annum and maturing in 2017, and in May 2013, we sold a $25.0 million pari passu portion of the loan receivable, evidenced by a separate note, to a third party, at par. In December 2013, this loan was repaid in full (included in the repayments noted above), including $1.5 million of prepayment penalties and fees that we recognized as income from loans and investments in our Consolidated Statements of Income.

No gain or loss was recognized from the sales of a portion of our interests in the loans receivable described above.

During 2012, we received aggregate proceeds of $37.6 million in final repayment of three secured loans receivable and four unsecured loans receivable.

Note 7—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. We are not required to consolidate these entities because our joint venture partners have significant participating rights, nor are these entities considered variable interest entities, as they are controlled by equity holders with sufficient capital. At December 31, 2013 and 2012, we had ownership interests (ranging from 5% to 25%) in joint ventures that owned 52 properties and 55 properties, respectively. We account for our interests in these joint ventures, as well as our 34% interest in Atria, under the equity method of accounting.

With the exception of our interest in Atria, 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 $5.8 million, $7.3 million and $5.7 million for the years ended December 31, 2013, 2012 and 2011, respectively.

In March 2013, we acquired two MOBs for aggregate consideration of approximately $55.6 million from a joint venture entity in which we have a 5% interest and that we account for as an equity method investment. In connection with this acquisition, we re-measured our previously held equity interest (associated with the acquired MOBs) and recognized a gain of $1.3 million, which is included in income (loss) from unconsolidated entities in our Consolidated Statements of Income. Operations relating to the acquired MOBs are now consolidated in our Consolidated Statements of Income.

In August 2012, we acquired 36 MOBs (plus one MOB that was being marketed for sale and has since been sold) from joint venture entities in which we had interests ranging between 5% and 20% and accounted for as equity method investments. We acquired these MOBs for approximately $350.0 million, including the assumption of $101.6 million in debt. In connection with this acquisition, we re-measured our previously held equity interests and recognized a net gain of $16.6 million, which is included in income (loss) from unconsolidated entities in our Consolidated Statements of Income. Operations relating to these properties are now consolidated in our Consolidated Statements of Income.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 8—Intangibles

The following is a summary of our intangibles as of December 31, 2013 and 2012:

	December 31, 2013		December 31, 2012	
	Balance	Remaining Weighted Average Amortization Period in Years	Balance	Remaining Weighted Average Amortization Period in Years
	(Dollars in thousands)			
Intangible assets:				
Above market lease intangibles	$214,353	8.4	$215,367	9.5
In-place and other lease intangibles	795,829	24.1	766,337	23.3
Goodwill and other intangibles	489,346	8.6	523,830	8.6
Accumulated amortization	(458,919)	N/A	(352,692)	N/A
Net intangible assets	$1,040,609	19.8	$1,152,842	19.3
Intangible liabilities:				
Below market lease intangibles	$429,199	14.7	$429,907	15.3
Other lease intangibles	32,103	24.8	28,966	15.8
Accumulated amortization	(119,549)	N/A	(78,560)	N/A
Purchase option intangibles	29,294	N/A	36,048	N/A
Net intangible liabilities	$371,047	15.1	$416,361	15.3

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. Goodwill and other intangibles (including non-compete agreements, trade names and trademarks) are included in other assets on our Consolidated Balance Sheets. Below market lease intangibles, other lease intangibles and purchase option intangibles are included in accounts payable and other liabilities on our Consolidated Balance Sheets. For the years ended December 31, 2013, 2012 and 2011, our net amortization expense related to these intangibles was $65.2 million, $123.3 million and $62.5 million, respectively. The estimated net amortization expense related to these intangibles for each of the next five years is as follows: 2014—$57.8 million; 2015—$35.0 million; 2016—$24.0 million; 2017—$14.4 million; and 2018—$8.9 million.

Note 9—Other Assets

The following is a summary of our other assets as of December 31, 2013 and 2012:

	2013	2012
	(In thousands)	
Straight-line rent receivables, net	$150,829	$120,325
Unsecured loans receivable, net	38,512	62,118
Goodwill and other intangibles, net	476,483	515,429
Assets held for sale	155,340	111,556
Other	125,171	112,257
Total other assets	$946,335	$921,685

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, 2013 and 2012:

	2013	2012
	(In thousands)	
Unsecured revolving credit facilities	$376,343	$540,727
6.25% Senior Notes due 2013	—	269,850
Unsecured term loan due 2015 (1)	—	130,336
3.125% Senior Notes due 2015	400,000	400,000
6% Senior Notes due 2015	234,420	234,420
1.55% Senior Notes due 2016	550,000	—
Unsecured term loan due 2017 (1)	—	375,000
Unsecured term loan due 2018	—	180,000
2.00% Senior Notes due 2018	700,000	700,000
Unsecured term loan due 2018 (2)	200,000	—
Unsecured term loan due 2019 (2)	800,702	—
4.00% Senior Notes due 2019	600,000	600,000
2.700% Senior Notes due 2020	500,000	—
4.750% Senior Notes due 2021	700,000	700,000
4.25% Senior Notes due 2022	600,000	600,000
3.25% Senior Notes due 2022	500,000	500,000
6.90% Senior Notes due 2037	52,400	52,400
6.59% Senior Notes due 2038	22,973	22,973
5.45% Senior Notes due 2043	258,750	—
5.70% Senior Notes due 2043	300,000	—
Mortgage loans and other (3) (4)	2,524,889	2,880,609
Total	9,320,477	8,186,315
Capital lease obligations	—	142,412
Unamortized fair value adjustment	69,611	111,623
Unamortized discounts	(25,096)	(26,704)
Senior notes payable and other debt	$9,364,992	$8,413,646

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

(2) These amounts represent in aggregate the approximate $1.0 billion of unsecured term loan borrowings under our new unsecured credit facility. Certain amounts included in the 2019 tranche are in the form of Canadian dollar borrowings.

(3) Excludes debt related to real estate assets classified as held for sale as of December 31, 2013 and 2012, respectively. The total mortgage debt for these properties as of December 31, 2013 and 2012 was $13.1 million and $23.2 million, respectively, and is included in accounts payable and other liabilities on our Consolidated Balance Sheets.

(4) Subsequent to December 31, 2013, we repaid in full approximately $42.7 million of the mortgage loans outstanding as of December 31, 2013.

Unsecured Revolving Credit Facility and Unsecured Term Loans

On December 9, 2013, we entered into a new $3.0 billion unsecured credit facility that replaced our previous $2.0 billion unsecured revolving credit facility, as well as our $125 million term loan that was scheduled to mature in 2015, our $375 million term loan that was scheduled to mature in 2017 and our $180 million term loan that was scheduled to mature in 2018. The new unsecured credit facility is comprised of a $2.0 billion revolving credit facility initially

priced at LIBOR plus 1.0%, and a $200.0 million four-year term loan and an $800.0 million five-year term loan, each initially priced at LIBOR plus 1.05%.

The new revolving credit facility matures in January 2018, but may be extended, at our option subject to the satisfaction of certain conditions, for an additional period of one year. The new $200.0 million and $800.0 million term loans mature in January 2018 and January 2019, respectively. The new unsecured credit facility also includes an accordion feature that permits us to increase our aggregate borrowing capacity thereunder to up to $3.5 billion. Proceeds of the new term loans were used to repay amounts outstanding under our previous revolving credit facility and approximately $680 million outstanding under our previous term loans.

Our unsecured credit facility imposes certain customary restrictions on us, including restrictions pertaining to: (i) liens; (ii) investments; (iii) the incurrence of additional indebtedness; (iv) mergers 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 debt leverage and fixed charge coverage ratios and minimum consolidated adjusted net worth, and contains customary events of default.

As of December 31, 2013, we had $376.3 million of borrowings outstanding, $14.9 million of letters of credit outstanding and $1.6 billion of unused borrowing capacity available under our unsecured revolving credit facility.

We recognized a loss on extinguishment of debt of $1.5 million and $2.4 million for the years ended December 31, 2013 and 2011, respectively, representing the write-off of unamortized deferred financing fees as a result of amending our previous unsecured revolving credit facilities.

Senior Notes

As of December 31, 2013, we had outstanding $5.1 billion aggregate principal amount of senior notes issued by our subsidiary, Ventas Realty, Limited Partnership ("Ventas Realty") ($4.3 billion of which was co-issued by Ventas Realty's wholly owned subsidiary, Ventas Capital Corporation), and approximately $309.8 million aggregate principal amount of senior notes that were issued by NHP and assumed by our subsidiary, Nationwide Health Properties, LLC ("NHP LLC"), as successor to NHP, in connection with the NHP acquisition.

In September 2013, we issued and sold: $550.0 million aggregate principal amount of 1.55% senior notes due 2016 at a public offering price equal to 99.910% of par, for total proceeds of $549.5 million before the underwriting discount and expenses; and $300.0 million aggregate principal amount of 5.70% senior notes due 2043 at a public offering price equal to 99.628% of par, for total proceeds of $298.9 million before the underwriting discount and expenses.

In March 2013, we issued and sold: $258.8 million aggregate principal amount of 5.45% senior notes due 2043 at a public offering price equal to par, for total proceeds of $258.8 million before the underwriting discounts and expenses; and $500.0 million aggregate principal amount of 2.700% senior notes due 2020 at a public offering price equal to 99.942% of par, for total proceeds of $499.7 million before the underwriting discount and expenses.

In February 2013, we repaid in full, at par, $270.0 million principal amount then outstanding of our 6.25% senior notes due 2013 upon maturity.

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

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

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

In 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.

During 2012, we repaid in full, at par, $155.4 million aggregate principal amount then outstanding of our 9% senior notes due 2012 and our 8.25% senior notes due 2012 upon maturity, and we redeemed: all $225.0 million principal amount then outstanding of our 6¾% senior notes due 2017 at a redemption price equal to 103.375% of par, plus accrued and unpaid interest to the redemption date; and all $200.0 million principal amount then outstanding of our 6½% senior notes due 2016 at a

redemption price equal to 103.25% of par, plus accrued and unpaid interest to the redemption date, in each case pursuant to the terms of the applicable indenture governing the notes. As a result of these redemptions, we recognized a total loss on extinguishment of debt of $39.7 million.

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

During 2011, we repaid in full, at par, $339.0 million principal amount then outstanding of our 6.50% senior notes due 2011 upon maturity, and we redeemed $200.0 million principal amount outstanding of our 6½% senior notes due 2016 at a redemption price equal to 103.25% of par, plus accrued and unpaid interest to the redemption date, pursuant to the terms of the indenture governing the notes. As a result of this redemption, we recognized a loss on extinguishment of debt of $8.7 million.

All of Ventas Realty's senior notes are unconditionally guaranteed by Ventas. Ventas Realty's senior notes are part of our and Ventas Realty's general unsecured obligations, ranking equal in right of payment with all of our and Ventas Realty's existing and future senior obligations and ranking senior in right of payment to all of our and Ventas Realty's existing and future subordinated indebtedness. However, Ventas Realty's senior notes are effectively subordinated to our and Ventas Realty's secured indebtedness, if any, to the extent of the value of the assets securing that indebtedness. Ventas Realty's senior notes are also structurally subordinated to the preferred equity and indebtedness, whether secured or unsecured, of our subsidiaries (other than Ventas Realty and, with respect to those senior notes co-issued by Ventas Capital Corporation, Ventas Capital Corporation).

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.

Ventas Realty may redeem each series of its senior notes and NHP LLC may redeem each series of its senior notes (other than our 6.90% senior notes due 2037 and our 6.59% senior notes due 2038), in whole at any time or in part from time to time, prior to maturity at the redemption prices set forth in the applicable indenture (which include, in many instances, a make-whole premium), plus, in each case, accrued and unpaid interest thereon to the redemption date.

Our 6.90% senior notes due 2037 are subject to repurchase at the option of the holders, at par, on October 1 in each of 2017 and 2027, and our 6.59% senior notes due 2038 are subject to repurchase at the option of the holders, at par, on July 7 in each of 2018, 2023 and 2028.

Mortgages

At December 31, 2013, we had 201 mortgage loans outstanding in the aggregate principal amount of $2.5 billion and secured by 209 of our properties. Of these loans, 184 loans in the aggregate principal amount of $2.2 billion bear interest at fixed rates ranging from 3.9% to 8.6% per annum, and 17 loans in the aggregate principal amount of $369.7 million bear interest at variable rates ranging from 0.7% to 2.6% per annum as of December 31, 2013. At December 31, 2013, the weighted average annual rate on our fixed rate mortgage loans was 6.0%, and the weighted average annual rate on our variable rate mortgage loans was 1.7%. Our mortgage loans had a weighted average maturity of 5.5 years as of December 31, 2013.

During 2013, we assumed or originated mortgage debt of $178.8 million and repaid in full mortgage loans outstanding in the aggregate principal amount of $493.7 million, and recognized a net gain on extinguishment of debt of $0.5 million in connection with these repayments.

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Scheduled Maturities of Borrowing Arrangements and Other Provisions

As of December 31, 2013, our indebtedness had the following maturities:

	Principal Amount Due at Maturity	Unsecured Credit Facility(1)	Scheduled Periodic Amortization	Total Maturities
	(In thousands)			
2014	$95,657	$—	$45,952	$141,609
2015	929,941	—	40,730	970,671
2016	960,917	—	33,708	994,625
2017 (2)	540,072	—	21,964	562,036
2018	1,082,496	376,343	15,446	1,474,285
Thereafter (3)	5,030,288	—	146,963	5,177,251
Total maturities	$8,639,371	$376,343	$304,763	$9,320,477

(1) At December 31, 2013, we had $94.8 million of unrestricted cash and cash equivalents, for $281.5 million of net borrowings outstanding under our unsecured revolving credit facility.

(2) Excludes $13.1 million of mortgage debt related to a real estate asset classified as held for sale as of December 31, 2013 that is scheduled to mature in 2017.

(3) Includes $52.4 million aggregate principal amount of our 6.90% senior notes due 2037 that is subject to repurchase, at the option of the holders, on October 1 in each of 2017 and 2027, and $23.0 million aggregate principal amount of 6.59% senior notes due 2038 that is subject to repurchase, at the option of the holders, on July 7 in each of 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; and/or (iv) merge, consolidate or sell certain assets. Ventas Realty's senior notes also require us and our subsidiaries to maintain total unencumbered assets of at least 150% of our unsecured debt. Our unsecured credit facility also requires us to maintain certain financial covenants pertaining to, among other things, our consolidated total leverage, secured debt, unsecured debt, fixed charge coverage and net worth.

As of December 31, 2013, we were in compliance with all of these covenants.

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, loans receivable and marketable debt securities 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 our borrowing costs. We do not use 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 financial condition or results of operations.

As of December 31, 2013, our variable rate debt obligations of $1.7 billion reflect, in part, the effect of $153.7 million notional amount of interest rate swaps with a maturity of March 21, 2016 that effectively convert fixed rate debt to variable rate debt. As of December 31, 2013, our fixed rate debt obligations of $7.6 billion reflect, in part, the effect of $60.0 million notional amount of interest rate swaps with maturities ranging from March 2, 2015 to April 1, 2019, in each case that effectively convert variable rate debt to fixed rate debt.

Capital Leases

As of December 31, 2012, we leased eight seniors housing communities pursuant to arrangements that were accounted for as capital leases. In January 2013, we acquired these facilities for aggregate consideration of $145.0 million, thereby eliminating our capital lease obligation.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Unamortized Fair Value Adjustment

As of December 31, 2013, the unamortized fair value adjustment related to the long-term debt we assumed in connection with various acquisitions was $69.6 million and will be recognized as effective yield adjustments over the remaining terms of the instruments. The estimated aggregate amortization of the fair value adjustment related to long-term debt (which is reflected as a reduction of interest expense) was $33.5 million for the year ended December 31, 2013 and for each of the next five years will be as follows: 2014—$25.4 million; 2015—$15.7 million; 2016—$9.6 million; 2017—$5.6 million; and 2018—$2.0 million.

Note 11—Fair Values of Financial Instruments

As of December 31, 2013 and 2012, the carrying amounts and fair values of our financial instruments were as follows:

	2013		2012	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(In thousands)			
Assets:				
Cash and cash equivalents	$94,816	$94,816	$67,908	$67,908
Secured loans receivable, net	354,775	355,223	635,002	636,714
Unsecured loans receivable, net	38,512	40,473	62,118	65,146
Marketable debt securities	21,454	21,454	5,400	5,400
Liabilities:				
Senior notes payable and other debt, gross	9,320,477	9,405,259	8,186,315	8,600,450
Derivative instruments and other liabilities	11,105	11,105	45,966	45,966
Redeemable OP unitholder interests	111,607	111,607	114,933	114,933

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

Note 12—Stock-Based Compensation

Compensation Plans

We currently have: five plans under which outstanding options to purchase common stock, shares of restricted stock or restricted stock units have been, or may in the future be, granted to our officers, employees and non-employee directors (the 2000 Incentive Compensation Plan (Employee Plan), the 2004 Stock Plan for Directors, the 2006 Incentive Plan, the 2006 Stock Plan for Directors, and the 2012 Incentive Plan); one plan under which executive officers may receive common stock in lieu of compensation (the Executive Deferred Stock Compensation Plan); and one plan under which certain non-employee directors have received or may receive common stock in lieu of director fees (the Nonemployee Directors' Deferred Stock Compensation Plan). These plans are referred to collectively as the "Plans."

During the year ended December 31, 2013, we were permitted to issue shares and grant options, restricted stock and restricted stock units only under the Executive Deferred Stock Compensation Plan, the Nonemployee Directors' Deferred Stock Compensation Plan and the 2012 Incentive Plan. The 2006 Incentive Plan and the 2006 Stock Plan for Directors (collectively, the "2006 Plans") expired on December 31, 2012, and no additional grants were permitted under those Plans after that date.

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, 2013 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, 2013.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

- 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 424,704 shares were available for future issuance as of December 31, 2013.
- 2012 Incentive Plan—8,836,614 shares (plus the number of shares or options outstanding under the 2006 Plans as of December 31, 2012 that are subsequently forfeited or expire unexercised) were reserved initially for grants or issuance to employees and non-employee directors, and 8,169,232 shares (plus the number of shares or options outstanding under the 2006 Plans as of December 31, 2013 that are subsequently forfeited or expire unexercised) were available for future issuance as of December 31, 2013.

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. If provided in the applicable Plan or award agreement, the vesting of stock options may accelerate upon a change of control (as defined in the applicable Plan) of Ventas 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:

	2013	2012	2011
Risk-free interest rate	0.59 - 0.63%	0.68 - 1.39%	1.22 - 2.78%
Dividend yield	5.00 %	6.75 %	6.75 %
Volatility factors of the expected market price for our common stock	24.2 - 31.7%	35.9 - 42.9%	35.7 - 44.3%
Weighted average expected life of options	4.17 years	4.25 - 7.0 years	4.25 - 7.0 years

The following is a summary of stock option activity in 2013:

	Shares	Range of Exercise Prices	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (years)	Intrinsic Value ($000's)
Outstanding as of December 31, 2012	1,909,999	$21.57 - $57.19	$47.20		
Options granted	512,706	65.93 - 73.20	67.36		
Options exercised	(149,340)	22.15 - 57.19	48.01		
Options forfeited	(14,602)	55.39 - 70.34	67.98		
Outstanding as of December 31, 2013	2,258,763	21.57 - 73.20	51.59	6.6	$17,870
Exercisable as of December 31, 2013	1,724,083	$21.57 - $65.93	$47.65	5.9	$17,613

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, 2013, 2012 and 2011 were $4.5 million, $4.4 million and $4.2 million, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

A summary of the status of our nonvested stock options as of December 31, 2013 and changes during the year then ended follows:

	Shares	Weighted Average Grant Date Fair Value
Nonvested at beginning of year	421,426	$10.86
Granted	512,706	9.25
Vested	(384,844)	10.66
Forfeited	(14,602)	7.88
Nonvested at end of year	534,686	$9.54

As of December 31, 2013, we had $1.9 million of total unrecognized compensation cost related to nonvested stock options granted under the Plans. We expect to recognize that cost over a weighted average period of 1.3 years. Aggregate proceeds received from options exercised under the Plans or the NHP Plan for the years ended December 31, 2013, 2012 and 2011 were $7.2 million, $21.5 million and $2.5 million, respectively.

Restricted Stock and Restricted Stock Units

We recognize the fair value of shares of restricted stock and restricted stock units on the grant date of the award as stock-based compensation expense over the requisite service period, with charges to general and administrative expenses of approximately $16.1 million in 2013, $16.4 million in 2012 and $15.1 million in 2011. Restricted stock and restricted stock units generally vest over periods ranging from two to five years. If provided in the applicable Plan or award agreement, the vesting of restricted stock and restricted stock units may accelerate upon a change of control (as defined in the applicable Plan) of Ventas and other specified events.

A summary of the status of our nonvested restricted stock and restricted stock units as of December 31, 2013, and changes during the year ended December 31, 2013 follows:

	Restricted Stock	Weighted Average Grant Date Fair Value	Restricted Stock Units	Weighted Average Grant Date Fair Value
Nonvested at December 31, 2012	591,884	$52.66	6,825	$50.34
Granted	189,659	67.05	4,635	64.72
Vested	(247,411)	55.09	(3,592)	46.68
Forfeited	(25,016)	56.31	(352)	53.74
Nonvested at December 31, 2013	509,116	$56.66	7,516	$60.80

As of December 31, 2013, we had $14.2 million of unrecognized compensation cost related to nonvested restricted stock and restricted stock units under the Plans. We expect to recognize that cost over a weighted average period of 2.0 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, 2013, 63,267 shares had been purchased under the ESPP and 2,436,733 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 2013, we made contributions for each qualifying employee of up to 3.5% of his or her salary, subject

to certain limitations. During 2013, 2012 and 2011, our aggregate contributions were approximately $1,036,000, $768,000 and $267,000, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 13—Income Taxes

We have elected to be taxed as a REIT under the applicable provisions of the Code for every year beginning 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 a manner that will enable us to qualify as a REIT, such qualification depends upon our ability to meet, on a continuing basis, various distribution, stock ownership and other tests. During the years ended December 31, 2013, 2012 and 2011, our tax treatment of distributions per common share was as follows:

	2013	2012	2011
Tax treatment of distributions:			
Ordinary income	$2.65787	$2.23124	$2.28131
Qualified ordinary income	0.03718	—	—
Long-term capital gain	0.03995	0.18884	0.01869
Unrecaptured Section 1250 gain	—	0.05992	—
Distribution reported for 1099-DIV purposes	$2.73500	$2.48000	$2.30000

We believe we have met the annual REIT distribution requirement by payment of at least 90% of our estimated taxable income for 2013, 2012 and 2011. Our consolidated benefit for income taxes for the years ended December 31, 2013, 2012 and 2011 was as follows:

	2013	2012	2011
	(In thousands)		
Current	$2,684	$1,208	$(4,080)
Deferred	(14,512)	(7,490)	(26,580)
Total	$(11,828)	$(6,282)	$(30,660)

The income tax benefit for the year ended December 31, 2013 primarily relates to the release of valuation allowances against certain deferred tax assets of our TRS entities. The income tax benefit for the year ended December 31, 2012 primarily relates to the income tax benefit of ordinary losses related to our TRS entities, partially offset by a valuation allowance recorded against certain deferred tax assets of one of our other TRS entities. 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.

For the tax years ended December 31, 2013, 2012 and 2011, the Canadian income tax provision included in the consolidated benefit for income taxes was a benefit of $0.3 million, a benefit of $0.7 million and an expense of $0.5 million, respectively.

Although the TRS entities have paid minimal cash federal income taxes, their federal income tax liabilities may increase in future years as we exhaust net operating loss ("NOL") carryforwards and as our senior living operations reportable business segment grows. Such increases could be significant.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

A reconciliation of income tax expense, which is computed by applying the federal corporate tax rate for the years ended December 31, 2013, 2012 and 2011, to the income tax benefit is as follows:

	2013	2012	2011
	(In thousands)		
Tax at statutory rate on earnings from continuing operations before unconsolidated entities, noncontrolling interest and income taxes	$167,469	$105,185	$115,645
State income taxes, net of federal benefit	(1,857)	(842)	(2,364)
Increase in valuation allowance	7,145	33,577	8,783
Increase (decrease) in ASC 740 income tax liability	2,805	656	(4,084)
Tax at statutory rate on earnings not subject to federal income taxes	(186,938)	(144,698)	(150,331)
Other differences	(452)	(160)	1,691
Income tax benefit	$(11,828)	$(6,282)	$(30,660)

The REIT made no income tax payments for the years ended December 31, 2013, 2012 and 2011.

In connection with our acquisitions of Sunrise Senior Living Real Estate Investment Trust ("Sunrise REIT") in 2007 and ASLG in 2011, 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 acquired and liabilities assumed (primarily property, intangible and related assets, net of NOL carryforwards). No net deferred tax asset or liability was recorded for the Lillibridge acquisition in 2010.

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, 2013, 2012 and 2011 are summarized as follows:

	2013	2012	2011
	(In thousands)		
Property, primarily differences in depreciation and amortization, the tax basis of land assets and the treatment of interests and certain costs	$(309,775)	$(310,756)	$(332,111)
Operating loss and interest deduction carryforwards	377,645	366,590	343,843
Expense accruals and other	13,421	13,984	11,511
Valuation allowance	(331,458)	(326,837)	(281,954)
Net deferred tax liabilities (1)	$(250,167)	$(257,019)	$(258,711)

(1) Includes approximately $0.0 million, $2.7 million and $2.0 million, respectively, of deferred tax assets included in other assets on our Consolidated Balance Sheets.

Our net deferred tax liability decreased $6.9 million during 2013 primarily due to the reversal of valuation allowances against deferred tax assets. Our net deferred tax liability decreased $1.7 million during 2012 primarily due to the reversal of deferred liabilities.

Due to uncertainty regarding the realization of certain deferred tax assets, we have established valuation allowances, primarily in connection with the NOL carryforward related to the REIT.

For the years ended December 31, 2013 and 2012, the net difference between tax bases and the reported amount of REIT assets and liabilities for federal income tax purposes was approximately $4.7 billion and $5.1 billion, respectively, less than the book bases of those assets and liabilities for financial reporting purposes.

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 NOL carryforwards.

Generally, we are subject to audit under the statute of limitations by the Internal Revenue Service ("IRS") for the year ended December 31, 2010 and subsequent years and are subject to audit by state taxing authorities for the year ended

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December 31, 2009 and subsequent years. The statute of limitations with respect to our 2009 U.S. federal income tax returns expired in September 2013. We are also subject to audit by the Canada Revenue Agency ("CRA") and provincial authorities generally for periods subsequent to 2008 related to entities acquired or formed in connection with our Sunrise REIT acquisition.

At December 31, 2013, we had a combined NOL carryforward of $311 million related to the TRS entities and an NOL carryforward of $714 million related to the REIT. 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, 2013 and 2012. 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 cannot assure you as to the outcome of these matters.

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

	2013	2012
	(In thousands)	
Balance as of January 1	$19,466	$19,583
Additions to tax positions related to the current year	3,901	3,489
Additions to tax positions related to prior years	—	59
Subtractions to tax positions related to prior years	(513)	(968)
Subtractions to tax positions related to settlements	—	(47)
Subtractions to tax positions as a result of the lapse of the statute of limitations	(948)	(2,650)
Balance as of December 31	$21,906	$19,466

Included in these unrecognized tax benefits of $21.9 million and $19.5 million at December 31, 2013 and 2012, respectively, were $20.4 million and $17.9 million of tax benefits at December 31, 2013 and 2012, respectively, that, if recognized, would reduce our annual effective tax rate. We accrued interest of $0.4 million related to the unrecognized tax benefits during 2013, but no penalties. We expect our unrecognized tax benefits to increase by $1.0 million during 2014.

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 which may be indemnifiable 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, 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 to the buyer or tenant, relating to the operations of those properties, which could have a Material Adverse Effect on us.

Other

With respect to certain of our properties, we are subject to operating and ground lease obligations that generally require fixed monthly or annual rent payments and may include escalation clauses and renewal options. These leases have terms that expire during the next 87 years, excluding extension options. Our future minimum lease obligations under non-cancelable operating and ground leases as of December 31, 2013 were $31.6 million in 2014, $30.2 million in 2015, $26.3 million in 2016, $19.1 million in 2017, $15.3 million in 2018, and $490.3 million thereafter.

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:

	For the Year Ended December 31,		
	2013	2012	2011
	(In thousands, except per share amounts)		
Numerator for basic and diluted earnings per share:			
Income from continuing operations attributable to common stockholders	$488,930	$307,835	$362,308
Discontinued operations	(35,421)	54,965	2,185
Net income attributable to common stockholders	$453,509	$362,800	$364,493
Denominator:			
Denominator for basic earnings per share—weighted average shares	292,654	292,064	228,453
Effect of dilutive securities:			
Stock options	534	496	449
Restricted stock awards	99	92	53
OP units	1,823	1,836	942
Convertible notes	—	—	893
Denominator for diluted earnings per share—adjusted weighted average shares	295,110	294,488	230,790
Basic earnings per share:			
Income from continuing operations attributable to common stockholders	$1.67	$1.05	$1.59
Discontinued operations	(0.12)	0.19	0.01
Net income attributable to common stockholders	$1.55	$1.24	$1.60
Diluted earnings per share:			
Income from continuing operations attributable to common stockholders	$1.66	$1.04	$1.57
Discontinued operations	(0.12)	0.19	0.01
Net income attributable to common stockholders	$1.54	$1.23	$1.58

There were 504,815, 372,440 and 309,650 anti-dilutive options outstanding for the years ended December 31, 2013, 2012 and 2011, respectively.

Note 16—Litigation

Proceedings against Tenants, Operators and Managers

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

Proceedings Indemnified and Defended by Third Parties

From time to time, we are party to certain legal actions, regulatory investigations and claims for which third parties are contractually obligated to indemnify, defend and hold us harmless. The tenants of our triple-net leased properties and, in some cases, their affiliates are required by the terms of their leases and other agreements with us to indemnify, defend and hold us harmless against certain actions, investigations and claims arising in the course of their business and related to the operations of our triple-net leased properties. In addition, third parties from whom we acquired certain of our assets and, in some cases, their affiliates are required by the terms of the related conveyance documents to indemnify, defend and hold us harmless against certain actions, investigations and claims related to the acquired assets and arising prior to our ownership or related to excluded assets and liabilities. In some cases, a portion of the

purchase price consideration is held in escrow for a specified period of time as collateral for these indemnification obligations. We are presently being defended by certain tenants and other obligated

third parties in these types of matters. We cannot assure you 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 and some of which may allege large damage amounts) 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, we may be forced to expend significant financial resources to defend and resolve these matters. 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—Permanent and Temporary Equity

Capital Stock

In March 2013, we established an "at-the-market" ("ATM") equity offering program through which we may sell from time to time up to an aggregate of $750 million of our common stock. Through December 31, 2013, we issued and sold a total of 2,069,200 shares of common stock under the program for aggregate net proceeds of $141.5 million ($35.4 million of which was received in the fourth quarter of 2013), after sales agent commissions of $2.1 million. As of December 31, 2013, approximately $606.4 million of our common stock remained available for sale under our ATM equity offering program.

In December 2012, through our acquisition of the Funds, we acquired 3.7 million shares of our common stock that are reflected as treasury stock on our Consolidated Balance Sheets. See "Note 4—Acquisitions of Real Estate Property."

In June 2012, we completed the public offering and sale of 5,980,000 shares of our common stock for $342.5 million in aggregate proceeds.

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 or make optional cash purchases through the DRIP. The 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. In addition, we may change our determination as to whether common shares will be purchased by the plan administrator directly from us or in the open market without prior notice to investors.

Accumulated Other Comprehensive Income

The following is a summary of our accumulated other comprehensive income as of December 31, 2013 and 2012:

	2013	2012
	(In thousands)	
Foreign currency translation	$18,019	$23,441
Unrealized (loss) gain on marketable debt securities	(216)	807
Other	1,856	(894)
Total accumulated other comprehensive income	$19,659	$23,354

Redeemable OP Unitholder and Noncontrolling Interest

The following is a rollforward of our redeemable OP unitholder interests and noncontrolling interests, respectively for 2013:

	Redeemable OP Unitholder Interests	Redeemable Noncontrolling Interests	Total Redeemable OP Unitholder and Noncontrolling Interests
	(In thousands)		
Balance as of December 31, 2012	$114,933	$59,622	$174,555
New issuances	11,053	—	11,053
Change in valuation	(8,683)	11,861	3,178
Distributions and other	(5,139)	(1,052)	(6,191)
Redemptions	(557)	(25,378)	(25,935)
Balance as of December 31, 2013	$111,607	$45,053	$156,660

Note 18—Related Party Transactions

We own an MOB located on the Sutter Medical Center-Castro Valley campus that is subject to a ground lease from Sutter Health and is 100% leased by Sutter Health pursuant to long-term triple-net leases. We received $2.1 million of base rent from Sutter Health for this MOB in 2013. 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 in May 2011, we entered into long-term management agreements with Atria to operate the acquired assets. During 2011 and 2012 we paid Atria $20.2 million and $33.9 million, respectively, in management fees under our agreements. Matthew J. Lustig, a member of our Board of Directors since May 2011, served as Chairman of Atria until our acquisition of the Funds on December 21, 2012 (see “Note 4—Acquisitions of Real Estate Property”) and is employed by affiliates of LFREI.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 19—Quarterly Financial Information (Unaudited)

Summarized unaudited consolidated quarterly information for the years ended December 31, 2013 and 2012 is provided below.

	For the Year Ended December 31, 2013			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	(In thousands, except per share amounts)			
Revenues (1)	$682,509	$683,764	$710,924	$732,856
Income from continuing operations attributable to common stockholders (1)	$120,429	$132,895	$127,268	$108,338
Discontinued operations (1)	(8,236)	(18,315)	(8,972)	102
Net income attributable to common stockholders	$112,193	$114,580	$118,296	$108,440
Earnings per share:				
Basic:				
Income from continuing operations attributable to common stockholders	$0.41	$0.45	$0.43	$0.37
Discontinued operations	(0.03)	(0.06)	(0.03)	—
Net income attributable to common stockholders	$0.38	$0.39	$0.40	$0.37
Diluted:				
Income from continuing operations attributable to common stockholders	$0.41	$0.45	$0.43	$0.37
Discontinued operations	(0.03)	(0.06)	(0.03)	—
Net income attributable to common stockholders	$0.38	$0.39	$0.40	$0.37
Dividends declared per share	$0.67	$0.67	$0.67	$0.725

(1) The amounts presented for the three months ended March 31, 2013, June 30, 2013 and September 30, 2013 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 2013 or classified as held for sale as of December 31, 2013.

	For the Three Months Ended		
	March 31, 2013	June 30, 2013	September 30, 2013
	(In thousands, except per share amounts)		
Revenues, previously reported in Form 10-Q	$684,868	$685,846	$712,386
Revenues, previously reported in Form 10-Q, subsequently reclassified to discontinued operations	(2,359)	(2,082)	(1,462)
Total revenues disclosed in Form 10-K	$682,509	$683,764	$710,924
Income from continuing operations attributable to common stockholders, previously reported in Form 10-Q	$117,820	$132,635	$127,380
Income from continuing operations attributable to common stockholders, previously reported in Form 10-Q, subsequently reclassified to discontinued operations	2,609	260	(112)
Income from continuing operations attributable to common stockholders disclosed in Form 10-K	$120,429	$132,895	$127,268
Discontinued operations, previously reported in Form 10-Q	$(5,627)	$(18,055)	$(9,084)
Discontinued operations from properties sold or held for sale subsequent to the respective reporting period	(2,609)	(260)	112
Discontinued operations disclosed in Form 10-K	$(8,236)	$(18,315)	$(8,972)

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	For the Year Ended December 31, 2012			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	(In thousands, except per share amounts)			
Revenues (1)	$564,597	$610,188	$637,218	$655,730
Income from continuing operations attributable to common stockholders (1)	$47,246	$43,413	$115,737	$101,439
Discontinued operations (1)	43,380	30,612	(3,855)	(15,172)
Net income attributable to common stockholders	$90,626	$74,025	$111,882	$86,267
Earnings per share:				
Basic:				
Income from continuing operations attributable to common stockholders	$0.16	$0.15	$0.39	$0.35
Discontinued operations	0.15	0.11	(0.01)	(0.05)
Net income attributable to common stockholders	$0.31	$0.26	$0.38	$0.30
Diluted:				
Income from continuing operations attributable to common stockholders	$0.16	$0.15	$0.39	$0.35
Discontinued operations	0.15	0.10	(0.01)	(0.05)
Net income attributable to common stockholders	$0.31	$0.25	$0.38	$0.30
Dividends declared per share	$0.62	$0.62	$0.62	$0.62

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(1) The amounts presented for the three months ended March 31, 2012, June 30, 2012, September 30, 2012 and December 31, 2012 differ from the amounts previously reported in our Annual Report on Form 10-K for the year ended December 31, 2012 as a result of discontinued operations consisting of properties sold in 2013 or classified as held for sale as of December 31, 2013.

	For the Three Months Ended			
	March 31, 2012	June 30, 2012	September 30, 2012	December 31, 2012
	(In thousands, except per share amounts)			
Revenues, previously reported in Form 10-K	$568,566	$614,502	$641,520	$660,711
Revenues, previously reported in Form 10-K, subsequently reclassified to discontinued operations	(3,969)	(4,314)	(4,302)	(4,981)
Total revenues disclosed in Form 10-K	$564,597	$610,188	$637,218	$655,730
Income from continuing operations attributable to common stockholders, previously reported in Form 10-K	$48,110	$43,496	$115,975	$97,992
Income from continuing operations attributable to common stockholders, previously reported in Form 10-K, subsequently reclassified to discontinued operations	(864)	(83)	(238)	3,447
Income from continuing operations attributable to common stockholders disclosed in Form 10-K	$47,246	$43,413	$115,737	$101,439
Discontinued operations, previously reported in Form 10-K	$42,516	$30,529	$(4,093)	$(11,725)
Discontinued operations from properties sold or held for sale subsequent to the respective reporting period	864	83	238	(3,447)

Discontinued operations disclosed in Form 10-K	$43,380	$30,612	$(3,855)	$(15,172)

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Note 20—Segment Information

As of December 31, 2013, we operated through three reportable business segments: triple-net leased properties; senior living operations and MOB operations. In our triple-net leased properties segment, we acquire and own seniors housing and healthcare properties throughout the United States and lease those properties to healthcare operating companies under “triple-net” or “absolute-net” leases that obligate the tenants to pay all property-related expenses. In our senior living operations segment, we invest in seniors housing communities throughout the United States and Canada and engage independent operators, such as Atria and Sunrise, to manage those communities. In our MOB operations segment, we primarily acquire, own, develop, lease, and manage MOBs. Information provided for “all other” includes income from loans and investments and other miscellaneous income and various corporate-level expenses not directly attributable to our three reportable business segments. Assets included in “all other” consist primarily of corporate assets, including cash, restricted cash, deferred financing costs, loans receivable and investments, and miscellaneous accounts receivable.

We evaluate performance of the combined properties in each reportable business segment based on segment profit, which we define as NOI adjusted for income/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. Although we believe that net income, as defined by GAAP, is the most appropriate earnings measurement, we consider segment profit 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 historical consolidated historical operating results, segment profit should be examined in conjunction with net income as presented in our Consolidated Financial Statements and other financial data included elsewhere in this Annual Report on Form 10-K/A.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Summary information by reportable business segment is as follows:
For the year ended December 31, 2013:

	Triple-Net Leased Properties (In thousands)	Senior Living Operations	MOB Operations	All Other	Total
Revenues:					
Rental income	$875,877	$—	$450,107	$—	$1,325,984
Resident fees and services	—	1,406,005	—	—	1,406,005
Medical office building and other services revenue	4,469	—	12,077	1,263	17,809
Income from loans and investments	—	—	—	58,208	58,208
Interest and other income	—	—	—	2,047	2,047
Total revenues	$880,346	$1,406,005	$462,184	$61,518	$2,810,053
Total revenues	$880,346	$1,406,005	$462,184	$61,518	$2,810,053
Less:					
Interest and other income	—	—	—	2,047	2,047
Property-level operating expenses	—	956,684	152,948	—	1,109,632
Medical office building services costs	—	—	8,315	—	8,315
Segment NOI	880,346	449,321	300,921	59,471	1,690,059
Income (loss) from unconsolidated entities	475	(1,980)	1,451	(454)	(508)
Segment profit	$880,821	$447,341	$302,372	$59,017	1,689,551
Interest and other income					2,047
Interest expense					(334,484)
Depreciation and amortization					(721,959)
General, administrative and professional fees					(115,106)
Loss on extinguishment of debt, net					(1,201)
Merger-related expenses and deal costs					(21,634)
Other					(18,732)
Income tax benefit					11,828
Discontinued operations					(35,421)
Net income					$454,889

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 2012:

	Triple-Net Leased Properties (In thousands)	Senior Living Operations	MOB Operations	All Other	Total
Revenues:					
Rental income	$818,000	$—	$360,849	$—	$1,178,849
Resident fees and services	—	1,227,124	—	—	1,227,124
Medical office building and other services revenue	4,438	—	16,303	—	20,741
Income from loans and investments	—	—	—	39,913	39,913
Interest and other income	—	—	—	1,106	1,106
Total revenues	$822,438	$1,227,124	$377,152	$41,019	$2,467,733
Total revenues	$822,438	$1,227,124	$377,152	$41,019	$2,467,733
Less:					
Interest and other income	—	—	—	1,106	1,106
Property-level operating expenses	—	841,022	125,400	—	966,422
Medical office building services costs	—	—	9,883	—	9,883
Segment NOI	822,438	386,102	241,869	39,913	1,490,322
Income (loss) from unconsolidated entities	1,313	(48)	16,889	—	18,154
Segment profit	$823,751	$386,054	$258,758	$39,913	1,508,476
Interest and other income					1,106
Interest expense					(288,276)
Depreciation and amortization					(714,505)
General, administrative and professional fees					(98,510)
Loss on extinguishment of debt, net					(37,640)
Merger-related expenses and deal costs					(63,183)
Other					(6,940)
Income tax benefit					6,282
Discontinued operations					54,965
Net income					$361,775

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 2011:

	Triple-Net Leased Properties (In thousands)	Senior Living Operations	MOB Operations	All Other	Total
Revenues:					
Rental income	$627,723	$—	$166,079	$—	$793,802
Resident fees and services	—	865,800	—	—	865,800
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	—	—	—	1,216	1,216
Total revenues	$629,940	$865,800	$200,333	$35,631	$1,731,704
Total revenues	$629,940	$865,800	$200,333	$35,631	$1,731,704
Less:					
Interest and other income	—	—	—	1,216	1,216
Property-level operating expenses	—	588,095	56,987	—	645,082
Medical office building services costs	—	—	27,082	—	27,082
Segment NOI	629,940	277,705	116,264	34,415	1,058,324
Income (loss) from unconsolidated entities	295	—	(347)	—	(52)
Segment profit	$630,235	$277,705	$115,917	$34,415	1,058,272
Interest and other income					1,216
Interest expense					(223,804)
Depreciation and amortization					(444,193)
General, administrative and professional fees					(74,537)
Loss on extinguishment of debt, net					(27,604)
Litigation proceeds, net					202,259
Merger-related expenses and deal costs					(153,923)
Other					(7,270)
Income tax benefit					30,660
Discontinued operations					2,185
Net income					$363,261

Assets by reportable business segment are as follows:

	As of December 31, 2013 (Dollars in thousands)		2012	
Assets:				
Triple-net leased properties	$8,919,360	45.2 %	$8,368,186	44.1 %
Senior living operations	6,648,754	33.7	6,274,207	33.1
MOB operations	3,701,344	18.8	3,703,453	19.5
All other assets	462,036	2.3	634,154	3.3
Total assets	$19,731,494	100.0 %	$18,980,000	100.0 %

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

	For the Year Ended December 31,		
	2013	2012 (1)	2011
	(In thousands)		
Capital expenditures:			
Triple-net leased properties	$847,945	$139,680	$133,761
Senior living operations	576,459	758,371	370,455
MOB operations	189,953	1,003,865	125,453
Total capital expenditures	$1,614,357	$1,901,916	$629,669

(1) Includes funds held in a Code Section 1031 exchange escrow account with a qualified intermediary as follows: triple-net leased – $58.1 million; senior living – $64.7 million; and MOB – $11.2 million.

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

Geographic information regarding our operations is as follows:

	For the Year Ended December 31,		
	2013	2012	2011
	(In thousands)		
Revenues:			
United States	$2,716,835	$2,371,764	$1,639,665
Canada	93,218	95,969	92,039
Total revenues	$2,810,053	$2,467,733	$1,731,704

	As of December 31,	
	2013	2012
	(In thousands)	
Net real estate property:		
United States	$17,705,962	$16,711,508
Canada	369,624	400,024
Total net real estate property	$18,075,586	$17,111,532

Note 21—Condensed Consolidating Information

Ventas, Inc. has fully and unconditionally guaranteed the obligation to pay principal and interest with respect to the outstanding senior notes issued by our 100% owned subsidiary, Ventas Realty, including the senior notes that were jointly issued with Ventas Capital Corporation. Ventas Capital Corporation is a direct 100% owned subsidiary of Ventas Realty that has no assets or operations, but was formed in 2002 solely to facilitate offerings of senior notes by a limited partnership. None of our other subsidiaries (excluding Ventas Realty and Ventas Capital Corporation, the "Ventas Subsidiaries") is obligated with respect to Ventas Realty's outstanding senior notes.

In connection with the NHP acquisition, our 100% owned subsidiary, NHP LLC, as successor to NHP, assumed the obligation to pay principal and interest with respect to the outstanding senior notes issued by NHP. Neither we nor any of our subsidiaries (other than NHP LLC) is obligated with respect to any of NHP LLC's outstanding senior notes.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following summarizes our condensed consolidating information as of December 31, 2013 and 2012 and for the years ended December 31, 2013, 2012, and 2011:

CONDENSED CONSOLIDATING BALANCE SHEET

As of December 31, 2013

	Ventas, Inc.	Ventas Realty (1)	Ventas Subsidiaries	Consolidated Elimination	Consolidated
	(In thousands)				
Assets					
Net real estate investments	$7,009	$374,590	$18,161,872	$—	$18,543,471
Cash and cash equivalents	28,169	—	66,647	—	94,816
Escrow deposits and restricted cash	2,104	1,211	81,342	—	84,657
Deferred financing costs, net	758	54,022	7,435	—	62,215
Investment in and advances to affiliates	10,481,466	3,201,998	—	(13,683,464)	—
Other assets	29,450	14,102	902,783	—	946,335
Total assets	$10,548,956	$3,645,923	$19,220,079	$(13,683,464)	$19,731,494
Liabilities and equity					
Liabilities:					
Senior notes payable and other debt	$—	$6,336,240	$3,028,752	$—	$9,364,992
Intercompany loans	4,247,853	(4,682,119)	434,266	—	—
Accrued interest	—	39,561	14,788	—	54,349
Accounts payable and other liabilities	94,495	28,152	878,868	—	1,001,515
Deferred income taxes	250,167	—	—	—	250,167
Total liabilities	4,592,515	1,721,834	4,356,674	—	10,671,023
Redeemable OP unitholder and noncontrolling interests	—	—	156,660	—	156,660
Total equity	5,956,441	1,924,089	14,706,745	(13,683,464)	8,903,811
Total liabilities and equity	$10,548,956	$3,645,923	$19,220,079	$(13,683,464)	$19,731,494

(1) Certain of Ventas Realty’s outstanding senior notes were issued jointly with our 100% owned subsidiary, Ventas Capital Corporation, which has no assets or operations.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

CONDENSED CONSOLIDATING BALANCE SHEET
As of December 31, 2012

	Ventas, Inc.	Ventas Realty (1)	Ventas Subsidiaries	Consolidated Elimination	Consolidated
	(In thousands)				
Assets					
Net real estate investments	$7,615	$412,362	$17,421,966	$—	$17,841,943
Cash and cash equivalents	16,734	—	51,174	—	67,908
Escrow deposits and restricted cash	7,565	1,952	96,396	—	105,913
Deferred financing costs, net	757	34,044	7,750	—	42,551
Investment in and advances to affiliates	8,979,830	3,201,998	—	(12,181,828)	—
Other assets	26,282	4,043	891,360	—	921,685
Total assets	$9,038,783	$3,654,399	$18,468,646	$(12,181,828)	$18,980,000
Liabilities and equity					
Liabilities:					
Senior notes payable and other debt	$—	$4,570,296	$3,843,350	$—	$8,413,646
Intercompany loans	2,061,334	(2,791,885)	730,551	—	—
Accrued interest	—	24,045	23,520	—	47,565
Accounts payable and other liabilities	99,631	7,776	887,749	—	995,156
Deferred income taxes	259,715	—	—	—	259,715
Total liabilities	2,420,680	1,810,232	5,485,170	—	9,716,082
Redeemable OP unitholder and noncontrolling interests	119,244	—	55,311	—	174,555
Total equity	6,498,859	1,844,167	12,928,165	(12,181,828)	9,089,363
Total liabilities and equity	$9,038,783	$3,654,399	$18,468,646	$(12,181,828)	$18,980,000

(1) Certain of Ventas Realty’s outstanding senior notes were issued jointly with our 100% owned subsidiary, Ventas Capital Corporation, which has no assets or operations.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

CONDENSED CONSOLIDATING STATEMENT OF INCOME
For the Year Ended December 31, 2013

	Ventas, Inc.	Ventas Realty (1)	Ventas Subsidiaries	Consolidated Elimination	Consolidated
	(In thousands)				
Revenues:					
Rental income	$2,486	$277,779	$1,045,719	$—	$1,325,984
Resident fees and services	—	—	1,406,005	—	1,406,005
Medical office building and other services revenues	—	(11)	17,820	—	17,809
Income from loans and investments	1,262	908	56,038	—	58,208
Equity earnings in affiliates	449,677	—	800	(450,477)	—
Interest and other income	2,963	26	(942)	—	2,047
Total revenues	456,388	278,702	2,525,440	(450,477)	2,810,053
Expenses:					
Interest	(2,167)	147,158	189,493	—	334,484
Depreciation and amortization	4,990	30,007	686,962	—	721,959
Property-level operating expenses	—	514	1,109,118	—	1,109,632
Medical office building services costs	—	—	8,315	—	8,315
General, administrative and professional fees	2,695	21,160	91,251	—	115,106
Loss (gain) on extinguishment of debt, net	3	1,510	(312)	—	1,201
Merger-related expenses and deal costs	11,917	—	9,717	—	21,634
Other	884	44	17,804	—	18,732
Total expenses	18,322	200,393	2,112,348	—	2,331,063
Income from continuing operations before income (loss) from unconsolidated entities, income taxes and noncontrolling interest	438,066	78,309	413,092	(450,477)	478,990
Income (loss) from unconsolidated entities	—	673	(1,181)	—	(508)
Income tax benefit	11,828	—	—	—	11,828
Income from continuing operations	449,894	78,982	411,911	(450,477)	490,310
Discontinued operations	3,615	1,012	(40,048)	—	(35,421)
Net income	453,509	79,994	371,863	(450,477)	454,889
Net income attributable to noncontrolling interest	—	—	1,380	—	1,380
Net income attributable to common stockholders	$453,509	$79,994	$370,483	$(450,477)	$453,509

(1) Certain of Ventas Realty's outstanding senior notes were issued jointly with our 100% owned subsidiary, Ventas Capital Corporation, which has no assets or operations.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

CONDENSED CONSOLIDATING STATEMENT OF INCOME
For the Year Ended December 31, 2012

	Ventas, Inc.	Ventas Realty (1)	Ventas Subsidiaries	Consolidated Elimination	Consolidated
	(In thousands)				
Revenues:					
Rental income	$2,538	$272,506	$903,805	$—	$1,178,849
Resident fees and services	—	—	1,227,124	—	1,227,124
Medical office building and other services revenues	—	—	20,741	—	20,741
Income from loans and investments	2,944	1,871	35,098	—	39,913
Equity earnings in affiliates	322,660	—	998	(323,658)	—
Interest and other income	476	25	605	—	1,106
Total revenues	328,618	274,402	2,188,371	(323,658)	2,467,733
Expenses:					
Interest	(3,858)	92,597	199,537	—	288,276
Depreciation and amortization	2,777	35,414	676,314	—	714,505
Property-level operating expenses	—	535	965,887	—	966,422
Medical office building services costs	—	—	9,883	—	9,883
General, administrative and professional fees	3,682	30,317	64,511	—	98,510
Loss (gain) on extinguishment of debt, net	—	39,737	(2,097)	—	37,640
Merger-related expenses and deal costs	53,199	—	9,984	—	63,183
Other	78	—	6,862	—	6,940
Total expenses	55,878	198,600	1,930,881	—	2,185,359
Income from continuing operations before income (loss) from unconsolidated entities, income taxes and noncontrolling interest	272,740	75,802	257,490	(323,658)	282,374
Income (loss) from unconsolidated entities	—	18,266	(112)	—	18,154
Income tax benefit	6,282	—	—	—	6,282
Income from continuing operations	279,022	94,068	257,378	(323,658)	306,810
Discontinued operations	83,778	5,722	(34,535)	—	54,965
Net income	362,800	99,790	222,843	(323,658)	361,775
Net loss attributable to noncontrolling interest	—	—	(1,025)	—	(1,025)
Net income attributable to common stockholders	$362,800	$99,790	$223,868	$(323,658)	$362,800

(1) Certain of Ventas Realty's outstanding senior notes were issued jointly with our 100% owned subsidiary, Ventas Capital Corporation, which has no assets or operations.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

	Ventas, Inc.	Ventas Realty (1)	Ventas Subsidiaries	Consolidated Elimination	Consolidated
	(In thousands)				
Revenues:					
Rental income	$2,471	$265,039	$526,292	$—	$793,802
Resident fees and services	—	—	865,800	—	865,800
Medical office building and other services revenues	—	—	36,471	—	36,471
Income from loans and investments	6,305	8,570	19,540	—	34,415
Equity earnings in affiliates	231,779	—	1,447	(233,226)	—
Interest and other income	208	57	951	—	1,216
Total revenues	240,763	273,666	1,450,501	(233,226)	1,731,704
Expenses:					
Interest	(1,897)	66,633	159,068	—	223,804
Depreciation and amortization	1,714	30,473	412,006	—	444,193
Property-level operating expenses	—	510	644,572	—	645,082
Medical office building services costs	—	—	27,082	—	27,082
General, administrative and professional fees	(5,322)	29,336	50,523	—	74,537
Loss on extinguishment of debt, net	2,071	8,769	16,764	—	27,604
Litigation proceeds, net	(202,259)	—	—	—	(202,259)
Merger-related expenses and deal costs	111,845	—	42,078	—	153,923
Other	778	—	6,492	—	7,270
Total expenses	(93,070)	135,721	1,358,585	—	1,401,236
Income from continuing operations before loss from unconsolidated entities, income taxes and noncontrolling interest	333,833	137,945	91,916	(233,226)	330,468
Loss from unconsolidated entities	—	(52)	—	—	(52)
Income tax benefit	30,660	—	—	—	30,660
Income from continuing operations	364,493	137,893	91,916	(233,226)	361,076
Discontinued operations	—	6,789	(4,604)	—	2,185
Net income	364,493	144,682	87,312	(233,226)	363,261
Net loss attributable to noncontrolling interest	—	—	(1,232)	—	(1,232)
Net income attributable to common stockholders	$364,493	$144,682	$88,544	$(233,226)	$364,493

(1) Certain of Ventas Realty's outstanding senior notes were issued jointly with our 100% owned subsidiary, Ventas Capital Corporation, which has no assets or operations.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

CONDENSED CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME
For the Year Ended December 31, 2013

	Ventas, Inc.	Ventas Realty (1)	Ventas Subsidiaries	Consolidated Elimination	Consolidated
	(In thousands)				
Net income	$453,509	$79,994	$371,863	$(450,477)	$454,889
Other comprehensive loss:					
Foreign currency translation	—	—	(5,422)	—	(5,422)
Change in unrealized gain on marketable debt securities	(1,023)	—	—	—	(1,023)
Other	—	—	2,750	—	2,750
Total other comprehensive loss	(1,023)	—	(2,672)	—	(3,695)
Comprehensive income	452,486	79,994	369,191	(450,477)	451,194
Comprehensive income attributable to noncontrolling interest	—	—	1,380	—	1,380
Comprehensive income attributable to common stockholders	$452,486	$79,994	$367,811	$(450,477)	$449,814

(1) Certain of Ventas Realty’s outstanding senior notes were issued jointly with our 100% owned subsidiary, Ventas Capital Corporation, which has no assets or operations.

CONDENSED CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME
For the Year Ended December 31, 2012

	Ventas, Inc.	Ventas Realty (1)	Ventas Subsidiaries	Consolidated Elimination	Consolidated
	(In thousands)				
Net income	$362,800	$99,790	$222,843	$(323,658)	$361,775
Other comprehensive (loss) income:					
Foreign currency translation	—	—	2,375	—	2,375
Change in unrealized gain on marketable debt securities	(1,296)	—	—	—	(1,296)
Other	—	—	213	—	213
Total other comprehensive (loss) income	(1,296)	—	2,588	—	1,292
Comprehensive income	361,504	99,790	225,431	(323,658)	363,067
Comprehensive loss attributable to noncontrolling interest	—	—	(1,025)	—	(1,025)
Comprehensive income attributable to common stockholders	$361,504	$99,790	$226,456	$(323,658)	$364,092

(1) Certain of Ventas Realty’s outstanding senior notes were issued jointly with our 100% owned subsidiary, Ventas Capital Corporation, which has no assets or operations.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

	Ventas, Inc.	Ventas Realty (1)	Ventas Subsidiaries	Consolidated Elimination	Consolidated
	(In thousands)				
Net income	$ 364,493	$ 144,682	$ 87,312	$ (233,226)	$ 363,261
Other comprehensive loss:					
Foreign currency translation	—	—	(1,944)	—	(1,944)
Change in unrealized gain on marketable debt securities	(2,691)	—	—	—	(2,691)
Other	—	—	(171)	—	(171)
Total other comprehensive loss	(2,691)	—	(2,115)	—	(4,806)
Comprehensive income	361,802	144,682	85,197	(233,226)	358,455
Comprehensive loss attributable to noncontrolling interest	—	—	(1,232)	—	(1,232)
Comprehensive income attributable to common stockholders	$ 361,802	$ 144,682	$ 86,429	$ (233,226)	$ 359,687

(1) Certain of Ventas Realty’s outstanding senior notes were issued jointly with our 100% owned subsidiary, Ventas Capital Corporation, which has no assets or operations.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2013

	Ventas, Inc.	Ventas Realty (1)	Ventas Subsidiaries	Consolidated Elimination	Consolidated
	(In thousands)				
Net cash (used in) provided by operating activities	$(1,362)	$129,023	$1,067,094	$—	$1,194,755
Net cash (used in) provided by investing activities	(1,416,336)	22,835	110,741	—	(1,282,760)
Cash flows from financing activities:					
Net change in borrowings under credit facilities	—	(168,000)	3,971	—	(164,029)
Proceeds from debt	—	2,330,435	437,111	—	2,767,546
Repayment of debt	—	(400,000)	(1,392,492)	—	(1,792,492)
Net change in intercompany debt	2,156,519	(1,890,234)	(266,285)	—	—
Payment of deferred financing costs	—	(29,586)	(1,691)	—	(31,277)
Issuance of common stock, net	141,343	—	—	—	141,343
Cash distribution (to) from affiliates	(69,525)	5,610	63,915	—	—
Cash distribution to common stockholders	(802,123)	—	—	—	(802,123)
Cash distribution to redeemable OP unitholders	(5,040)	—	—	—	(5,040)
Purchases of redeemable OP units	(659)	—	—	—	(659)
Contributions from noncontrolling interest	—	—	2,395	—	2,395
Distributions to noncontrolling interest	—	—	(9,286)	—	(9,286)
Other	8,618	—	—	—	8,618
Net cash provided by (used in) financing activities	1,429,133	(151,775)	(1,162,362)	—	114,996
Net increase in cash and cash equivalents	11,435	83	15,473	—	26,991
Effect of foreign currency translation on cash and cash equivalents	—	(83)	—	—	(83)
Cash and cash equivalents at beginning of period	16,734	—	51,174	—	67,908
Cash and cash equivalents at end of period	$28,169	$—	$66,647	$—	$94,816

(1) Certain of Ventas Realty’s outstanding senior notes were issued jointly with our 100% owned subsidiary, Ventas Capital Corporation, which has no assets or operations.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2012

	Ventas, Inc.	Ventas Realty (1)	Ventas Subsidiaries	Consolidated Elimination	Consolidated
	(In thousands)				
Net cash (used in) provided by operating activities	$(761)	$193,544	$800,033	$—	$992,816
Net cash used in investing activities	(1,364,125)	(100)	(805,464)	—	(2,169,689)
Cash flows from financing activities:					
Net change in borrowings under revolving credit facility	—	92,000	(7,062)	—	84,938
Proceeds from debt	—	2,364,360	346,045	—	2,710,405
Repayment of debt	—	(521,527)	(671,496)	—	(1,193,023)
Net change in intercompany debt	2,151,815	(2,085,801)	(66,014)	—	—
Payment of deferred financing costs	—	(21,404)	(2,366)	—	(23,770)
Issuance of common stock, net	342,469	—	—	—	342,469
Cash distribution (to) from affiliates	(398,071)	(21,132)	419,203	—	—
Cash distribution to common stockholders	(728,546)	—	—	—	(728,546)
Cash distribution to redeemable OP unitholders	(4,446)	—	—	—	(4,446)
Purchases of redeemable OP units	(4,601)	—	—	—	(4,601)
Contributions from noncontrolling interest	—	—	38	—	38
Distributions to noncontrolling interest	—	—	(5,215)	—	(5,215)
Other	20,665	—	—	—	20,665
Net cash provided by (used in) financing activities	1,379,285	(193,504)	13,133	—	1,198,914
Net increase (decrease) in cash and cash equivalents	14,399	(60)	7,702	—	22,041
Effect of foreign currency translation on cash and cash equivalents	—	60	—	—	60
Cash and cash equivalents at beginning of period	2,335	—	43,472	—	45,807
Cash and cash equivalents at end of period	$16,734	$—	$51,174	$—	$67,908

(1) Certain of Ventas Realty’s outstanding senior notes were issued jointly with our 100% owned subsidiary, Ventas Capital Corporation, which has no assets or operations.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

	Ventas, Inc.	Ventas Realty (1)	Ventas Subsidiaries	Consolidated Elimination	Consolidated
	(In thousands)				
Net cash provided by operating activities	$124,784	$199,431	$448,982	$—	$773,197
Net cash (used in) provided by investing activities	(618,663)	(500,879)	122,103	—	(997,439)
Cash flows from financing activities:					
Net change in borrowings under revolving credit facilities	—	405,000	132,452	—	537,452
Proceeds from debt	(230,000)	1,069,374	504,266	—	1,343,640
Repayment of debt	—	(206,500)	(1,182,462)	—	(1,388,962)
Net change in intercompany debt	1,363,963	(1,559,518)	195,555	—	—
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)	612,798	(195,035)	—	—
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	301,493	(548,342)	—	248,282
Net increase in cash and cash equivalents	1,252	45	22,743	—	24,040
Effect of foreign currency translation on cash and cash equivalents	—	(45)	—	—	(45)
Cash and cash equivalents at beginning of period	1,083	—	20,729	—	21,812
Cash and cash equivalents at end of period	$2,335	$—	$43,472	$—	$45,807

(1) Certain of Ventas Realty's outstanding senior notes were issued jointly with our 100% owned subsidiary, Ventas Capital Corporation, which has no assets or operations.

VENTAS, INC.
SCHEDULE III
REAL ESTATE AND ACCUMULATED DEPRECIATION
December 31, 2013
(Dollars in Thousands)

	For the Years Ended December 31,		
	2013	2012	2011
	(In thousands)		
Reconciliation of real estate:			
Carrying cost:			
Balance at beginning of period	$18,763,903	$17,029,404	$6,600,886
Additions during period:			
Acquisitions	1,623,648	1,889,592	10,491,275
Capital expenditures	183,929	184,675	102,918
Dispositions:			
Sales and/or transfers to assets held for sale	(155,184)	(349,456)	(157,764)
Foreign currency translation	(22,885)	9,688	(7,911)
Balance at end of period	$20,393,411	$18,763,903	$17,029,404
Accumulated depreciation:			
Balance at beginning of period	$2,289,783	$1,729,976	$1,368,219
Additions during period:			
Depreciation expense	674,141	620,076	380,734
Dispositions:			
Sales and/or transfers to assets held for sale	(78,061)	(61,583)	(16,536)
Foreign currency translation	(3,913)	1,314	(2,441)
Balance at end of period	$2,881,950	$2,289,783	$1,729,976

VENTAS, INC.
SCHEDULE III
REAL ESTATE AND ACCUMULATED DEPRECIATION
December 31, 2013
(Dollars in Thousands)

	Location			Initial Cost to Company			Gross Amount Carried at Close of Period							
Property Name	City	State / Province	Encumbrances	Land and Improvements	Buildings and Improvements	Costs Capitalized Subsequent to Acquisition	Land and Improvements	Buildings and Improvements	Total	Accumulated Depreciation	NBV	Year of Construction	Year Acquired	Life on Which Depreciation in Income Statement is Computed
KINDRED SKILLED NURSING FACILITIES														
Whitesburg Gardens Health Care Center	Huntsville	AL	$ —	$534	$4,216	$ —	$534	$4,216	$4,750	$3,825	$925	1968	1991	25 years
Desert Life Rehabilitation and Care Center	Tucson	AZ	—	611	5,117	—	611	5,117	5,728	4,418	1,310	1979	1982	37 years
Canyonwood Nursing and Rehab Center	Redding	CA	—	401	3,784	—	401	3,784	4,185	2,121	2,064	1989	1989	45 years
The Tunnell Center for Rehabilitation & Heathcare	San Francisco	CA	—	1,902	7,531	—	1,902	7,531	9,433	5,592	3,841	1967	1993	28 years
Lawton Healthcare Center	San Francisco	CA	—	943	514	—	943	514	1,457	480	977	1962	1996	20 years
Village Square Nursing and Rehabilitation Center	San Marcos	CA	—	766	3,507	—	766	3,507	4,273	1,754	2,519	1989	1993	42 years
Valley Gardens Health Care & Rehabilitation Center	Stockton	CA	—	516	3,405	—	516	3,405	3,921	1,985	1,936	1988	1988	29 years
Aurora Care Center	Aurora	CO	—	197	2,328	—	197	2,328	2,525	1,680	845	1962	1995	30 years

Cherry Hills Health Care Center	Englewood	CO	—	241	2,180	—	241	2,180	2,421	1,639	782	1960	1995	30 years
Parkway Pavilion Healthcare	Enfield	CT	—	337	3,607	—	337	3,607	3,944	2,938	1,006	1968	1994	28 years
The Crossings West Campus	New London	CT	—	202	2,363	—	202	2,363	2,565	1,788	777	1969	1994	28 years
The Crossings East Campus	New London	CT	—	401	2,776	—	401	2,776	3,177	2,263	914	1968	1992	29 years
Windsor Rehabilitation and Healthcare Center	Windsor	CT	—	368	2,520	—	368	2,520	2,888	2,044	844	1965	1994	30 years
Lafayette Nursing and Rehab Center	Fayetteville	GA	—	598	6,623	—	598	6,623	7,221	6,042	1,179	1989	1995	20 years
Savannah Specialty Care Center	Savannah	GA	—	157	2,219	—	157	2,219	2,376	1,908	468	1972	1991	26 years
Canyon West Health and Rehabilitation Center	Caldwell	ID	—	312	2,050	—	312	2,050	2,362	940	1,422	1974	1998	45 years
Mountain Valley Care & Rehabilitation Center	Kellogg	ID	—	68	1,280	—	68	1,280	1,348	1,297	51	1971	1984	25 years
Lewiston Rehabilitation & Care Center	Lewiston	ID	—	133	3,982	—	133	3,982	4,115	3,388	727	1964	1984	29 years
Aspen Park Healthcare	Moscow	ID	—	261	2,571	—	261	2,571	2,832	2,402	430	1955	1990	25 years
Nampa Care Center	Nampa	ID	—	252	2,810	—	252	2,810	3,062	2,688	374	1950	1983	25 years
Weiser Rehabilitation & Care Center	Weiser	ID	—	157	1,760	—	157	1,760	1,917	1,826	91	1963	1983	25 years
Meadowvale Health and Rehabilitation Center	Bluffton	IN	—	7	787	—	7	787	794	631	163	1962	1995	22 years
Bremen Health Care Center	Bremen	IN	—	109	3,354	—	109	3,354	3,463	2,135	1,328	1982	1996	45 years

Property Name	Location: City	Location: State / Province	Encumbrances	Initial Cost to Company: Land and Improvements	Initial Cost to Company: Buildings and Improvements	Costs Capitalized Subsequent to Acquisition	Gross Amount Carried at Close of Period: Land and Improvements	Gross Amount Carried at Close of Period: Buildings and Improvements	Total	Accumulated Depreciation	NBV	Year of Construction	Year Acquired	Life on Which Depreciation in Income Statement is Computed
Wedgewood Healthcare Center	Clarksville	IN	—	119	5,115	—	119	5,115	5,234	3,294	1,940	1985	1995	35 years
Columbus Health and Rehabilitation Center	Columbus	IN	—	345	6,817	—	345	6,817	7,162	6,130	1,032	1966	1991	25 years
Harrison Health and Rehabilitation Centre	Corydon	IN	—	125	6,068	—	125	6,068	6,193	5,167	1,026	1998	1998	45 years
Valley View Health Care Center	Elkhart	IN	—	87	2,665	—	87	2,665	2,752	2,210	542	1985	1993	25 years
Wildwood Health Care Center	Indianapolis	IN	—	134	4,983	—	134	4,983	5,117	4,096	1,021	1988	1993	25 years
Windsor Estates Health & Rehab Center	Kokomo	IN	—	256	6,625	—	256	6,625	6,881	4,162	2,719	1962	1995	35 years
Rolling Hills Health Care Center	New Albany	IN	—	81	1,894	—	81	1,894	1,975	1,577	398	1984	1993	25 years
Southwood Health & Rehabilitation Center	Terre Haute	IN	—	90	2,868	—	90	2,868	2,958	2,370	588	1988	1993	25 years
Rosewood Health Care Center	Bowling Green	KY	—	248	5,371	—	248	5,371	5,619	4,195	1,424	1970	1990	30 years
Riverside Manor Healthcare Center	Calhoun	KY	—	103	2,119	—	103	2,119	2,222	1,675	547	1963	1990	30 years
Danville Centre for Health and Rehabilitation	Danville	KY	—	322	3,538	—	322	3,538	3,860	2,399	1,461	1962	1995	30 years
Woodland Terrace Health Care Facility	Elizabethtown	KY	—	216	1,795	—	216	1,795	2,011	1,898	113	1969	1982	26 years
Maple Manor Health Care	Greenville	KY	—	59	3,187	—	59	3,187	3,246	2,514	732	1968	1990	30 years

Center														
Harrodsburg Health Care Center	Harrodsburg	KY	—	137	1,830	—	137	1,830	1,967	1,576	391	1974	1985	35 years
Hillcrest Health Care Center	Owensboro	KY	—	544	2,619	—	544	2,619	3,163	2,712	451	1963	1982	22 years
Blueberry Hill Skilled Nursing & Rehabilitation Center	Beverly	MA	—	129	4,290	—	129	4,290	4,419	3,324	1,095	1965	1968	40 years
Walden Rehabilitation and Nursing Center	Concord	MA	—	181	1,347	—	181	1,347	1,528	1,382	146	1969	1968	40 years
Crawford Skilled Nursing and Rehabilitation Center	Fall River	MA	—	127	1,109	—	127	1,109	1,236	1,112	124	1968	1982	29 years
Hillcrest Nursing and Rehabilitation Center	Fitchburg	MA	—	175	1,461	—	175	1,461	1,636	1,475	161	1957	1984	25 years
Franklin Skilled Nursing and Rehabilitation Center	Franklin	MA	—	156	757	—	156	757	913	798	115	1967	1969	40 years
Timberlyn Heights Nursing and Rehabilitation Center	Great Barrington	MA	—	120	1,305	—	120	1,305	1,425	1,275	150	1968	1982	29 years
Great Barrington Rehabilitation and Nursing Center	Great Barrington	MA	—	60	1,142	—	60	1,142	1,202	1,144	58	1967	1969	40 years
River Terrace Healthcare	Lancaster	MA	—	268	957	—	268	957	1,225	1,123	102	1969	1969	40 years
Hallmark Nursing and Rehabilitation Center	New Bedford	MA	—	202	2,694	—	202	2,694	2,896	2,474	422	1968	1982	26 years
Brigham Manor Nursing and Rehabilitation Center	Newburyport	MA	—	126	1,708	—	126	1,708	1,834	1,607	227	1806	1982	27 years
Quincy Rehabilitation and Nursing Center	Quincy	MA	—	216	2,911	—	216	2,911	3,127	2,770	357	1965	1984	24 years
Den-Mar Rehabilitation	Rockport	MA	—	23	1,560	—	23	1,560	1,583	1,501	82	1963	1985	30 years

and Nursing Center														
Hammersmith House Nursing Care Center	Saugus	MA	—	112	1,919	—	112	1,919	2,031	1,753	278	1965	1982	28 years

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	Location			Initial Cost to Company			Gross Amount Carried at Close of Period							
Property Name	City	State / Province	Encumbrances	Land and Improvements	Buildings and Improvements	Costs Capitalized Subsequent to Acquisition	Land and Improvements	Buildings and Improvements	Total	Accumulated Depreciation	NBV	Year of Construction	Year Acquired	Life on Which Depreciation in Income Statement is Computed
Eagle Pond Rehabilitation and Living Center	South Dennis	MA	—	296	6,896	—	296	6,896	7,192	3,850	3,342	1985	1987	50 years
Blue Hills Alzheimer's Care Center	Stoughton	MA	—	511	1,026	—	511	1,026	1,537	1,394	143	1965	1982	28 years
Country Gardens Skilled Nursing & Rehabilitation Center	Swansea	MA	—	415	2,675	—	415	2,675	3,090	2,507	583	1969	1984	27 years
Harrington House Nursing and Rehabilitation Center	Walpole	MA	—	4	4,444	—	4	4,444	4,448	2,285	2,163	1991	1991	45 years
Oakwood Rehabilitation and Nursing Center	Webster	MA	—	102	1,154	—	102	1,154	1,256	1,173	83	1967	1982	31 years
Westgate Manor	Bangor	ME	—	287	2,718	—	287	2,718	3,005	2,492	513	1969	1985	31 years
Parkview Acres Care and Rehabilitation Center	Dillon	MT	—	207	2,578	—	207	2,578	2,785	1,904	881	1965	1993	29 years
Park Place Health Care Center	Great Falls	MT	—	600	6,311	—	600	6,311	6,911	4,624	2,287	1963	1993	28 years
Pettigrew Rehabilitation and Healthcare Center	Durham	NC	—	101	2,889	—	101	2,889	2,990	2,223	767	1969	1993	28 years
Rose Manor Healthcare Center	Durham	NC	—	200	3,527	—	200	3,527	3,727	3,035	692	1972	1991	26 years
Guardian Care of Elizabeth City	Elizabeth City	NC	—	71	561	—	71	561	632	632	—	1977	1982	20 years
Guardian Care of Henderson	Henderson	NC	—	206	1,997	—	206	1,997	2,203	1,470	733	1957	1993	29 years

Lincoln Nursing Center	Lincolnton	NC	—	39	3,309	—	39	3,309	3,348	2,626	722	1976	1986	35 years
Rehabilitation and Nursing Center of Monroe	Monroe	NC	—	185	2,654	—	185	2,654	2,839	2,057	782	1963	1993	28 years
Sunnybrook Healthcare and Rehabilitation Specialists	Raleigh	NC	—	187	3,409	—	187	3,409	3,596	3,066	530	1971	1991	25 years
Raleigh Rehabilitation & Healthcare Center	Raleigh	NC	—	316	5,470	—	316	5,470	5,786	4,886	900	1969	1991	25 years
Guardian Care of Rocky Mount	Rocky Mount	NC	—	240	1,732	—	240	1,732	1,972	1,487	485	1975	1997	25 years
Cypress Pointe Rehabilitation and Health Care Centre	Wilmington	NC	—	233	3,710	—	233	3,710	3,943	2,872	1,071	1966	1993	28.5 years
Silas Creek Manor	Winston-Salem	NC	—	211	1,893	—	211	1,893	2,104	1,408	696	1966	1993	28.5 years
Guardian Care of Zebulon	Zebulon	NC	—	179	1,933	—	179	1,933	2,112	1,427	685	1973	1993	29 years
Hanover Terrace Healthcare	Hanover	NH	—	326	1,825	—	326	1,825	2,151	1,333	818	1969	1993	29 years
Greenbriar Terrace Healthcare	Nashua	NH	—	776	6,011	—	776	6,011	6,787	5,362	1,425	1963	1990	25 years
Cambridge Health & Rehabilitation Center	Cambridge	OH	—	108	2,642	—	108	2,642	2,750	2,201	549	1975	1993	25 years
Winchester Place Nursing and Rehabilitation Center	Canal Winchester	OH	—	454	7,149	—	454	7,149	7,603	5,771	1,832	1974	1993	28 years
Franklin Woods Nursing and Rehabilitation Center	Columbus	OH	—	190	4,712	—	190	4,712	4,902	2,742	2,160	1986	1992	38 years
Lebanon Country Manor	Lebanon	OH	—	105	3,617	—	105	3,617	3,722	2,452	1,270	1984	1986	43 years
Logan Health Care Center	Logan	OH	—	169	3,750	—	169	3,750	3,919	2,833	1,086	1979	1991	30 years
Pickerington Nursing & Rehabilitation Center	Pickerington	OH	—	312	4,382	—	312	4,382	4,694	2,589	2,105	1984	1992	37 years
Sunnyside Care Center	Salem	OR	—	1,512	2,249	—	1,512	2,249	3,761	1,511	2,250	1981	1991	30 years

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	Location			Initial Cost to Company			Gross Amount Carried at Close of Period							
Property Name	City	State / Province	Encumbrances	Land and Improvements	Buildings and Improvements	Costs Capitalized Subsequent to Acquisition	Land and Improvements	Buildings and Improvements	Total	Accumulated Depreciation	NBV	Year of Construction	Year Acquired	Life on Which Depreciation in Income Statement is Computed
Wyomissing Nursing and Rehabilitation Center	Reading	PA	—	61	5,095	—	61	5,095	5,156	2,276	2,880	1966	1993	45 years
Oak Hill Nursing and Rehabilitation Center	Pawtucket	RI	—	91	6,724	—	91	6,724	6,815	3,044	3,771	1966	1990	45 years
Masters Health Care Center	Algood	TN	—	524	4,370	—	524	4,370	4,894	3,249	1,645	1981	1987	38 years
Wasatch Care Center	Ogden	UT	—	373	597	—	373	597	970	600	370	1964	1990	25 years
St. George Care and Rehabilitation Center	St. George	UT	—	419	4,465	—	419	4,465	4,884	3,004	1,880	1976	1993	29 years
Nansemond Pointe Rehabilitation and Healthcare Center	Suffolk	VA	—	534	6,990	—	534	6,990	7,524	4,923	2,601	1963	1991	32 years
River Pointe Rehabilitation and Healthcare Center	Virginia Beach	VA	—	770	4,440	—	770	4,440	5,210	4,051	1,159	1953	1991	25 years
Bay Pointe Medical and Rehabilitation Center	Virginia Beach	VA	—	805	2,886	(380)	425	2,886	3,311	2,075	1,236	1971	1993	29 years
Birchwood Terrace Healthcare	Burlington	VT	—	15	4,656	—	15	4,656	4,671	4,317	354	1965	1990	27 years
Northwest Continuum Care Center	Longview	WA	—	145	2,563	—	145	2,563	2,708	1,932				