HEALTH CARE REIT INC /DE/
Form 10-K
February 17, 2012

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2011

Commission File No. 1-8923

HEALTH CARE REIT, INC.

(Exact name of registrant as specified in its charter)

Delaware	**34-1096634**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*
4500 Dorr Street, Toledo, Ohio	**43615**
(Address of principal executive office)	*(Zip Code)*

(419) 247-2800

(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, $1.00 par value	New York Stock Exchange
7.875% Series D Cumulative Redeemable Preferred Stock, $1.00 par value	New York Stock Exchange
7.625% Series F Cumulative Redeemable Preferred Stock, $1.00 par value	New York Stock Exchange
6.500% Series I Cumulative Convertible Perpetual Preferred Stock, $1.00 par value	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 þ No o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes o No þ

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to the filing requirements for at least the past 90 days. Yes þ No o

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 þ No o

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. R

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

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

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

The aggregate market value of the shares of voting common stock held by non-affiliates of the registrant, computed by reference to the closing sales price of such shares on the New York Stock Exchange as of the last business day of the registrant’s most recently completed second fiscal quarter was $9,247,925,006.

As of January 31, 2012, the registrant had 192,618,772 shares of common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant’s definitive proxy statement for the annual stockholders’ meeting to be held May 3, 2012, are incorporated by reference into Part III.

HEALTH CARE REIT, INC.

2011 FORM 10-K ANNUAL REPORT

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PART I

Item 1. *Business*

General

Health Care REIT, Inc. is a real estate investment trust ("REIT") that has been at the forefront of seniors housing and health care real estate since the company was founded in 1970. We are an S&P 500 company headquartered in Toledo, Ohio and our portfolio spans the full spectrum of seniors housing and health care real estate, including seniors housing communities, skilled nursing/post-acute facilities, medical office buildings, inpatient and outpatient medical centers and life science facilities. Our capital programs, when combined with comprehensive planning, development and property management services, make us a single-source solution for acquiring, planning, developing, managing, repositioning and monetizing real estate assets. More information is available on the Internet at www.hcreit.com.

Our primary objectives are to protect stockholder capital and enhance stockholder value. We seek to pay consistent cash dividends to stockholders and create opportunities to increase dividend payments to stockholders as a result of annual increases in rental and interest income and portfolio growth. To meet these objectives, we invest across the full spectrum of seniors housing and health care real estate and diversify our investment portfolio by property type, customer and geographic location.

Depending upon the availability and cost of external capital, we believe our liquidity is sufficient to fund operations, meet debt service obligations (both principal and interest), make dividend distributions and complete construction projects in process. We also continue to evaluate opportunities to finance future investments. New investments are generally funded from temporary borrowings under our unsecured line of credit arrangement, internally generated cash and the proceeds from sales of real property. Our investments generate cash from rent and interest receipts, resident fees and services and principal payments on loans receivable. Permanent financing for future investments, which replaces funds drawn under the unsecured line of credit arrangement, has historically been provided through a combination of public and private offerings of debt and equity securities and the incurrence or assumption of secured debt.

References herein to "we," "us," "our" or the "Company" refer to Health Care REIT, Inc. and its subsidiaries unless specifically noted otherwise.

Portfolio of Properties

The following table summarizes our portfolio as of December 31, 2011:

Type of Property	Investments (in thousands)	Percentage of Investments	Number of Properties	# Beds/Units or Sq. Ft.		Investment per metric(1)		States
Seniors housing triple-net	$ 4,029,818	28.1%	282	25,133	units	$ 163,293	per unit	39
Skilled nursing/post-acute	3,527,468	24.6%	307	39,825	beds	89,997	per bed	28
Seniors housing operating	2,792,088	19.5%	112	12,420	units	224,806	per unit	21
Hospitals	911,482	6.4%	36	2,165	beds	421,007	per bed	17
Medical office buildings(2)	2,727,450	19.0%	193	11,276,994	sq. ft.	255	per sq. ft.	30
Life science buildings(2)	337,800	2.4%	7			n/a		1
Totals	$ 14,326,106	100.0%	937					46

(1) Investment per metric was computed by using the total committed investment amount of $14,609,005,000, which includes net real estate investments, our share of investments in unconsolidated entities and unfunded construction commitments for which initial funding has commenced which amounted to $13,942,350,000, $383,756,000 and $282,899,000, respectively.
(2) Includes our share of investments in unconsolidated entities. Please see Note 7 to our consolidated financial statements for additional information.

Property Types

We invest in seniors housing and health care real estate. We evaluate our business and make resource allocations on our three business segments — seniors housing triple-net, seniors housing operating, and medical facilities. For additional information regarding business segments, see Note 17 to our consolidated financial statements. The accounting policies of the segments are the same as those described in the summary of significant accounting policies (see Note 2 to our consolidated financial statements). The following is a summary of our various property types.

Seniors Housing Triple-Net

Our seniors housing triple-net properties include independent living/continuing care retirement communities, assisted living facilities, Alzheimer's/dementia facilities, skilled nursing/post-acute facilities and combinations thereof. We invest in seniors housing triple-net real estate primarily through acquisitions and development. Properties are primarily leased under triple-net leases and we are not involved in property management. Our properties include stand-alone facilities that provide one level of service, combination facilities that provide multiple levels of service, and communities or campuses that provide a wide range of services.

Independent Living Facilities. Independent living facilities are age-restricted, multifamily properties with central dining facilities that provide residents access to meals and other services such as housekeeping, linen service, transportation and social and recreational activities.

Continuing Care Retirement Communities. Continuing care retirement communities include a combination of detached homes, an independent living facility, an assisted living facility and/or a skilled nursing facility on one campus. These communities are appealing to residents because there is no need for relocating when health and medical needs change. Resident payment plans vary, but can include entrance fees, condominium fees and rental fees. Many of these communities also charge monthly maintenance fees in exchange for a living unit, meals and some health services.

Assisted Living Facilities. Assisted living facilities are state regulated rental properties that provide the same services as independent living facilities, but also provide supportive care from trained employees to residents who require assistance with activities of daily living, including management of medications, bathing, dressing, toileting, ambulating and eating.

Alzheimer's/Dementia Care Facilities. Certain assisted living facilities may include state licensed settings that specialize in caring for those afflicted with Alzheimer's disease and/or other types of dementia.

Skilled Nursing/Post-Acute Facilities. Skilled nursing/post-acute facilities are licensed daily rate or rental properties where the majority of individuals require 24-hour nursing and/or medical care. Generally, these properties are licensed for Medicaid and/or Medicare reimbursement and are subject to triple-net operating leases. All facilities offer some level of rehabilitation services. Some facilities offer rehabilitation units specializing in cardiac, orthopedic, dialysis, neurological or pulmonary rehabilitation, which focus on higher acuity patients.

Our seniors housing triple-net segment accounted for 45%, 57% and 67% of total revenues (including discontinued operations and our pro rata share of unconsolidated entities) for the years ended December 31, 2011, 2010 and 2009, respectively. We lease 150 facilities to Genesis HealthCare, LLC pursuant to a long-term, triple-net master lease. In addition to rent, the master lease requires Genesis to pay all operating costs, utilities, real estate taxes, insurance, building repairs, maintenance costs and all obligations under the ground leases. All obligations under the master lease have been guaranteed by FC-GEN Operations Investment, LLC. For the year ended December 31, 2011, our lease with Genesis accounted for approximately 26% of our seniors housing triple-net segment revenues and 12% of our total revenues.

Seniors Housing Operating

Our seniors housing operating properties include independent living facilities, assisted living facilities, Alzheimer's facilities and combinations thereof. Descriptions of these facility types are provided above under Seniors Housing Triple-Net. We invest in seniors housing operating real estate primarily through acquisitions. Properties are primarily held in consolidated entities with operating partners, structured to take advantage of the REIT Investment Diversification Act of 2007 ("RIDEA"). Our properties include stand-alone facilities that provide one level of service, combination facilities that provide multiple levels of service, and communities or campuses that provide a wide range of services.

Our seniors housing operating segment accounted for 31%, 7% and 0% of total revenues (including discontinued operations and our pro rata share of unconsolidated entities) for the years ended December 31, 2011, 2010 and 2009, respectively. We have partnerships with Merrill Gardens LLC, Benchmark Senior Living, LLC and Silverado Senior Living, Inc. to own and operate portfolios of 48, 34 and 19 facilities, respectively. In each instance, our partner provides management services to the properties pursuant to an incentive-based management contract. We rely on our partners to effectively and efficiently manage these properties. The following table provides information about our seniors housing operating concentration for the year ended December 31, 2011:

Partner	% of Segment Revenues	% of Total Revenues
Merrill Gardens LLC	34%	11%
Benchmark Senior Living, LLC	36%	11%
Silverado Senior Living, Inc.	21%	6%

Medical Facilities

Our medical facilities include medical office buildings, hospitals and life science buildings. Our medical office buildings are typically leased to multiple tenants and generally require a certain level of property management. Our hospital investments are typically structured similar to our seniors housing triple-net investments. Our life science investments represent investments in an unconsolidated joint venture entity (see Note 7 to our consolidated financial statements).

Medical Office Buildings. The medical office building portfolio consists of health care related buildings that include physician offices, ambulatory surgery centers, diagnostic facilities, outpatient services and/or labs. Our portfolio has a strong affiliation with health systems: Approximately 87% of our medical office building portfolio is affiliated with health systems by having buildings on hospital campuses or serving as satellite locations for the health system and their physicians.

Hospitals. Our hospitals generally include acute care hospitals, inpatient rehabilitation hospitals, and long-term acute care hospitals. Acute care hospitals provide a wide range of inpatient and outpatient services, including, but not limited to, surgery, rehabilitation, therapy and clinical laboratories. Inpatient rehabilitation hospitals provide inpatient services for patients with intensive rehabilitation needs. Long-term acute care hospitals provide inpatient services for patients with complex medical conditions that require more intensive care, monitoring or emergency support than is available in most skilled nursing facilities.

Life Science Buildings. The life science building portfolio consists of laboratory and office facilities specifically designed and constructed for use by biotechnology and pharmaceutical companies. These facilities, located adjacent to The Massachusetts Institute of Technology, which is a well established market known for pharmaceutical and biotechnology research, are similar to commercial office buildings with advanced HVAC, ventilation, electrical and mechanical systems.

Our medical facilities segment accounted for 24%, 35% and 33% of total revenues (including discontinued operations and our pro rata share of unconsolidated entities) for the years ended December 31, 2011, 2010 and 2009, respectively.

Investments

We invest in seniors housing and health care real estate primarily through acquisitions and developments. For additional information regarding acquisition and development activity, please see Note 3 to our consolidated financial statements. We diversify our investment portfolio by property type, customer and geographic location. In determining whether to invest in a property, we focus on the following: (1) the experience of the obligor's management team; (2) the historical and projected financial and operational performance of the property; (3) the credit of the obligor; (4) the security for the lease or loan; (5) the real estate attributes of the building and its location; and (6) the capital committed to the property by the obligor. We conduct market research and analysis for all potential investments. In addition, we review the value of all properties, the interest rates and covenant requirements of any facility-level debt to be assumed by us at the time of the acquisition and the anticipated sources of repayment of any of the obligor's existing debt that is not to be assumed by us at the time of the acquisition.

We monitor our investments through a variety of methods determined by the type of property. Our asset management process for seniors housing triple-net properties generally includes review of monthly financial statements and other operating data for each property, periodic review of obligor creditworthiness, periodic property inspections and review of covenant compliance relating to licensure, real estate taxes, letters of credit and other collateral. Our internal property management division actively manages and monitors the medical office building portfolio with a comprehensive process including tenant relations, tenant lease expirations, the mix of health service providers, hospital/health system relationships, property performance, capital improvement needs and market conditions among other things. In monitoring our portfolio, our personnel use a proprietary database to collect and analyze property-specific data. Additionally, we conduct extensive research to ascertain industry trends and risks.

Through asset management and research, we evaluate the operating environment in each property's market to determine whether payment risk is likely to increase. When we identify unacceptable levels of payment risk, we seek to mitigate, eliminate or transfer the risk. We categorize the risk as obligor, property or market risk. For obligor risk, we typically find a substitute operator/tenant to run the property. For property risk, we usually work with the operator/tenant to institute property-level management changes to address the risk. Finally, for market risk, we often encourage an obligor to change its capital structure, including refinancing the property or raising additional equity. Through these asset management and research efforts, we are generally able to intervene at an early stage to address payment risk, and in so doing, support both the collectability of revenue and the value of our investment.

Depending upon market conditions, we believe that new investments will be available in the future with spreads over our cost of capital that will generate appropriate returns to our stockholders.

Investment Types

Real Property. Our properties are primarily comprised of land, building, improvements and related rights. Our hospitals and seniors housing triple-net properties are generally leased to operators under long-term operating leases. The leases generally have a fixed contractual term of 12 to 15 years and contain one or more five to 15-year renewal options. Certain of our leases also contain purchase options. Most of our rents are received under triple-net leases requiring the operator to pay rent and all additional charges incurred in the operation of the leased property. The tenants are required to repair, rebuild and maintain the leased properties. Substantially all of these operating leases are designed with either fixed or contingent escalating rent structures. Leases with fixed annual rental escalators are generally recognized on a straight-line basis over the initial lease period, subject to a collectability assessment. Rental income related to leases with contingent rental escalators is generally recorded based on the contractual cash rental payments due for the period.

At December 31, 2011, approximately 93% of our hospitals and seniors housing triple-net properties were subject to master leases. A master lease is a lease of multiple properties to one tenant entity under a single lease agreement. From time to time, we may acquire additional properties that are then leased to the tenant under the master lease. The tenant is required to make one monthly payment that represents rent on all the properties that are subject to the master lease. Typically, the master lease tenant can exercise its right to purchase the properties or to renew the master lease only with respect to all leased properties at the same time. This bundling feature benefits us because the tenant cannot limit the purchase or renewal to the better performing properties and terminate the leasing arrangement with respect to the poorer performing properties. This spreads our risk among the entire group of properties within the master lease. The bundling feature should provide a similar advantage if the master lease tenant is in bankruptcy. Subject to certain restrictions, a debtor in bankruptcy has the right to assume or reject each of its leases. It is our intent that a tenant in bankruptcy would be required to assume or reject the master lease as a whole, rather than deciding on a property by property basis.

Our medical office building portfolio is primarily self-managed and consists principally of multi-tenant properties leased to health care providers. Our leases have favorable lease terms that typically include fixed increasers and some form of operating expense reimbursement by the tenant. As of December 31, 2011, 86.6% of our portfolio included leases with full pass through, 11.6% with a partial expense reimbursement (modified gross) and 1.8% with no expense reimbursement (gross). Our medical office building leases are non-cancellable operating leases that have a weighted average remaining term of 8.4 years at December 31, 2011 and are often credit enhanced by guaranties and/or letters of credit.

Construction. We currently provide for the construction of properties for tenants generally as part of long-term operating leases. We capitalize certain interest costs associated with funds used to pay for the construction of properties owned by us. The amount capitalized is based upon the amount advanced during the construction period using the rate of interest that approximates our cost of financing. Our interest expense is reduced by the amount capitalized. We also typically charge a transaction fee at the commencement of construction which we defer and amortize to income over the term of the resulting lease. The construction period commences upon funding and terminates upon the earlier of the completion of the applicable property or the end of a specified period. During the construction period, we advance funds to the tenants in accordance with agreed upon terms and conditions which require, among other things, periodic site visits by a Company representative. During the construction period, we generally require an additional credit enhancement in the form of payment and performance bonds and/or completion guaranties. At December 31, 2011, we had outstanding construction investments of $189,502,000 and were committed to providing additional funds of approximately $282,899,000 to complete construction for investment properties.

Real Estate Loans. Our real estate loans are typically structured to provide us with interest income, principal amortization and transaction fees and are generally secured by a first, second or third mortgage lien, leasehold mortgage, corporate guaranties and/or personal guaranties. At December 31, 2011, we had outstanding real estate loans of $292,507,000. The interest yield averaged approximately 9% per annum on our outstanding real estate loan balances. Our yield on real estate loans depends upon a number of factors, including the stated interest rate, average principal amount outstanding during the term of the loan and any interest rate adjustments. The real estate loans outstanding at December 31, 2011 are generally subject to three to 20-year terms with principal amortization schedules and/or balloon payments of the outstanding principal balances at the end of the term. Typically, real estate loans are cross-defaulted and cross-collateralized with other real estate loans, operating leases or agreements between us and the obligor and its affiliates.

Principles of Consolidation

The consolidated financial statements include the accounts of our wholly-owned subsidiaries and joint venture entities that we control, through voting rights or other means. All material intercompany transactions and balances have been eliminated in consolidation.

At inception of the joint venture transactions, we identify entities for which control is achieved through means other than voting rights (“variable interest entities” or “VIEs”) and determine which business enterprise is the primary beneficiary of its operations. A variable interest entity is broadly defined as an entity where either (i) the equity investors as a group, if any, do not have a controlling financial interest, or (ii) the equity investment at risk is insufficient to finance that entity's activities without additional subordinated financial support. We consolidate investments in VIEs when we are determined to be the primary beneficiary. Accounting Standards

Codification ("ASC") 810 requires enterprises to perform a qualitative approach to determining whether or not a VIE will need to be consolidated on a continuous basis. This evaluation is based on an enterprise's ability to direct and influence the activities of a variable interest entity that most significantly impact that entity's economic performance.

For investments in joint ventures, we evaluate the type of rights held by the limited partner(s), which may preclude consolidation in circumstances in which the sole general partner would otherwise consolidate the limited partnership. The assessment of limited partners' rights and their impact on the presumption of control over a limited partnership by the sole general partner should be made when an investor becomes the sole general partner and should be reassessed if (i) there is a change to the terms or in the exercisability of the rights of the limited partners, (ii) the sole general partner increases or decreases its ownership in the limited partnership interests, or (iii) there is an increase or decrease in the number of outstanding limited partnership interests. We similarly evaluate the rights of managing members of limited liability companies.

Investments in Unconsolidated Entities

Investments in less than majority owned entities where our interests represent a general partnership interest but substantive participating rights or substantive kick-out rights have been granted to the limited partners, or where our interests do not represent the general partnership interest and we do not control the major operating and financial policies of the entity, are reported under the equity method of accounting. Under the equity method of accounting, our share of the investee's earnings or losses is included in our consolidated results of operations. To the extent that our cost basis is different from the basis reflected at the entity level, the basis difference is generally amortized over the lives of the related assets and liabilities, and such amortization is included in our share of equity in earnings of the entity. The initial carrying value of investments in unconsolidated entities is based on the amount paid to purchase the entity interest or the estimated fair value of the assets prior to the sale of interests in the entity. Other equity investments include an investment in available-for-sale securities and an investment in a private company where we do not have the ability to exercise influence over the company, so the investment is accounted for under the cost method. These equity investments represented a minimal ownership interest in these companies. We evaluate our equity method investments for impairment based upon a comparison of the estimated fair value of the equity method investment to its carrying value. When we determine a decline in the estimated fair value of such an investment below its carrying value is other-than-temporary, an impairment is recorded.

Borrowing Policies

We utilize a combination of debt and equity to fund investments. Our debt and equity levels are determined by management to maintain a conservative credit profile. Generally, we intend to issue unsecured, fixed rate public debt with long-term maturities to approximate the maturities on our leases and loans. For short-term purposes, we may borrow on our unsecured line of credit arrangement. We replace these borrowings with long-term capital such as senior unsecured notes, common stock or preferred stock. When terms are deemed favorable, we may invest in properties subject to existing mortgage indebtedness. In addition, we may obtain secured financing for unleveraged properties in which we have invested or may refinance properties acquired on a leveraged basis. In our agreements with our lenders, we are subject to restrictions with respect to secured and unsecured indebtedness.

Competition

We compete with other real estate investment trusts, real estate partnerships, private equity and hedge fund investors, banks, insurance companies, finance/investment companies, government-sponsored agencies, taxable and tax-exempt bond funds, health care operators, developers and other investors in the acquisition, development, leasing and financing of health care and seniors housing properties. Some of our competitors are larger with greater resources and lower costs of capital than us. Increased competition inhibits our ability to identify and successfully complete investments. We compete for investments based on a number of factors including rates, financings offered, underwriting criteria and reputation. Our ability to successfully compete is also impacted by economic and population trends, availability of acceptable investment opportunities, our ability to negotiate beneficial investment terms, availability and cost of capital, construction and renovation costs and new and existing laws and regulations.

The operators/tenants of our properties compete on a local and regional basis with operators/tenants of properties that provide comparable services. Operators/tenants compete for patients and residents based on a number of factors including quality of care, reputation, physical appearance of properties, services offered, family preferences, physicians, staff and price. We also face competition from other health care facilities for tenants, such as physicians and other health care providers that provide comparable facilities and services.

For additional information on the risks associated with our business, please see "Item 1A — Risk Factors" of this Annual Report on Form 10-K.

Employees

As of December 31, 2011, we had 308 employees.

Customer Concentrations

The following table summarizes certain information about our customer concentrations as of December 31, 2011 (dollars in thousands):

Concentration by investment:(1)	Number of Properties		Total Investment(2)	Percent of Investment(3)
Genesis HealthCare, LLC	150	$	2,466,243	18%
Merrill Gardens, LLC	48		1,132,399	8%
Benchmark Senior Living, LLC	35		883,681	6%
Brandywine Senior Living, LLC	24		719,509	5%
Senior Living Communities, LLC	12		604,079	4%
Remaining portfolio	655		8,136,439	59%
Totals	924	$	13,942,350	100%

(1) Merrill Gardens and Benchmark are in our seniors housing operating segment whereas the other top five customers are in our senior housing triple-net segment.

(2) Excludes our share of investments in unconsolidated entities. Please see Note 7 for additional information.

(3) Investments with our top five customers comprised 32% of total investments at December 31, 2010.

Certain Government Regulations

Health Law Matters — Generally

Typically, operators of seniors housing facilities do not receive significant funding from government programs and are largely subject to state laws, as opposed to federal laws. Operators of skilled nursing facilities and hospitals do receive significant funding from government programs, and these facilities are subject to the federal and state laws that regulate the type and quality of the medical and/or nursing care provided, ancillary services (*e.g.*, respiratory, occupational, physical and infusion therapies), qualifications of the administrative personnel and nursing staff, the adequacy of the physical plant and equipment, reimbursement and rate setting and operating policies. In addition, as described below, operators of these facilities are subject to extensive laws and regulations pertaining to health care fraud and abuse, including, but not limited to, the Federal Anti-kickback Statute, the Federal Stark Law, and the Federal False Claims Act, as well as comparable state law counterparts. Hospitals, physician group practice clinics, and other health care providers that operate in our portfolio are subject to extensive federal, state, and local licensure, registration, certification, and inspection laws, regulations, and industry standards. Our tenants' failure to comply with any of these, and other, laws could result in loss of accreditation; denial of reimbursement; imposition of fines; suspension, decertification, or exclusion from federal and state health care programs; loss of license; or closure of the facility.

Licensing and Certification

The primary regulations that affect seniors housing facilities with assisted living are state licensing and registration laws. In granting and renewing these licenses, the state regulatory agencies consider numerous factors relating to a property's physical plant and operations including, but not limited to, admission and discharge standards, staffing, and training. A decision to grant or renew a license is also affected by a property owner's record with respect to patient and consumer rights, medication guidelines, and rules. Certain of the seniors housing facilities mortgaged to or owned by us may require the resident to pay an entrance or upfront fee, a portion of which may be refundable. These entrance fee communities are subject to significant state regulatory oversight, including, for example, oversight of each facility's financial condition; establishment and monitoring of reserve requirements, and other financial restrictions; the right of residents to cancel their contracts within a specified period of time; lien rights in favor of residents; restrictions on change of ownership; and similar matters. Such oversight, and the rights of residents within these entrance fee communities, may have an effect on the revenue or operations of the operators of such facilities, and, therefore, may adversely affect us.

Certain health care facilities are subject to a variety of licensure and certificate of need ("CON") laws and regulations. Where applicable, CON laws generally require, among other requirements, that a facility demonstrate the need for (1) constructing a new facility, (2) adding beds or expanding an existing facility, (3) investing in major capital equipment or adding new services, (4) changing the ownership or control of an existing licensed facility, or (5) terminating services that have been previously approved through the CON process. Certain state CON laws and regulations may restrict the ability of operators to add new properties or expand an existing facility's size or services. In addition, CON laws may constrain the ability of an operator to transfer responsibility for operating a particular facility to a new operator. If we have to replace a property operator who is excluded from participating in a federal or state health care program (as discussed below), our ability to replace the operator may be affected by a particular state's CON laws, regulations, and applicable guidance governing changes in provider control.

With respect to licensure, generally our skilled nursing facilities and acute care facilities are required to be licensed and certified for participation in Medicare, Medicaid, and other federal health care programs. This generally requires license renewals and compliance surveys on an annual or bi-annual basis. The failure of our operators to maintain or renew any required license or regulatory approval as well as the failure of our operators to correct serious deficiencies identified in a compliance survey could require those operators to discontinue operations at a property. In addition, if a property is found to be out of compliance with Medicare, Medicaid, or other health care program conditions of participation, the property operator may be excluded from participating in those government health care programs. Any such occurrence may impair an operators' ability to meet their financial obligations to us. If we have to replace an excluded property operator, our ability to replace the operator may be affected by federal and state laws, regulations, and applicable guidance governing changes in provider control. This may result in payment delays, an inability to find a replacement operator, a significant working capital commitment from us to a new operator or other difficulties.

Reimbursement

Seniors Housing Facilities. Approximately 53% of our overall revenues for the year ended December 31, 2011 were attributable to seniors housing facilities. The majority of the revenues received by the operators of our seniors housing facilities are from private pay sources. The remaining revenue source is primarily Medicaid under certain waiver programs. As a part of the Omnibus Budget Reconciliation Act ("OBRA") of 1981, Congress established a waiver program enabling some states to offer Medicaid reimbursement to assisted living providers as an alternative to institutional long-term care services. The provisions of OBRA and the subsequent OBRA Acts of 1987 and 1990 permit states to seek a waiver from typical Medicaid requirements to develop cost-effective alternatives to long-term care, including Medicaid payments for assisted living and home health. As of December 31, 2011, seven of our 38 seniors housing operators received Medicaid reimbursement pursuant to Medicaid waiver programs. For the twelve months ended September 30, 2011, approximately 5% of the revenues at our seniors housing facilities were from Medicaid reimbursement. There can be no guarantee that a state Medicaid program operating pursuant to a waiver will be able to maintain its waiver status.

Rates paid by self-pay residents are set by the facilities and are determined by local market conditions and operating costs. Generally, facilities receive a higher payment per day for a private pay resident than for a Medicaid beneficiary who requires a comparable level of care. The level of Medicaid reimbursement varies from state to state. Thus, the revenues generated by operators of our assisted living facilities may be adversely affected by payor mix, acuity level, changes in Medicaid eligibility, and reimbursement levels. In addition, a state could lose its Medicaid waiver and no longer be permitted to utilize Medicaid dollars to reimburse for assisted living services. Changes in revenues could in turn have a material adverse effect on an operator's ability to meet its obligations to us.

Skilled Nursing Facilities and Hospitals. Skilled nursing facilities and hospitals typically receive most of their revenues from the Medicare and Medicaid programs, with the balance representing reimbursement payments from private payors, including private insurers. Consequently, changes in federal or state reimbursement policies may also adversely affect an operator's ability to cover its expenses, including our rent or debt service. Skilled nursing facilities and hospitals are subject to periodic pre- and post-payment reviews, and other audits by federal and state authorities.

A review or audit of a property operator's claims could result in recoupments, denials, or delay of payments in the future, which could have a material adverse effect on the operator's ability to meet its financial obligations to us. Due to the significant judgments and estimates inherent in payor settlement accounting, no assurance can be given as to the adequacy of any reserves maintained by our property operators to cover potential adjustments to reimbursements, or to cover settlements made to payors. In fact, in December 2010, the Department of Health and Human Services Office of Inspector General ("OIG") released a report focusing on skilled nursing facilities' billing practices for Medicare Part A payments, and found that between 2006-2008 skilled nursing facilities increasingly billed for higher paying Resource Utilization Groups ("RUGs"), the payment classification mechanism for the Medicare program, even though beneficiary characteristics remained largely unchanged. In particular, from 2006 to 2008, OIG found that the percentage of RUGs for ultra high therapy increased from 17% to 28%, despite the fact that beneficiaries' ages and diagnoses at admission were largely unchanged during that time period. As a result of the recent attention on skilled nursing billing practices and ongoing government pressure to reduce spending by government health care programs, government health care programs have reduced RUG payments that may be made to skilled nursing facilities for 2012 as discussed in further detail below, and, as a result, an operator's ability to meet its financial obligations to us may be impaired. Further reductions in such payments may significantly impair an operator's ability to meet its financial obligations to us.

Medicare Reimbursement and Skilled Nursing Facilities. For the twelve months ended September 30, 2011, approximately 32% of the revenues at our skilled nursing facilities (which comprised 22% of our overall revenues for the year ended December 31, 2011) were paid by Medicare. Skilled nursing facilities are reimbursed under the Medicare Skilled Nursing Facility Prospective Payment System ("SNF PPS"). There is a risk that some skilled nursing facilities' costs will exceed the fixed payments under the SNF PPS, and there is also a risk that payments under the SNF PPS may be set below the costs to provide certain items and services, which could result in immediate financial difficulties for skilled nursing facilities, and could cause operators to seek bankruptcy protection. Skilled nursing facilities have faced these types of difficulties since the implementation of the SNF PPS.

The Centers for Medicare & Medicaid Services ("CMS"), an agency of the U.S. Department of Health and Human Services ("HHS"), made a negative payment update for skilled nursing facilities for fiscal year 2012. For fiscal year 2012, skilled nursing facilities received an 11.1% decrease, or $3.87 billion, in RUG payments, resulting from a 2.7% market basket update less a 1% multi-factor productivity adjustment and a 12.6% reduction, or $4.47 billion, to recalibrate the RUGs-IV therapy payment rates. CMS announced that the reasons for this rate reduction were to correct for the unintended spike in payment levels, particularly those associated with higher paying RUGs, and to align reimbursement with cost. In addition, on November 21, 2011, the Joint Select Committee on Deficit Reduction, which was created by the Budget Control Act of 2011, concluded its work, and issued a statement that it was not able to make a bipartisan agreement, thus triggering the sequestration process. The sequestration process will result in spending reductions starting in 2013, including Medicare cuts.

In addition, Section 5008 of the Deficit Reduction Act of 2005 directed the Secretary of HHS to conduct a Post Acute Care Payment Reform Demonstration ("PAC-PRD") program, for a three year period, beginning January 1, 2008, to assess the costs and outcomes of patients discharged from hospitals in a variety of post-acute care settings, including skilled nursing facilities. The demonstration program's results and recommendations were reported to Congress in a January 2012 report. The results and recommendations could lead to future changes in Medicare coverage, reimbursement, and reporting requirements for post-acute care.

The Balanced Budget Act of 1997 mandated caps on Medicare reimbursement for certain therapy services. However, Congress imposed various moratoriums on the implementation of those caps. For 2012, the annual payment cap of $1,880 per patient applies to occupational therapy and a separate $1,880 cap applies to speech and physical therapy. Congress has permitted patients exceeding the cap to obtain additional Medicare coverage through a waiver program if the therapy is deemed medically necessary. The waiver program was historically extended and was most recently extended through February 29, 2012 by the Temporary Payroll Tax Cut Continuation Act of 2011.

If the exception expires, patients will need to use private funds to pay for the cost of therapy above the caps. If patients are unable to satisfy their out-of-pocket cost responsibility to reimburse an operator for services rendered, the operator's ability to meet its financial obligations to us could be adversely impacted.

Medicare Reimbursement and Hospitals. For the twelve months ended September 30, 2011, approximately 52% of the revenues at our hospitals (which comprised 5% of our overall revenues for the year ended December 31, 2011) were from Medicare reimbursements. Hospitals, generally, are reimbursed by Medicare under the Hospital Inpatient Prospective Payment System ("PPS"), the Hospital Outpatient Prospective Payment System ("OPPS"), the Long Term Care Hospital Prospective Payment System ("LTCH PPS"), or the Inpatient Rehabilitation Facility Prospective Payment System ("IRF PPS"). Acute care hospitals provide a wide range of inpatient and outpatient services including, but not limited to, surgery, rehabilitation, therapy, and clinical laboratory services. Long-term acute care hospitals provide inpatient services for patients with medical conditions that are often complex and that require more intensive care, monitoring or emergency support than that available in most skilled nursing facilities. Inpatient rehabilitation facilities provide intensive rehabilitation services in an inpatient setting for patients requiring at least three hours of rehabilitation services a day.

With respect to Medicare's PPS for regular hospitals, reimbursement for inpatient services is made on the basis of a fixed, prospective rate, based on the principal diagnosis of the patient. Hospitals may be at risk to the extent that their costs in treating a specific case exceed the fixed payment amount. The diagnosis related group ("DRG") reimbursement system was updated in 2008 to expand the number of DRGs from 538 to 745 in order to better distinguish more severe conditions. One additional DRG was added in 2009, for a new total of 746. In some cases, a hospital might be able to qualify for an outlier payment if the hospital's losses exceed a threshold.

President Obama's proposed budget for fiscal year 2013, which begins October 1, 2012, was released on February 13, 2012 and has the potential to further impact Medicare reimbursement rates by proposing to cut Medicare reimbursement to a host of providers, including hospitals, home health agencies, and nursing homes. These proposals, if implemented, could adversely affect our operators and tenants.

Medicaid Reimbursement. Medicaid is a major payor source for residents in our skilled nursing facilities and hospitals. For the twelve months ended September 30, 2011, approximately 48% of the revenues of our skilled nursing facilities and 11% of the revenues of our hospitals were attributable to Medicaid reimbursement payments. The federal and state governments share responsibility for financing Medicaid. The federal matching rate, known as the Federal Medical Assistance Percentage ("FMAP"), varies by state based on relative per capita income, but is at least 50% in all states. On average, Medicaid is the largest component of total state spending, representing approximately 21% of total state spending. The percentage of Medicaid dollars used for long-term care varies from state to state, due in part to different ratios of elderly population and eligibility requirements. Within certain federal guidelines, states have a fairly wide range of discretion to determine eligibility and reimbursement methodology. Many states reimburse long-term care facilities using fixed daily rates, which are applied prospectively based on patient acuity and the historical costs incurred in providing patient care. Reasonable costs typically include allowances for staffing, administrative and general expenses, property, and equipment (*e.g.*, real estate taxes, depreciation and fair rental).

In most states, Medicaid does not fully reimburse the cost of providing skilled nursing services. Certain states are attempting to slow the rate of growth in Medicaid expenditures by freezing rates or restricting eligibility and benefits. As of the beginning of state fiscal year 2011, states in which we have skilled nursing property investments held rates flat on average for the year. Our skilled nursing portfolio's average Medicaid rate will likely vary throughout the year as states continue to make interim changes to their budgets and Medicaid funding. In addition, Medicaid reimbursement rates may decline if revenues in a particular state are not sufficient to fund budgeted expenditures. President Obama's proposed fiscal year budget for 2013, released on February 13, 2012, includes a proposal to place new limits on state provider taxes that are used to pay the state share of Medicaid and has the potential to further impact Medicaid reimbursement rates. The President's budget includes a proposal to phase down the Medicaid provider tax, a tax paid by health care providers to help fund state Medicaid programs, beginning with a reduction from the current law level of 6.0% to 4.5% in fiscal year 2015. The President's budget also includes a proposal to replace the Federal matching rate for state Medicaid and the Children's Health Insurance Program with a single matching rate specific to each state. If the President's proposals are implemented, the various state Medicaid programs will receive less funds, which could adversely affect our operators and tenants.

The Medicare Part D drug benefit became effective January 1, 2006. Since that date, low-income Medicare beneficiaries (eligible for both Medicare and full Medicaid benefits), including those nursing home residents who are dually eligible for both programs, may enroll and receive outpatient prescription drugs under Medicare, not Medicaid. Medicare Part D has resulted in increased administrative responsibilities for nursing home operators because enrollment in Medicare Part D is voluntary and residents must choose between multiple prescription drug plans. Operators may also experience increased expenses to the extent that a particular drug prescribed to a patient is not listed on the Medicare Part D drug plan formulary for the plan in which the patient is enrolled.

The reimbursement methodologies applied to health care facilities continue to evolve. Federal and state authorities have considered and may seek to implement new or modified reimbursement methodologies that may negatively impact health care property operations. The impact of any such changes, if implemented, may result in a material adverse effect on our skilled nursing and hospital property operations. No assurance can be given that current revenue sources or levels will be maintained. Accordingly, there can be no assurance that payments under a government health care program are currently, or will be in the future, sufficient to fully reimburse the property operators for their operating and capital expenses. As a result, an operator's ability to meet its financial obligations to us could be adversely impacted.

Finally, the Patient Protection and Affordable Care Act ("PPACA") and the Health Care and Education Reconciliation Act of 2010, which amends the PPACA (collectively, the "Health Reform Laws") (further discussed below) may have a significant impact on Medicare, Medicaid, other federal health care programs, and private insurers, which impact the reimbursement amounts received by skilled nursing facilities and other health care providers. The Health Reform Laws could have a substantial and material adverse effect on all parties directly or indirectly involved in the health care system.

Other Related Laws

Skilled nursing facilities and hospitals (and seniors housing facilities that receive Medicaid payments) are subject to federal, state, and local laws, regulations, and applicable guidance that govern the operations and financial and other arrangements that may be entered into by health care providers. Certain of these laws prohibit direct or indirect payments of any kind for the purpose of inducing or encouraging the referral of patients for medical products or services reimbursable by government health care programs. Other laws require providers to furnish only medically necessary services and submit to the government valid and accurate statements for each service. Still, other laws require providers to comply with a variety of safety, health and other requirements relating to the condition of the licensed property and the quality of care provided. Sanctions for violations of these laws, regulations, and other applicable guidance may include, but are not limited to, criminal and/or civil penalties and fines, loss of licensure, immediate termination of government payments, and exclusion from any government health care program. In certain circumstances, violation of these rules (such as those prohibiting abusive and fraudulent behavior) with respect to one property may subject other facilities under common control or ownership to sanctions, including exclusion from participation in the Medicare and Medicaid programs, as well as other government health care programs. In the ordinary course of its business, a property operator is regularly subjected to inquiries, investigations, and audits by the federal and state agencies that oversee these laws and regulations.

All health care providers, including, but not limited to skilled nursing facilities and hospitals (and seniors housing facilities that receives Medicaid payments) are also subject to the Federal Anti-kickback Statute, which generally prohibits persons from offering, providing, soliciting, or receiving remuneration to induce either the referral of an individual or the furnishing of a good or service for which payment may be made under a federal health care program, such as Medicare or Medicaid. Skilled nursing facilities and hospitals are also subject to the Federal Ethics in Patient Referral Act of 1989, commonly referred to as the Stark Law. The Stark Law generally prohibits the submission of claims to Medicare for payment if the claim results from a physician referral for certain designated services and the physician has a financial relationship with the health service provider that does not qualify under one of the exceptions for a financial relationship under the Stark Law. Similar prohibitions on physician self-referrals and submission of claims apply to state Medicaid programs. Further, health care providers, including, but not limited to, skilled nursing facilities and hospitals (and seniors housing facilities that receive Medicaid payments), are subject to substantial financial penalties under the Civil Monetary Penalties Act and the Federal False Claims Act and, in particular, actions under the Federal False Claims Act’s “whistleblower” provisions. Private enforcement of health care fraud has increased due in large part to amendments to the Federal False Claims Act that encourage private individuals to sue on behalf of the government. These whistleblower suits brought by private individuals, known as qui tam actions, may be filed by almost anyone, including present and former patients, nurses and other employees. Such whistleblower actions have been brought against nursing facilities on the basis of the alleged failure of the nursing facility to meet applicable regulations relating to its operations. Significantly, if a claim is successfully adjudicated, the Federal False Claims Act provides for treble damages up to $11,000 per claim.

Prosecutions, investigations, or whistleblower actions could have a material adverse effect on a property operator’s liquidity, financial condition, and operations, which could adversely affect the ability of the operator to meet its financial obligations to us. Finally, various state false claim act and anti-kickback laws may also apply to each property operator. Violation of any of the foregoing statutes can result in criminal and/or civil penalties that could have a material adverse effect on the ability of an operator to meet its financial obligations to us.

Other legislative developments, including the Health Insurance Portability and Accountability Act of 1996 (“HIPAA”), have greatly expanded the definition of health care fraud and related offenses and broadened its scope to include private health care plans in addition to government payors. Congress also has greatly increased funding for the Department of Justice, Federal Bureau of Investigation and the Office of the Inspector General of the Department of Health and Human Services to audit, investigate and prosecute suspected health care fraud. Moreover, a significant portion of the billions in health care fraud recoveries over the past several years has also been returned to government agencies to further fund their fraud investigation and prosecution efforts.

Additionally, other HIPAA provisions and regulations provide for communication of health information through standard electronic transaction formats and for the privacy and security of health information. In order to comply with the regulations, health care providers often must undertake significant operational and technical implementation efforts. Operators also may face significant financial exposure if they fail to maintain the privacy and security of medical records and other personal health information about individuals. The Health Information Technology for Economic and Clinical Health (“HITECH”) Act, passed in February 2009, strengthened the HHS Secretary’s authority to impose civil money penalties for HIPAA violations occurring after February 18, 2009. HITECH directs the HHS Secretary to provide for periodic audits to ensure covered entities and their business associates (as that term is defined under HIPAA) comply with the applicable HITECH requirements, increasing the likelihood that a HIPAA violation will result in an enforcement action. CMS issued an interim Final Rule which conformed HIPAA enforcement regulations to the HITECH Act, increasing the maximum penalty for multiple violations of a single requirement or prohibition to $1.5 million. Higher penalties may accrue for violations of multiple requirements or prohibitions. HIPAA violations are also potentially subject to criminal penalties.

In November 2002, CMS began an ongoing national Nursing Home Quality Initiative (“NHQI”). Under this initiative, historical survey information, the NHQI Pilot Evaluation Report and the NHQI Overview is made available to the public on-line. The NHQI website provides consumer and provider information regarding the quality of care in nursing homes. The data allows consumers, providers, states, and researchers to compare quality information that shows how well nursing homes are caring for their residents’ physical and clinical needs. The posted nursing home quality measures come from resident assessment data that nursing homes routinely collect on the residents at specified intervals during their stay. If the operators of nursing facilities are unable to achieve quality of care ratings that are comparable or superior to those of their competitors, they may lose market share to other facilities, reducing their revenues and adversely impacting their ability to make rental payments.

Finally, government investigations and enforcement actions brought against the health care industry have increased dramatically over the past several years and are expected to continue. Some of these enforcement actions represent novel legal theories and expansions in the application of the Federal False Claims Act. The costs for an operator of a health care property associated with both defending such enforcement actions and the undertakings in settling these actions can be substantial and could have a material adverse effect on the ability of an operator to meet its obligations to us.

Taxation

Federal Income Tax Considerations

The following summary of the taxation of the Company and the material federal tax consequences to the holders of our debt and equity securities is for general information only and is not tax advice. This summary does not address all aspects of taxation that may be relevant to certain types of holders of stock or securities (including, but not limited to, insurance companies, tax-exempt entities, financial institutions or broker-dealers, persons holding shares of common stock as part of a hedging, integrated conversion, or

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constructive sale transaction or a straddle, traders in securities that use a mark-to-market method of accounting for their securities, investors in pass-through entities and foreign corporations and persons who are not citizens or residents of the United States).

This summary does not discuss all of the aspects of U.S. federal income taxation that may be relevant to you in light of your particular investment or other circumstances. In addition, this summary does not discuss any state or local income taxation or foreign income taxation or other tax consequences. This summary is based on current U.S. federal income tax law. Subsequent developments in U.S. federal income tax law, including changes in law or differing interpretations, which may be applied retroactively, could have a material effect on the U.S. federal income tax consequences of purchasing, owning and disposing of our securities as set forth in this summary. Before you purchase our securities, you should consult your own tax advisor regarding the particular U.S. federal, state, local, foreign and other tax consequences of acquiring, owning and selling our securities.

General

We elected to be taxed as a real estate investment trust (a "REIT") commencing with our first taxable year. We intend to continue to operate in such a manner as to qualify as a REIT, but there is no guarantee that we will qualify or remain qualified as a REIT for subsequent years. Qualification and taxation as a REIT depends upon our ability to meet a variety of qualification tests imposed under federal income tax law with respect to income, assets, distribution level and diversity of share ownership as discussed below under "— Qualification as a REIT." There can be no assurance that we will be owned and organized and will operate in a manner so as to qualify or remain qualified.

In any year in which we qualify as a REIT, in general, we will not be subject to federal income tax on that portion of our REIT taxable income or capital gain that is distributed to stockholders. We may, however, be subject to tax at normal corporate rates on any taxable income or capital gain not distributed. If we elect to retain and pay income tax on our net long-term capital gain, stockholders are required to include their proportionate share of our undistributed long-term capital gain in income, but they will receive a refundable credit for their share of any taxes paid by us on such gain.

Despite the REIT election, we may be subject to federal income and excise tax as follows:

• To the extent that we do not distribute all of our net capital gain or distribute at least 90%, but less than 100%, of our "REIT taxable income," as adjusted, we will be subject to tax on the undistributed amount at regular corporate tax rates;

- We may be subject to the “alternative minimum tax” (the “AMT”) on certain tax preference items to the extent that the AMT exceeds our regular tax;

- If we have net income from the sale or other disposition of “foreclosure property” that is held primarily for sale to customers in the ordinary course of business or other non-qualifying income from foreclosure property, such income will be taxed at the highest corporate rate;

- Any net income from prohibited transactions (which are, in general, sales or other dispositions of property held primarily for sale to customers in the ordinary course of business, other than dispositions of foreclosure property and dispositions of property due to an involuntary conversion) will be subject to a 100% tax;

- If we fail to satisfy either the 75% or 95% gross income tests (as discussed below), but nonetheless maintain our qualification as a REIT because certain other requirements are met, we will be subject to a 100% tax on an amount equal to (1) the gross income attributable to the greater of (i) 75% of our gross income over the amount of qualifying gross income for purposes of the 75% gross income test (discussed below) or (ii) 95% of our gross income over the amount of qualifying gross income for purposes of the 95% gross income test (discussed below) multiplied by (2) a fraction intended to reflect our profitability;

- If we fail to distribute during each year at least the sum of (1) 85% of our REIT ordinary income for the year, (2) 95% of our REIT capital gain net income for such year (other than capital gain that we elect to retain and pay tax on) and (3) any undistributed taxable income from preceding periods, we will be subject to a 4% excise tax on the excess of such required distribution over amounts actually distributed; and

- We will be subject to a 100% tax on the amount of any rents from real property, deductions or excess interest paid to us by any of our “taxable REIT subsidiaries” that would be reduced through reallocation under certain federal income tax principles in order to more clearly reflect income of the taxable REIT subsidiary. See “— Qualification as a REIT — Investments in Taxable REIT Subsidiaries.”

- We may be subject to the corporate “alternative minimum tax” on any items of tax preference, including any deductions of net operating losses.

If we acquire any assets from a corporation, which is or has been a “C” corporation, in a carryover basis transaction, we could be liable for specified liabilities that are inherited from the “C” corporation. A “C” corporation is generally defined as a corporation that is required to pay full corporate level federal income tax. If we recognize gain on the disposition of the assets during the ten-year period beginning on the date on which the assets were acquired by us, then, to the extent of the assets’ “built-in gain” (i.e., the excess of the fair market value of the asset over the adjusted tax basis in the asset, in each case determined as of the beginning of the ten-year period), we will be subject to tax on the gain at the highest regular corporate rate applicable. The results described in this paragraph with respect to the recognition of built-in gain assume that the built-in gain assets, at the time the built-in gain assets were subject to a conversion transaction (either where a “C” corporation elected REIT status or a REIT acquired the assets from a “C” corporation), were not treated as sold to an unrelated party and gain recognized. For the twelve months ending December 31, 2011, we acquired 135 assets with built-in gain that could be subject to built-in gains tax if disposed of prior to December 2021. For those properties that are subject to the built-in-gains tax, if triggered by a sale within the ten-year period beginning on the date on which the properties were acquired by us, then the potential amount of built-in-gains tax will be an additional factor when considering a possible sale of the properties. See Note 18 to our consolidated financial statements for additional information regarding the built-in gains tax.

Qualification as a REIT

A REIT is defined as a corporation, trust or association:

(1) which is managed by one or more trustees or directors;

(2) the beneficial ownership of which is evidenced by transferable shares or by transferable certificates of beneficial interest;

(3) which would be taxable as a domestic corporation but for the federal income tax law relating to REITs;

(4) which is neither a financial institution nor an insurance company;

(5) the beneficial ownership of which is held by 100 or more persons in each taxable year of the REIT except for its first taxable year;

(6) not more than 50% in value of the outstanding stock of which is owned during the last half of each taxable year, excluding its first taxable year, directly or indirectly, by or for five or fewer individuals (which includes certain entities) (the “Five or Fewer Requirement”); and

(7) which meets certain income and asset tests described below.

Conditions (1) to (4), inclusive, must be met during the entire taxable year and condition (5) must be met during at least 335 days of a taxable year of 12 months or during a proportionate part of a taxable year of less than 12 months. For purposes of conditions (5) and (6), pension funds and certain other tax-exempt entities are treated as individuals, subject to a “look-through” exception in the case of condition (6).

Based on publicly available information, we believe we have satisfied the share ownership requirements set forth in (5) and (6) above. In addition, Article VI of our by-laws provides for restrictions regarding ownership and transfer of shares. These restrictions are intended to assist us in continuing to satisfy the share ownership requirements described in (5) and (6) above. These restrictions, however, may not ensure that we will, in all cases, be able to satisfy the share ownership requirements described in (5) and (6) above.

We have complied with, and will continue to comply with, regulatory rules to send annual letters to certain of our stockholders requesting information regarding the actual ownership of our stock. If, despite sending the annual letters, we do not know, or after exercising reasonable diligence would not have known, whether we failed to meet the Five or Fewer Requirement, we will be treated as having met the Five or Fewer Requirement. If we fail to comply with these regulatory rules, we will be subject to a monetary penalty. If our failure to comply was due to intentional disregard of the requirement, the penalty would be increased. However, if our failure to comply were due to reasonable cause and not willful neglect, no penalty would be imposed.

We may own a number of properties through wholly owned subsidiaries. A corporation will qualify as a “qualified REIT subsidiary” if 100% of its stock is owned by a REIT, and the REIT does not elect to treat the subsidiary as a taxable REIT subsidiary. A “qualified REIT subsidiary” will not be treated as a separate corporation, and all assets, liabilities and items of income, deductions and credits of a “qualified REIT subsidiary” will be treated as assets, liabilities and items (as the case may be) of the REIT. A “qualified REIT subsidiary” is not subject to federal income tax, and our ownership of the voting stock of a qualified REIT subsidiary will not violate the restrictions against ownership of securities of any one issuer which constitute more than 10% of the value or total voting power of such issuer or more than 5% of the value of our total assets, as described below under “— Asset Tests.”

If we invest in a partnership, a limited liability company or a trust taxed as a partnership or as a disregarded entity, we will be deemed to own a proportionate share of the partnership's, limited liability company's or trust's assets. Likewise, we will be treated as receiving our share of the income and loss of the partnership, limited liability company or trust, and the gross income will retain the same character in our hands as it has in the hands of the partnership, limited liability company or trust. These "look-through" rules apply for purposes of the income tests and assets tests described below.

Income Tests. There are two separate percentage tests relating to our sources of gross income that we must satisfy for each taxable year.

- At least 75% of our gross income (excluding gross income from certain sales of property held primarily for sale) must be directly or indirectly derived each taxable year from "rents from real property," other income from investments relating to real property or mortgages on real property or certain income from qualified temporary investments.

- At least 95% of our gross income (excluding gross income from certain sales of property held primarily for sale) must be directly or indirectly derived each taxable year from any of the sources qualifying for the 75% gross income test and from dividends (including dividends from taxable REIT subsidiaries) and interest.

As to transactions entered into in taxable years beginning after October 22, 2004, any of our income from a "clearly identified" hedging transaction that is entered into by us in the normal course of business, directly or indirectly, to manage the risk of interest rate movements, price changes or currency fluctuations with respect to borrowings or obligations incurred or to be incurred by us, or such other risks that are prescribed by the Internal Revenue Service, is excluded from the 95% gross income test.

For transactions entered into after July 30, 2008, any of our income from a "clearly identified" hedging transaction that is entered into by us in the normal course of business, directly or indirectly, to manage the risk of interest rate movements, price changes or currency fluctuations with respect to borrowings or obligations incurred or to be incurred by us is excluded from the 95% and 75% gross income tests.

For transactions entered into after July 30, 2008, any of our income from a "clearly identified" hedging transaction entered into by us primarily to manage risk of currency fluctuations with respect to any item of income or gain that is included in gross income in the 95% and 75% gross income tests is excluded from the 95% and 75% gross income tests.

In general, a hedging transaction is "clearly identified" if (1) the transaction is identified as a hedging transaction before the end of the day on which it is entered into and (2) the items or risks being hedged are identified "substantially contemporaneously" with the hedging transaction. An identification is not substantially contemporaneous if it is made more than 35 days after entering into the hedging transaction.

As to gains and items of income recognized after July 30, 2008, "passive foreign exchange gain" for any taxable year will not constitute gross income for purposes of the 95% gross income test and "real estate foreign exchange gain" for any taxable year will not constitute gross income for purposes of the 75% gross income test. Real estate foreign exchange gain is foreign currency gain (as defined in Internal Revenue Code section 988(b)(1)) which is attributable to: (i) any qualifying item of income or gain for purposes of the 75% gross income test; (ii) the acquisition or ownership of obligations secured by mortgages on real property or interests in real property; or (iii) becoming or being the obligor under obligations secured by mortgages on real property or on interests in real property. Real estate foreign exchange gain also includes Internal Revenue Code section 987 gain attributable to a qualified business unit (a "QBU") of a REIT if the QBU itself meets the 75% income test for the taxable year and the 75% asset test at the close of each quarter that the REIT has directly or indirectly held the QBU. Real estate foreign exchange gain also includes any other foreign currency gain as determined by the Secretary of the Treasury. Passive foreign exchange gain includes all real estate foreign exchange gain and foreign currency gain which is attributable to: (i) any qualifying item of income or gain for purposes of the 95% gross income test; (ii) the acquisition or ownership of obligations; (iii) becoming or being the obligor under obligations; and (iv) any other foreign currency gain as determined by the Secretary of the Treasury.

Generally, other than income from "clearly identified" hedging transactions entered into by us in the normal course of business, any foreign currency gain derived by us from dealing, or engaging in substantial and regular trading, in securities will constitute gross income which does not qualify under the 95% or 75% gross income tests.

Rents received by us will qualify as "rents from real property" for purposes of satisfying the gross income tests for a REIT only if several conditions are met:

- The amount of rent must not be based in whole or in part on the income or profits of any person, although rents generally will not be excluded merely because they are based on a fixed percentage or percentages of receipts or sales.

- Rents received from a tenant will not qualify as rents from real property if the REIT, or an owner of 10% or more of the REIT, also directly or constructively owns 10% or more of the tenant, unless the tenant is our taxable REIT subsidiary and certain other requirements are met with respect to the real property being rented.

- If rent attributable to personal property leased in connection with a lease of real property is greater than 15% of the total rent received under the lease, then the portion of rent attributable to such personal property will not qualify as "rents from real property."

- For rents to qualify as rents from real property, we generally must not furnish or render services to tenants, other than through a taxable REIT subsidiary or an "independent contractor" from whom we derive no income, except that we may directly provide services that are "usually or customarily rendered" in the geographic area in which the property is located in connection with the rental of real property for occupancy only, or are not otherwise considered "rendered to the occupant for his convenience."

- For taxable years beginning after July 30, 2008, the REIT may lease "qualified health care properties" on an arm's-length basis to a taxable REIT subsidiary if the property is operated on behalf of such subsidiary by a person who qualifies as an "independent contractor" and who is, or is related to a person who is, actively engaged in the trade or business of operating health care facilities for any person unrelated to us or our taxable REIT subsidiary, an "eligible independent contractor." Generally, the rent that the REIT receives from the taxable REIT subsidiary will be treated as "rents from real property." A "qualified health care property" includes any real property and any personal property that is, or is necessary or incidental to the use of, a hospital, nursing facility, assisted living facility, congregate care facility, qualified continuing care facility, or other licensed facility which extends medical or nursing or ancillary services to patients and which is operated by a provider of such services which is eligible for participation in the Medicare program with respect to such facility.

A REIT is permitted to render a de minimis amount of impermissible services to tenants and still treat amounts received with respect to that property as rent from real property. The amount received or accrued by the REIT during the taxable year for the impermissible services with respect to a property may not exceed 1% of all amounts received or accrued by the REIT directly or indirectly from the property. The amount received for any service or management operation for this purpose shall be deemed to be not less than 150% of the direct cost of the REIT in furnishing or rendering the service or providing the management or operation. Furthermore, impermissible services may be furnished to tenants by a taxable REIT subsidiary subject to certain conditions, and we may still treat rents received with respect to the property as rent from real property.

The term "interest" generally does not include any amount if the determination of the amount depends in whole or in part on the income or profits of any person, although an amount generally will not be excluded from the term "interest" solely by reason of being based on a fixed percentage of receipts or sales.

If we fail to satisfy one or both of the 75% or 95% gross income tests for any taxable year, we may nevertheless qualify as a REIT for such year if we are eligible for relief. These relief provisions generally will be available if (1) following our identification of the failure, we file a schedule for such taxable year describing each item of our gross income, and (2) the failure to meet such tests was due to reasonable cause and not due to willful neglect.

It is not now possible to determine the circumstances under which we may be entitled to the benefit of these relief provisions. If these relief provisions apply, a 100% tax is imposed on an amount equal to (a) the gross income attributable to (1) 75% of our gross income over the amount of qualifying gross income for purposes of the 75% income test and (2) 95% of our gross income over the amount of qualifying gross income for purposes of the 95% income test, multiplied by (b) a fraction intended to reflect our profitability.

The Secretary of the Treasury is given broad authority to determine whether particular items of income or gain qualify or not under the 75% and 95% gross income tests, or are to be excluded from the measure of gross income for such purposes.

Asset Tests. Within 30 days after the close of each quarter of our taxable year, we must also satisfy several tests relating to the nature and diversification of our assets determined in accordance with generally accepted accounting principles. At least 75% of the value of our total assets must be represented by real estate assets, cash, cash items (including receivables arising in the ordinary course of our operation), government securities and qualified temporary investments. Although the remaining 25% of our assets generally may be invested without restriction, we are prohibited from owning securities representing more than 10% of either the vote (the “10% vote test”) or value (the “10% value test”) of the outstanding securities of any issuer other than a qualified REIT subsidiary, another REIT or a taxable REIT subsidiary. Further, no more than 25% of the total assets may be represented by securities of one or more taxable REIT subsidiaries (the “25% asset test”) and no more than 5% of the value of our total assets may be represented by securities of any non-governmental issuer other than a qualified REIT subsidiary (the “5% asset test”), another REIT or a taxable REIT subsidiary. Each of the 10% vote test, the 10% value test and the 25% and 5% asset tests must be satisfied at the end of each quarter. There are special rules which provide relief if the value related tests are not satisfied due to changes in the value of the assets of a REIT.

Certain items are excluded from the 10% value test, including: (1) straight debt securities of an issuer (including straight debt that provides certain contingent payments); (2) any loan to an individual or an estate; (3) any rental agreement described in Section 467 of the Internal Revenue Code, other than with a “related person”; (4) any obligation to pay rents from real property; (5) certain securities issued by a state or any subdivision thereof, the District of Columbia, a foreign government, or any political subdivision thereof, or the Commonwealth of Puerto Rico; (6) any security issued by a REIT; and (7) any other arrangement that, as determined by the Secretary of the Treasury, is excepted from the definition of security (“excluded securities”). Special rules apply to straight debt securities issued by corporations and entities taxable as partnerships for federal income tax purposes. If a REIT, or its taxable REIT subsidiary, holds (1) straight debt securities of a corporate or partnership issuer and (2) securities of such issuer that are not excluded securities and have an aggregate value greater than 1% of such issuer’s outstanding securities, the straight debt securities will be included in the 10% value test.

A REIT’s interest as a partner in a partnership is not treated as a security for purposes of applying the 10% value test to securities issued by the partnership. Further, any debt instrument issued by a partnership will not be a security for purposes of applying the 10% value test (1) to the extent of the REIT’s interest as a partner in the partnership and (2) if at least 75% of the partnership’s gross income (excluding gross income from prohibited transactions) would qualify for the 75% gross income test. For purposes of the 10% value test, a REIT’s interest in a partnership’s assets is determined by the REIT’s proportionate interest in any securities issued by the partnership (other than the excluded securities described in the preceding paragraph).

For taxable years beginning after July 30, 2008, if the REIT or its QBU uses a foreign currency as its functional currency, the term “cash” includes such foreign currency, but only to the extent such foreign currency is (i) held for use in the normal course of the activities of the REIT or QBU which give rise to items of income or gain that are included in the 95% and 75% gross income tests or are directly related to acquiring or holding assets qualifying under the 75% asset test, and (ii) not held in connection with dealing or engaging in substantial and regular trading in securities.

With respect to corrections of failures as to violations of the 10% vote test, the 10% value test or the 5% asset test, a REIT may avoid disqualification as a REIT by disposing of sufficient assets to cure a violation that does not exceed the lesser of 1% of the REIT’s assets at the end of the relevant quarter or $10,000,000, provided that the disposition occurs within six months following the last day of the quarter in which the REIT first identified the assets. For violations of any of the REIT asset tests due to reasonable cause and not willful neglect that exceed the thresholds described in the preceding sentence, a REIT can avoid disqualification as a REIT after the close of a taxable quarter by taking certain steps, including disposition of sufficient assets within the six month period described above to meet the applicable asset test, paying a tax equal to the greater of $50,000 or the highest corporate tax rate multiplied by the net income generated by the non-qualifying assets during the period of time that the assets were held as non-qualifying assets and filing a schedule with the Internal Revenue Service that describes the non-qualifying assets.

Investments in Taxable REIT Subsidiaries. REITs may own more than 10% of the voting power and value of securities in taxable REIT subsidiaries. We and any taxable corporate entity in which we own an interest are allowed to jointly elect to treat such entity as a "taxable REIT subsidiary."

Certain of our subsidiaries have elected to be treated as a taxable REIT subsidiary. Taxable REIT subsidiaries are subject to full corporate level federal taxation on their earnings but are permitted to engage in certain types of activities that cannot be performed directly by REITs without jeopardizing their REIT status. Our taxable REIT subsidiaries will attempt to minimize the amount of these taxes, but there can be no assurance whether or the extent to which measures taken to minimize taxes will be successful. To the extent our taxable REIT subsidiaries are required to pay federal, state or local taxes, the cash available for distribution as dividends to us from our taxable REIT subsidiaries will be reduced.

The amount of interest on related-party debt that a taxable REIT subsidiary may deduct is limited. Further, a 100% tax applies to any interest payments by a taxable REIT subsidiary to its affiliated REIT to the extent the interest rate is not commercially reasonable. A taxable REIT subsidiary is permitted to deduct interest payments to unrelated parties without any of these restrictions.

The Internal Revenue Service may reallocate costs between a REIT and its taxable REIT subsidiary where there is a lack of arm's-length dealing between the parties. Any deductible expenses allocated away from a taxable REIT subsidiary would increase its tax liability. Further, any amount by which a REIT understates its deductions and overstates those of its taxable REIT subsidiary will, subject to certain exceptions, be subject to a 100% tax. Additional taxable REIT subsidiary elections may be made in the future for additional entities in which we own an interest.

Annual Distribution Requirements. In order to avoid being taxed as a regular corporation, we are required to make distributions (other than capital gain distributions) to our stockholders which qualify for the dividends paid deduction in an amount at least equal to (1) the sum of (i) 90% of our "REIT taxable income" (computed without regard to the dividends paid deduction and our net capital gain) and (ii) 90% of the after-tax net income, if any, from foreclosure property, minus (2) a portion of certain items of non-cash income. These distributions must be paid in the taxable year to which they relate, or in the following taxable year if declared before we timely file our tax return for that year and if paid on or before the first regular distribution payment after such declaration. The amount distributed must not be preferential. This means that every stockholder of the class of stock to which a distribution is made must be treated the same as every other stockholder of that class, and no class of stock may be treated otherwise than in accordance with its dividend rights as a class. To the extent that we do not distribute all of our net capital gain or distribute at least 90%, but less than 100%, of our "REIT taxable income," as adjusted, we will be subject to tax on the undistributed amount at regular corporate tax rates. Finally, as discussed above, we may be subject to an excise tax if we fail to meet certain other distribution requirements. We intend to make timely distributions sufficient to satisfy these annual distribution requirements.

It is possible that, from time to time, we may not have sufficient cash or other liquid assets to meet the 90% distribution requirement, or to distribute such greater amount as may be necessary to avoid income and excise taxation, due to, among other things, (1) timing differences between (i) the actual receipt of income and actual payment of deductible expenses and (ii) the inclusion of income and deduction of expenses in arriving at our taxable income, or (2) the payment of severance benefits that may not be deductible to us. In the event that timing differences occur, we may find it necessary to arrange for borrowings or, if possible, pay dividends in the form of taxable stock dividends in order to meet the distribution requirement.

Under certain circumstances, in the event of a deficiency determined by the Internal Revenue Service, we may be able to rectify a resulting failure to meet the distribution requirement for a year by paying "deficiency dividends" to stockholders in a later year, which may be included in our deduction for distributions paid for the earlier year. Thus, we may be able to avoid being taxed on amounts distributed as deficiency dividends; however, we will be required to pay applicable penalties and interest based upon the amount of any deduction taken for deficiency dividend distributions.

The Internal Revenue Service issued Revenue Procedure 2008-68, which provided temporary relief to publicly traded REITs seeking to preserve liquidity by electing cash/stock dividends. Under Revenue Procedure 2008-68, a REIT may treat the entire dividend, including the stock portion, as a taxable dividend distribution, thereby qualifying for the dividends-paid deduction, provided certain requirements are satisfied. The cash portion of the dividend may be as low as 10%. Revenue Procedure 2008-68, as amplified by Revenue Procedure 2010-12, applies to dividends declared on or before December 31, 2012, and with respect to a taxable year ending on or before December 31, 2011.

Failure to Qualify as a REIT

If we fail to qualify for taxation as a REIT in any taxable year, we will be subject to federal income tax, including any applicable alternative minimum tax, on our taxable income at regular corporate rates. Distributions to stockholders in any year in which we fail to qualify as a REIT will not be deductible nor will any particular amount of distributions be required to be made in any year. All distributions to stockholders will be taxable as ordinary income to the extent of current and accumulated earnings and profits allocable to these distributions and, subject to certain limitations, will be eligible for the dividends received deduction for corporate stockholders. Unless entitled to relief under specific statutory provisions, we also will be disqualified from taxation as a REIT for the four taxable years following the year during which qualification was lost. It is not possible to state whether in all circumstances we would be entitled to statutory relief. Failure to qualify for even one year could result in our need to incur indebtedness or liquidate investments in order to pay potentially significant resulting tax liabilities.

In addition to the relief described above under "— Income Tests" and "— Asset Tests," relief is available in the event that we violate a provision of the Internal Revenue Code that would result in our failure to qualify as a REIT if: (1) the violation is due to reasonable cause and not due to willful neglect; (2) we pay a penalty of $50,000 for each failure to satisfy the provision; and (3) the violation does not include a violation described under "— Income Tests" or "— Asset Tests" above. It is not now possible to determine the circumstances under which we may be entitled to the benefit of these relief provisions.

Federal Income Taxation of Holders of Our Stock

Treatment of Taxable U.S. Stockholders. The following summary applies to you only if you are a "U.S. stockholder." A "U.S. stockholder" is a holder of shares of stock who, for United States federal income tax purposes, is:

- a citizen or resident of the United States;

- a corporation, partnership or other entity classified as a corporation or partnership for these purposes, created or organized in or under the laws of the United States or of any political subdivision of the United States, including any state;

- an estate, the income of which is subject to United States federal income taxation regardless of its source; or

- a trust, if, in general, a U.S. court is able to exercise primary supervision over the trust's administration and one or more U.S. persons, within the meaning of the Internal Revenue Code, has the authority to control all of the trust's substantial decisions.

So long as we qualify for taxation as a REIT, distributions on shares of our stock made out of the current or accumulated earnings and profits allocable to these distributions (and not designated as capital gain dividends) will be includable as ordinary income for federal income tax purposes. None of these distributions will be eligible for the dividends received deduction for U.S. corporate stockholders.

Generally, for taxable years ending after May 6, 2003 through December 31, 2012, the maximum marginal rate of tax payable by individuals on dividends received from corporations that are subject to a corporate level of tax is 15%. Except in limited circumstances, this tax rate will not apply to dividends paid to you by us on our shares, because generally we are not subject to federal income tax on the portion of our REIT taxable income or capital gains distributed to our stockholders. The reduced maximum federal income tax rate will apply to that portion, if any, of dividends received by you with respect to our shares that are attributable to: (1) dividends received by us from non-REIT corporations or other taxable REIT subsidiaries; (2) income from the prior year with respect to which we were required to pay federal corporate income tax during the prior year (if, for example, we did not distribute 100% of our REIT taxable income for the prior year); or (3) the amount of any earnings and profits that were distributed by us and accumulated in a non-REIT year.

Distributions that are designated as capital gain dividends will be taxed as long-term capital gains (to the extent they do not exceed our actual net capital gain for the taxable year), without regard to the period for which you held our stock. However, if you are a corporation, you may be required to treat a portion of some capital gain dividends as ordinary income.

If we elect to retain and pay income tax on any net long-term capital gain, you would include in income, as long-term capital gain, your proportionate share of this net long-term capital gain. You would also receive a refundable tax credit for your proportionate share of the tax paid by us on such retained capital gains, and you would have an increase in the basis of your shares of our stock in an amount equal to your includable capital gains less your share of the tax deemed paid.

You may not include in your federal income tax return any of our net operating losses or capital losses. Federal income tax rules may also require that certain minimum tax adjustments and preferences be apportioned to you. In addition, any distribution declared by us in October, November or December of any year on a specified date in any such month shall be treated as both paid by us and received by you on December 31 of that year, provided that the distribution is actually paid by us no later than January 31 of the following year.

We will be treated as having sufficient earnings and profits to treat as a dividend any distribution up to the amount required to be distributed in order to avoid imposition of the 4% excise tax discussed under "— General" and "— Qualification as a REIT — Annual Distribution Requirements" above. As a result, you may be required to treat as taxable dividends certain distributions that would otherwise result in a tax-free return of capital. Moreover, any "deficiency dividend" will be treated as a dividend (an ordinary dividend or a capital gain dividend, as the case may be), regardless of our earnings and profits. Any other distributions in excess of current or accumulated earnings and profits will not be taxable to you to the extent these distributions do not exceed the adjusted tax basis of your shares of our stock. You will be required to reduce the tax basis of your shares of our stock by the amount of these distributions until the basis has been reduced to zero, after which these distributions will be taxable as capital gain, if the shares of our stock are held as capital assets. The tax basis as so reduced will be used in computing the capital gain or loss, if any, realized upon sale of the shares of our stock. Any loss upon a sale or exchange of shares of our stock which were held for six months or less (after application of certain holding period rules) will generally be treated as a long-term capital loss to the extent you previously received capital gain distributions with respect to these shares of our stock.

Upon the sale or exchange of any shares of our stock to or with a person other than us or a sale or exchange of all shares of our stock (whether actually or constructively owned) with us, you will generally recognize capital gain or loss equal to the difference between the amount realized on the sale or exchange and your adjusted tax basis in these shares of our stock. This gain will be capital gain if you held these shares of our stock as a capital asset.

If we redeem any of your shares in us, the treatment can only be determined on the basis of particular facts at the time of redemption. In general, you will recognize gain or loss (as opposed to dividend income) equal to the difference between the amount received by you in the redemption and your adjusted tax basis in your shares redeemed if such redemption: (1) results in a "complete termination" of your interest in all classes of our equity securities; (2) is a "substantially disproportionate redemption"; or (3) is "not essentially equivalent to a dividend" with respect to you. In applying these tests, you must take into account your ownership of all classes of our equity securities (e.g., common stock, preferred stock, depositary shares and warrants). You also must take into account any equity securities that are considered to be constructively owned by you.

If, as a result of a redemption by us of your shares, you no longer own (either actually or constructively) any of our equity securities or only own (actually and constructively) an insubstantial percentage of our equity securities, then it is probable that the redemption of your shares would be considered "not essentially equivalent to a dividend" and, thus, would result in gain or loss to you. However, whether a distribution is “not essentially equivalent to a dividend” depends on all of the facts and circumstances, and if you rely on any of these tests at the time of redemption, you should consult your tax advisor to determine their application to the particular situation.

Generally, if the redemption does not meet the tests described above, then the proceeds received by you from the redemption of your shares will be treated as a distribution taxable as a dividend to the extent of the allocable portion of current or accumulated earnings and profits. If the redemption is taxed as a dividend, your adjusted tax basis in the redeemed shares will be transferred to any other shareholdings in us that you own. If you own no other shareholdings in us, under certain circumstances, such basis may be transferred to a related person, or it may be lost entirely.

Gain from the sale or exchange of our shares held for more than one year is generally taxed at a maximum long-term capital gain rate of 15% through 2012 in the case of stockholders who are individuals and 35% in the case of stockholders that are corporations. Pursuant to Internal Revenue Service guidance, we may classify portions of our capital gain dividends as gains eligible for the long-term capital gains rate or as gain taxable to individual stockholders at a maximum rate of 25%. Capital losses recognized by a stockholder upon the disposition of our shares held for more than one year at the time of disposition will be considered long term capital losses, and are generally available only to offset capital gain income of the stockholder but not ordinary income (except in the case of individuals, who may offset up to $3,000 of ordinary income each year).

On March 30, 2010, the President signed into law the Health Care and Education Reconciliation Act of 2010, which requires U.S. stockholders who meet certain requirements and are individuals, estates or certain trusts to pay an additional 3.8% tax on, among other things, dividends on and capital gains from the sale or other disposition of stock for taxable years beginning after December 31, 2012. U.S. stockholders should consult their tax advisors regarding the effect, if any, of this legislation on their ownership and disposition of shares of our stock.

Treatment of Tax-Exempt U.S. Stockholders. Tax-exempt entities, including qualified employee pension and profit sharing trusts and individual retirement accounts (“Exempt Organizations”), generally are exempt from federal income taxation. However, they are subject to taxation on their unrelated business taxable income (“UBTI”). The Internal Revenue Service has issued a published revenue ruling that dividend distributions from a REIT to an exempt employee pension trust do not constitute UBTI, provided that the shares of the REIT are not otherwise used in an unrelated trade or business of the exempt employee pension trust. Based on this ruling, amounts distributed by us to Exempt Organizations generally should not constitute UBTI. However, if an Exempt Organization finances its acquisition of the shares of our stock with debt, a portion of its income from us will constitute UBTI pursuant to the “debt financed property” rules. Likewise, a portion of the Exempt Organization’s income from us would constitute UBTI if we held a residual interest in a real estate mortgage investment conduit.

In addition, in certain circumstances, a pension trust that owns more than 10% of our stock is required to treat a percentage of our dividends as UBTI. This rule applies to a pension trust holding more than 10% of our stock only if:

(1) the percentage of our income that is UBTI (determined as if we were a pension trust) is at least 5%; (2) we qualify as a REIT by reason of the modification of the Five or Fewer Requirement that allows beneficiaries of the pension trust to be treated as holding shares in proportion to their actuarial interests in the pension trust; and (3) either (i) one pension trust owns more than 25% of the value of our stock, or (ii) a group of pension trusts individually holding more than 10% of the value of our stock collectively own more than 50% of the value of our stock.

Backup Withholding and Information Reporting. Under certain circumstances, you may be subject to backup withholding at applicable rates on payments made with respect to, or cash proceeds of a sale or exchange of, shares of our stock. Backup withholding will apply only if you: (1) fail to provide a correct taxpayer identification number, which if you are an individual, is ordinarily your social security number; (2) furnish an incorrect taxpayer identification number; (3) are notified by the Internal Revenue Service that you have failed to properly report payments of interest or dividends; or (4) fail to certify, under penalties of perjury, that you have furnished a correct taxpayer identification number and that the Internal Revenue Service has not notified you that you are subject to backup withholding.

Backup withholding will not apply with respect to payments made to certain exempt recipients, such as corporations and tax-exempt organizations. You should consult with a tax advisor regarding qualification for exemption from backup withholding, and the procedure for obtaining an exemption. Backup withholding is not an additional tax. Rather, the amount of any backup withholding with respect to a payment to a stockholder will be allowed as a credit against such stockholder's United States federal income tax liability and may entitle such stockholder to a refund, provided that the required information is provided to the Internal Revenue Service. In addition, withholding a portion of capital gain distributions made to stockholders may be required for stockholders who fail to certify their non-foreign status.

Taxation of Foreign Stockholders. The following summary applies to you only if you are a foreign person. The federal taxation of foreign persons is a highly complex matter that may be affected by many considerations.

Except as discussed below, distributions to you of cash generated by our real estate operations in the form of ordinary dividends, but not by the sale or exchange of our capital assets, generally will be subject to U.S. withholding tax at a rate of 30%, unless an applicable tax treaty reduces that tax and you file with us the required form evidencing the lower rate.

In general, you will be subject to United States federal income tax on a graduated rate basis rather than withholding with respect to your investment in our stock if such investment is "effectively connected" with your conduct of a trade or business in the United States. A corporate foreign stockholder that receives income that is, or is treated as, effectively connected with a United States trade or business may also be subject to the branch profits tax, which is payable in addition to regular United States corporate income tax. The following discussion will apply to foreign stockholders whose investment in us is not so effectively connected. We expect to withhold United States income tax, as described below, on the gross amount of any distributions paid to you unless (1) you file an Internal Revenue Service Form W-8ECI with us claiming that the distribution is "effectively connected" or (2) certain other exceptions apply.

Distributions by us that are attributable to gain from the sale or exchange of a United States real property interest will be taxed to you under the Foreign Investment in Real Property Tax Act of 1980 ("FIRPTA") as if these distributions were gains "effectively connected" with a United States trade or business. Accordingly, you will be taxed at the normal capital gain rates applicable to a U.S. stockholder on these amounts, subject to any applicable alternative minimum tax and a special alternative minimum tax in the case of nonresident alien individuals. Distributions subject to FIRPTA may also be subject to a branch profits tax in the hands of a corporate foreign stockholder that is not entitled to treaty exemption.

We will be required to withhold from distributions subject to FIRPTA, and remit to the Internal Revenue Service, 35% of designated capital gain dividends, or, if greater, 35% of the amount of any distributions that could be designated as capital gain dividends. In addition, if we designate prior distributions as capital gain dividends, subsequent distributions, up to the amount of the prior distributions not withheld against, will be treated as capital gain dividends for purposes of withholding.

Any capital gain dividend with respect to any class of stock that is "regularly traded" on an established securities market will be treated as an ordinary dividend if the foreign stockholder did not own more than 5% of such class of stock at any time during the taxable year. Foreign stockholders generally will not be required to report distributions received from us on U.S. federal income tax returns and all distributions treated as dividends for U.S. federal income tax purposes (including any such capital gain dividends) will be subject to a 30% U.S. withholding tax (unless reduced under an applicable income tax treaty) as discussed above. In addition, the branch profits tax will not apply to such distributions.

Unless our shares constitute a "United States real property interest" within the meaning of FIRPTA or are effectively connected with a U.S. trade or business, a sale of our shares by you generally will not be subject to United States taxation. Our shares will not constitute a United States real property interest if we qualify as a "domestically controlled REIT." We believe that we, and expect to continue to, qualify as a domestically controlled REIT. A domestically controlled REIT is a REIT in which at all times during a specified testing period less than 50% in value of its shares is held directly or indirectly by foreign stockholders. However, if you are a nonresident alien individual who is present in the United States for 183 days or more during the taxable year and certain other conditions apply, you will be subject to a 30% tax on such capital gains. In any event, a purchaser of our shares from you will not be required under FIRPTA to withhold on the purchase price if the purchased shares are “regularly traded” on an established securities market or if we are a domestically controlled REIT. Otherwise, under FIRPTA, the purchaser may be required to withhold 10% of the purchase price and remit such amount to the Internal Revenue Service.

Backup withholding tax and information reporting will generally not apply to distributions paid to you outside the United States that are treated as: (1) dividends to which the 30% or lower treaty rate withholding tax discussed above applies; (2) capital gains dividends; or (3) distributions attributable to gain from the sale or exchange by us of U.S. real property interests. Payment of the proceeds of a sale of stock within the United States or conducted through certain U.S. related financial intermediaries is subject to both backup withholding and information reporting unless the beneficial owner certifies under penalties of perjury that he or she is not a U.S. person (and the payor does not have actual knowledge that the beneficial owner is a U.S. person) or otherwise established an exemption. You may obtain a refund of any amounts withheld under the backup withholding rules by filing the appropriate claim for refund with the Internal Revenue Service.

Recently enacted legislation will impose U.S. withholding tax at a rate of 30% after December 31, 2013 on dividends in respect of, and after December 31, 2014 on gross proceeds from the sale of, shares of our stock held by or through certain foreign financial institutions (including investment funds), unless such institution enters into an agreement with the Secretary of the Treasury to report, on an annual basis, information with respect to shares in the institution held by certain U.S. persons and by certain non-U.S. entities that are wholly or partially owned by U.S. persons, and to withhold on certain payments. Accordingly, the entity through which shares of stock is held will affect the determination of whether such withholding is required. Similarly, dividends in respect of, and gross proceeds from the sale of, shares of our stock held by an investor that is a non-financial non-U.S. entity will be subject to withholding at a rate of 30%, unless such entity either (i) certifies to us that such entity does not have any "substantial United States owners" or (ii) provides certain information regarding the entity's "substantial United States owners," which we will in turn provide to the Secretary of the Treasury. If payment of withholding taxes is required, stockholders that are otherwise eligible for an exemption from, or reduction of, U.S. withholding taxes with respect to such dividends and proceeds will be required to seek a refund from the Internal Revenue Service to obtain the benefit of such exemption or reduction. We will not pay any additional amounts to any stockholders in respect of any amounts withheld. Foreign persons are encouraged to consult with their tax advisors regarding the possible implications of the legislation on their investment in shares of our stock.

U.S. Federal Income Taxation of Holders of Depositary Shares

Owners of our depositary shares will be treated as if you were owners of the series of preferred stock represented by the depositary shares. Thus, you will be required to take into account the income and deductions to which you would be entitled if you were a holder of the underlying series of preferred stock.

Conversion or Exchange of Shares for Preferred Stock. No gain or loss will be recognized upon the withdrawal of preferred stock in exchange for depositary shares and the tax basis of each share of preferred stock will, upon exchange, be the same as the aggregate tax basis of the depositary shares exchanged. If you held your depositary shares as a capital asset at the time of the exchange for shares of preferred stock, the holding period for your shares of preferred stock will include the period during which you owned the depositary shares.

U.S. Federal Income and Estate Taxation of Holders of Our Debt Securities

The following is a general summary of the United States federal income tax consequences and, in the case that you are a holder that is a non-U.S. holder, as defined below, the United States federal estate tax consequences, of purchasing, owning and disposing of debt securities periodically offered under one or more indentures (the “notes”). This summary assumes that you hold the notes as capital assets. This summary applies to you only if you are the initial holder of the notes and you acquire the notes for a price equal to the issue price of the notes. The issue price of the notes is the first price at which a substantial amount of the notes is sold other than to bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers. In addition, this summary does not consider any foreign, state, local or other tax laws that may be applicable to us or a purchaser of the notes.

U.S. Holders

The following summary applies to you only if you are a U.S. holder, as defined below.

Definition of a U.S. Holder. A “U.S. holder” is a beneficial owner of a note or notes that is for United States federal income tax purposes:

- a citizen or resident of the United States;

- a corporation, partnership or other entity classified as a corporation or partnership for these purposes, created or organized in or under the laws of the United States or of any political subdivision of the United States, including any state;

- an estate, the income of which is subject to United States federal income taxation regardless of its source; or

- a trust, if, in general, a U.S. court is able to exercise primary supervision over the trust's administration and one or more U.S. persons, within the meaning of the Internal Revenue Code, has the authority to control all of the trust's substantial decisions.

Payments of Interest. Stated interest on the notes generally will be taxed as ordinary interest income from domestic sources at the time it is paid or accrues in accordance with your method of accounting for tax purposes.

Sale, Exchange or Other Disposition of Notes. The adjusted tax basis in your note acquired at a premium will generally be your cost. You generally will recognize taxable gain or loss when you sell or otherwise dispose of your notes equal to the difference, if any, between:

- the amount realized on the sale or other disposition, less any amount attributable to any accrued interest, which will be taxable in the manner described under "— Payments of Interest" above; and

- your adjusted tax basis in the notes.

Your gain or loss generally will be capital gain or loss. This capital gain or loss will be long-term capital gain or loss if at the time of the sale or other disposition you have held the notes for more than one year. Subject to limited exceptions, your capital losses cannot be used to offset your ordinary income.

Backup Withholding and Information Reporting. In general, "backup withholding" may apply to any payments made to you of principal and interest on your note, and to payment of the proceeds of a sale or other disposition of your note before maturity, if you are a non-corporate U.S. holder and: (1) fail to provide a correct taxpayer identification number, which if you are an individual, is ordinarily your social security number; (2) furnish an incorrect taxpayer identification number; (3) are notified by the Internal Revenue Service that you have failed to properly report payments of interest or dividends; or (4) fail to certify, under penalties of perjury, that you have furnished a correct taxpayer identification number and that the Internal Revenue Service has not notified you that you are subject to backup withholding.

The amount of any reportable payments, including interest, made to you (unless you are an exempt recipient) and the amount of tax withheld, if any, with respect to such payments will be reported to you and to the Internal Revenue Service for each calendar year. You should consult your tax advisor regarding your qualification for an exemption from backup withholding and the procedures for obtaining such an exemption, if applicable. The backup withholding tax is not an additional tax and will be credited against your U.S. federal income tax liability, provided that correct information is provided to the Internal Revenue Service.

Non-U.S. Holders

The following summary applies to you if you are a beneficial owner of a note and are not a U.S. holder, as defined above (a "non-U.S. holder").

Special rules may apply to certain non-U.S. holders such as "controlled foreign corporations," "passive foreign investment companies" and "foreign personal holding companies." Such entities are encouraged to consult their tax advisors to determine the United States federal, state, local and other tax consequences that may be relevant to them.

U.S. Federal Withholding Tax. Subject to the discussion below, U.S. federal withholding tax will not apply to payments by us or our paying agent, in its capacity as such, of principal and interest on your notes under the "portfolio interest" exception of the Internal Revenue Code, provided that:

- you do not, directly or indirectly, actually or constructively, own 10% or more of the total combined voting power of all classes of our stock entitled to vote;

- you are not (1) a controlled foreign corporation for U.S. federal income tax purposes that is related, directly or indirectly, to us through sufficient stock ownership, as provided in the Internal Revenue Code, or (2) a bank receiving interest described in Section 881(c)(3)(A) of the Internal Revenue Code;

• such interest is not effectively connected with your conduct of a U.S. trade or business; and

• you provide a signed written statement, under penalties of perjury, which can reliably be related to you, certifying that you are not a U.S. person within the meaning of the Internal Revenue Code and providing your name and address to:

• us or our paying agent; or

• a securities clearing organization, bank or other financial institution that holds customers' securities in the ordinary course of its trade or business and holds your notes on your behalf and that certifies to us or our paying agent under penalties of perjury that it, or the bank or financial institution between it and you, has received from you your signed, written statement and provides us or our paying agent with a copy of such statement.

Treasury regulations provide that:

• if you are a foreign partnership, the certification requirement will generally apply to your partners, and you will be required to provide certain information;

• if you are a foreign trust, the certification requirement will generally be applied to you or your beneficial owners depending on whether you are a "foreign complex trust," "foreign simple trust," or "foreign grantor trust" as defined in the Treasury regulations; and

• look-through rules will apply for tiered partnerships, foreign simple trusts and foreign grantor trusts.

If you are a foreign partnership or a foreign trust, you should consult your own tax advisor regarding your status under these Treasury regulations and the certification requirements applicable to you.

If you cannot satisfy the portfolio interest requirements described above, payments of interest will be subject to the 30% United States withholding tax, unless you provide us with a properly executed (1) Internal Revenue Service Form W-8BEN claiming an exemption from or reduction in withholding under the benefit of an applicable treaty or (2) Internal Revenue Service Form W-8ECI stating that interest paid on the note is not subject to withholding tax because it is effectively connected with your conduct of a trade or business in the United States. Alternative documentation may be applicable in certain circumstances.

If you are engaged in a trade or business in the United States and interest on a note is effectively connected with the conduct of that trade or business, you will be required to pay United States federal income tax on that interest on a net income basis (although you will be exempt from the 30% withholding tax provided the certification requirement described above is met) in the same manner as if you were a U.S. person, except as otherwise provided by an applicable tax treaty. If you are a foreign corporation, you may be required to pay a branch profits tax on the earnings and profits that are effectively connected to the conduct of your trade or business in the United States.

Recently enacted legislation generally will impose U.S. withholding tax at a 30% rate on payments of interest (including original issue discount) and proceeds of sale in respect of debt instruments to certain non-U.S. holders if certain additional disclosure requirements related to U.S. ownership of such non-U.S. holders or certain U.S. accounts maintained by such non-U.S. holders at foreign financial institutions are not satisfied. However, the withholding tax will not be imposed on payments pursuant to debt or other obligations outstanding as of March 18, 2012. If payment of withholding taxes is required, non-U.S. holders that are otherwise eligible for an exemption from, or reduction of, U.S. withholding taxes with respect to such distributions and proceeds of a sale of such notes will be entitled to seek a refund from the Internal Revenue Service (“IRS”) to obtain the benefit of such exemption or reduction. We will not pay any additional amounts to non-U.S. holders in respect of any amounts withheld. These new withholding rules are generally effective with respect to payments of interest made after December 31, 2013 and with respect to proceeds of sales received after December 31, 2014.

Sale, Exchange or other Disposition of Notes. You generally will not have to pay U.S. federal income tax on any gain or income realized from the sale, redemption, retirement at maturity or other disposition of your notes, unless:

- in the case of gain, you are an individual who is present in the United States for 183 days or more during the taxable year of the sale or other disposition of your notes, and specific other conditions are met;

- you are subject to tax provisions applicable to certain United States expatriates; or

- the gain is effectively connected with your conduct of a U.S. trade or business.

If you are engaged in a trade or business in the United States, and gain with respect to your notes is effectively connected with the conduct of that trade or business, you generally will be subject to U.S. income tax on a net basis on the gain. In addition, if you are a foreign corporation, you may be subject to a branch profits tax on your effectively connected earnings and profits for the taxable year, as adjusted for certain items.

U.S. Federal Estate Tax. If you are an individual and are not a U.S. citizen or a resident of the United States, as specially defined for U.S. federal estate tax purposes, at the time of your death, your notes will generally not be subject to the U.S. federal estate tax, unless, at the time of your death (1) you owned actually or constructively 10% or more of the total combined voting power of all our classes of stock entitled to vote, or (2) interest on the notes is effectively connected with your conduct of a U.S. trade or business.

Backup Withholding and Information Reporting. Backup withholding will not apply to payments of principal or interest made by us or our paying agent, in its capacity as such, to you if you have provided the required certification that you are a non-U.S. holder as described in "— U.S. Federal Withholding Tax" above, and provided that neither we nor our paying agent have actual knowledge that you are a U.S. holder, as described in "— U.S. Holders" above. We or our paying agent may, however, report payments of interest on the notes.

The gross proceeds from the disposition of your notes may be subject to information reporting and backup withholding tax. If you sell your notes outside the United States through a non-U.S. office of a non-U.S. broker and the sales proceeds are paid to you outside the United States, then the U.S. backup withholding and information reporting requirements generally will not apply to that payment. However, U.S. information reporting, but not backup withholding, will apply to a payment of sales proceeds, even if that payment is made outside the United States, if you sell your notes through a non-U.S. office of a broker that:

- is a U.S. person, as defined in the Internal Revenue Code;

- derives 50% or more of its gross income in specific periods from the conduct of a trade or business in the United States;

- is a “controlled foreign corporation” for U.S. federal income tax purposes; or

- is a foreign partnership, if at any time during its tax year, one or more of its partners are U.S. persons who in the aggregate hold more than 50% of the income or capital interests in the partnership, or the foreign partnership is engaged in a U.S. trade or business, unless the broker has documentary evidence in its files that you are a non-U.S. person and certain other conditions are met or you otherwise establish an exemption. If you receive payments of the proceeds of a sale of your notes to or through a U.S. office of a broker, the payment is subject to both U.S. backup withholding and information reporting unless you provide a Form W-8BEN certifying that you are a non-U.S. person or you otherwise establish an exemption.

You should consult your own tax advisor regarding application of backup withholding in your particular circumstance and the availability of and procedure for obtaining an exemption from backup withholding. Any amounts withheld under the backup withholding rules from a payment to you will be allowed as a refund or credit against your U.S. federal income tax liability, provided the required information is furnished to the Internal Revenue Service.

U.S. Federal Income and Estate Taxation of Holders of Our Warrants

Exercise of Warrants. You will not generally recognize gain or loss upon the exercise of a warrant. Your basis in the debt securities, preferred stock, depositary shares or common stock, as the case may be, received upon the exercise of the warrant will be equal to the sum of your adjusted tax basis in the warrant and the exercise price paid. Your holding period in the debt securities, preferred stock, depositary shares or common stock, as the case may be, received upon the exercise of the warrant will not include the period during which the warrant was held by you.

Expiration of Warrants. Upon the expiration of a warrant, you will recognize a capital loss in an amount equal to your adjusted tax basis in the warrant.

Sale or Exchange of Warrants. Upon the sale or exchange of a warrant to a person other than us, you will recognize gain or loss in an amount equal to the difference between the amount realized on the sale or exchange and your adjusted tax basis in the warrant. Such gain or loss will be capital gain or loss and will be long-term capital gain or loss if the warrant was held for more than one year. Upon the sale of the warrant to us, the Internal Revenue Service may argue that you should recognize ordinary income on the sale. You are advised to consult your own tax advisors as to the consequences of a sale of a warrant to us.

Potential Legislation or Other Actions Affecting Tax Consequences

Current and prospective securities holders should recognize that the present federal income tax treatment of an investment in us may be modified by legislative, judicial or administrative action at any time and that any such action may affect investments and commitments previously made. The rules dealing with federal income taxation are constantly under review by persons involved in the legislative process and by the Internal Revenue Service and the Treasury Department, resulting in revisions of regulations and revised interpretations of established concepts as well as statutory changes. Revisions in federal tax laws and interpretations of these laws could adversely affect the tax consequences of an investment in us.

State, Local and Foreign Taxes

We, and holders of our debt and equity securities, may be subject to state, local or foreign taxation in various jurisdictions, including those in which we or they transact business, own property or reside. It should be noted that we own properties located in a number of state, local and foreign jurisdictions, and may be required to file tax returns in some or all of those jurisdictions. The state, local or foreign tax treatment of us and holders of our debt and equity securities may not conform to the U.S. federal income tax consequences discussed above. Consequently, you are urged to consult your advisor regarding the application and effect of state, local and foreign tax laws with respect to any investment in our securities.

Internet Access to Our SEC Filings

Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports, as well as our proxy statements and other materials that are filed with, or furnished to, the Securities and Exchange Commission are made available, free of charge, on the Internet at www.hcreit.com, as soon as reasonably practicable after they are filed with, or furnished to, the Securities and Exchange Commission.

Item 1A. ***Risk Factors***

Forward-Looking Statements and Risk Factors

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

This Annual Report on Form 10-K and the documents incorporated by reference contain statements that constitute "forward-looking statements" as that term is defined in the federal securities laws. These forward-looking statements include, but are not limited to, those regarding:

- the possible expansion of our portfolio;
- the sale of properties;
- the performance of our operators/tenants and properties;
- our ability to enter into agreements with new viable tenants for vacant space or for properties that we take back from financially troubled tenants, if any;
- our occupancy rates;
- our ability to acquire, develop and/or manage properties;
- our ability to make distributions to stockholders;
- our policies and plans regarding investments, financings and other matters;
- our ability to successfully manage the risks associated with international expansion and operations;

- our tax status as a real estate investment trust;
- our critical accounting policies;
- our ability to appropriately balance the use of debt and equity;
- our ability to access capital markets or other sources of funds; and
- our ability to meet our earnings guidance.

When we use words such as “may,” “will,” “intend,” “should,” “believe,” “expect,” “anticipate,” “project,” “estimate” or simil expressions, we are making forward-looking statements. Forward-looking statements are not guarantees of future performance and involve risks and uncertainties. Our expected results may not be achieved, and actual results may differ materially from our expectations. This may be a result of various factors, including, but not limited to:

- the status of the economy;
- the status of capital markets, including availability and cost of capital;
- issues facing the health care industry, including compliance with, and changes to, regulations and payment policies, responding to government investigations and punitive settlements and operators’/tenants’ difficulty in cost-effectively obtaining and maintaining adequate liability and other insurance;
- changes in financing terms;
- competition within the health care, seniors housing and life science industries;

- negative developments in the operating results or financial condition of operators/tenants, including, but not limited to, their ability to pay rent and repay loans;

- our ability to transition or sell facilities with profitable results;

- the failure to make new investments as and when anticipated;
- acts of God affecting our properties;
- our ability to re-lease space at similar rates as vacancies occur;
- our ability to timely reinvest sale proceeds at similar rates to assets sold;
- operator/tenant or joint venture partner bankruptcies or insolvencies;
- the cooperation of joint venture partners;
- government regulations affecting Medicare and Medicaid reimbursement rates and operational requirements;
- regulatory approval and market acceptance of the products and technologies of life science tenants;
- liability or contract claims by or against operators/tenants;
- unanticipated difficulties and/or expenditures relating to future acquisitions;
- environmental laws affecting our properties;
- changes in rules or practices governing our financial reporting;

• the movement of U.S. and Canadian exchange rates;

• other legal and operational matters, including REIT qualification and key management personnel recruitment and retention; and

• the risks described below:

Risk factors related to our operators' revenues and expenses

Our operators' revenues are primarily driven by occupancy, Medicare and Medicaid reimbursement, if applicable, and private pay rates. Expenses for these facilities are primarily driven by the costs of labor, food, utilities, taxes, insurance and rent or debt service. Revenues from government reimbursement have, and may continue to, come under pressure due to reimbursement cuts and state budget shortfalls. Operating costs continue to increase for our operators. To the extent that any decrease in revenues and/or any increase in operating expenses result in a property not generating enough cash to make payments to us, the credit of our operator and the value of other collateral would have to be relied upon.

The continued weakened economy may have an adverse effect on our operators and tenants, including their ability to access credit or maintain occupancy rates. If the operations, cash flows or financial condition of our operators are materially adversely impacted by economic conditions, our revenue and operations may be adversely affected.

Increased competition may affect our operators' ability to meet their obligations to us

The operators of our properties compete on a local and regional basis with operators of properties and other health care providers that provide comparable services. We cannot be certain that the operators of all of our facilities will be able to achieve and maintain occupancy and rate levels that will enable them to meet all of their obligations to us. Our operators are expected to encounter increased competition in the future that could limit their ability to attract residents or expand their businesses.

Risk factors related to obligor bankruptcies

We are exposed to the risk that our obligors may not be able to meet the rent, principal and interest or other payments due us, which may result in an obligor bankruptcy or insolvency, or that an obligor might become subject to bankruptcy or insolvency proceedings for other reasons. Although our operating lease agreements provide us with the right to evict a tenant, demand immediate payment of rent and exercise other remedies, and our loans provide us with the right to terminate any funding obligation, demand immediate repayment of principal and unpaid interest, foreclose on the collateral and exercise other remedies, the bankruptcy and insolvency laws afford certain rights to a party that has filed for bankruptcy or reorganization. An obligor in bankruptcy or subject to insolvency

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proceedings may be able to limit or delay our ability to collect unpaid rent in the case of a lease or to receive unpaid principal and interest in the case of a loan, and to exercise other rights and remedies.

We may be required to fund certain expenses (e.g., real estate taxes and maintenance) to preserve the value of an investment property, avoid the imposition of liens on a property and/or transition a property to a new tenant. In some instances, we have terminated our lease with a tenant and relet the property to another tenant. In some of those situations, we have provided working capital loans to and limited indemnification of the new obligor. If we cannot transition a leased property to a new tenant, we may take possession of that property, which may expose us to certain successor liabilities. Should such events occur, our revenue and operating cash flow may be adversely affected.

Transfers of health care facilities may require regulatory approvals and these facilities may not have efficient alternative uses

Transfers of health care facilities to successor operators frequently are subject to regulatory approvals or notifications, including, but not limited to, change of ownership approvals under certificate of need (“CON”) or determination of need laws, state licensure laws and Medicare and Medicaid provider arrangements, that are not required for transfers of other types of real estate. The replacement of a health care facility operator could be delayed by the approval process of any federal, state or local agency necessary for the transfer of the facility or the replacement of the operator licensed to manage the facility. Alternatively, given the specialized nature of our facilities, we may be required to spend substantial time and funds to adapt these properties to other uses. If we are unable to timely transfer properties to successor operators or find efficient alternative uses, our revenue and operations may be adversely affected.

Risk factors related to government regulations

Our obligors’ businesses are affected by government reimbursement and private payor rates. To the extent that an operator/tenant receives a significant portion of its revenues from government payors, primarily Medicare and Medicaid, such revenues may be subject to statutory and regulatory changes, retroactive rate adjustments, recovery of program overpayments or set-offs, administrative rulings, policy interpretations, payment or other delays by fiscal intermediaries or carriers, government funding restrictions (at a program level or with respect to specific facilities) and interruption or delays in payments due to any ongoing government investigations and audits at such property. In recent years, government payors have frozen or reduced payments to health care providers due to budgetary pressures. Health care reimbursement will likely continue to be of paramount importance to federal and state authorities. We cannot make any assessment as to the ultimate timing or effect any future legislative reforms may have on the financial condition of our obligors and properties. There can be no assurance that adequate reimbursement levels will be available for services provided by any property operator, whether the property receives reimbursement from Medicare, Medicaid or private payors. Significant limits on the scope of services reimbursed and on reimbursement rates and fees could have a material adverse effect on an obligor’s liquidity, financial condition and results of operations, which could adversely affect the ability of an obligor to meet its obligations to us. See “Item 1 — Business —

Certain Government Regulations — Reimbursement” above.

Our operators and tenants generally are subject to extensive federal, state, local, and industry-regulated licensure, certification and inspection laws, regulations, and standards. Our operators’ or tenants’ failure to comply with any of these laws, regulations, or standards could result in loss of accreditation, denial of reimbursement, imposition of fines, suspension or decertification from federal and state health care programs, loss of license or closure of the facility. Such actions may have an effect on our operators’ or tenants’ ability to make lease payments to us and, therefore, adversely impact us. See “Item 1 — Business — Certain Government Regulations — Other Related Laws” above.

Many of our properties may require a license, registration, and/or CON to operate. Failure to obtain a license, registration, or CON, or loss of a required license, registration, or CON would prevent a facility from operating in the manner intended by the operators or tenants. These events could materially adversely affect our operators’ or tenants’ ability to make rent payments to us. State and local laws also may regulate the expansion, including the addition of new beds or services or acquisition of medical equipment, and the construction or renovation of health care facilities, by requiring a CON or other similar approval from a state agency. See “Item 1 — Business — Certain Government Regulations — Licensing and Certification” above.

The American Recovery and Reinvestment Act of 2009 (“ARRA”), which was signed into law on February 17, 2009, provided $87 billion in additional federal Medicaid funding for states’ Medicaid expenditures between October 1, 2008 and December 31, 2010. On August 10, 2010, the President signed into law H.R. 1586, which mandated a six-month extension of the increase in federal Medicaid funding for states through June 30, 2011, although the enhanced federal Medicaid funding was scaled back for the first two quarters of 2011. Under both the ARRA and H.R. 1586, states meeting certain eligibility requirements temporarily received additional money in the form of an increase in the federal medical assistance percentage (“FMAP”). Thus, for a limited period of time, the share of Medicaid costs that were paid for by the federal government went up, and each state’s share went down. No similar extension of increased matching has been offered since June 30, 2011, and states’ FMAP rates have returned to levels comparable to pre-ARRA rates. We cannot predict whether states are, or will remain, eligible to receive the additional federal Medicaid funding, or whether the states will have sufficient funds for their Medicaid programs. We also cannot predict the impact that such broad-based, far-reaching legislation will have on the U.S. economy or our business.

Risk factors related to liability claims and insurance costs

In recent years, skilled nursing and seniors housing operators have experienced substantial increases in both the number and size of patient care liability claims. As a result, general and professional liability costs have increased in some markets. General and professional liability insurance coverage may be restricted or very costly, which may adversely affect the property operators' future operations, cash flows and financial condition, and may have a material adverse effect on the property operators' ability to meet their obligations to us.

Risk factors related to acquisitions

We are exposed to the risk that some of our acquisitions may not prove to be successful. We could encounter unanticipated difficulties and expenditures relating to any acquired properties, including contingent liabilities, and acquired properties might require significant management attention that would otherwise be devoted to our ongoing business. If we agree to provide construction funding to an operator/tenant and the project is not completed, we may need to take steps to ensure completion of the project. Moreover, if we issue equity securities or incur additional debt, or both, to finance future acquisitions, it may reduce our per share financial results. These costs may negatively affect our results of operations.

Unfavorable resolution of pending and future litigation matters and disputes could have a material adverse effect on our financial condition.

From time to time, we may be directly involved in a number of legal proceedings, lawsuits and other claims. We may also be named as defendants in lawsuits allegedly arising out of our actions or the actions of our operators/tenants or managers in which such operators/tenants or managers have agreed to indemnify, defend and hold us harmless from and against various claims, litigation and liabilities arising in connection with their respective businesses. An unfavorable resolution of pending or future litigation may have a material adverse effect on our business, results of operations and financial condition. Regardless of its outcome, litigation may result in substantial costs and expenses and significantly divert the attention of management. There can be no assurance that we will be able to prevail in, or achieve a favorable settlement of, pending or future litigation. In addition, pending litigation or future litigation, government proceedings or environmental matters could lead to increased costs or interruption of our normal business operations.

Risk factors related to joint ventures

We have entered into, and may continue in the future to enter into, partnerships or joint ventures with other persons or entities. Joint venture investments involve risks that may not be present with other methods of ownership, including the possibility that our partner might become insolvent, refuse to make capital contributions when due or otherwise fail to meet its obligations, which may result in certain liabilities to us for guarantees and other commitments; that our partner might at any time have economic or other business interests or goals that are or become inconsistent with our interests or goals; that we could become engaged in a dispute with our partner, which could require us to expend additional resources to resolve such disputes and could have an adverse impact on the operations and profitability of the joint venture; and that our partner may be in a position to take action or withhold consent contrary to our instructions or requests. In addition, our ability to transfer our interest in a joint venture to a third party may be restricted. In some instances, we and/or our partner may have the right to trigger a buy-sell arrangement, which could cause us to sell our interest, or acquire our partner’s interest, at a time when we otherwise would not have initiated such a transaction. Our ability to acquire our partner’s interest may be limited if we do not have sufficient cash, available borrowing capacity or other capital resources. In such event, we may be forced to sell our interest in the joint venture when we would otherwise prefer to retain it. Joint ventures may require us to share decision-making authority with our partners, which could limit our ability to control the properties in the joint ventures. Even when we have a controlling interest, certain major decisions may require partner approval, such as the sale, acquisition or financing of a property.

Risk factors related to our seniors housing operating properties

We are exposed to various operational risks with respect to our seniors housing operating properties that may increase our costs or adversely affect our ability to generate revenues. These risks include fluctuations in occupancy, Medicare and Medicaid reimbursement, if applicable, and private pay rates; economic conditions; competition; federal, state, local, and industry-regulated licensure, certification and inspection laws, regulations, and standards; the availability and increases in cost of general and professional liability insurance coverage; state regulation and rights of residents related to entrance fees; the availability and increases in cost of labor (as a result of unionization or otherwise). Any one or a combination of these factors may adversely affect our revenue and operations.

Risk factors related to life science facilities

Our tenants in the life science industry face high levels of regulation, expense and uncertainty that may adversely affect their ability to make payments to us. Research, development and clinical testing of products and technologies can be very expensive and sources of funds may not be available to our life sciences tenants in the future. The products and technologies that are developed and manufactured by our life science tenants may require regulatory approval prior to being made, marketed, sold and used. The regulatory process can be costly, long and unpredictable. Even after a tenant gains regulatory approval and market acceptance, the product still presents regulatory and liability risks, such as safety concerns, competition from new products and eventually the expiration of patent protection. These factors may affect the ability of our life sciences tenants to make timely payments to us, which may adversely affect our revenue and operations.

Risk factors related to indebtedness

Permanent financing for our investments is typically provided through a combination of public and private offerings of debt and equity securities and the incurrence or assumption of secured debt. The incurrence or assumption of indebtedness may cause us to become more leveraged, which could (1) require us to dedicate a greater portion of our cash flow to the payment of debt service, (2) make us more vulnerable to a downturn in the economy, (3) limit our ability to obtain additional financing, or (4) negatively affect our credit ratings or outlook by one or more of the rating agencies.

Our debt agreements contain various covenants, restrictions and events of default. Among other things, these provisions require us to maintain certain financial ratios and minimum net worth and impose certain limits on our ability to incur indebtedness, create liens and make investments or acquisitions. Breaches of these covenants could result in defaults under the instruments governing the applicable indebtedness, in addition to any other indebtedness cross-defaulted against such instruments. These defaults could have a material adverse impact on our business, results of operations and financial condition.

Risk factors related to our credit ratings

We plan to manage the Company to maintain a capital structure consistent with our current profile, but there can be no assurance that we will be able to maintain our current credit ratings. Any downgrades in terms of ratings or outlook by any or all of the rating agencies could have a material adverse impact on our cost and availability of capital, which could in turn have a material adverse impact on our consolidated results of operations, liquidity and/or financial condition.

Risk factors related to interest rate swaps

We enter into interest rate swap agreements from time to time to manage some of our exposure to interest rate volatility. These swap agreements involve risks, such as the risk that counterparties may fail to honor their obligations under these arrangements. In addition, these arrangements may not be effective in reducing our exposure to changes in interest rates. When we use forward-starting interest rate swaps, there is a risk that we will not complete the long-term borrowing against which the swap is intended to hedge. If such events occur, our results of operations may be adversely affected.

Risk factors related to environmental laws

Under various federal and state laws, owners or operators of real estate may be required to respond to the presence or release of hazardous substances on the property and may be held liable for property damage, personal injuries or penalties that result from environmental contamination or exposure to hazardous substances. We may become liable to reimburse the government for damages and costs it incurs in connection with the contamination. Generally, such liability attaches to a person based on the person's relationship to the property. Our tenants or borrowers are primarily responsible for the condition of the property. Moreover, we review environmental site assessments of the properties that we own or encumber prior to taking an interest in them. Those assessments are designed to meet the "all appropriate inquiry" standard, which we believe qualifies us for the innocent purchaser defense if environmental liabilities arise. Based upon such assessments, we do not believe that any of our properties are subject to material environmental contamination. However, environmental liabilities may be present in our properties and we may incur costs to remediate contamination, which could have a material adverse effect on our business or financial condition or the business or financial condition of our obligors.

Risk factors related to facilities that require entrance fees

Certain of our seniors housing facilities require the payment of an upfront entrance fee by the resident, a portion of which may be refundable by the operator. Some of these facilities are subject to substantial oversight by state regulators relating to these funds. As a result of this oversight, residents of these facilities may have a variety of rights, including, for example, the right to cancel their contracts within a specified period of time and certain lien rights. The oversight and rights of residents within these facilities may have an effect on the revenue or operations of the operators of such facilities and therefore may negatively impact us.

Risk factors related to facilities under construction or development

At any given time, we may be in the process of constructing one or more new facilities that ultimately will require a CON and license before they can be utilized by the operator for their intended use. The operator also may need to obtain Medicare and Medicaid certification and enter into Medicare and Medicaid provider agreements and/or third party payor contracts. In the event that the operator is unable to obtain the necessary CON, licensure, certification, provider agreements or contracts after the completion of construction, there is a risk that we will not be able to earn any revenues on the facility until either the initial operator obtains a license or certification to operate the new facility and the necessary provider agreements or contracts or we find and contract with a new operator that is able to obtain a license to operate the facility for its intended use and the necessary provider agreements or contracts.

In connection with our renovation, redevelopment, development and related construction activities, we may be unable to obtain, or suffer delays in obtaining, necessary zoning, land-use, building, occupancy and other required governmental permits and authorizations. These factors could result in increased costs or our abandonment of these projects. In addition, we may not be able to obtain financing on favorable terms, which may render us unable to proceed with our development activities, and we may not be able to complete construction and lease-up of a property on schedule, which could result in increased debt service expense or construction costs.

Additionally, the time frame required for development, construction and lease-up of these properties means that we may have to wait years for significant cash returns. Because we are required to make cash distributions to our stockholders, if the cash flow from operations or refinancing is not sufficient, we may be forced to borrow additional money to fund such distributions. Newly developed and acquired properties may not produce the cash flow that we expect, which could adversely affect our overall financial performance.

In deciding whether to acquire or develop a particular property, we make assumptions regarding the expected future performance of that property. In particular, we estimate the return on our investment based on expected occupancy and rental rates. If our financial projections with respect to a new property are inaccurate, and the property is unable to achieve the expected occupancy and rental rates, it may fail to perform as we expected in analyzing our investment. Our estimate of the costs of repositioning or redeveloping an acquired property may prove to be inaccurate, which may result in our failure to meet our profitability goals. Additionally, we may acquire new properties that are not fully leased, and the cash flow from existing operations may be insufficient to pay the operating expenses and debt service associated with that property.

We do not know if our tenants will renew their existing leases, and if they do not, we may be unable to lease the properties on as favorable terms, or at all

We cannot predict whether our tenants will renew existing leases at the end of their lease terms, which expire at various times. If these leases are not renewed, we would be required to find other tenants to occupy those properties or sell them. There can be no assurance that we would be able to identify suitable replacement tenants or enter into leases with new tenants on terms as favorable to us as the current leases or that we would be able to lease those properties at all.

Our ownership of properties through ground leases exposes us to the loss of such properties upon breach or termination of the ground leases

We have acquired an interest in certain of our properties by acquiring a leasehold interest in the property on which the building is located, and we may acquire additional properties in the future through the purchase of interests in ground leases. As the lessee under a ground lease, we are exposed to the possibility of losing the property upon termination of the ground lease or an earlier breach of the ground lease by us.

Illiquidity of real estate investments could significantly impede our ability to respond to adverse changes in the performance of our properties

Real estate investments are relatively illiquid. Our ability to quickly sell or exchange any of our properties in response to changes in economic and other conditions will be limited. No assurances can be given that we will recognize full value for any property that we are required to sell for liquidity reasons. Our inability to respond rapidly to changes in the performance of our investments could adversely affect our financial condition and results of operations. In addition, we are exposed to the risks inherent in concentrating investments in real estate, and in particular, the seniors housing and health care industries. A downturn in the real estate industry could adversely affect the value of our properties and our ability to sell properties for a price or on terms acceptable to us.

Risk factors related to reinvestment of sale proceeds

From time to time, we will have cash available from (1) the proceeds of sales of our securities, (2) principal payments on our loans receivable and (3) the sale of properties, including non-elective dispositions, under the terms of master leases or similar financial support arrangements. In order to maintain current revenues and continue generating attractive returns, we expect to re-invest these proceeds in a timely manner. We compete for real estate investments with a broad variety of potential investors. This competition for attractive investments may negatively affect our ability to make timely investments on terms acceptable to us.

Failure to properly manage our rapid growth could distract our management or increase our expenses

We have experienced rapid growth and development in a relatively short period of time and expect to continue this rapid growth in the future. This growth has resulted in increased levels of responsibility for our management. Future property acquisitions could place significant additional demands on, and require us to expand, our management, resources and personnel. Our failure to manage any such rapid growth effectively could harm our business and, in particular, our financial condition, results of operations and cash flows, which could negatively affect our ability to make distributions to stockholders. Our growth could also increase our capital requirements, which may require us to issue potentially dilutive equity securities and incur additional debt.

Ownership of property outside the United States may subject us to different or greater risks than those associated with our domestic operations

International development, ownership, and operating activities involve risks that are different from those we face with respect to our domestic properties and operations. These risks include, but are not limited to, any international currency gain recognized with respect to changes in exchange rates may not qualify under the 75% gross income test or the 95% gross income test that we must satisfy annually in order to qualify and maintain our status as a REIT; challenges with respect to the repatriation of foreign earnings and cash; changes in foreign political, regulatory, and economic conditions, including regionally, nationally, and locally; challenges in managing international operations; challenges of complying with a wide variety of foreign laws and regulations, including those relating to real estate, corporate governance, operations, taxes, employment and legal proceedings; foreign ownership restrictions with respect to operations in countries; differences in lending practices and the willingness of domestic or foreign lenders to provide financing; regional or country-specific business cycles and economic instability; and changes in applicable laws and regulations in the United States that affect foreign operations. If we are unable to successfully manage the risks associated with international expansion and operations, our results of operations and financial condition may be adversely affected.

Risk factors related to changes in currency exchange rates

As we expand our operations internationally, currency exchange rate fluctuations could affect our results of operations and financial position. We expect to generate an increasing portion of our revenue and expenses in such foreign currencies as the Canadian dollar. Although we may enter into foreign exchange agreements with financial institutions and/or obtain local currency mortgage debt in order to reduce our exposure to fluctuations in the value of foreign currencies, we cannot assure you that foreign currency fluctuations will not have a material adverse effect on us.

We might fail to qualify or remain qualified as a REIT

We intend to operate as a REIT under the Internal Revenue Code and believe we have and will continue to operate in such a manner. If we lose our status as a REIT, we will face serious income tax consequences that will substantially reduce the funds available for satisfying our obligations and for distribution to our stockholders because:

- we would not be allowed a deduction for distributions to stockholders in computing our taxable income and would be subject to U.S. federal income tax at regular corporate rates;

- we could be subject to the federal alternative minimum tax and possibly increased state and local taxes; and

- unless we are entitled to relief under statutory provisions, we could not elect to be subject to tax as a REIT for four taxable years following the year during which we were disqualified.

Since REIT qualification requires us to meet a number of complex requirements, it is possible that we may fail to fulfill them, and if we do, our earnings will be reduced by the amount of U.S. federal and other income taxes owed. A reduction in our earnings would affect the amount we could distribute to our stockholders. If we do not qualify as a REIT, we would not be required to make distributions to stockholders since a non-REIT is not required to pay dividends to stockholders in order to maintain REIT status or avoid an excise tax. See “Item 1 — Business — Taxation — Federal Income Tax Considerations” for a discussion of the provisions of the Internal Revenue Code that apply to us and the effects of failure to qualify as a REIT.

In addition, if we fail to qualify as a REIT, all distributions to stockholders would continue to be treated as dividends to the extent of our current and accumulated earnings and profits, although corporate stockholders may be eligible for the dividends received deduction, and individual stockholders may be eligible for taxation at the rates generally applicable to long-term capital gains (currently at a maximum rate of 15%) with respect to distributions.

As a result of all these factors, our failure to qualify as a REIT also could impair our ability to implement our business strategy and would adversely affect the value of our common stock.

Qualification as a REIT involves the application of highly technical and complex Internal Revenue Code provisions for which there are only limited judicial and administrative interpretations. The determination of various factual matters and circumstances not entirely within our control may affect our ability to remain qualified as a REIT. Although we believe that we qualify as a REIT, we cannot assure you that we will continue to qualify or remain qualified as a REIT for U.S. federal income tax purposes. See “Item 1 — Business — Taxation — Federal Income Tax Considerations” included in this Annual Report on Form 10-K.

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

To comply with the 90% distribution requirement applicable to REITs and to avoid the nondeductible excise tax, we must make distributions to our stockholders. See “Item 1 — Business — Taxation — Federal Income Tax Considerations — Qualification as a REIT — Annual Distribution Requirements” included in this Annual Report on Form 10-K. Although we anticipate that we generally will have sufficient cash or liquid assets to enable us to satisfy the REIT distribution requirement, it is possible that, from time to time, we may not have sufficient cash or other liquid assets to meet the 90% distribution requirement, or we may decide to retain cash or distribute such greater amount as may be necessary to avoid income and excise taxation. This may be due to timing differences between the actual receipt of income and actual payment of deductible expenses, on the one hand, and the inclusion of that income and deduction of those expenses in arriving at our taxable income, on the other hand. In addition, non-deductible expenses such as principal amortization or repayments or capital expenditures in excess of non-cash deductions may cause us to fail to have sufficient cash or liquid assets to enable us to satisfy the 90% distribution requirement. In the event that timing differences occur, or we deem it appropriate to retain cash, we may borrow funds, issue additional equity securities (although we cannot assure you that we will be able to do so), pay taxable stock dividends, if possible, distribute other property or securities or engage in another transaction intended to enable us to meet the REIT distribution requirements. This may require us to raise additional capital to meet our obligations.

The amount of additional indebtedness we may incur is limited by the terms of our line of credit arrangement and the indentures governing our senior unsecured notes. In addition, adverse economic conditions may impact the availability of additional funds or could cause the terms on which we are able to borrow additional funds to become unfavorable. In those circumstances, we may be required to raise additional equity in the capital markets. Our access to capital depends upon a number of factors over which we have little or no control, including rising interest rates, inflation and other general market conditions and the market's perception of our growth potential and our current and potential future earnings and cash distributions and the market price of the shares of our capital stock. We cannot assure you that we will be able to raise the capital necessary to make future investments or to meet our obligations and commitments as they mature.

The lease of qualified health care properties to a taxable REIT subsidiary is subject to special requirements

We lease certain qualified health care properties we acquire to taxable REIT subsidiaries (or limited liability companies of which the taxable REIT subsidiaries are members), which lessees contract with managers (or related parties) to manage the health care operations at these properties. The rents from this taxable REIT subsidiary lessee structure are treated as qualifying rents from real property if (1) they are paid pursuant to an arms-length lease of a qualified health care property with a taxable REIT subsidiary and (2) the manager qualifies as an eligible independent contractor. If any of these conditions are not satisfied, then the rents will not be qualifying rents. See "Item 1 — Business — Taxation — Federal Income Tax Considerations — Qualification as a REIT — Income Tests."

If certain sale-leaseback transactions are not characterized by the Internal Revenue Service as "true leases," we may be subject to adverse tax consequences

We have purchased certain properties and leased them back to the sellers of such properties, and we may enter similar transactions in the future. We intend for any such sale-leaseback transaction to be structured in such a manner that the lease will be characterized as a "true lease," thereby allowing us to be treated as the owner of the property for U.S. federal income tax purposes. However, depending on the terms of any specific transaction, the Internal Revenue Service might take the position that the transaction is not a "true lease" but is more properly treated in some other manner. In the event any sale-leaseback transaction is challenged and successfully re-characterized by the Internal Revenue Service, we would not be entitled to claim the deductions for depreciation and cost recovery generally available to an owner of property. Furthermore, if a sale-leaseback transaction were so re-characterized, we might fail to satisfy the REIT asset tests or income tests and, consequently, could lose our REIT status effective with the year of re-characterization. See "Item 1 — Business — Taxation — Federal Income Tax Considerations — Qualification a REIT — Asset Tests" and "— Income Tests." Alternatively, the amount of our REIT taxable income could be recalculated, which may cause us to fail to meet the REIT annual distribution requirements for a taxable year. See "Item 1 — Business — Taxation — Federal Income Tax Considerations — Qualification as a REIT — Annual Distribution Requirements."

Other risk factors

We are also subject to other risks. First, our certificate of incorporation and by-laws contain anti-takeover provisions (restrictions on share ownership and transfer and super majority stockholder approval requirements for business combinations) that could make it more difficult for or even prevent a third party from acquiring us without the approval of our incumbent Board of Directors. Provisions and agreements that inhibit or discourage takeover attempts could reduce the market value of our common stock.

Additionally, we are dependent on key personnel. Although we have entered into employment agreements with our executive officers, losing any one of them could, at least temporarily, have an adverse impact on our operations. We believe that losing more than one could have a material adverse impact on our business.

Item 1B. ***Unresolved Staff Comments***

None.

Item 2. ***Properties***

We own our corporate headquarters located at 4500 Dorr Street, Toledo, Ohio 43615. We also own corporate offices in Tennessee, lease corporate offices in Florida and California and have ground leases relating to certain of our properties. The following table sets forth certain information regarding the properties that comprise our consolidated real property and real estate loan investments as of December 31, 2011 (dollars in thousands):

	Seniors Housing Triple-Net		
Property Location	Number of Properties[(2)]	Total Investment	Annualized Income[(1)]
Alabama	1	$ 2,733	$ 378
Arizona	4	21,029	2,318
California	5	44,296	9,768
Colorado	6	97,493	11,279
Connecticut	23	225,515	23,539
Delaware	9	152,039	14,474
Florida	53	533,093	50,338
Georgia	3	75,319	5,849
Idaho	4	38,119	5,426
Illinois	9	161,360	14,818
Indiana	18	256,037	26,087
Iowa	1	8,800	957
Kansas	5	110,092	9,201
Kentucky	11	57,902	8,275
Louisiana	1	5,411	1,396
Maryland	22	336,982	26,808
Massachusetts	35	468,485	52,241
Michigan	8	106,596	8,210
Minnesota	3	35,392	2,823
Mississippi	6	51,507	5,703
Missouri	3	26,597	2,025
Montana	3	12,542	2,010
Nebraska	4	38,215	4,088
Nevada	4	79,611	9,666
New Hampshire	13	192,468	18,931
New Jersey	52	1,150,170	92,993
New York	6	165,329	15,742
North Carolina	44	196,495	27,892
Ohio	32	366,441	32,551
Oklahoma	14	50,420	6,476
Oregon	2	7,174	1,854
Pennsylvania	44	763,939	72,392
Rhode Island	3	48,814	4,804
South Carolina	8	248,563	17,191

Tennessee	25		201,574		28,837
Texas	43		391,219		43,111
Utah	1		6,353		875
Vermont	2		28,418		2,798
Virginia	16		129,459		14,794
Washington	6		107,972		11,044
West Virginia	24		406,133		39,342
Wisconsin	13		151,183		15,261
Total	589	$	7,557,287	$	744,564

(1) Reflects annualized recent month of resident fees and services, contract rate of interest for loans, annual straight-line rent for leases with fixed escalators or annual cash rent for leases with contingent escalators, net of collectibility reserves if applicable.
(2) Excludes unconsolidated entities.

	Seniors Housing Operating			Medical Facilities		
Property Location	Number of Properties[2]	Total Investment	Annualized Income[1]	Number of Properties[2]	Total Investment	Annualized Income[1]
Alabama	2	$ 18,357	$ 5,160	4	$ 37,302	$ 4,732
Alaska	-	-	-	1	25,594	3,468
Arizona	2	14,371	9,001	5	89,874	10,846
Arkansas	-	-	-	1	29,784	2,642
California	33	796,594	173,320	16	520,589	59,672
Colorado	-	-	-	1	6,218	610
Connecticut	14	361,558	100,681	-	-	-
Florida	1	6,904	3,819	38	473,760	41,877
Georgia	2	13,961	7,301	12	151,262	17,291
Idaho	-	-	-	1	21,977	2,616
Illinois	1	68,514	9,209	3	14,672	526
Indiana	-	-	-	5	82,379	9,021
Iowa	1	36,952	4,995	-	-	-
Kansas	-	-	-	5	47,516	6,023
Kentucky	-	-	-	1	28,248	4,366
Louisiana	-	-	-	2	20,806	1,789
Maine	1	26,536	5,386	1	25,393	2,590
Massachusetts	13	331,365	77,882	2	11,363	-
Minnesota	-	-	-	4	85,347	10,560
Missouri	2	74,130	8,285	6	162,604	12,931
Nebraska	-	-	-	3	154,578	17,608
Nevada	2	36,336	8,075	10	127,064	10,417
New Hampshire	2	52,589	11,358	-	-	-
New Jersey	-	-	-	8	219,231	17,446
New Mexico	1	20,801	1,315	3	40,280	3,934
New York	-	-	-	8	90,353	9,257
North Carolina	-	-	-	9	32,268	1,803
Ohio	2	88,614	7,604	5	56,882	8,923
Oklahoma	2	42,182	2,333	3	21,562	2,335
Pennsylvania	-	-	-	1	17,848	10,469
Rhode Island	3	78,910	23,114	-	-	-
South Carolina	-	-	-	1	8,907	1,128
Tennessee	-	-	-	8	99,543	10,663
Texas	8	112,445	37,342	30	430,539	43,116
Utah	1	18,951	8,392	-	-	-
Vermont	1	30,024	6,451	-	-	-
Virginia	-	-	-	3	40,846	3,996
Washington	18	561,994	78,088	4	104,206	7,513
Wisconsin	-	-	-	19	314,178	29,862
Total	112	$ 2,792,088	$ 589,109	223	$ 3,592,975	$ 370,028

(1) Reflects annualized recent month of resident fees and services, contract rate of interest for loans, annual straight-line rent for leases with fixed escalators or annual cash rent for leases with contingent escalators, net of collectibility reserves if applicable.
(2) Excludes unconsolidated entities.

The following table sets forth occupancy and average annualized income for these property types:

	Occupancy[1]		Average Annualized Income[2]		
	2011	2010	2011	2010	
Seniors housing triple net	88.2%	88.9%	$ 14,428	$ 16,241	per unit
Skilled nursing/post-acute	88.0%	84.9%	9,583	6,519	per bed
Seniors housing operating	90.1%	91.9%	47,432	30,458	per unit
Hospitals	59.0%	62.9%	43,929	30,951	per bed
Medical office buildings	93.4%	93.1%	24	20	per sq. ft.

(1) Medical office building occupancy represents the percentage of total rentable square feet leased and occupied (including month-to-month and holdover leases and excluding terminations and discontinued operations) as of December 31. Occupancy for seniors housing operating represents occupancy as of December 31. Occupancy for other properties represents average quarterly operating occupancy based on the quarters ended September 30 and excludes properties that are unstabilized, closed or for which data is not available or meaningful. The Company uses unaudited, periodic financial information provided solely by tenants/borrowers to calculate occupancy for properties other than medical office buildings and has not independently verified the information.
(2) Average annualized income represents annualized income divided by total beds, units or square feet.

The following table sets forth information regarding lease expirations for certain portions of our portfolio as of December 31, 2011 (dollars in thousands):

	Expiration Year										
_ __	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	
Seniors housing triple-net:											
Properties	17	25	17	2	-	37	51	33	46	58	
Base rent[1]	$ 13,382	$ 52,944	$ 27,423	$ 2,026	$ -	$ 16,923	$ 36,823	$ 28,397	$ 40,482	$ 61,317	$
% of base rent	1.9%	7.6%	3.9%	0.3%	0.0%	2.4%	5.3%	4.1%	5.8%	8.8%	
Hospitals:											
Properties	-	-	-	-	-	3	-	-	5	-	
Base rent[1]	$ -	$ -	$ -	$ -	$ -	$ 2,350	$	$ -	$ 5,959	$ -	$
	0.0%	0.0%	0.0%	0.0%	0.0%	2.9%	0.0%	0.0%	7.4%	0.0%	

% of base rent										
Medical office buildings:										
Square feet	600,231	508,617	551,737	463,525	841,189	671,729	413,574	538,893	416,013	694,015
Base rent(1)	$ 15,083	$ 11,621	$ 11,647	$ 10,023	$ 19,302	$ 15,500	$ 9,151	$ 12,765	$ 11,036	$ 16,170 $
% of base rent	6.9%	5.3%	5.3%	4.6%	8.8%	7.0%	4.2%	5.8%	5.0%	7.3%

(1) The most recent monthly base rent including straight line for leases with fixed escalators or annual cash rents with continge escalators. Base rent does not include tenant recoveries or amortization of above and below market lease intangibles.

Item 3. ***Legal Proceedings***

From time to time, there are various legal proceedings pending to which we are a party or to which some of our properties are subject arising in the normal course of business. We do not believe that the ultimate resolution of these proceedings will have a material adverse effect on our consolidated financial position or results of operations.

PART II

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

There were 5,030 stockholders of record as of January 31, 2012. The following table sets forth, for the periods indicated, the high and low prices of our common stock on the New York Stock Exchange, as reported on the Composite Tape, and common dividends paid per share:

		Sales Price				Dividends	
		High		Low		Paid	
2011							
	First Quarter	$	52.74	$	46.75	$	0.690
	Second Quarter		55.21		49.79		0.715
	Third Quarter		54.63		41.03		0.715
	Fourth Quarter		55.17		43.65		0.715
2010							
	First Quarter	$	46.79	$	39.82	$	0.680
	Second Quarter		46.44		38.42		0.690
	Third Quarter		48.54		40.85		0.690
	Fourth Quarter		52.06		44.07		0.690

Our Board of Directors has approved a new quarterly cash dividend rate of $0.74 per share of common stock per quarter, commencing with the February 2012 dividend. The declaration and payment of quarterly dividends remains subject to the review and approval of the Board of Directors.

Stockholder Return Performance Presentation

Set forth below is a line graph comparing the yearly percentage change and the cumulative total stockholder return on our shares of common stock against the cumulative total return of the S & P Composite-500 Stock Index and the FTSE NAREIT Equity Index. As of December 31, 2011, 120 companies comprised the FTSE NAREIT Equity Index. The Index consists of REITs identified by NAREIT as equity (those REITs which have at least 75% of their investments in real property). Upon written request sent to the Senior Vice President-Administration and Corporate Secretary, Health Care REIT, Inc., 4500 Dorr Street, Toledo, Ohio, 43615-4040, we will provide stockholders with the names of the component issuers. The data are based on the closing prices as of December 31 for each of the five years. 2006 equals $100 and dividends are assumed to be reinvested.

	12/31/06	12/31/07	12/31/08	12/31/09	12/31/10	12/31/11
S & P 500	100.0	105.49	66.46	84.05	96.71	98.76
Health Care REIT, Inc.	100.0	109.65	109.98	124.12	141.91	172.09
FTSE NAREIT Equity	100.0	84.31	52.50	67.20	85.98	93.10

Except to the extent that we specifically incorporate this information by reference, the foregoing Stockholder Return Performance Presentation shall not be deemed incorporated by reference by any general statement incorporating by reference this Annual Report on Form 10-K into any filing under the Securities Act of 1933, as amended, or under the Securities Exchange Act of 1934, as amended. This information shall not otherwise be deemed filed under such acts.

Item 6. ***Selected Financial Data***

The following selected financial data for the five years ended December 31, 2011 are derived from our audited consolidated financial statements (in thousands, except per share data):

	Year Ended December 31,				
	2007	2008	2009	2010	2011
Operating Data					
Revenues[1]	$ 392,988	$ 483,010	$ 523,288	$ 657,297	$ 1,421,162
Expenses:					
Interest expense[1]	120,210	119,279	96,856	151,296	318,395
Depreciation and amortization[1]	109,668	127,992	140,692	186,963	418,406
Property operating expenses[1]	32,494	39,648	42,501	79,293	379,476
General and administrative[1]	37,465	47,193	49,691	54,626	77,201
Transaction costs	-	-	-	46,660	70,224
Provision for loan losses	-	94	23,261	29,684	2,010
Realized loss on derivatives	-	23,393	-	-	-
Loss (gain) on extinguishment of debt	(1,081)	(2,094)	25,107	34,171	(979)
Total expenses	298,756	355,505	378,108	582,693	1,264,733
Income from continuing operations before income taxes and income from unconsolidated entities	94,232	127,505	145,180	74,604	156,429
Income tax expense	(188)	(1,306)	(168)	(364)	(1,388)
Income from unconsolidated entities	-	-	-	6,673	5,772
Income from continuing operations	94,044	126,199	145,012	80,913	160,813
Income from discontinued operations, net[1]	44,549	157,226	47,915	47,971	51,903
Net income	138,593	283,425	192,927	128,884	212,716
Preferred stock dividends	25,130	23,201	22,079	21,645	60,502
Net income (loss) attributable to noncontrolling interests	238	126	(342)	357	(4,894)
Net income attributable to common stockholders	$ 113,225	$ 260,098	$ 171,190	$ 106,882	$ 157,108

Other Data					
Average number of common shares outstanding:					
Basic	78,861	93,732	114,207	127,656	173,741
Diluted	79,409	94,309	114,612	128,208	174,401
Per Share Data					
Basic:					
Income from continuing operations attributable to common stockholders	$ 0.87	$ 1.10	$ 1.08	$ 0.46	$ 0.61
Discontinued operations, net	0.56	1.68	0.42	0.38	0.30
Net income attributable to common stockholders *	$ 1.44	$ 2.77	$ 1.50	$ 0.84	$ 0.90
Diluted:					
Income from continuing operations attributable to common stockholders	$ 0.86	$ 1.09	$ 1.08	$ 0.46	$ 0.60
Discontinued operations, net	0.56	1.67	0.42	0.37	0.30
Net income attributable to common stockholders *	$ 1.43	$ 2.76	$ 1.49	$ 0.83	$ 0.90
Cash distributions per common share	$ 2.2791	$ 2.70	$ 2.72	$ 2.74	$ 2.835

* Amounts may not sum due to rounding

(1) We have reclassified the income and expenses attributable to properties sold prior to or held for sale at December 31, 2011, to discontinued operations for all periods presented. See Note 5 to our audited consolidated financial statements.

			December 31,		
Balance Sheet Data	**2007**	**2008**	**2009**	**2010**	**2011**
Net real estate investments	$ 5,012,620	$ 5,854,179	$ 6,080,620	$ 8,590,833	$ 13,942,350
Total assets	5,219,240	6,215,031	6,367,186	9,451,734	14,924,606
Total long-term obligations	2,683,760	2,847,676	2,414,022	4,469,736	7,240,752
Total liabilities	2,784,289	2,976,746	2,559,735	4,714,081	7,612,309
Total preferred stock	330,243	289,929	288,683	291,667	1,010,417
Total equity	2,434,951	3,238,285	3,807,451	4,733,100	7,278,647

The following discussion and analysis is based primarily on the consolidated financial statements of Health Care REIT, Inc. for the periods presented and should be read together with the notes thereto contained in this Annual Report on Form 10-K. Other important factors are identified in "Item 1 — Business" and "Item 1A — Risk Factors" above.

Executive Summary

Company Overview

Health Care REIT, Inc. is a real estate investment trust ("REIT") that has been at the forefront of seniors housing and health care real estate since the company was founded in 1970. We are an S&P 500 company headquartered in Toledo, Ohio and our portfolio spans the full spectrum of seniors housing and health care real estate, including seniors housing communities, skilled nursing facilities, medical office buildings, inpatient and outpatient medical centers and life science facilities. Our capital programs, when combined with comprehensive planning, development and property management services, make us a single-source solution for acquiring, planning, developing, managing, repositioning and monetizing real estate assets. The following table summarizes our portfolio as of December 31, 2011:

Type of Property	Investments (in thousands)	Percentage of Investments	Number of Properties	# Beds/Units or Sq. Ft.		Investment per metric[1]		States
Seniors housing triple-net	$ 4,029,818	28.1%	282	25,133	units	$ 163,293	per unit	39
Skilled nursing/post-acute	3,527,468	24.6%	307	39,825	beds	89,997	per bed	28
Seniors housing operating	2,792,088	19.5%	112	12,420	units	224,806	per unit	21
Hospitals	911,482	6.4%	36	2,165	beds	421,007	per bed	17
Medical office buildings[2]	2,727,450	19.0%	193	11,276,994	sq. ft.	255	per sq. ft.	30
Life science buildings[2]	337,800	2.4%	7			n/a		1
Totals	$ 14,326,106	100.0%	937					46

(1) Investment per metric was computed by using the total committed investment amount of $14,609,005,000, which includes net real estate investments, our share of investments in unconsolidated entities and unfunded construction commitments for which initial funding has commenced which amounted to $13,942,350,000, $383,756,000 and $282,899,000, respectively.

(2) Includes our share of investments in unconsolidated entities. Please see Note 7 to our consolidated financial statements for additional information.

Health Care Industry

The demand for health care services, and consequently health care properties, is projected to reach unprecedented levels in the near future. The Centers for Medicare and Medicaid Services ("CMS") projects that national health expenditures will rise to $3.5 trillion in 2015 or 18.2% of gross domestic product ("GDP"). The average annual growth in national health expenditures for 2009 through 2019 is expected to be 6.3%, which is 0.2% faster than pre-health care reform estimates.

While demographics are the primary driver of demand, economic conditions and availability of services contribute to health care service utilization rates. We believe the health care property market may be less susceptible to fluctuations and economic downturns relative to other property sectors. Investor interest in the market remains strong, especially in specific sectors such as medical office buildings, regardless of the current stringent lending environment. As a REIT, we believe we are situated to benefit from any turbulence in the capital markets due to our access to capital.

The total U.S. population is projected to increase by 20.4% through 2030. The elderly population aged 65 and over is projected to increase by 79.2% through 2030. The elderly are an important component of health care utilization, especially independent living services, assisted living services, skilled nursing services, inpatient and outpatient hospital services and physician ambulatory care. Most health care services are provided within a health care facility such as a hospital, a physician's office or a seniors housing facility. Therefore, we believe there will be continued demand for companies, such as ours, with expertise in health care real estate.

The following chart illustrates the projected increase in the elderly population aged 65 and over:

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Source: U.S. Census Bureau

Health care real estate investment opportunities tend to increase as demand for health care services increases. We recognize the need for health care real estate as it correlates to health care service demand. Health care providers require real estate to house their businesses and expand their services. We believe that investment opportunities in health care real estate will continue to be present due to:

- The specialized nature of the industry;
- The projected population growth combined with stable or increasing health care utilization rates, which ensures demand; and
- The on-going merger and acquisition activity.

Health Reform Laws

On March 23, 2010, the President signed into law the PPACA and the Health Care and Education Reconciliation Act of 2010, which amends the PPACA (collectively, the "Health Reform Laws"). The Health Reform Laws contain various provisions that may directly impact us or the operators and tenants of our properties. Some provisions of the Health Reform Laws may have a positive impact on our operators' or tenants' revenues, by, for example, increasing coverage of uninsured individuals, while others may have a negative impact on the reimbursement of our operators or tenants by, for example, altering the market basket adjustments for certain types of health care facilities. The Health Reform Laws also enhance certain fraud and abuse penalty provisions that could apply to our operators and tenants, in the event of one or more violations of the federal health care regulatory laws. In addition, there are provisions that impact the health coverage that we and our operators and tenants provide to our respective employees. We cannot predict whether the existing Health Reform Laws, or future health care reform legislation or regulatory changes, will have a material impact on our operators' or tenants' property or business. If the operations, cash flows or financial condition of our operators and tenants are materially adversely impacted by the Health Reform Laws or future legislation, our revenue and operations may be adversely affected as well. Further, on February 2, 2011, the U.S. Senate refused to pass an overhaul repeal of the Health Reform Laws, and the focus has now shifted to attempts to repeal or amend individual sections of the Health Reform Laws. Further, federal courts are also considering, and in some cases have ruled on, the legality of the Health Reform Laws. The United States Supreme Court has agreed to review the constitutionality of the Health Reform Laws and will hear arguments beginning March 26, 2012. We cannot predict whether any of these attempts to repeal or amend the Health Reform Laws will be successful, nor can we predict the impact that such a repeal or amendment would have on our operators and tenants.

Impact to Reimbursement of the Operators and Tenants of Our Properties. The Health Reform Laws provide for various changes to the reimbursement that our operators and tenants may receive. One such change is a reduction to the market basket adjustments for inpatient acute hospitals, long-term care hospitals, inpatient rehabilitation facilities, home health agencies, psychiatric hospitals, hospice care and outpatient hospitals. Beginning in 2010, the otherwise applicable percentage increase to the market basket for inpatient acute hospitals will decrease. Beginning in 2012, inpatient acute hospitals will also face a downward adjustment of the annual percentage increase to the market basket rate by a “productivity adjustment.” The productivity adjustment may cause the annual percentage increase to be less than zero, which would mean that inpatient acute hospitals could face payment rates for a fiscal year that are less than the payment rates for the preceding year.

A similar productivity adjustment also applies to skilled nursing facilities beginning in 2012, which means that the payment rates for skilled nursing facilities may decrease from one year to the next. Long-term care hospitals have faced a specified percentage decrease in their annual update for discharges since 2010. Additionally, beginning in 2012, long-term care hospitals will be subject to

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the productivity adjustments, which may decrease the federal payment rates for long-term care hospitals. Similar productivity adjustments and other adjustments to payment rates have applied to inpatient rehabilitation facilities, psychiatric hospitals and outpatient hospitals since 2010.

The Health Reform Laws revise other reimbursement provisions that may affect our business. For example, the Health Reform Laws reduce states' Medicaid disproportionate share hospital ("DSH") allotments, starting in 2014 through 2020. These allotments would have provided additional funding for DSH hospitals that are operators or tenants of our properties, and thus, any reduction might negatively impact these operators or tenants.

Additionally, beginning in fiscal year 2015, Medicare payments will decrease to hospitals for treatment associated with hospital acquired conditions. This decreased payment rate may negatively impact our operators or tenants. To account for excess readmissions, the Health Reform Laws also call for a reduction of 1% in payments for those hospitals with higher-than-average risk-adjusted readmission rates beginning October 1, 2012, 2% beginning in fiscal year 2014, and 3% from fiscal year 2015 onward. These reductions in payments to our operators or tenants may affect their ability to make payments to us.

PPACA additionally calls for the creation of the Independent Payment Advisory Board (the "Board"), which will be responsible for establishing payment polices, including recommendations in the event that Medicare costs exceed a certain threshold. Proposals for recommendations submitted by the Board prior to December 31, 2018 may not include recommendations that would reduce payments for hospitals, skilled nursing facilities, and physicians, among other providers, prior to December 31, 2019. The Health Reform Laws also create other mechanisms that could permit significant changes to payment. For example, PPACA establishes the Center for Medicare and Medicaid Innovation to test innovative payment and service delivery models to reduce program expenditures through the use of demonstration programs that can waive existing reimbursement methodologies. As another example, on November 2, 2011, CMS published the final rule implementing section 3022 of the PPACA, which contains provisions relating to Medicare payment to providers and suppliers participating in Accountable Care Organizations ("ACOs") under the Medicare Shared Servings Program. Under the program, Medicare will share a percentage of savings with ACOs that meet certain quality and saving requirements, thereby allowing providers to receive incentive payments in addition to their traditional fee-for-service payments. Under the program, more experienced providers may assume the risk of losses in exchange for greater potential rewards: ACOs may share up to 50% of the savings under the one-sided model and up to 60% of the savings under the two-sided model, depending on their quality and performance. The amount of shared losses for which an ACO is liable in the two-sided model may not exceed the following percentages of its updated benchmark: 5% in the first performance year, 7.5% in the second year, and 10% in the third year. These shared losses could affect the ability of ACO operators or tenants to meet their financial obligations to us. The Health Reform Laws also provide additional Medicaid funding to allow states to carry out mandated expansion of Medicaid coverage to certain financially-eligible individuals beginning in 2014, and also permits states to expand their Medicaid coverage to these individuals as early as April 1, 2010, if certain conditions are met. The Health Reform Laws also extend certain payment rules related to long-term acute care hospitals found in the Medicare, Medicaid, and SCHIP Extension Act of 2007.

Additionally, although the Health Reform Laws delayed until at least October 1, 2011, the implementation of the Resource Utilization Group, Version Four (“RUG-IV”), which revises the payment classification system for skilled nursing facilities, the Medicare and Medicaid Extenders Act of 2010 repealed this delay retroactively to October 1, 2010. The Health Reform Laws also extend certain payment rules related to long-term acute care hospitals found in the Medicare, Medicaid, and SCHIP Extension Act of 2007.

Finally, many other changes resulting from the Health Reform Laws, or implementing regulations, or guidance may negatively impact our operators and tenants. We will continue to monitor and evaluate the Health Reform Laws and implementing regulations and guidance to determine other potential effects of the reform.

Impact of Fraud and Abuse Provisions. The Health Reform Laws revise health care fraud and abuse provisions that will affect our operators and tenants. Specifically, PPACA allows for up to treble damages under the Federal False Claims Act for violations related to state-based health insurance exchanges authorized by the Health Reform Laws, which will be implemented beginning in 2014. The Health Reform Laws also impose new civil monetary penalties for false statements or actions that lead to delayed inspections, with penalties of up to $15,000 per day for failure to grant timely access and up to $50,000 for a knowing violation. Additionally, the PPACA requires certain entities – including providers, suppliers, Medicaid managed care organizations, Medicare Advantage organizations, and prescription drug program sponsors – to report and return overpayments to the appropriate payer by the later of (a) sixty (60) days after the date the overpayment was “identified,” or (b) the date that the “corresponding cost report” is due. The entity also must notify the payer in writing of the reason for the overpayment. A violation of these requirements may result in criminal liability, civil liability under the FCA, and/or exclusion from the federal health care programs. On February 14, 2012, CMS published a proposed rule implementing the PPACA requirement that health care providers and suppliers report and return self-identified overpayments by the later of 60 days after the date the overpayment was identified, or the date any corresponding cost report is due, if

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applicable. The Health Reform Laws also amend the Federal Anti-Kickback Statute to state that any items or services "resulting from" a violation of the Anti-Kickback Statute constitutes a "false or fraudulent claim" under the Federal False Claims Act. The Health Reform Laws also provide for additional funding to investigate and prosecute health care fraud and abuse. Accordingly, the increased penalties under PPACA for fraud and abuse violations may have a negative impact on our operators and tenants in the event that the government brings an enforcement action or subjects them to penalties.

Further, as recently as February 2, 2011, CMS published final rulemaking to implement the enhanced provider and supplier screening provisions called for in the Health Reform Laws. Under the final rule, beginning March 25, 2011, all enrolling and participating providers and suppliers are assessed an annual administrative fee and are placed in one of three risk levels (limited, moderate, and high) based on an assessment of the individual's or entity's overall risk of fraud, waste and abuse. This rule also allows for the temporary suspension of Medicare payments to providers or suppliers in the event CMS receives credible information that an overpayment, fraud, or willful misrepresentation has occurred. The Health Reform Laws granted the Secretary of the Department of Health and Human Services significant discretionary authority to suspend, exclude, or impose fines on providers and suppliers based on the agency's determination that such a provider or supplier is "high-risk," and, as a result, this final rulemaking has the potential to materially adversely affect our operators and tenants who may be evaluated under the enhanced screening process.

However, in light of the implementation of those PPACA provisions relating to Medicare payment to providers and suppliers participating in ACOs under the Medicare Shared Savings Program, on November 2, 2011, CMS and OIG jointly published the final rule establishing waivers of certain fraud and abuse laws to ACOs. These waivers include automatic AKS, Stark, and CMP waivers that may be applied in certain situations and that will apply uniformly to each ACO, ACO participant, and ACO provider/supplier. Notably, the final rule states that CMS and OIG intend to closely monitor ACOs through June 2013 to ensure that these waivers are not causing "undesirable effects" and need to be narrowed to prevent fraud and abuse.

Additionally, provisions of Title VI of PPACA are designed to increase transparency and program integrity by skilled nursing facilities, other nursing facilities and similar providers. Specifically, skilled nursing facilities and other providers and suppliers will be required to institute compliance and ethics programs. Additionally, PPACA makes it easier for consumers to file complaints against nursing homes by mandating that states establish complaint websites. The provisions calling for enhanced transparency will increase the administrative burden and costs on these providers.

Impact to the Health Care Plans Offered to Our Employees. The Health Reform Laws affect employers that provide health plans to their employees. The new laws change the tax treatment of the Medicare Part D retiree drug subsidy and extend dependent coverage for dependents up to age 26, among other changes. We are evaluating our health care plans in light of these changes. These changes may affect our operators and tenants as well.

Medicare Program Reimbursement Changes

In recent months, CMS released a number of proposed and final rulemakings that may potentially increase or decrease government reimbursement to our operators and tenants. To the extent that any of these rulemakings decrease government reimbursement to our operators and tenants, our revenue and operations may be indirectly, adversely affected.

On August 1, 2011, CMS issued a final rule updating the long-term acute care hospital prospective payment system for fiscal year 2012. Among other things, the final rule increased payment rates for acute care hospitals by 1% and long-term care hospitals by 1.8%. In the rule, CMS included a negative 2%, rather than the proposed negative 3.15%, documentation and coding adjustment for long-term care hospitals. CMS also released a final rulemaking for the prospective payment system and consolidated billing for skilled nursing facilities for fiscal year 2012 on August 8, 2011, which included the 11.1%, or $3.87 billion, decrease in RUG payments made to skilled nursing facilities previously discussed. CMS announced that the reasons for this rate reduction were to correct for the unintended spike in payment levels, particularly those associated with higher paying RUGs, and to align reimbursement with cost. As part of these changes, effective October, 1, 2011, all rate categories will be updated for the full market basket; increase of 2.7%, less a 1% productivity adjustment required by Section 3401(b) of the PPACA.

CMS annually adjusts the Medicare Physician Fee Schedule payment rates based on an update formula that includes application of the Sustainable Growth Rate (“SGR”). On November 1, 2011, CMS published the calendar year 2012 Physician Fee Schedule final rule with comment period. Most notably, the final rule calls for a negative 27.4% update for 2012 under the statutory SGR formula. In February 2012, Congress passed the Middle Class Tax Relief and Job Creation Act of 2012, which blocks the cut through the end of 2012. Also discussed in the final rule are at least two initiatives that could negatively impact the reimbursement levels received by our operators and tenants. CMS is expanding its multiple procedure payment reduction policy to the professional interpretation of advance imaging services to recognize the overlapping activities that go into valuing these services. In addition, the rule finalizes quality and cost measures that will be used in establishing a new value-based modifier that would adjust physician payments based on whether

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they are providing higher quality and more efficient care. The PPACA requires CMS to begin making payment adjustments to certain physicians and physician groups on January 1, 2015, and to apply the modifier to all physicians by January 1, 2017. The rule finalizes calendar year 2013 as the initial performance year for purposes of adjusting payments in calendar year 2015.

Additionally, on November 1, 2011, CMS published a final rule with comment period for outpatient care hospitals and ambulatory surgical centers. CMS estimates that the cumulative effect of all changes to payment rates for calendar year 2012 will have a positive effect, resulting in a 1.9% estimated increase in Medicare payments to providers paid under the HOPPS. As required by PPACA, the rule also provides for a payment adjustment for designated cancer hospitals, resulting in an expected increase in payments to cancer hospitals by 11.3%, and increases payment rates to ambulatory surgical centers by 1.6%.

Finally, on November 21, 2011, the Joint Select Committee on Deficit Reduction, which was created by the Budget Control Act of 2011, concluded its work, and issued a statement that it was not able to make a bipartisan agreement, thus triggering the sequestration process. The sequestration process will result in spending reductions starting in 2013, including Medicare cuts. Such cuts could affect government reimbursement to our operators and tenants.

Economic Outlook

Economic fundamentals leading into 2012 have set a generally positive pace with U.S. Gross Domestic Product growth projected to pick up through the coming year. However, there are several important caveats to note as the world economy continues to face headwinds and risks weigh to the downside. Positive outlooks are conditional on fiscal policy in payroll taxes and unemployment insurance benefits and upon the easing of the European debt situation. A repeat of volatility experienced in 2011 is likely in 2012, as perceptions about the strength of the U.S. economy and the Euro zone will vary over time as events unfold. However, this volatility has led to increased interest in the historically stable returns provided by healthcare real estate.

As a consequence of this interest, significant debt and equity investment capital was available to our sector in 2011 resulting in a record year of acquisition activity. We participated in this growth and continue to actively invest and pursue investment opportunities that meet our strategic underwriting criteria. Our strategy has resulted in robust portfolio growth and strong returns for our shareholders. With further industry consolidation anticipated in 2012, we expect to continue to our success. We believe the opportunities in which we invest will continue to generate consistent, reliable and growing cash flows for our shareholders, regardless of economic volatility.

Business Strategy

Our primary objectives are to protect stockholder capital and enhance stockholder value. We seek to pay consistent cash dividends to stockholders and create opportunities to increase dividend payments to stockholders as a result of annual increases in rental and interest income and portfolio growth. To meet these objectives, we invest across the full spectrum of seniors housing and health care real estate and diversify our investment portfolio by property type, customer and geographic location.

Substantially all of our revenues and sources of cash flows from operations are derived from operating lease rentals, resident fees and services, and interest earned on outstanding loans receivable. These items represent our primary source of liquidity to fund distributions and are dependent upon our obligors' continued ability to make contractual rent and interest payments to us. To the extent that our obligors experience operating difficulties and are unable to generate sufficient cash to make payments to us, there could be a material adverse impact on our consolidated results of operations, liquidity and/or financial condition. To mitigate this risk, we monitor our investments through a variety of methods determined by the type of property and operator/tenant. Our asset management process includes review of monthly financial statements for each property, periodic review of obligor credit, periodic property inspections and review of covenant compliance relating to licensure, real estate taxes, letters of credit and other collateral. In monitoring our portfolio, our personnel use a proprietary database to collect and analyze property-specific data. Additionally, we conduct extensive research to ascertain industry trends and risks. Through these asset management and research efforts, we are typically able to intervene at an early stage to address payment risk, and in so doing, support both the collectability of revenue and the value of our investment.

In addition to our asset management and research efforts, we also structure our investments to help mitigate payment risk. Operating leases and loans are normally credit enhanced by guaranties and/or letters of credit. In addition, operating leases are typically structured as master leases and loans are generally cross-defaulted and cross-collateralized with other loans, operating leases or agreements between us and the obligor and its affiliates.

For the year ended December 31, 2011, rental income, resident fees and services and interest income represented 65%, 32%, and 3% respectively, of total gross revenues (including revenues from discontinued operations). Substantially all of our operating leases are designed with either fixed or contingent escalating rent structures. Leases with fixed annual rental escalators are generally recognized on a straight-line basis over the initial lease period, subject to a collectability assessment. Rental income related to leases

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with contingent rental escalators is generally recorded based on the contractual cash rental payments due for the period. Our yield on loans receivable depends upon a number of factors, including the stated interest rate, the average principal amount outstanding during the term of the loan and any interest rate adjustments.

Depending upon the availability and cost of external capital, we believe our liquidity is sufficient to fund operations, meet debt service obligations (both principal and interest), make dividend distributions and complete construction projects in process. We also anticipate evaluating opportunities to finance future investments. New investments are generally funded from temporary borrowings under our unsecured line of credit arrangement, internally generated cash and the proceeds from sales of real property. Our investments generate cash from rent and interest receipts and principal payments on loans receivable. Permanent capital for future investments, which replaces funds drawn under the unsecured line of credit arrangement, has historically been provided through a combination of public and private offerings of debt and equity securities and the incurrence or assumption of secured debt.

Our primary sources of cash include rent and interest receipts, resident fees and services, borrowings under the unsecured line of credit arrangement, public and private offerings of debt and equity securities, proceeds from the sales of real property and principal payments on loans receivable. Our primary uses of cash include dividend distributions, debt service payments (including principal and interest), real property investments (including capital expenditures and construction advances), loan advances, property operating expenses and general and administrative expenses.

Depending upon market conditions, we believe that new investments will be available in the future with spreads over our cost of capital that will generate appropriate returns to our stockholders. It is also possible that loan repayments or sales of real property may occur in the future. To the extent that loan repayments and real property sales exceed new investments, our revenues and cash flows from operations could be adversely affected. We expect to reinvest the proceeds from any loan repayments and real property sales in new investments. To the extent that new investment requirements exceed our available cash on-hand, we expect to borrow under our unsecured line of credit arrangement. At December 31, 2011, we had $163,482,000 of cash and cash equivalents, $69,620,000 of restricted cash and $1,395,000,000 of available borrowing capacity under our primary unsecured line of credit arrangement.

Key Transactions in 2011

We completed the following key transactions during the year ended December 31, 2011:

- our Board of Directors increased the annual cash dividend to $2.96 per common share ($0.74 per share quarterly), as compared to $2.835 per common share for 2011, beginning in February 2012. The dividend declared for the quarter ended December 31, 2011 represents the 163rd consecutive quarterly dividend payment;

- we completed $5,986,262,000 of gross investments and had $351,701,000 of investment payoffs;

- we completed a public offering of 28,750,000 shares of common stock with net proceeds of $1,358,543,000 in March;

- we completed a public offering of 14,375,000 shares of 6.5% convertible preferred stock with net proceeds of $696,437,000 in March;

- we issued $1,400,000,000 of senior unsecured notes due 2016 to 2041 bearing interest rates of 3.625% to 6.5% with net proceeds of $1,381,086,000 in March;

- we extended our unsecured line of credit arrangement to July 2015 and expanded it to $2,000,000,000 in July 2011;

- we completed a public offering of 12,650,000 shares of common stock with net proceeds of $606,595,000 in November; and

- we announced plans to declassify the Board of Directors.

Key Performance Indicators, Trends and Uncertainties

We utilize several key performance indicators to evaluate the various aspects of our business. These indicators are discussed below and relate to operating performance, concentration risk and credit strength. Management uses these key performance indicators to facilitate internal and external comparisons to our historical operating results, in making operating decisions and for budget planning purposes.

Operating Performance. We believe that net income attributable to common stockholders ("NICS") is the most appropriate earnings measure. Other useful supplemental measures of our operating performance include funds from operations ("FFO") and net operating income ("NOI"); however, these supplemental measures are not defined by U.S. generally accepted accounting principles ("U.S. GAAP"). Please refer to the section entitled "Non-GAAP Financial Measures" for further discussion and reconciliations of FFO and NOI. These earnings measures and their relative per share amounts are widely used by investors and analysts in the valuation, comparison and investment recommendations of companies. The following table reflects the recent historical trends of our operating performance measures for the periods presented (in thousands, except per share data):

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	Year Ended December 31, 2009	2010	2011
Net income attributable to common stockholders	$ 171,190	$ 106,882	$ 157,108
Funds from operations	316,977	280,022	524,902
Net operating income(1)	547,678	640,346	1,087,205
Per share data (fully diluted):			
Net income attributable to common stockholders	$ 1.49	$ 0.83	$ 0.90
Funds from operations	2.77	2.18	3.01

(1) Includes our share of net operating income from unconsolidated entities.

Credit Strength. We measure our credit strength both in terms of leverage ratios and coverage ratios. Our leverage ratios include debt to book capitalization and debt to market capitalization. The leverage ratios indicate how much of our balance sheet capitalization is related to long-term debt. The coverage ratios indicate our ability to service interest and fixed charges (interest, secured debt principal amortization and preferred dividends). We expect to maintain capitalization ratios and coverage ratios sufficient to maintain compliance with our debt covenants. The coverage ratios are based on adjusted earnings before interest, taxes, depreciation and amortization ("Adjusted EBITDA") which is discussed in further detail, and reconciled to net income, below in "Non-GAAP Financial Measures." Leverage ratios and coverage ratios are widely used by investors, analysts and rating agencies in the valuation, comparison, investment recommendations and rating of companies. The following table reflects the recent historical trends for our credit strength measures for the periods presented:

	Year Ended December 31, 2009	2010	2011
Debt to book capitalization ratio	39%	49%	50%
Debt to undepreciated book capitalization ratio	35%	45%	46%
Debt to market capitalization ratio	30%	38%	38%
Adjusted interest coverage ratio	3.78x	3.39x	3.02x
Adjusted fixed charge coverage ratio	3.09x	2.76x	2.37x

Concentration Risk. We evaluate our concentration risk in terms of asset mix, investment mix, customer mix and geographic mix. Concentration risk is a valuable measure in understanding what portion of our investments could be at risk if certain sectors were to experience downturns. Asset mix measures the portion of our investments that are real property. In order to qualify as an equity REIT, at least 75% of our real estate investments must be real property whereby each property, which includes the land, buildings, improvements, intangibles and related rights, is owned by us and leased to a tenant pursuant to a long-term operating lease. Investment mix measures the portion of our investments that relate to our various property types. Customer mix measures the portion of our investments that relate to our top five customers. Geographic mix measures the portion of our investments that relate to our top five states. The following table reflects our recent historical trends of concentration risk by investment balance for the periods presented:

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	December 31, 2009	2010	2011
Asset mix:			
Real property	93%	91%	95%
Real estate loans receivable	7%	5%	2%
Investments in unconsolidated entities	0%	4%	3%
Investment mix:(1)			
Seniors housing triple-net	42%	37%	28%
Skilled nursing/post-acute	25%	14%	25%
Seniors housing operating	0%	12%	20%
Hospitals	10%	9%	6%
Medical office buildings	23%	24%	19%
Life science buildings	0%	4%	2%
Customer mix:(1)			
Genesis HealthCare, LLC			17%
Merrill Gardens, LLC		8%	8%
Benchmark Senior Living, LLC			6%
Brandywine Senior Living, LLC		7%	5%
Senior Living Communities, LLC	7%	7%	4%
Senior Star Living		5%	
Brookdale Senior Living, Inc.	5%	4%	
Signature Health Care LLC	5%		
Emeritus Corporation	4%		
Life Care Centers of America, Inc,	4%		
Remaining customers	75%	69%	60%
Geographic mix:(1)			
New Jersey			10%
California	9%	10%	10%
Massachusetts	7%	7%	8%
Florida	12%	10%	7%
Texas	11%	8%	7%
Washington		6%	
Ohio	6%		
Remaining states	55%	59%	58%

(1) Includes our share of investments in unconsolidated entities.

We evaluate our key performance indicators in conjunction with current expectations to determine if historical trends are indicative of future results. Our expected results may not be achieved and actual results may differ materially from our expectations. Factors that may cause actual results to differ from expected results are described in more detail in “Forward-Looking Statements and Risk Factors” and other sections of this Annual Report on Form 10-K. Management regularly monitors economic and other factors to develop strategic and tactical plans designed to improve performance and maximize our competitive position. Our ability to achieve our financial objectives is dependent upon our ability to effectively execute these plans and to appropriately respond to emerging economic and company-specific trends. Please refer to “Business,” “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” for further discussion of these risk factors.

Portfolio Update

Net operating income. The primary performance measure for our properties is net operating income (“NOI”) as discussed below in “Non-GAAP Financial Measures.” The following table summarizes our net operating income for the periods indicated (in thousands):

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	Year Ended December 31,		
	2009	2010	2011
Net operating income:			
Seniors housing triple-net	$ 399,363	$ 422,466	$ 663,018
Seniors housing operating	-	18,385	141,943
Medical facilities(1)	147,145	196,621	281,554
Non-segment/corporate	1,170	2,874	690
Net operating income	$ 547,678	$ 640,346	$ 1,087,205

(1) Includes our share of net operating income from unconsolidated entities.

Payment coverage. Payment coverage of our triple-net customers continues to remain strong. Our overall payment coverage is at 1.91 times. The table below reflects our recent historical trends of portfolio coverage. Coverage data reflects the 12 months ended for the periods presented. Coverage represents the ratio of our customers' earnings before interest, taxes, depreciation, amortization, rent and management fees to contractual rent or interest due us.

	September 30, 2009		September 30, 2010		September 30, 2011	
	CBMF	CAMF	CBMF	CAMF	CBMF	CAMF
Seniors housing triple-net	1.51x	1.30x	1.54x	1.32x	1.38x	1.19x
Skilled nursing/post-acute	2.29x	1.69x	2.42x	1.79x	2.22x	1.71x
Hospitals	2.47x	2.14x	2.66x	2.33x	2.47x	2.13x
Weighted averages	2.01x	1.59x	2.12x	1.68x	1.91x	1.54x

Corporate Governance

Maintaining investor confidence and trust has become increasingly important in today's business environment. Our Board of Directors and management are strongly committed to policies and procedures that reflect the highest level of ethical business practices. Our corporate governance guidelines provide the framework for our business operations and emphasize our commitment to increase stockholder value while meeting all applicable legal requirements. The Board of Directors adopted and annually reviews its Corporate Governance Guidelines. These guidelines meet the listing standards adopted by the New York Stock Exchange and are available on the Internet at www.hcreit.com.

Liquidity and Capital Resources

Sources and Uses of Cash

Our primary sources of cash include rent and interest receipts, resident fees and services, borrowings under the unsecured line of credit arrangement, public and private offerings of debt and equity securities, proceeds from the sales of real property and principal payments on loans receivable. Our primary uses of cash include dividend distributions, debt service payments (including principal and interest), real property investments (including capital expenditures and construction advances), loan advances, property operating expenses and general and administrative expenses. These sources and uses of cash are reflected in our Consolidated Statements of Cash Flows and are discussed in further detail below.

The following is a summary of our sources and uses of cash flows (dollars in thousands):

	Year Ended		One Year Change		Year Ended	One Year Change		Two Year Cha	
	December 31, 2009	December 31, 2010	$	%	December 31, 2011	$	%	$	
Cash and cash equivalents at beginning of period	$ 23,370	$ 35,476	$ 12,106	52%	$ 131,570	$ 96,094	271%	$ 108,200	
Cash provided from operating activities	381,259	364,741	(16,518)	-4%	588,224	223,483	61%	206,965	
Cash used in investing activities	(270,060)	(2,312,039)	(2,041,979)	756%	(4,520,129)	(2,208,090)	96%	(4,250,069)	1
Cash provided from (used in) financing activities	(99,093)	2,043,392	2,142,485	n/a	3,963,817	1,920,425	94%	4,062,910	
Cash and cash equivalents at end of period	$ 35,476	$ 131,570	$ 96,094	271%	$ 163,482	$ 31,912	24%	$ 128,006	

Operating Activities. The change in net cash provided from operating activities is primarily attributable to an increase in net income, excluding gains/losses on sales of properties, depreciation and amortization, transaction costs and debt extinguishment

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charges. These items are discussed below in "Results of Operations." The following is a summary of our straight-line rent and above/below market lease amortization (dollars in thousands):

	Year Ended		One Year Change		Year Ended	One Year Change		Two Year Change	
	December 31, 2009	December 31, 2010	$	%	December 31, 2011	$	%	$	%
Gross straight-line rental income	$ 19,415	$ 14,717	$ (4,698)	-24%	$ 41,068	$ 26,351	179%	$ 21,653	112%
Cash receipts due to real property sales	(4,422)	(1,341)	3,081	-70%	(815)	526	-39%	3,607	-82%
Prepaid rent receipts	(26,252)	(7,196)	19,056	-73%	(8,675)	(1,479)	21%	17,577	-67%
Amortization related to above (below) market leases, net	1,713	2,856	1,143	67%	2,507	(349)	-12%	794	46%
	$ (9,546)	$ 9,036	$ 18,582	n/a	$ 34,085	$ 25,049	277%	$ 43,631	n/a

Gross straight-line rental income represents the non-cash difference between contractual cash rent due and the average rent recognized pursuant to U.S. GAAP for leases with fixed rental escalators, net of collectability reserves. This amount is positive in the first half of a lease term (but declining every year due to annual increases in cash rent due) and is negative in the second half of a lease term. The fluctuation in cash receipts due to real property sales is attributable to less significant straight-line rent receivable balances on properties sold during the current year. The fluctuation in prepaid rent receipts is primarily due to changes in prepaid rent received at certain construction projects.

Investing Activities. The changes in net cash used in investing activities are primarily attributable to net changes in real property and real estate loans receivable. The following is a summary of our investment and disposition activities (dollars in thousands):

	Year Ended					
	December 31, 2009		December 31, 2010		December 31, 2011	
	Properties	Amount	Properties	Amount	Properties	Amount
Real property acquisitions:						
Seniors housing triple-net	1	$ 11,650	46	$ 1,028,529	184	$ 3,320,664

Seniors housing operating	-	-	32	816,000	58	1,747,485
Medical facilities	2	56,023	36	626,414	35	610,843
Land parcels	-	-	1	4,300	3	19,084
Total acquisitions	3	67,673	115	2,475,243	280	5,698,076
Less: Assumed debt		-		(559,508)		(961,928)
Assumed other items, net		-		(208,314)		(210,411)
Cash disbursed for acquisitions		67,673		1,707,421		4,525,737
Construction in progress additions		492,897		306,832		301,604
Capital improvements to existing properties		38,389		59,923		77,781
Total cash invested in real property		598,959		2,074,176		4,905,122
Real property dispositions:						
Seniors housing triple-net	21	101,155	31	170,290	39	150,755
Medical facilities	15	85,558	7	14,092	3	35,295
Total dispositions	36	186,713	38	184,382	42	186,050
Less: Gains (losses) on sales of real property		43,394		36,115		61,160
Seller financing on sales of real property		(6,100)		(1,470)		-
Proceeds from real property sales		224,007		219,027		247,210
Net cash investments in real property	(33)	$ 374,952	77	$ 1,855,149	238	$ 4,657,912

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Capitalization Rates

Capitalization rates for acquisitions represent annualized contractual or projected income to be received in cash divided by investment amounts. Capitalization rates for dispositions represent annualized contractual income that was being received in cash at date of disposition divided by disposition cash proceeds. For the year ended December 31, 2011, weighted-average capitalization rates for acquisitions and dispositions were as follows:

	Acquisitions	Dispositions
Seniors housing triple-net	8.0%	6.8%
Seniors housing operating	6.8%	n/a
Medical facilities	7.4%	7.3%

	Year Ended								
	December 31, 2009			December 31, 2010			December 31, 2011		
	Seniors Housing Triple-net	Medical Facilities	Totals	Seniors Housing Triple-net	Medical Facilities	Totals	Seniors Housing Triple-net	Medical Facilities	Totals
Advances on real estate loans receivable:									
Investments in new loans	$ 20,036	$ -	$ 20,036	$ 9,742	$ 41,644	$ 51,386	$ 18,541	$ -	$ 18,541
Draws on existing loans	52,910	1,471	54,381	46,113	1,236	47,349	29,752	3,184	32,936
Sub-total	72,946	1,471	74,417	55,855	42,880	98,735	48,293	3,184	51,477
Less: Seller financing on property sales	-	-	-	-	(1,470)	(1,470)	-	-	-
Net cash advances on real estate loans	72,946	1,471	74,417	55,855	41,410	97,265	48,293	3,184	51,477
Receipts on real estate									

loans receivable:									
Loan payoffs	61,659	32,197	93,856	5,619	6,233	11,852	162,705	2,943	165,648
Principal payments on loans	15,890	2,033	17,923	24,203	7,440	31,643	17,856	5,307	23,163
Total receipts on real estate loans	77,549	34,230	111,779	29,822	13,673	43,495	180,561	8,250	188,811
Net advances (receipts) on real estate loans	$ (4,603)	$ (32,759)	$ (37,362)	$ 26,033	$ 27,737	$ 53,770	$ (132,268)	$ (5,066)	$ (137,334)

The contributions to unconsolidated entities for the year ended December 31, 2010 primarily represent $174,692,000 and $21,321,000 of cash invested by us in the joint ventures with Forest City Enterprises and a national medical office building company, respectively. The distributions by unconsolidated entities for the year ended December 31, 2011 primarily represent cash received for return of capital from those same joint ventures. Please see Note 7 to our consolidated financial statements for additional information. Changes in restricted cash represent net cash fundings to and disbursements from earnest money deposits and secured debt escrow accounts.

Financing Activities. The changes in net cash provided from or used in financing activities are primarily attributable to changes related to our long-term debt arrangements, proceeds from the issuance of common and preferred stock and dividend payments.

The changes in our senior unsecured notes are due to (i) the repayment of $3,000 of convertible senior unsecured notes in December 2011; (ii) the issuance of $400,000,000 of 3.625% senior unsecured notes due 2016, $600,000,000 of 5.25% senior unsecured notes due 2022 and $400,000,000 of 6.50% senior unsecured notes due 2041 in March 2011; (iii) the issuance of $494,403,000 of convertible senior unsecured notes in March and June 2010; (iv) the repurchase of $441,326,000 of convertible senior unsecured notes in March and June 2010; (v) the issuance of $450,000,000 of senior unsecured notes in April and June 2010; (vi) the issuance of $450,000,000 of senior unsecured notes in September 2010; (vii) the issuance of $450,000,000 of senior unsecured notes in November 2010; and (viii) the extinguishment of $183,147,000 of various senior unsecured notes in March and September 2009. We recognized losses of $25,072,000 and $19,269,000 during the years ended December 31, 2010 and 2009, respectively, in connection with the aforementioned extinguishments.

During the year ended December 31, 2011, we assumed 55 secured loans totaling $940,855,000 with an average rate of 4.85% secured by 55 properties. Also during the year ended December 31, 2011, we issued 9 secured loans totaling $114,903,000 with a rate of 5.78%. During the year ended December 31, 2011, we extinguished $55,317,000 of secured debt with an average rate of 5.95%

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and recognized a gain of $979,000. During the year ended December 31, 2010, we extinguished 35 secured debt loans totaling $194,493,000 with a weighted-average interest rate of 6.07% and recognized extinguishment losses of $9,099,000. Also during the year ended December 31, 2010, we issued $81,977,000 of secured debt loans at an average interest rate of 5.10%. During the year ended December 31, 2009, we extinguished 20 secured debt loans totaling $81,715,000 with a weighted-average interest rate of 7.21% and recognized extinguishment losses of $5,838,000.

We may repurchase, redeem or refinance convertible and non-convertible senior unsecured notes from time to time, taking advantage of favorable market conditions when available. We may purchase senior notes for cash through open market purchases, privately negotiated transactions, a tender offer or, in some cases, through the early redemption of such securities pursuant to their terms. The non-convertible senior unsecured notes are redeemable at our option, at any time in whole or from time to time in part, at a redemption price equal to the sum of (1) the principal amount of the notes (or portion of such notes) being redeemed plus accrued and unpaid interest thereon up to the redemption date and (2) any "make-whole" amount due under the terms of the notes in connection with early redemptions. We cannot redeem the 3.00% convertible senior unsecured notes due 2029 prior to December 1, 2014 or the 4.75% convertible senior unsecured notes due 2027 prior to July 15, 2012 unless such redemption is necessary to preserve our status as a REIT. However, on or after December 1, 2014 or July 15, 2012 (as applicable), we may from time to time at our option redeem those notes, in whole or in part, for cash, at a redemption price equal to 100% of the principal amount of the notes we redeem, plus any accrued and unpaid interest to, but excluding, the redemption date. Redemptions and repurchases of debt, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors.

In March 2011, we completed a public offering of 14,375,000 shares of 6.5% convertible preferred stock for net proceeds of $696,437,000. The following is a summary of our common stock issuances for the years indicated (dollars in thousands, except average price):

	Shares Issued	Average Price	Gross Proceeds	Net Proceeds
February 2009 public issuance	5,816,870	$ 36.85	$ 214,352	$ 210,880
September 2009 public issuance	9,200,000	40.40	371,680	356,554
2009 Dividend reinvestment plan issuances	1,499,497	37.22	55,818	55,818
2009 Equity shelf program issuances	1,952,600	40.69	79,447	77,605
2009 Option exercises	96,166	38.23	3,676	3,676
2009 Totals	18,565,133		$ 724,973	$ 704,533
September 2010 public issuance	9,200,000	$ 45.75	$ 420,900	$ 403,921
December 2010 public issuance	11,500,000	43.75	503,125	482,448
2010 Dividend reinvestment plan issuances	1,957,364	43.95	86,034	86,034
2010 Equity shelf program issuances	431,082	44.94	19,371	19,013
2010 Option exercises	129,054	31.17	4,022	4,022

2010 Totals	23,217,500			$	1,033,452	$	995,438
March 2011 public issuance	28,750,000	$	49.25	$	1,415,938	$	1,358,543
November 2011 public issuance	12,650,000		50.00		632,500		606,595
2011 Dividend reinvestment plan issuances	2,534,707		48.44		122,794		121,846
2011 Equity shelf program issuances	848,620		50.53		42,888		41,982
2011 Option exercises	232,081		37.17		8,628		8,628
2011 Totals	45,015,408			$	2,222,748	$	2,137,594

In order to qualify as a REIT for federal income tax purposes, we must distribute at least 90% of our taxable income (including 100% of capital gains) to our stockholders. The increase in dividends is primarily attributable to an increase in our common shares outstanding. The following is a summary of our dividend payments (in thousands, except per share amounts):

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	Year Ended					
	December 31, 2009		December 31, 2010		December 31, 2011	
	Per Share	Amount	Per Share	Amount	Per Share	Amount
Common Stock	$ 2.72000	$ 311,760	$ 2.74000	$ 348,578	$ 2.83500	$ 483,746
Series D Preferred Stock	1.96875	7,875	1.96875	7,875	1.96875	7,875
Series E Preferred Stock	1.50000	112	1.12500	94	-	-
Series F Preferred Stock	1.90625	13,344	1.90625	13,344	1.90625	13,344
Series G Preferred Stock	1.87500	748	1.40640	332	-	-
Series H Preferred Stock	-	-	-	-	2.85840	1,000
Series I Preferred Stock	-	-	-	-	1.33159	38,283
Totals		$ 333,839		$ 370,223		$ 544,248

Off-Balance Sheet Arrangements

During the year ended December 31, 2010, we entered into a joint venture investment with Forest City Enterprises (NYSE:FCE.A and FCE.B). The portfolio is 100% leased and includes affiliates of investment grade pharmaceutical and research tenants such as Novartis, Genzyme, Millennium (a subsidiary of Takeda Pharmaceuticals), and Brigham and Women's Hospital. Forest City Enterprises self-developed the portfolio and will continue to manage it on behalf of the joint venture. The life science campus is part of a mixed-use project that includes a 210-room hotel, 674 residential units, a grocery store, restaurants and retail. In connection with this transaction, we invested $174,692,000 of cash which is recorded as an investment in unconsolidated entities on the balance sheet. Our share of the non-recourse secured debt assumed by the joint venture was approximately $156,729,000 with weighted-average interest rates of 7.1%. In addition, at December 31, 2011, we had other investments in unconsolidated entities with our ownership ranging from 10% to 50%. Please see Note 7 to our consolidated financial statements for additional information.

We are exposed to various market risks, including the potential loss arising from adverse changes in interest rates. We may or may not elect to use financial derivative instruments to hedge interest rate exposure. These decisions are principally based on the general trend in interest rates at the applicable dates, our perception of the future volatility of interest rates and our relative levels of variable rate debt and variable rate investments. Please see Note 11 to our consolidated financial statements for additional information.

At December 31, 2011, we had five outstanding letter of credit obligations totaling $5,515,000 and expiring between 2012 and 2014. Please see Note 12 to our consolidated financial statements for additional information.

Contractual Obligations

The following table summarizes our payment requirements under contractual obligations as of December 31, 2011 (in thousands):

		Payments Due by Period			
Contractual Obligations	Total	2012	2013-2014	2015-2016	Thereafter
Unsecured line of credit arrangements	$ 610,000	$ 5,000	$ -	$ 605,000	$ -
Senior unsecured notes(1)	4,464,927	76,853	300,000	950,000	3,138,074
Secured debt(1)	2,298,553	162,116	550,527	429,210	1,156,700
Contractual interest obligations	3,202,072	355,462	642,895	528,569	1,675,146
Capital lease obligations	90,482	8,059	73,977	8,447	-
Operating lease obligations	356,464	6,166	12,944	12,018	325,336
Purchase obligations	340,369	195,384	110,290	34,695	-
Other long-term liabilities	5,935	-	475	1,900	3,560
Total contractual obligations	$ 11,368,802	$ 809,040	$ 1,691,107	$ 2,569,839	$ 6,298,816

(1) Amounts represent principal amounts due and do not reflect unamortized premiums/discounts or other fair value adjustments as reflected on the balance sheet.

At December 31, 2011, we had a $2,000,000,000 unsecured line of credit arrangement with a consortium of 31 banks with an option to upsize the facility by up to an additional $500,000,000 through an accordion feature, allowing for an aggregate commitment of up to $2,500,000,000. The revolving credit facility is scheduled to expire July 27, 2015. Borrowings under the agreement are subject to interest payable in periods no longer than three months at either the agent bank's prime rate of interest or the applicable margin over LIBOR interest rate, at our option (1.65% at December 31, 2011). The applicable margin is based on certain of our debt ratings and was 1.35% at December 31, 2011. In addition, we pay a facility fee annually to each bank based on the bank's commitment amount. The facility fee depends on certain of our debt ratings and was 0.25% at December 31, 2011. Principal is due

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upon expiration of the agreement. At December 31, 2011, we had $ 605,000,000 outstanding under the unsecured line of credit arrangement and $5,000,000 outstanding under an unsecured revolving demand note. Contractual interest obligations of $35,690,000 are estimated based on the assumption that the balance of $610,000,000 at December 31, 2011 is constant until maturity at interest rates in effect at December 31, 2011.

We have $4,464,927,000 of senior unsecured notes principal outstanding with fixed annual interest rates ranging from 3.00% to 8.00%, payable semi-annually. Total contractual interest obligations on senior unsecured notes totaled $2,397,250,533 at December 31, 2011. A total of $788,074,000 of our senior unsecured notes are convertible notes that also contain put features. Please see Note 10 to our consolidated financial statements for additional information.

We have consolidated secured debt with total outstanding principal of $2,108,384,000, collateralized by owned properties, with annual interest rates ranging from 1.22% to 10.00%, payable monthly. The carrying values of the properties securing the debt totaled $4,048,469,000 at December 31, 2011. Total contractual interest obligations on consolidated secured debt totaled $729,000,860 at December 31, 2011. Our share of non-recourse debt associated with unconsolidated entities (as reflected in the contractual obligations table above) is $190,169,000 at December 31, 2011. Our share of contractual interest obligations on our unconsolidated entities' secured debt is $40,131,000 at December 31, 2011.

At December 31, 2011, we had operating lease obligations of $356,464,000 relating primarily to ground leases at certain of our properties and office space leases.

Purchase obligations are comprised of unfunded construction commitments and contingent purchase obligations. At December 31, 2011, we had outstanding construction financings of $189,502,000 for leased properties and were committed to providing additional financing of approximately $282,899,000 to complete construction. At December 31, 2011, we had contingent purchase obligations totaling $57,470,000. These contingent purchase obligations relate to unfunded capital improvement obligations. Upon funding, amounts due from the tenant are increased to reflect the additional investment in the property.

Other long-term liabilities relate to our Supplemental Executive Retirement Plan ("SERP") and certain non-compete agreements. We have a SERP, a non-qualified defined benefit pension plan, which provides certain executive officers with supplemental deferred retirement benefits. The SERP provides an opportunity for participants to receive retirement benefits that cannot be paid under our tax-qualified plans because of the restrictions imposed by ERISA and the Internal Revenue Code of 1986, as amended. Benefits are based on compensation and length of service and the SERP is unfunded. Benefit payments are expected to total $2,375,000 during the next five fiscal years and $3,560,000 thereafter. We use a December 31 measurement date for the SERP. The accrued liability on our balance sheet for the SERP was $5,623,000 and $4,066,000 at December 31, 2011 and December 31, 2010, respectively.

Capital Structure

As of December 31, 2011, we had total equity of $7,278,647,000 and a total debt balance of $7,156,756,000, which represents a debt to total book capitalization ratio of 50%. Our ratio of debt to market capitalization was 38% at December 31, 2011. For the year ended December 31, 2011, our adjusted interest coverage ratio was 3.02x and our adjusted fixed charge coverage ratio was 2.37x. Also, at December 31, 2011, we had $163,482,000 of cash and cash equivalents, $69,620,000 of restricted cash and $1,395,000,000 of available borrowing capacity under our primary unsecured line of credit arrangement.

Our debt agreements contain various covenants, restrictions and events of default. Certain agreements require us to maintain certain financial ratios and minimum net worth and impose certain limits on our ability to incur indebtedness, create liens and make investments or acquisitions. As of December 31, 2011, we were in compliance with all of the covenants under our debt agreements. Please refer to the section entitled “Non-GAAP Financial Measures” for further discussion. None of our debt agreements contain provisions for acceleration which could be triggered by our debt ratings. However, under our unsecured line of credit arrangement, the ratings on our senior unsecured notes are used to determine the fees and interest charged.

We plan to manage the company to maintain compliance with our debt covenants and with a capital structure consistent with our current profile. Any downgrades in terms of ratings or outlook by any or all of the rating agencies could have a material adverse impact on our cost and availability of capital, which could in turn have a material adverse impact on our consolidated results of operations, liquidity and/or financial condition.

On May 7, 2009, we filed an open-ended automatic or “universal” shelf registration statement with the Securities and Exchange Commission covering an indeterminate amount of future offerings of debt securities, common stock, preferred stock, depositary shares, warrants and units. As of January 31, 2012, we had an effective registration statement on file in connection with our enhanced dividend reinvestment plan under which we may issue up to 10,000,000 shares of common stock. As of January 31, 2012, 5,876,205 shares of common stock remained available for issuance under this registration statement. We have entered into separate Equity Distribution Agreements with each of UBS Securities LLC, RBS Securities Inc., KeyBanc Capital Markets Inc. and Credit Agricole Securities (USA) Inc. relating to the offer and sale from time to time of up to $630,015,000 aggregate amount of our common stock

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("Equity Shelf Program"). As of January 31, 2012, we had $457,112,000 of remaining capacity under the Equity Shelf Program. Depending upon market conditions, we anticipate issuing securities under our registration statements to invest in additional properties and to repay borrowings under our unsecured line of credit arrangement.

Results of Operations

Our primary sources of revenue include rent, resident fees and services, and interest. Our primary expenses include interest expense, depreciation and amortization, property operating expenses and general and administrative expenses. These revenues and expenses are reflected in our Consolidated Statements of Income and are discussed in further detail below. The following is a summary of our results of operations (dollars in thousands, except per share amounts):

	Year Ended		One Year Change		Year Ended	One Year Change		Two Year Change	
	December 31, 2009	December 31, 2010	Amount	%	December 31, 2011	Amount	%	Amount	%
Net income attributable to common stockholders	$ 171,190	$ 106,882	$ (64,308)	-38%	$ 157,108	$ 50,226	47%	$ (14,082)	-8%
Funds from operations	316,977	280,022	(36,955)	-12%	524,902	244,880	87%	207,925	66%
Adjusted EBITDA	525,791	568,429	42,638	8%	971,525	403,096	71%	445,734	85%
Net operating income	547,678	640,346	92,668	17%	1,087,205	446,859	70%	539,527	99%
Per share data (fully diluted):									
Net income attributable to common stockholders	$ 1.49	$ 0.83	$ (0.66)	-44%	$ 0.90	$ 0.07	8%	$ (0.59)	-40%
Funds from operations	2.77	2.18	(0.59)	-21%	3.01	0.83	38%	0.24	9%
Adjusted interest coverage ratio	3.78x	3.39x	-0.39x	-10%	3.02x	-0.37x	-11%	-0.76x	-20%
Adjusted fixed charge coverage ratio	3.09x	2.76x	-0.33x	-11%	2.37x	-0.39x	-14%	-0.72x	-23%

The components of the changes in revenues, expenses and other items are discussed in detail below. The following is a summary of certain items that impact the results of operations for the year ended December 31, 2011:

- $12,194,000 ($0.07 per diluted share) of impairment charges;
- $2,010,000 ($0.01 per diluted share) of provisions for loan losses;
- $70,224,000 ($0.40 per diluted share) of transaction costs;
- $1,653,000 ($0.01 per diluted share) of held for sale hospital operating expenses;
- $979,000 ($0.01 per diluted share) of net gains on extinguishments of debt;
- $3,774,000 ($0.02 per diluted share) of additional other income related to a lease and loan termination; and
- $61,160,000 ($0.35 per diluted share) of gains on the sales of real property.

The following is a summary of certain items that impact the results of operations for the year ended December 31, 2010:

- $3,853,000 ($0.03 per diluted share) of special stock compensation grants recognized as general and administrative expenses;
- $34,171,000 ($0.27 per diluted share) of net losses on extinguishments of debt;
- $947,000 ($0.01 per diluted share) of impairment charges;
- $29,684,000 ($0.23 per diluted share) of provisions for loan losses;
- $46,660,000 ($0.36 per diluted share) of transaction costs;
- $1,753,000 ($0.01 per diluted share) of held for sale hospital operating expenses;
- $1,000,000 ($0.01 per diluted share) of additional other income related to a lease termination; and
- $36,115,000 ($0.28 per diluted share) of gains on the sales of real property.

The following is a summary of certain items that impact the results of operations for the year ended December 31, 2009:

- $3,909,000 ($0.03 per diluted share) of non-recurring general and administrative expenses;
- $25,107,000 ($0.22 per diluted share) of net losses on extinguishments of debt;
- $25,223,000 ($0.22 per diluted share) of impairment charges;
- $23,261,000 ($0.20 per diluted share) of provisions for loan losses;

- $8,059,000 ($0.07 per diluted share) of additional other income related to a lease termination;
- $2,400,000 ($0.02 per diluted share) of prepayment fees; and
- $43,394,000 ($0.38 per diluted share) of gains on the sales of real property.

The increase in fully diluted average common shares outstanding is primarily the result of public common stock offerings and

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common stock issuances pursuant to our DRIP and equity shelf program ("ESP"). The following table represents the changes in outstanding common stock for the period from January 1, 2009 to December 31, 2011 (in thousands):

	Year Ended			
	December 31, 2009	December 31, 2010	December 31, 2011	Totals
Beginning balance	104,704	123,385	147,097	104,704
Public offerings	15,017	20,700	41,400	77,117
DRIP issuances	1,499	1,957	2,534	5,990
ESP issuances	1,953	431	849	3,233
Preferred stock conversions	30	339	-	369
Option exercises	96	129	232	457
Other, net	86	156	163	405
Ending balance	123,385	147,097	192,275	192,275
Average number of shares outstanding:				
Basic	114,207	127,656	173,741	
Diluted	114,612	128,208	174,401	

We evaluate our business and make resource allocations on our three business segments — seniors housing triple-net, seniors housing operating and medical facilities. Please see Note 17 to our consolidated financial statements for additional information.

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Seniors Housing Triple-net

The following is a summary of our results of operations for the seniors housing triple-net segment (dollars in thousands):

	Year Ended December 31, 2009	Year Ended December 31, 2010	One Year Change $	One Year Change %	Year Ended December 31, 2011	One Year Change $	One Year Change %	Two Year Change $	Two Year Change %
Revenues:									
Rental income	$ 308,650	$ 347,706	$ 39,056	13%	$ 612,617	$ 264,911	76%	$ 303,967	98%
Interest income	35,945	36,176	231	1%	34,068	(2,108)	-6%	(1,877)	-5%
Other income	2,909	3,385	476	16%	6,620	3,235	96%	3,711	128%
Prepayment fees	2,400	-	(2,400)	-100%	-	-	n/a	(2,400)	-100%
	349,904	387,267	37,363	11%	653,305	266,038	69%	303,401	87%
Expenses:									
Interest expense	2,879	7,780	4,901	170%	13,238	5,458	70%	10,359	360%
Depreciation and amortization	82,752	98,561	15,809	19%	175,625	77,064	78%	92,873	112%
Transaction costs	-	20,613	20,613	n/a	27,993	7,380	36%	27,993	n/a
Loss (gain) on extinguishment of debt	2,057	7,791	5,734	279%	-	(7,791)	-100%	(2,057)	-100%
Provision for loan losses	23,261	29,684	6,423	28%	-	(29,684)	-100%	(23,261)	-100%
	110,949	164,429	53,480	48%	216,856	52,427	32%	105,907	95%

Income from continuing operations before income taxes and income (loss) from unconsolidated entities	238,955	222,838	(16,117)	-7%	436,449	213,611	96%	197,494	83%
Income tax expense	(607)	-	607	-100%	(143)	(143)	n/a	464	-76%
Income (loss) from unconsolidated entities	-	-	-	n/a	(9)	(9)	n/a	(9)	n/a
Income from continuing operations	238,348	222,838	(15,510)	-7%	436,297	213,459	96%	197,949	83%
Discontinued operations:									
Gain (loss) on sales of properties	32,084	36,274	4,190	13%	59,108	22,834	63%	27,024	84%
Impairment of assets	-	-	-	n/a	(1,103)	(1,103)	n/a	(1,103)	n/a
Income from discontinued operations, net	21,168	15,216	(5,952)	-28%	4,949	(10,267)	-67%	(16,219)	-77%
Discontinued operations, net	53,252	51,490	(1,762)	-3%	62,954	11,464	22%	9,702	18%
Net income	291,600	274,328	(17,272)	-6%	499,251	224,923	82%	207,651	71%
Less:	-	(18)	(18)	n/a	218	236	-1311%	218	n/a
Net income attributable to									

noncontrolling interests									
Net income attributable to common stockholders	$ 291,600	$ 274,346	$ (17,254)	-6%	$ 499,033	$ 224,687	82%	$ 207,433	71%

The increase in rental income is primarily attributable to the acquisitions of new properties and the conversion of newly constructed seniors housing triple-net properties from which we receive rent. Certain of our leases contain annual rental escalators that are contingent upon changes in the Consumer Price Index and/or changes in the gross operating revenues of the tenant's properties. These escalators are not fixed, so no straight-line rent is recorded; however, rental income is recorded based on the contractual cash rental payments due for the period. If gross operating revenues at our facilities and/or the Consumer Price Index do not increase, a portion of our revenues may not continue to increase. Sales of real property would offset revenue increases and, to the extent that they exceed new acquisitions, could result in decreased revenues. Our leases could renew above or below current rent rates, resulting in an increase or decrease in rental income. For the three months ended December 31, 2011, we had no lease renewals but we had 12 leases with rental rate increasers ranging from 0.25% to 0.41% in our seniors housing triple-net portfolio.

Interest expense for the years ended December 31, 2011, 2010 and 2009 represents $15,306,000, $15,111,000 and $12,622,000,

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respectively, of secured debt interest expense offset by interest allocated to discontinued operations. The change in secured debt interest expense is due to the net effect and timing of assumptions, extinguishments and principal amortizations. The following is a summary of our seniors housing triple-net property secured debt principal activity (dollars in thousands):

	Year Ended December 31, 2009			Year Ended December 31, 2010			Year Ended December 31, 2011		
	Amount		Weighted Avg. Interest Rate	Amount		Weighted Avg. Interest Rate	Amount		Weighted Avg. Interest Rate
Beginning balance	$	94,234	6.996%	$	298,492	5.998%	$	172,862	5.265%
Debt transferred		-	0.000%		(131,214)	6.100%		-	0.000%
Debt issued		265,527	5.982%		81,977	4.600%		-	0.000%
Debt assumed		-	0.000%		78,794	5.867%		90,120	4.819%
Debt extinguished		(47,502)	7.414%		(150,982)	5.924%		-	0.000%
Principal payments		(13,767)	7.640%		(4,205)	4.388%		(3,982)	5.556%
Ending balance	$	298,492	5.998%	$	172,862	5.265%	$	259,000	5.105%
Monthly averages	$	205,549	6.309%	$	242,123	5.663%	$	234,392	5.141%

Depreciation and amortization increased primarily as a result of new property acquisitions and the conversions of newly constructed investment properties. To the extent that we acquire or dispose of additional properties in the future, our provision for depreciation and amortization will change accordingly.

Transaction costs for the year ended December 31, 2011 primarily represent costs incurred with the Genesis transaction (including due diligence costs, fees for legal and valuation services, and termination of pre-existing relationships computed based on the fair value of the assets acquired), lease termination fees and costs incurred in connection with other new property acquisitions.

During the year ended December 31, 2011, we sold 39 seniors housing triple-net properties for net gains of $59,108,000 as compared to 31 properties for net gains of $36,274,000 in 2010 and 21 properties for net gains of $32,084,000 in 2009. At December 31, 2011, we had one seniors housing triple-net facility that satisfied the requirements for held for sale treatment. We recognized an impairment loss of $1,102,000 on certain facilities as the fair value less estimated costs to sell exceeded our carrying value. The following illustrates the reclassification impact as a result of classifying the properties sold prior to or held for sale at December 31, 2011 as discontinued operations for the periods presented. Please refer to Note 5 to our consolidated financial statements for further discussion.

	Year Ended December 31,		
	2009	2010	2011
Rental income	$ 49,459	$ 35,198	$ 9,713
Expenses:			
Interest expense	9,743	7,331	2,068
Provision for depreciation	18,548	12,651	2,696
Income (loss) from discontinued operations, net	$ 21,168	$ 15,216	$ 4,949

We recorded $23,261,000 of provision for loan losses during the year ended December 31, 2009. This amount includes the write-off of loans totaling $25,578,000 primarily relating to certain early stage seniors housing operators offset by a net reduction in the allowance for loan losses of $2,457,000. We recorded $29,684,000 of provision for loan losses during the year ended December 31, 2010. This amount includes the write-off of loans totaling $33,591,000 primarily related to certain early stage seniors housing and CCRC development projects. This was offset by a net reduction of the allowance balance by $3,907,000. We did not record any provision for loan loss or have any loan write-offs for seniors housing triple-net investments during the year ended December 31, 2011. The provision for loan losses is related to our critical accounting estimate for the allowance for loan losses and is discussed in “Critical Accounting Policies.”

During the year ended December 31, 2011 a portion of our seniors housing triple-net properties were formed through partnership interests. Net income attributable to noncontrolling interests for the year ended December 31, 2011 represents our partners share of net income (loss) relating to those properties. In connection with a seniors housing triple-net partnership, we also acquired a minority interest in a separate unconsolidated entity. This investment is reflected as an investment in unconsolidated entities on our consolidated balance sheet. Accordingly, our proportionate share of net income (loss) is reflected as income (loss) from unconsolidated entities on our consolidated income statement.

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Seniors Housing Operating

As discussed in Note 3 to our consolidated financial statements, we completed the acquisition of three additional seniors housing operating partnerships and added certain properties to existing partnerships during the year ended December 31, 2011. The results of operations for these partnerships have been included in our consolidated results of operations from the dates of acquisition. The seniors housing operating partnerships were formed using the structure authorized by the REIT Investment Diversification and Empowerment Act of 2007 ("RIDEA"). When considering new partnerships utilizing the RIDEA structure, we look for opportunities with best-in-class operators with a strong seasoned leadership team, high-quality real estate in attractive markets, growth potential above the standard rent escalators in our triple-net lease seniors housing portfolio, and alignment of economic interests with our operating partner. Our seniors housing operating partnerships offer us the opportunity for external growth because we have the right to fund future seniors housing investment opportunities sourced by our operating partners. There were no seniors housing operating segment investments prior to September 1, 2010. The following is a summary of our seniors housing operating results of operations (dollars in thousands):

	Year Ended		One Year Change	
	December 31, 2010	December 31, 2011	$	%
Revenues:				
Resident fees and services	$ 51,006	$ 456,085	$ 405,079	794%
Expenses:				
Interest expense	7,794	46,342	38,548	495%
Property operating expenses	32,621	314,142	281,521	863%
Depreciation and amortization	15,504	138,192	122,688	791%
Transaction costs	20,936	36,328	15,392	74%
Loss (gain) on extinguishment of debt	-	(979)	(979)	n/a
	76,855	534,025	457,170	595%
Income from continuing operations before income from unconsolidated entities	(25,849)	(77,940)	(52,091)	202%
Income tax expense	(229)	-	229	n/a
Income from unconsolidated entities	-	(1,531)	(1,531)	n/a
Net income	(26,078)	(79,471)	(53,393)	205%
Less: Net income attributable to noncontrolling interests	(1,656)	(6,006)	(4,350)	263%
Net income attributable to common stockholders	$ (24,422)	$ (73,465)	$ (49,043)	201%

The fluctuation in revenues, expenses and other items is primarily due to the timing of transactions. Amounts for the year ended December 31, 2010 primarily represent four months of activity for our original Merrill Gardens partnership. Amounts for the year ended December 31, 2011 represent a full year of activity for the original Merrill Gardens partnership plus amounts related to all subsequent RIDEA partnerships. Please refer to Note 3 to our consolidated financial statements for additional information. The following is a summary of our seniors housing operating property secured debt principal activity (dollars in thousands):

	Year Ended December 31, 2010			Year Ended December 31, 2011		
	Amount		Weighted Avg. Interest Rate	Amount		Weighted Avg. Interest Rate
Beginning balance	$	-	0.000%	$	487,706	5.939%
Debt transferred		131,214	6.100%		-	0.000%
Debt issued		75,179	6.386%		114,903	5.779%
Debt assumed		318,125	5.855%		780,955	4.269%
Debt extinguished		(35,017)	6.723%		(55,317)	5.949%
Principal payments		(1,795)	6.165%		(9,648)	5.474%
Ending balance	$	487,706	5.939%	$	1,318,599	4.665%
Monthly averages	$	350,259	5.957%	$	969,265	5.679%

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Medical Facilities

The following is a summary of our results of operations for the medical facilities segment (dollars in thousands):

	Year Ended		One Year Change		Year Ended	One Year Change		Two Year Change	
	December 31, 2009	December 31, 2010	$	%	December 31, 2011	$	%	$	%
Revenues:									
Rental income	$ 165,965	$ 210,484	$ 44,519	27%	$ 300,095	$ 89,611	43%	$ 134,130	81%
Interest income	4,940	4,679	(261)	-5%	7,002	2,323	50%	2,062	42%
Other income	1,309	985	(324)	-25%	3,985	3,000	305%	2,676	204%
	172,214	216,148	43,934	26%	311,082	94,934	44%	138,868	81%
Expenses:									
Interest expense	17,411	22,593	5,182	30%	29,931	7,338	32%	12,520	72%
Property operating expenses	42,501	46,673	4,172	10%	65,334	18,661	40%	22,833	54%
Depreciation and amortization	57,941	72,896	14,955	26%	104,589	31,693	43%	46,648	81%
Transaction costs	-	5,112	5,112	n/a	5,903	791	n/a	5,903	n/a
Loss (gain) on extinguishment of debt	3,781	1,308	(2,473)	-65%	-	(1,308)	-100%	(3,781)	-100%
Provision for loan losses	-	-	-	n/a	2,010	2,010	n/a	2,010	n/a
	121,634	148,582	26,948	22%	207,767	59,185	40%	86,133	71%
Income from continuing operations	50,580	67,566	16,986	34%	103,315	35,749	53%	52,735	104%

before income taxes and income from unconsolidated entities									
Income tax expense	(233)	(77)	156	-67%	(361)	(284)	369%	(128)	55%
Income from unconsolidated entities	-	6,673	6,673	n/a	7,312	639	n/a	7,312	n/a
Income from continuing operations	50,347	74,162	23,815	47%	110,266	36,104	49%	59,919	119%
Discontinued operations:									
Gain (loss) on sales of properties	11,310	(159)	(11,469)	n/a	2,052	2,211	-1391%	(9,258)	-82%
Impairment of assets	(25,223)	(947)	24,276	-96%	(11,091)	(10,144)	1071%	14,132	-56%
Income (loss) from discontinued operations, net	8,577	(2,412)	(10,989)	n/a	(2,009)	403	-17%	(10,586)	-123%
Discontinued operations, net	(5,336)	(3,518)	1,818	-34%	(11,048)	(7,530)	214%	(5,712)	107%
Net income (loss)	45,011	70,644	25,633	57%	99,218	28,574	40%	54,207	120%
Less: Net income (loss) attributable to noncontrolling interests	(342)	2,031	2,373	n/a	894	(1,137)	-56%	1,236	-361%
Net income (loss) attributable	$ 45,353	$ 68,613	$ 23,260	51%	$ 98,324	$ 29,711	43%	$ 52,971	117%

to
common
stockholders

The increase in rental income is primarily attributable to the acquisitions of new properties and the construction conversions of medical facilities from which we receive rent. Certain of our leases contain annual rental escalators that are contingent upon changes in the Consumer Price Index. These escalators are not fixed, so no straight-line rent is recorded; however, rental income is recorded based on the contractual cash rental payments due for the period. If the Consumer Price Index does not increase, a portion of our revenues may not continue to increase. Sales of real property would offset revenue increases and, to the extent that they exceed new acquisitions, could result in decreased revenues. Our leases could renew above or below current rent rates, resulting in an increase or decrease in rental income. For the three months ended December 31, 2011, our consolidated medical office building portfolio signed 55,562 square feet of new leases and 103,954 square feet of renewals. The weighted average term of these leases was five years, with a rate of $23.06 per square foot and tenant improvement and lease commission costs of $10.53 per square foot. Substantially all of these leases during the referenced quarter contain an annual fixed or contingent escalation rent structure ranging from the change in

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CPI to 3%. For the three months ended December 31, 2011, we had no lease renewals but we had two leases with rental rate increasers ranging from 0.25% to 0.50% in our hospital portfolio.

Interest income decreased from the prior period primarily due to a decline in outstanding balances for medical facility real estate loans. Other income is attributable to third party management fee income.

Interest expense for the years ended December 31, 2011, 2010 and 2009 represents $31,467,000, $24,926,000 and $20,584,000, respectively, of secured debt interest expense offset by interest allocated to discontinued operations. The change in secured debt interest expense is primarily due to the net effect and timing of assumptions, extinguishments and principal amortizations. The following is a summary of our medical facilities secured debt principal activity (dollars in thousands):

	Year Ended December 31, 2009			Year Ended December 31, 2010			Year Ended December 31, 2011		
		Amount	Weighted Avg. Interest Rate		Amount	Weighted Avg. Interest Rate		Amount	Weighted Avg. Interest Rate
Beginning balance	$	354,146	5.799%	$	314,065	5.677%	$	463,477	5.286%
Debt assumed		-	0.000%		167,737	6.637%		69,779	5.921%
Debt extinguished		(34,213)	6.933%		(8,494)	6.045%		-	0.000%
Principal payments		(5,868)	5.721%		(9,831)	6.279%		(13,190)	6.208%
Ending balance	$	314,065	5.677%	$	463,477	5.286%	$	520,066	5.981%
Monthly averages	$	341,103	5.764%	$	458,196	5.961%	$	489,923	6.179%

The increase in property operating expenses and depreciation and amortization is primarily attributable to acquisitions and construction conversions of new medical facilities for which we incur certain property operating expenses offset by property operating expenses associated with discontinued operations.

Transaction costs for the year ended December 31, 2011 represent costs incurred in connection with the acquisition of new properties. Income tax expense is primarily related to third party management fee income.

We recorded $2,010,000 of provision for loan losses during the year ended December 31, 2011. This amount includes the write-off of a loan totaling $3,286,000 primarily relating to a medical facility loan offset by a net reduction in the allowance for loan loss $1,276,000, resulting in an allowance for loan losses of $0 at December 31, 2011.

Income from unconsolidated entities for the year ended December 30, 2010 and 2011 includes our share of net income related to our joint venture investment with Forest City Enterprises. Income from unconsolidated entities for the year ended December 31, 2011 also includes our share of net income related to certain unconsolidated property investments related to our strategic joint venture relationship with a national medical office building company. See Note 7 to our consolidated financial statements for additional information. The following is a summary of our pro rata net income from these investments for the year ended December 31, 2011 (in thousands):

	Year Ended December 31,				One Year Change		
	2010		2011		$		%
Revenues	$	19,756	$	23,626	$	3,870	20%
Operating expenses		5,751		6,945		1,194	21%
Net operating income		14,005		16,681		2,676	19%
Depreciation and amortization		4,646		6,156		1,510	33%
Interest expense		4,228		5,829		1,601	38%
Loss on extinguishment of debt		-		355		355	n/a
Asset management fee		748		870		122	16%
Net income	$	4,383	$	3,471	$	(912)	-21%

During the year ended December 31, 2009, we sold 15 medical facilities for net gains of $11,310,000. At December 31, 2009, we had eight medical facilities held for sale and recorded an impairment charge of $25,223,000 to reduce the properties to their estimated fair values less costs to sell. In determining the fair value of the held for sale properties, we used a combination of third party appraisals based on market comparable transactions, other market listings and asset quality as well as management calculations based on projected

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operating income and published capitalization rates. During the three months ended September 30, 2010, we recorded an impairment charge of $947,000 related to two of the held for sale medical facilities to adjust the carrying values to estimated fair values less costs to sell based on current sales price expectations. During the year ended December 31, 2010, we sold seven of the held for sale medical facilities for net losses of $159,000. At December 31, 2010, we had one medical facility held for sale. During the year ended December 31, 2011, we sold three medical facilities for net gains of $2,052,000. At December 31, 2011, we had five medical facilities held for sale and we recorded an impairment charge of $6,791,000 to reduce the carrying values of certain properties to their estimated fair values less costs to sell. The following illustrates the reclassification impact as a result of classifying medical facilities sold prior to or held for sale at December 31, 2011 as discontinued operations for the periods presented. Please refer to Note 5 to our consolidated financial statements for further discussion.

	Year Ended December 31,					
		2009		2010		2011
Rental income	$	15,837	$	10,022	$	6,421
Other income		8,059		-		-
Expenses:						
Interest expense		3,173		2,333		1,536
Property operating expenses		6,464		7,171		4,394
Provision for depreciation		5,682		2,930		2,503
Income (loss) from discontinued operations, net	$	8,577	$	(2,412)	$	(2,012)

Net income attributable to non-controlling interests primarily relates to certain properties that are consolidated in our operating results but where we have less than a 100% ownership interest.

Non-Segment/Corporate

The following is a summary of our results of operations for the non-segment/corporate activities (dollars in thousands):

	Year Ended		One Year Change		Year Ended	One Year Change		Two Year Change	
	December 31, 2009	December 31, 2010	$	%	December 31, 2011	$	%	$	%
Revenues:									
Other income	$ 1,170	$ 2,874	$ 1,704	146%	$ 690	$ (2,184)	-76%	$ (480)	-41%
Expenses:									
Interest expense	76,566	113,129	36,563	48%	228,884	115,755	102%	152,318	199%
General and administrative	49,691	54,626	4,935	10%	77,201	22,575	41%	27,510	55%
Loss (gain) on extinguishments of debt	19,269	25,072	5,803	30%	-	(25,072)	-100%	(19,269)	n/a

	145,526	192,827	47,301	33%	306,085	113,258	59%	160,559	110%
Loss from continuing operations before income taxes	(144,356)	(189,953)	(45,597)	32%	(305,395)	(115,442)	61%	(161,039)	112%
Income tax expense (benefit)	672	(58)	(730)	n/a	(884)	(826)	1424%	(1,556)	-232%
Net loss	(143,684)	(190,011)	(46,327)	32%	(306,279)	(116,268)	61%	(162,595)	113%
Preferred stock dividends	22,079	21,645	(434)	-2%	60,502	38,857	180%	38,423	174%
Net loss attributable to common stockholders	$ (165,763)	$ (211,656)	$ (45,893)	28%	$ (366,781)	$ (155,125)	73%	$ (201,018)	121%

Other income primarily represents income from non-real estate activities such as interest earned on temporary investments of cash reserves.

The following is a summary of our non-segment/corporate interest expense (dollars in thousands):

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	Year Ended		One Year Change		Year Ended	One Year Change		Two Year Change	
	December 31, 2009	December 31, 2010	$	%	December 31, 2011	$	%	$	%
Senior unsecured notes	$ 106,347	$ 122,492	$ 16,145	15%	$ 222,559	$ 100,067	82%	$ 116,212	109%
Secured debt	265	645	380	n/a	604	(41)	-6%	339	n/a
Unsecured lines of credit	4,629	3,974	(655)	-14%	7,917	3,943	99%	3,288	71%
Capitalized interest	(41,170)	(20,792)	20,378	-49%	(13,164)	7,628	-37%	28,006	-68%
Interest SWAP savings	(161)	(161)	-	0%	(161)	-	0%	-	0%
Loan expense	6,656	6,971	315	5%	11,129	4,158	60%	4,473	67%
Totals	$ 76,566	$ 113,129	$ 36,563	48%	$ 228,884	$ 115,755	102%	$ 152,318	199%

The change in interest expense on senior unsecured notes is due to the net effect of issuances and extinguishments. The following is a summary of our senior unsecured note principal activity (dollars in thousands):

	Year Ended December 31, 2009		Year Ended December 31, 2010		Year Ended December 31, 2011	
	Amount	Weighted Avg. Interest Rate	Amount	Weighted Avg. Interest Rate	Amount	Weighted Avg. Interest Rate
Beginning balance	$ 1,845,000	5.782%	$ 1,661,853	5.557%	$ 3,064,930	5.129%
Debt issued	-	0.000%	1,844,403	4.653%	1,400,000	5.143%
Debt extinguished[(1)]	(183,147)	7.823%	(441,326)	4.750%	(3)	4.750%
Ending balance	$ 1,661,853	5.557%	$ 3,064,930	5.129%	$ 4,464,927	5.133%
Monthly averages	$ 1,778,261	5.713%	$ 2,221,056	5.263%	$ 4,141,853	5.133%

(1) We recognized losses of $19,269,000, $25,072,000 and $0 in connection with the extinguishments for the years ended December 31, 2009, 2010 and 2011, respectively.

We capitalize certain interest costs associated with funds used to finance the construction of properties owned directly by us. The amount capitalized is based upon the balances outstanding during the construction period using the rate of interest that approximates our cost of financing. Our interest expense is reduced by the amount capitalized. Please see Note 11 to our consolidated financial statements for a discussion of our interest rate swap agreements and their impact on interest expense. Loan expense represents the amortization of deferred loan costs incurred in connection with the issuance and amendments of debt. Loan expense is consistent for all years presented. During the three months ended September 30, 2009, we completed a $10,750,000 first mortgage loan secured by a commercial real estate campus. The 10-year debt has a fixed interest rate of 6.37%. The change in interest expense on the unsecured line of credit arrangements is due primarily to the net effect and timing of draws, paydowns and variable interest rate changes. The following is a summary of our unsecured line of credit arrangements (dollars in thousands):

	Year Ended December 31,		
	2009	2010	2011
Balance outstanding at year end	$ 140,000	$ 300,000	$ 610,000
Maximum amount outstanding at any month end	$ 559,000	$ 560,000	$ 710,000
Average amount outstanding (total of daily principal balances divided by days in period)	$ 241,463	$ 268,762	$ 240,104
Weighted average interest rate (actual interest expense divided by average borrowings outstanding)	1.92%	1.48%	1.51%

General and administrative expenses as a percentage of consolidated revenues (including revenues from discontinued operations) for the years ended December 31, 2011, 2010 and 2009 were 5.37%, 7.78% and 8.33%, respectively. The increase in general and administrative expenses is primarily related to costs associated with our initiatives to attract and retain appropriate personnel to achieve our business objectives. The decline in percent of revenue is primarily related to the increasing revenue base as a result of our seniors housing operating partnerships.

The change in preferred dividends is primarily attributable to preferred stock conversions into common stock. The following is a summary of our preferred stock activity (dollars in thousands):

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	Year Ended December 31, 2009		Year Ended December 31, 2010		Year Ended December 31, 2011	
	Shares	Weighted Avg. Dividend Rate	Shares	Weighted Avg. Dividend Rate	Shares	Weighted Avg. Dividend Rate
Beginning balance	11,516,302	7.696%	11,474,093	7.697%	11,349,854	7.663%
Shares issued	-	0.000%	349,854	6.000%	14,375,000	6.500%
Shares redeemed	-	0.000%	(5,513)	7.500%	-	0.000%
Shares converted	(42,209)	7.478%	(468,580)	7.262%	-	0.000%
Ending balance	11,474,093	7.697%	11,349,854	7.663%	25,724,854	7.013%
Monthly averages	11,482,557	7.697%	11,321,886	7.699%	22,407,546	7.089%

Non-GAAP Financial Measures

We believe that net income, as defined by U.S. GAAP, is the most appropriate earnings measurement. However, we consider FFO to be a useful supplemental measure of our operating performance. Historical cost accounting for real estate assets in accordance with U.S. GAAP implicitly assumes that the value of real estate assets diminishes predictably over time as evidenced by the provision for depreciation. However, since real estate values have historically risen or fallen with market conditions, many industry investors and analysts have considered presentations of operating results for real estate companies that use historical cost accounting to be insufficient. In response, the National Association of Real Estate Investment Trusts ("NAREIT") created FFO as a supplemental measure of operating performance for REITs that excludes historical cost depreciation from net income. FFO, as defined by NAREIT, means net income, computed in accordance with U.S. GAAP, excluding gains (or losses) from sales of real estate and impairment of depreciable assets, plus depreciation and amortization, and after adjustments for unconsolidated entities.

Net operating income ("NOI") is used to evaluate the operating performance of our properties. We define NOI as total revenues, including tenant reimbursements, less property level operating expenses, which exclude depreciation and amortization, general and administrative expenses, impairments and interest expense. We believe NOI provides investors relevant and useful information because it measures the operating performance of our properties at the property level on an unleveraged basis. We use NOI to make decisions about resource allocations and to assess the property level performance of our properties.

EBITDA stands for earnings before interest, taxes, depreciation and amortization. We believe that EBITDA, along with net income and cash flow provided from operating activities, is an important supplemental measure because it provides additional information to assess and evaluate the performance of our operations. We primarily utilize EBITDA to measure our interest coverage ratio, which represents EBITDA divided by total interest, and our fixed charge coverage ratio, which represents EBITDA divided by fixed charges. Fixed charges include total interest, secured debt principal amortization and preferred dividends.

A covenant in our line of credit arrangement contains a financial ratio based on a definition of EBITDA that is specific to that agreement. Failure to satisfy this covenant could result in an event of default that could have a material adverse impact on our cost and availability of capital, which could in turn have a material adverse impact on our consolidated results of operations, liquidity and/or financial condition. Due to the materiality of this debt agreement and the financial covenant, we have disclosed Adjusted EBITDA, which represents EBITDA as defined above and adjusted for stock-based compensation expense, provision for loan losses and gain/loss on extinguishment of debt. We use Adjusted EBITDA to measure our adjusted fixed charge coverage ratio, which represents Adjusted EBITDA divided by fixed charges on a trailing twelve months basis. Fixed charges include total interest (excluding capitalized interest and non-cash interest expenses), secured debt principal amortization and preferred dividends. Effective July 27, 2011, our covenant requires an adjusted fixed charge ratio of at least 1.50 times.

Other than Adjusted EBITDA, our supplemental reporting measures and similarly entitled financial measures are widely used by investors, equity and debt analysts and rating agencies in the valuation, comparison, rating and investment recommendations of companies. Management uses these financial measures to facilitate internal and external comparisons to our historical operating results and in making operating decisions. Additionally, these measures are utilized by the Board of Directors to evaluate management. Adjusted EBITDA is used solely to determine our compliance with a financial covenant of our line of credit arrangement and is not being presented for use by investors for any other purpose. None of our supplemental measures represent net income or cash flow provided from operating activities as determined in accordance with U.S. GAAP and should not be considered as alternative measures of profitability or liquidity. Finally, the supplemental measures, as defined by us, may not be comparable to similarly entitled items reported by other real estate investment trusts or other companies.

The table below reflects the reconciliation of FFO to net income attributable to common stockholders, the most directly comparable U.S. GAAP measure, for the periods presented. The provisions for depreciation and amortization include provisions for depreciation and amortization from discontinued operations. Noncontrolling interest amounts represent the noncontrolling interests' share of

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

transaction costs and depreciation and amortization. Unconsolidated entity amounts represent our share of unconsolidated entities' depreciation and amortization. Amounts are in thousands except for per share data.

	Year Ended December 31,		
FFO Reconciliation:	2009	2010	2011
Net income attributable to common stockholders	$ 171,190	$ 106,882	$ 157,108
Depreciation and amortization	164,923	202,543	423,605
Impairment of assets	25,223	947	12,194
Loss (gain) on sales of properties	(43,394)	(36,115)	(61,160)
Noncontrolling interests	(965)	(2,749)	(18,557)
Unconsolidated entities	-	8,514	11,712
Funds from operations	$ 316,977	$ 280,022	$ 524,902
Average common shares outstanding:			
Basic	114,207	127,656	173,741
Diluted	114,612	128,208	174,401
Per share data:			
Net income attributable to common stockholders			
Basic	$ 1.50	$ 0.84	$ 0.90
Diluted	1.49	0.83	0.90
Funds from operations			
Basic	$ 2.78	$ 2.19	$ 3.02
Diluted	2.77	2.18	3.01

The table below reflects the reconciliation of Adjusted EBITDA to net income, the most directly comparable U.S. GAAP measure, for the periods presented. Interest expense and the provisions for depreciation and amortization include discontinued operations. Dollars are in thousands.

	Year Ended December 31,		
Adjusted EBITDA Reconciliation:	2009	2010	2011
Net income	$ 192,927	$ 128,884	$ 212,716
Interest expense	109,772	160,960	321,998
Income tax expense (benefit)	168	364	1,388
Depreciation and amortization	164,923	202,543	423,605
Stock-based compensation expense	9,633	11,823	10,786
Provision for loan losses	23,261	29,684	2,010
Loss (gain) on extinguishment of debt	25,107	34,171	(979)
Adjusted EBITDA	$ 525,791	$ 568,429	$ 971,524

Adjusted Interest Coverage Ratio:						
Interest expense	$	109,772	$	160,960	$	321,998
Capitalized interest		41,170		20,792		13,164
Non-cash interest expense		(11,898)		(13,945)		(13,905)
Total interest		139,044		167,807		321,257
Adjusted EBITDA	$	525,791	$	568,429	$	971,524
Adjusted interest coverage ratio		3.78x		3.39x		3.02x
Adjusted Fixed Charge Coverage Ratio:						
Interest expense	$	109,772	$	160,960	$	321,998
Capitalized interest		41,170		20,792		13,164
Non-cash interest expense		(11,898)		(13,945)		(13,905)
Secured debt principal payments		9,292		16,652		27,804
Preferred dividends		22,079		21,645		60,502
Total fixed charges		170,415		206,104		409,563
Adjusted EBITDA	$	525,791	$	568,429	$	971,524
Adjusted fixed charge coverage ratio		3.09x		2.76x		2.37x

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The following tables reflect the reconciliation of NOI for the periods presented. All amounts include amounts from discontinued operations, if applicable. Our share of revenues and expenses from unconsolidated entities are included in medical facilities. Amounts are in thousands.

	Year Ended December 31,		
NOI Reconciliation:	2009	2010	2011
Total revenues:			
Seniors housing triple-net:			
Rental income:			
Seniors housing triple-net	$ 190,684	$ 220,383	$ 306,810
Skilled nursing/post-acute	167,426	162,521	315,520
Sub-total	358,110	382,904	622,330
Interest income	35,944	36,176	34,068
Other income	5,308	3,386	6,620
Total seniors housing triple-net	399,362	422,466	663,018
Seniors housing operating:			
Resident fees and services	-	51,006	456,085
Medical facilities:			
Rental income			
Hospitals	44,967	50,071	70,022
Medical office buildings	136,834	170,435	241,159
Life science buildings	-	34,002	43,429
Sub-total	181,801	254,508	354,610
Interest income	4,941	4,679	7,002
Other income	9,369	985	3,985
Total medical facilities revenues	196,111	260,172	365,597
Corporate other income	1,170	2,874	690
Total revenues	596,643	736,518	1,485,390
Property operating expenses:			
Seniors housing operating	-	32,621	314,142
Medical facilities:			
Hospitals	-	1,753	1,871
Medical office buildings	48,965	52,091	69,021
Life science buildings	-	9,707	13,151
Sub-total	48,965	63,551	84,043
Total property operating expenses	48,965	96,172	398,185
Net operating income:			
Seniors housing triple-net	399,362	422,466	663,018
Seniors housing operating	-	18,385	141,943
Medical facilities	147,146	196,621	281,554

Non-segment/corporate	1,170	2,874	690
Net operating income	$ 547,678	$ 640,346	$ 1,087,205

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Critical Accounting Policies

Our consolidated financial statements are prepared in accordance with U.S. GAAP, which requires us to make estimates and assumptions. Management considers accounting estimates or assumptions critical if:

- the nature of the estimates or assumptions is material due to the levels of subjectivity and judgment necessary to account for highly uncertain matters or the susceptibility of such matters to change; and

- the impact of the estimates and assumptions on financial condition or operating performance is material.

Management has discussed the development and selection of its critical accounting policies with the Audit Committee of the Board of Directors and the Audit Committee has reviewed the disclosure presented below relating to them. Management believes the current assumptions and other considerations used to estimate amounts reflected in our consolidated financial statements are appropriate and are not reasonably likely to change in the future. However, since these estimates require assumptions to be made that were uncertain at the time the estimate was made, they bear the risk of change. If actual experience differs from the assumptions and other considerations used in estimating amounts reflected in our consolidated financial statements, the resulting changes could have a material adverse effect on our consolidated results of operations, liquidity and/or financial condition. Please refer to Note 1 of our audited consolidated financial statements for further information on significant accounting policies that impact us. There were no material changes to these policies in 2011.

The following table presents information about our critical accounting policies, as well as the material assumptions used to develop each estimate:

Nature of Critical Accounting Estimate	**Assumptions/Approach Used**
<u>Principles of Consolidation</u>	
The consolidated financial statements include our accounts, the accounts of our wholly-owned subsidiaries and the accounts of joint venture entities in which we own a majority voting interest with the ability to control operations and where no substantive participating rights or substantive kick out rights have been granted to the noncontrolling interests. In addition, we consolidate those entities deemed to be variable interest entities in which we are determined to be the primary beneficiary. All material intercompany transactions and balances have been eliminated in consolidation.	We make judgments about which entities are VIEs based on an assessment of whether (i) the equity investors as a group, if any, do not have a controlling financial interest, or (ii) the equity investment at risk is insufficient to finance that entity's activities without additional subordinated financial support. We make judgments with respect to our level of influence or control of an entity and whether we are (or are not) the primary beneficiary of a VIE. Consideration of various factors includes, but is not limited to, our ability to direct the activities that most significantly impact the entity's economic performance, our form of ownership interest, our representation on the entity's governing body, the size and seniority of our investment, our ability and the rights of other investors to participate in policy making decisions, replace the manager and/or liquidate the entity, if applicable. Our ability to correctly assess our influence or control over an entity at inception of our involvement or on a continuous basis when determining the

	primary beneficiary of a VIE affects the presentation of these entities in our consolidated financial statements. If we perform a primary beneficiary analysis at a date other than at inception of the variable interest entity, our assumptions may be different and may result in the identification of a different primary beneficiary.
Income Taxes	
As part of the process of preparing our consolidated financial statements, significant management judgment is required to evaluate our compliance with REIT requirements.	Our determinations are based on interpretation of tax laws, and our conclusions may have an impact on the income tax expense recognized. Adjustments to income tax expense may be required as a result of: (i) audits conducted by federal and state tax authorities, (ii) our ability to qualify as a REIT, (iii) the potential for built-in-gain recognized related to prior-tax-free acquisitions of C corporations, and (iv) changes in tax laws. Adjustments required in any given period are included in income.

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Nature of Critical Accounting Estimate	Assumptions/Approach Used
Impairment of Long-Lived Assets	
We review our long-lived assets for potential impairment in accordance with U.S. GAAP. An impairment charge must be recognized when the carrying value of a long-lived asset is not recoverable. The carrying value is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. If it is determined that a permanent impairment of a long-lived asset has occurred, the carrying value of the asset is reduced to its fair value and an impairment charge is recognized for the difference between the carrying value and the fair value.	The net book value of long-lived assets is reviewed quarterly on a property by property basis to determine if there are indicators of impairment. These indicators may include anticipated operating losses at the property level, the tenant's inability to make rent payments, a decision to dispose of an asset before the end of its estimated useful life and changes in the market that may permanently reduce the value of the property. If indicators of impairment exist, then the undiscounted future cash flows from the most likely use of the property are compared to the current net book value. This analysis requires us to determine if indicators of impairment exist and to estimate the most likely stream of cash flows to be generated from the property during the period the property is expected to be held. During the year ended December 31, 2011, we sold 42 properties, for net gains of $61,160,000. At December 31, 2011, we had five medical facilities and one seniors housing triple-net facility that satisfied the requirements for held for sale treatment. During the twelve months ended December 31, 2011, we recorded impairment charges of $12,194,000 related to certain held for sale properties to adjust the carrying values to estimated fair values less costs to sell based on current sales price expectations.
Allowance for Loan Losses	
We maintain an allowance for loan losses in accordance with U.S. GAAP. The allowance for loan losses is maintained at a level believed adequate to absorb potential losses in our loans receivable. The determination of the allowance is based on a quarterly evaluation of all outstanding loans. If this evaluation indicates that there is a greater risk of loan charge-offs, additional allowances or placement on non-accrual status may be required. A loan is impaired when, based on current information and events, it is probable that we will be unable to collect all amounts due as scheduled according to the contractual terms of the original loan	The determination of the allowance is based on a quarterly evaluation of all outstanding loans, including general economic conditions and estimated collectability of loan payments and principal. We evaluate the collectability of our loans receivable based on a combination of factors, including, but not limited to, delinquency status, historical loan charge-offs, financial strength of the borrower and guarantors and value of the underlying property.

agreement. Consistent with this definition, all loans on non-accrual are deemed impaired. To the extent circumstances improve and the risk of collectability is diminished, we will return these loans to full accrual status.

As a result of our quarterly evaluations, we recorded $2,010,000 of provision for loan losses during the year ended December 31, 2011. This amount includes the write-off of loans totaling $3,286,000 primarily related to a hospital. This was offset by a net reduction of the allowance balance by $1,276,000, resulting in an allowance for loan losses of $0 relating to real estate loans with outstanding balances of $6,244,000, all of which were on non-accrual status at December 31, 2011.

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

Nature of Critical Accounting Estimate	**Assumptions/Approach Used**
Revenue Recognition	
Revenue is recorded in accordance with U.S. GAAP, which requires that revenue be recognized after four basic criteria are met. These four criteria include persuasive evidence of an arrangement, the rendering of service, fixed and determinable income and reasonably assured collectability. If the collectability of revenue is determined incorrectly, the amount and timing of our reported revenue could be significantly affected. Interest income on loans is recognized as earned based upon the principal amount outstanding subject to an evaluation of collectability risk. Substantially all of our operating leases contain fixed and/or contingent escalating rent structures. Leases with fixed annual rental escalators are generally recognized on a straight-line basis over the initial lease period, subject to a collectability assessment. Rental income related to leases with contingent rental escalators is generally recorded based on the contractual cash rental payments due for the period. We recognize resident fees and services, other than move in fees, monthly as services are provided. Move in fees and related costs are recognized on a straight-line basis over the term of the applicable lease agreement. Lease agreements with residents generally have a term of one year and are cancelable by the resident with 30 days' notice.	We evaluate the collectability of our revenues and related receivables on an on-going basis. We evaluate collectability based on assumptions and other considerations including, but not limited to, the certainty of payment, payment history, the financial strength of the investment's underlying operations as measured by cash flows and payment coverages, the value of the underlying collateral and guaranties and current economic conditions. If our evaluation indicates that collectability is not reasonably assured, we may place an investment on non-accrual or reserve against all or a portion of current income as an offset to revenue. For the year ended December 31, 2011, we recognized $41,070,000 of interest income, $456,085,000 of resident fees and services, and $928,846,000 of rental income, including discontinued operations. For the year ended December 31, 2011, cash receipts on leases with deferred revenue provisions equaled $9,490,000 as compared to gross straight-line rental income recognized of $41,068,000. At December 31, 2011, our straight-line receivable balance was $119,555,000, net of reserves totaling $265,000. Also at December 31, 2011, we had real estate loans with outstanding balances of $6,244,000 on non-accrual status.
Fair Value of Derivative Instruments	
The valuation of derivative instruments is accounted for in accordance with U.S. GAAP, which requires companies to record derivatives at fair market value on the balance sheet as	The valuation of derivative instruments requires us to make estimates and judgments that affect the fair value of the instruments. Fair values for our derivatives are estimated by

assets or liabilities.	utilizing pricing models that consider forward yield curves and discount rates. Such amounts and their recognition are subject to significant estimates which may change in the future. At December 31, 2011, we participated in eight interest rate swap agreements which are reported at their fair value of $2,854,000 in other liabilities.

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

Nature of Critical Accounting Estimate	**Assumptions/Approach Used**
<u>Business Combinations</u>	
Real property developed by us is recorded at cost, including the capitalization of construction period interest. The cost of real property acquired is allocated to net tangible and identifiable intangible assets based on their respective fair values. Tangible assets primarily consist of land, buildings and improvements. The remaining purchase price is allocated among identifiable intangible assets primarily consisting of the above or below market component of in-place leases and the value of in-place leases. The total amount of other intangible assets acquired is further allocated to in-place lease values and customer relationship values based on management's evaluation of the specific characteristics of each tenant's lease and the Company's overall relationship with that respective tenant.	We make estimates as part of our allocation of the purchase price of acquisitions to the various components of the acquisition based upon the relative fair value of each component. The most significant components of our allocations are typically the allocation of fair value to the buildings as-if-vacant, land and in-place leases. In the case of the fair value of buildings and the allocation of value to land and other intangibles, our estimates of the values of these components will affect the amount of depreciation and amortization we record over the estimated useful life of the property acquired or the remaining lease term. In the case of the value of in-place leases, we make our best estimates based on our evaluation of the specific characteristics of each tenant's lease. Factors considered include estimates of carrying costs during hypothetical expected lease-up periods, market conditions and costs to execute similar leases. Our assumptions affect the amount of future revenue that we will recognize over the remaining lease term for the acquired in-place leases We compute depreciation and amortization on our properties using the straight-line method based on their estimated useful lives which range from 15 to 40 years for buildings and five to 15 years for improvements. Lives for intangibles are based on the remaining term of the underlying leases. For the year ended December 31, 2011, we recorded \$261,960,000, \$62,789,000 and \$98,856,000 as provisions for depreciation and amortization relating to buildings, improvements and intangibles, respectively, including amounts reclassified as discontinued operations. The

average useful life of our buildings, improvements and intangibles was 38.5 years, 11.8 years and 2.7 years, respectively, for the year ended December 31, 2011.

Impact of Inflation

During the past three years, inflation has not significantly affected our earnings because of the moderate inflation rate. Additionally, our earnings are primarily long-term investments with fixed rates of return. These investments are mainly financed with a combination of equity, senior unsecured notes and borrowings under our unsecured line of credit arrangement. During inflationary periods, which generally are accompanied by rising interest rates, our ability to grow may be adversely affected because the yield on new investments may increase at a slower rate than new borrowing costs. Presuming the current inflation rate remains moderate and long-term interest rates do not increase significantly, we believe that inflation will not impact the availability of equity and debt financing for us.

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

Item 7A. ***Quantitative and Qualitative Disclosures About Market Risk***

We are exposed to various market risks, including the potential loss arising from adverse changes in interest rates. We seek to mitigate the effects of fluctuations in interest rates by matching the terms of new investments with new long-term fixed rate borrowings to the extent possible. We may or may not elect to use financial derivative instruments to hedge interest rate exposure. These decisions are principally based on our policy to match our variable rate investments with comparable borrowings, but are also based on the general trend in interest rates at the applicable dates and our perception of the future volatility of interest rates. This section is presented to provide a discussion of the risks associated with potential fluctuations in interest rates.

We historically borrow on our unsecured line of credit arrangement to acquire, construct or make loans relating to health care and seniors housing properties. Then, as market conditions dictate, we will issue equity or long-term fixed rate debt to repay the borrowings under the unsecured line of credit arrangement.

A change in interest rates will not affect the interest expense associated with our fixed rate debt. Interest rate changes, however, will affect the fair value of our fixed rate debt. Changes in the interest rate environment upon maturity of this fixed rate debt could have an effect on our future cash flows and earnings, depending on whether the debt is replaced with other fixed rate debt, variable rate debt, equity or repaid by the sale of assets. To illustrate the impact of changes in the interest rate markets, we performed a sensitivity analysis on our fixed rate debt instruments whereby we modeled the change in net present values arising from a hypothetical 1% increase in interest rates to determine the instruments' change in fair value. The following table summarizes the analysis performed as of the dates indicated (in thousands):

	December 31, 2011		December 31, 2010	
	Principal balance	Change in fair value	Principal balance	Change in fair value
Senior unsecured notes	$ 4,464,927	$ (342,460)	$ 3,064,930	$ (248,884)
Secured debt	1,693,283	(82,583)	1,030,070	(51,973)
Totals	$ 6,158,210	$ (425,043)	$ 4,095,000	$ (300,857)

As of December 31, 2011, we had eight interest rate swaps for a total aggregate notional amount of $135,445,000. The swaps hedge interest payments associated with long-term LIBOR based borrowings and mature between December 31, 2012 and December 31, 2013.

Our variable rate debt, including our unsecured line of credit arrangements, is reflected at fair value. At December 31, 2011, we had $610,000,000 outstanding related to our variable rate lines of credit and $415,101,000 outstanding related to our variable rate secured debt. Assuming no changes in outstanding balances, a 1% increase in interest rates would result in increased annual interest expense of $10,251,000. At December 31, 2010, we had $300,000,000 outstanding related to our variable rate line of credit and $103,645,000 outstanding related to our variable rate secured debt. Assuming no changes in outstanding balances, a 1% increase in interest rates would have resulted in increased annual interest expense of $4,036,000.

We are subject to risks associated with debt financing, including the risk that existing indebtedness may not be refinanced or that the terms of refinancing may not be as favorable as the terms of current indebtedness. The majority of our borrowings were completed under indentures or contractual agreements that limit the amount of indebtedness we may incur. Accordingly, in the event that we are unable to raise additional equity or borrow money because of these limitations, our ability to acquire additional properties may be limited.

For additional information regarding fair values of financial instruments, see “Item 7 — Management’s Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Policies” and Note 16 to our audited consolidated financial statements.

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

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

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders of Health Care REIT, Inc.

We have audited the accompanying consolidated balance sheets of Health Care REIT, Inc. as of December 31, 2011 and 2010, and the related consolidated statements of income, equity, and cash flows for each of the three years in the period ended December 31, 2011. Our audits also included the financial statement schedules listed in Item 15(a)(2) of this Form 10-K. These financial statements and schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedules based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Health Care REIT, Inc. at December 31, 2011 and 2010, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2011, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedules, when considered in relation to the basic financial statements taken as a whole, present fairly in all material respects the information set forth therein.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Health Care REIT, Inc.'s internal control over financial reporting as of December 31, 2011, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 17, 2012 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Toledo, Ohio

February 17, 2012

	December 31, 2011	December 31, 2010
Assets	(In thousands)	
Real estate investments:		
Real property owned:		
Land and land improvements	$ 1,116,756	$ 727,050
Buildings and improvements	13,073,747	7,627,132
Acquired lease intangibles	428,199	258,079
Real property held for sale, net of accumulated depreciation	36,115	23,441
Construction in progress	189,502	356,793
Gross real property owned	14,844,319	8,992,495
Less accumulated depreciation and amortization	(1,194,476)	(836,966)
Net real property owned	13,649,843	8,155,529
Real estate loans receivable:		
Real estate loans receivable	292,507	436,580
Less allowance for losses on loans receivable	-	(1,276)
Net real estate loans receivable	292,507	435,304
Net real estate investments	13,942,350	8,590,833
Other assets:		
Investments in unconsolidated entities	241,722	237,107
Goodwill	68,321	51,207
Deferred loan expenses	58,584	32,960
Cash and cash equivalents	163,482	131,570
Restricted cash	69,620	79,069
Receivables and other assets	380,527	328,988
Total other assets	982,256	860,901
Total assets	$ 14,924,606	$ 9,451,734
Liabilities and equity		
Liabilities:		
Borrowings under unsecured line of credit arrangements	$ 610,000	$ 300,000
Senior unsecured notes	4,434,107	3,034,949
Secured debt	2,112,649	1,125,906
Capital lease obligations	83,996	8,881
Accrued expenses and other liabilities	371,557	244,345
Total liabilities	7,612,309	4,714,081
Redeemable noncontrolling interests	33,650	4,553
Equity:		
Preferred stock	1,010,417	291,667
Common stock	192,299	147,155
Capital in excess of par value	7,019,714	4,932,468
Treasury stock	(13,535)	(11,352)
Cumulative net income	1,893,806	1,676,196
Cumulative dividends	(2,972,129)	(2,427,881)

Accumulated other comprehensive income (loss)		(11,928)		(11,099)
Other equity		6,120		5,697
Total Health Care REIT, Inc. stockholders' equity		7,124,764		4,602,851
Noncontrolling interests		153,883		130,249
Total equity		7,278,647		4,733,100
Total liabilities and equity	$	14,924,606	$	9,451,734

See accompanying notes

	Year Ended December 31, 2011	2010	2009
Revenues:			
Rental income	$ 912,712	$ 558,191	$ 474,615
Resident fees and services	456,085	51,006	-
Interest income	41,070	40,855	40,885
Other income	11,295	7,245	7,788
Total revenues	1,421,162	657,297	523,288
Expenses:			
Interest expense	318,395	151,296	96,856
Property operating expenses	379,476	79,293	42,501
Depreciation and amortization	418,406	186,963	140,692
General and administrative	77,201	54,626	49,691
Transaction costs	70,224	46,660	-
Loss (gain) on extinguishment of debt	(979)	34,171	25,107
Provision for loan losses	2,010	29,684	23,261
Total expenses	1,264,733	582,693	378,108
Income from continuing operations before income taxes and income from unconsolidated entities	156,429	74,604	145,180
Income tax (expense) benefit	(1,388)	(364)	(168)
Income from unconsolidated entities	5,772	6,673	-
Income from continuing operations	160,813	80,913	145,012
Discontinued operations:			
Gain (loss) on sales of properties	61,160	36,115	43,394
Impairment of assets	(12,194)	(947)	(25,223)
Income (loss) from discontinued operations, net	2,937	12,803	29,744
Discontinued operations, net	51,903	47,971	47,915
Net income	212,716	128,884	192,927
Less: Preferred stock dividends	60,502	21,645	22,079
Net income (loss) attributable to noncontrolling interests[1]	(4,894)	357	(342)
Net income attributable to common stockholders	$ 157,108	$ 106,882	$ 171,190
Average number of common shares outstanding:			
Basic	173,741	127,656	114,207
Diluted	174,401	128,208	114,612
Earnings per share:			
Basic:			
Income from continuing operations			

attributable to common stockholders	$	0.61	$	0.46	$	1.08
Discontinued operations, net		0.30		0.38		0.42
Net income attributable to common stockholders*	$	0.90	$	0.84	$	1.50
Diluted:						
Income from continuing operations attributable to common stockholders	$	0.60	$	0.46	$	1.08
Discontinued operations, net		0.30		0.37		0.42
Net income attributable to common stockholders*	$	0.90	$	0.83	$	1.49

* Amounts may not sum due to rounding

(1) Includes amounts attributable to redeemable noncontrolling interests

See accompanying notes

CONSOLIDATED BALANCE SHEETS

HEALTH CARE REIT, INC. AND SUBSIDIARIES

(in thousands)	Preferred Stock	Common Stock	Capital in Excess of Par Value	Treasury Stock	Cumulative Net Income	Cumulative Dividends	Accumulated Other Comprehensive Income	Other Equity	Noncontrolling Interests	
Balances at December 31, 2008	$ 289,929	104,635	3,204,690	(5,145)	1,354,400	(1,723,819)	(1,113)	4,105	10,603	$
Comprehensive income:										
Net income					193,269				(342)	
Other comprehensive income:										
Unrealized gain (loss) on equity investments							487			
Unrecognized SERP actuarial gain (loss)							277			
Cash flow hedge activity							(2,542)			
Total comprehensive income										
Contributions by noncontrolling interests									2,255	
Distributions to noncontrolling interests									(2,104)	
Amounts related to issuance of common stock from dividend reinvestment and stock incentive plans, net of forfeitures		1,751	66,690	(2,474)				(930)		
Net proceeds from sale of common stock		16,969	628,070							
	(1,246)	30	1,216							

Conversion of preferred stock									
Option compensation expense								1,629	
Cash dividends paid:									
Common stock cash dividends						(311,760)			
Preferred stock cash dividends						(22,079)			
Balances at December 31, 2009	288,683	123,385	3,900,666	(7,619)	1,547,669	(2,057,658)	(2,891)	4,804	10,412
Comprehensive income:									
Net income					128,527				357
Other comprehensive income:									
Unrealized gain (loss) on equity investments							54		
Unrecognized SERP actuarial gain (loss)							(199)		
Cash flow hedge activity							(8,063)		
Total comprehensive income									
Contributions by noncontrolling interests			43,640						122,781
Distributions to noncontrolling interests									(3,301)
Amounts related to issuance of common stock from dividend reinvestment and stock incentive plans, net of forfeitures		2,300	97,696	(3,733)				(741)	
Net proceeds from sale of		21,131	884,255						

common stock									
Equity component of convertible debt			(9,689)						
Equity consideration in business combinations	16,667		2,721						
Redemption of preferred stock	(165)								
Conversion of preferred stock	(13,518)	339	13,179						
Option compensation expense								1,634	
Cash dividends paid:									
Common stock cash dividends						(348,578)			
Preferred stock cash dividends						(21,645)			
Balances at December 31, 2010	291,667	147,155	4,932,468	(11,352)	1,676,196	(2,427,881)	(11,099)	5,697	130,249
Comprehensive income:									
Net income					217,610				(3,591)
Other comprehensive income:									
Unrealized gain (loss) on equity investments							(122)		
Unrecognized SERP actuarial gain (loss)							(2,115)		
Cash flow hedge activity							1,408		
Total comprehensive income									
Contributions by noncontrolling interests			6,468						65,361
Distributions to noncontrolling interests									(38,136)

Amounts related to issuance of common stock from dividend reinvestment and stock incentive plans, net of forfeitures		2,895	138,989	(2,183)				(1,494)		
Net proceeds from sale of common stock		42,249	1,964,102							
Net proceeds from sale of preferred stock	718,750		(22,313)							
Option compensation expense								1,917		
Cash dividends paid:										
Common stock cash dividends						(483,746)				
Preferred stock cash dividends						(60,502)				
Balances at December 31, 2011	$ 1,010,417	$ 192,299	$ 7,019,714	$ (13,535)	$ 1,893,806	$ (2,972,129)	$ (11,928)	$ 6,120	$ 153,883	$

See accompanying notes

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CONSOLIDATED STATEMENTS OF INCOME

HEALTH CARE REIT, INC. AND SUBSIDIARIES

	Year Ended December 31, 2011	2010	2009
	(In thousands)		
Operating activities			
Net income	$ 212,716	$ 128,884	$ 192,927
Adjustments to reconcile net income to net cash provided from (used in) operating activities:			
Depreciation and amortization	423,605	202,543	164,923
Other amortization expenses	16,851	17,169	15,412
Provision for loan losses	2,010	29,684	23,261
Impairment of assets	12,194	947	25,223
Stock-based compensation expense	10,786	11,823	9,633
Loss (gain) on extinguishment of debt	(979)	34,171	25,107
Income from unconsolidated entities	(5,772)	(6,673)	-
Rental income in excess of cash received	(31,578)	(6,594)	11,259
Amortization related to above (below) market leases, net	(2,507)	(2,856)	(1,713)
Loss (gain) on sales of properties	(61,160)	(36,115)	(43,394)
Other income less than (in excess of) cash received	-	-	(5,000)
Distributions by unconsolidated entities	6,149	-	-
Increase (decrease) in accrued expenses and other liabilities	10,653	12,293	(311)
Decrease (increase) in receivables and other assets	(4,744)	(20,535)	(36,068)
Net cash provided from (used in) operating activities	588,224	364,741	381,259
Investing activities			
Investment in real property, net of cash acquired	(4,905,122)	(2,074,176)	(598,959)
Capitalized interest	(13,164)	(20,792)	(41,170)
Investment in real estate loans receivable	(51,477)	(97,265)	(74,417)
Other investments, net of payments	(22,986)	(133,894)	(22,133)
Principal collected on real estate loans receivable	188,811	43,495	111,779
Contributions to unconsolidated entities	(2,784)	(196,413)	-
Distributions by unconsolidated entities	9,135	103	-
Decrease (increase) in restricted cash	30,248	(52,124)	130,833

Proceeds from sales of real property		247,210		219,027		224,007
Net cash provided from (used in) investing activities		(4,520,129)		(2,312,039)		(270,060)
Financing activities						
Net increase (decrease) under unsecured lines of credit arrangements		310,000		160,000		(430,000)
Proceeds from issuance of senior unsecured notes		1,381,086		1,821,683		-
Payments to extinguish senior unsecured notes		(3)		(495,542)		(201,048)
Net proceeds from the issuance of secured debt		119,030		154,306		276,277
Payments on secured debt		(85,111)		(217,711)		(107,736)
Net proceeds from the issuance of common stock		2,137,594		995,438		704,533
Net proceeds from the issuance of preferred stock		696,437		-		-
Decrease (increase) in deferred loan expenses		(28,867)		(3,869)		(7,431)
Contributions by noncontrolling interests(1)		8,604		2,611		2,255
Distributions to noncontrolling interests(1)		(30,705)		(3,301)		(2,104)
Cash distributions to stockholders		(544,248)		(370,223)		(333,839)
Net cash provided from (used in) financing activities		3,963,817		2,043,392		(99,093)
Increase (decrease) in cash and cash equivalents		31,912		96,094		12,106
Cash and cash equivalents at beginning of period		131,570		35,476		23,370
Cash and cash equivalents at end of period	$	163,482	$	131,570	$	35,476
Supplemental cash flow information:						
Interest paid	$	285,884	$	156,207	$	143,697
Income taxes paid		389		319		854

(1) Includes amounts attributable to redeemable noncontrolling interests.

See accompanying notes.

CONSOLIDATED STATEMENTS OF EQUITY

HEALTH CARE REIT, INC. AND SUBSIDIARIES

1. Business

Health Care REIT, Inc., an S&P 500 company with headquarters in Toledo, Ohio, is an equity real estate investment trust ("REIT") that invests in seniors housing and health care real estate. Our full service platform also offers property management and development services to our customers. As of December 31, 2011, our diversified portfolio consisted of 937 properties in 46 states. Founded in 1970, we were the first real estate investment trust to invest exclusively in health care facilities.

2. Accounting Policies and Related Matters

Principles of Consolidation

The consolidated financial statements include the accounts of our wholly-owned subsidiaries and joint venture entities that we control, through voting rights or other means. All material intercompany transactions and balances have been eliminated in consolidation.

At inception of joint venture transactions, we identify entities for which control is achieved through means other than voting rights ("variable interest entities" or "VIEs") and determine which business enterprise is the primary beneficiary of its operations. A variable interest entity is broadly defined as an entity where either (i) the equity investors as a group, if any, do not have a controlling financial interest, or (ii) the equity investment at risk is insufficient to finance that entity's activities without additional subordinated financial support. We consolidate investments in VIEs when we are determined to be the primary beneficiary. ASC 810, *Consolidations*, requires enterprises to perform a qualitative approach to determining whether or not a VIE will need to be consolidated on a continuous basis. This evaluation is based on an enterprise's ability to direct and influence the activities of a variable interest entity that most significantly impact that entity's economic performance.

For investments in joint ventures, we evaluate the type of rights held by the limited partner(s), which may preclude consolidation in circumstances in which the sole general partner would otherwise consolidate the limited partnership. The assessment of limited partners' rights and their impact on the presumption of control over a limited partnership by the sole general partner should be made when an investor becomes the sole general partner and should be reassessed if (i) there is a change to the terms or in the exercisability of the rights of the limited partners, (ii) the sole general partner increases or decreases its ownership in the limited partnership, or (iii) there is an increase or decrease in the number of outstanding limited partnership interests. We similarly evaluate the rights of managing members of limited liability companies.

Use of Estimates

The preparation of the financial statements in conformity with U.S. generally accepted accounting principles ("U.S. GAAP") requires us to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Revenue Recognition

Revenue is recorded in accordance with U.S. GAAP, which requires that revenue be recognized after four basic criteria are met. These four criteria include persuasive evidence of an arrangement, the rendering of service, fixed and determinable income and reasonably assured collectability. Interest income on loans is recognized as earned based upon the principal amount outstanding subject to an evaluation of collectability risk. Substantially all of our operating leases contain either fixed or contingent escalating rent structures. Leases with fixed annual rental escalators are generally recognized on a straight-line basis over the initial lease period, subject to a collectability assessment. Rental income related to leases with contingent rental escalators is generally recorded based on the contractual cash rental payments due for the period. Leases in our medical office building portfolio typically include some form of operating expense reimbursement by the tenant. Certain payments made to operators are treated as lease incentives and amortized as a reduction of revenue over the lease term. We recognize resident fees and services, other than move in fees, monthly as services are provided. Move in fees and related costs are recognized on a straight-line basis over the term of the applicable lease agreement. Lease agreements with residents generally have a term of one year and are cancelable by the resident with 30 days' notice.

Cash and Cash Equivalents

Cash and cash equivalents consist of all highly liquid investments with an original maturity of three months or less.

Restricted Cash

Restricted cash primarily consists of amounts held by lenders to provide future payments for real estate taxes, insurance, tenant and capital improvements and amounts held in escrow relating to acquisitions we are entitled to receive over a period of time as outlined in the escrow agreement.

CONSOLIDATED STATEMENTS OF CASH FLOWS

HEALTH CARE REIT, INC. AND SUBSIDIARIES

Deferred Loan Expenses

Deferred loan expenses are costs incurred by us in connection with the issuance, assumption and amendments of debt arrangements. We amortize these costs over the term of the debt using the straight-line method, which approximates the effective interest method.

Investments in Unconsolidated Entities

Investments in less than majority owned entities where our interests represent a general partnership interest but substantive participating rights or substantive kick-out rights have been granted to the limited partners, or where our interests do not represent the general partnership interest and we do not control the major operating and financial policies of the entity, are reported under the equity method of accounting. Under the equity method of accounting, our share of the investee's earnings or losses is included in our consolidated results of operations. To the extent that our cost basis is different from the basis reflected at the entity level, the basis difference is generally amortized over the lives of the related assets and liabilities, and such amortization is included in our share of equity in earnings of the entity. The initial carrying value of investments in unconsolidated entities is based on the amount paid to purchase the entity interest or the estimated fair value of the assets prior to the sale of interests in the entity. Where we do not have the ability to exercise influence over the company, the investment is accounted for under the cost method. These equity investments represented a minimal ownership interest in these companies. We evaluate our equity method investments for impairment based upon a comparison of the estimated fair value of the equity method investment to its carrying value. When we determine a decline in the estimated fair value of such an investment below its carrying value is other-than-temporary, an impairment is recorded.

Redeemable Noncontrolling Interests

Certain noncontrolling interests were redeemable at fair value at December 31, 2011 and 2010. Accordingly, we record the carrying amount of the noncontrolling interests at the greater of (i) the initial carrying amount, increased or decreased for the noncontrolling interest's share of net income or loss and its share of other comprehensive income or loss and dividends or (ii) the redemption value. In accordance with ASC 810, the redeemable noncontrolling interests were classified outside of permanent equity, as a mezzanine item, in the balance sheet.

Real Property Owned

Real property developed by us is recorded at cost, including the capitalization of construction period interest. Expenditures for repairs and maintenance are expensed as incurred. Property acquisitions are accounted for as business combinations where we measure the assets acquired, liabilities (including assumed debt and contingencies) and any noncontrolling interests at their fair values on the acquisition date. The cost of real property acquired, which represents substantially all of the purchase price, is allocated to net tangible and identifiable intangible assets based on their respective fair values. These properties are depreciated on a straight-line basis over their estimated useful lives which range from 15 to 40 years for buildings and 5 to 15 years for improvements. Tangible assets primarily consist of land, buildings and improvements. We consider costs incurred in conjunction with re-leasing properties, including tenant improvements and lease commissions, to represent the acquisition of productive assets and, accordingly, such costs are reflected as investment activities in our statement of cash flows.

The remaining purchase price is allocated among identifiable intangible assets primarily consisting of the above or below market component of in-place leases and the value of in-place leases. The value allocable to the above or below market component of the acquired in-place lease is determined based upon the present value (using a discount rate which reflects the risks associated with the acquired leases) of the difference between (i) the contractual amounts to be paid pursuant to the lease over its remaining term, and (ii) management's estimate of the amounts that would be paid using fair market rates over the remaining term of the lease. The amounts allocated to above market leases are included in acquired lease intangibles and below market leases are included in other liabilities in the balance sheet and are amortized to rental income over the remaining terms of the respective leases.

The total amount of other intangible assets acquired is further allocated to in-place lease values and customer relationship values based on management's evaluation of the specific characteristics of each tenant's lease and the Company's overall relationship with that respective tenant. Characteristics considered by management in allocating these values include the nature and extent of the Company's existing business relationships with the tenant, growth prospects for developing new business with the tenant, the tenant's credit quality and expectations of lease renewals, among other factors.

The net book value of long-lived assets is reviewed quarterly on a property by property basis to determine if facts and circumstances suggest that the assets may be impaired or that the depreciable life may need to be changed. We consider external factors relating to each asset and the existence of a master lease which may link the cash flows of an individual asset to a larger portfolio of assets leased to the same tenant. If these factors and the projected undiscounted cash flows of the asset over the remaining depreciation period indicate that the asset will not be recoverable, the carrying value is reduced to the estimated fair market value. In addition, we are exposed to the risks inherent in concentrating investments in real estate, and in particular, the seniors housing and health care industries. A downturn in the real estate industry could adversely affect the value of our properties and our ability to sell properties for a price or on terms acceptable to us.

Capitalization of Construction Period Interest

We capitalize interest costs associated with funds used to finance the construction of properties owned directly by us. The amount capitalized is based upon the balance outstanding during the construction period using the rate of interest which approximates our cost of financing. We capitalized interest costs of $13,164,000, $20,792,000, and $41,170,000 during 2011, 2010 and 2009, respectively, related to construction of real property owned by us. Our interest expense reflected in the consolidated statements of income has been reduced by the amounts capitalized.

Gain on Sale of Assets

We recognize sales of assets only upon the closing of the transaction with the purchaser. Payments received from purchasers prior to closing are recorded as deposits and classified as other assets on our Consolidated Balance Sheets. Gains on assets sold are recognized using the full accrual method upon closing when (i) the collectability of the sales price is reasonably assured, (ii) we are not obligated to perform significant activities after the sale to earn the profit, (iii) we have received adequate initial investment from the purchaser and (iv) other profit recognition criteria have been satisfied. Gains may be deferred in whole or in part until the sales satisfy the requirements of gain recognition on sales of real estate.

Real Estate Loans Receivable

Real estate loans receivable consist of mortgage loans and other real estate loans. Interest income on loans is recognized as earned based upon the principal amount outstanding subject to an evaluation of collectability risks. The loans are primarily collateralized by a first, second or third mortgage lien, a leasehold mortgage on, or an assignment of the partnership interest in, the related properties, corporate guaranties and/or personal guaranties.

Allowance for Losses on Loans Receivable

The allowance for losses on loans receivable is maintained at a level believed adequate to absorb potential losses in our loans receivable. The determination of the allowance is based on a quarterly evaluation of these loans, including general economic conditions and estimated collectability of loan payments. We evaluate the collectability of our loans receivable based on a combination of factors, including, but not limited to, delinquency status, historical loan charge-offs, financial strength of the borrower and guarantors and value of the underlying collateral. If such factors indicate that there is greater risk of loan charge-offs, additional allowances or placement on non-accrual status may be required. A loan is impaired when, based on current information and events, it is probable that we will be unable to collect all amounts due as scheduled according to the contractual terms of the original loan agreement. Consistent with this definition, all loans on non-accrual are deemed impaired. At December 31, 2011, we had loans with outstanding balances of $6,244,000 on non-accrual status ($9,691,000 at December 31, 2010). To the extent circumstances improve and the risk of collectability is diminished, we will return these loans to full accrual status. While a loan is on non-accrual status, any cash receipts are applied against the outstanding principal balance.

Goodwill

We account for goodwill in accordance with U.S. GAAP. Goodwill is tested annually for impairment and is tested for impairment more frequently if events and circumstances indicate that the asset might be impaired. An impairment loss is recognized to the extent that the carrying amount, including goodwill, exceeds the reporting unit's fair value and the implied fair value of goodwill is less than the carrying amount of that goodwill. We did not have any goodwill impairments for the years ended December 31, 2011 or 2010.

Fair Value of Derivative Instruments

The valuation of derivative instruments requires us to make estimates and judgments that affect the fair value of the instruments. Fair values for our derivatives are estimated by utilizing pricing models that consider forward yield curves and discount rates. Such amounts and the recognition of such amounts are subject to significant estimates that may change in the future. See Note 11 for additional information.

Federal Income Tax

No provision has been made for federal income taxes since we have elected to be treated as a real estate investment trust under the applicable provisions of the Internal Revenue Code, and we believe that we have met the requirements for qualification as such for each taxable year. Our taxable REIT subsidiaries are subject to federal, state and local income taxes. See Note 18 for additional information.

Earnings Per Share

HEALTH CARE REIT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Basic earnings per share is computed by dividing net income available to common stockholders by the weighted-average number of shares outstanding for the period adjusted for non-vested shares of restricted stock. The computation of diluted earnings per share is similar to basic earnings per share, except that the number of shares is increased to include the number of additional common shares that would have been outstanding if the potentially dilutive common shares had been issued.

New Accounting Standards

In April 2011, FASB issued ASU No. 2011-02, A Creditor's Determination of Whether a Restructuring Is a Troubled Debt Restructuring. It provided additional guidance to assist creditors in determining whether a restructuring of a receivable meets the criteria to be considered a troubled debt restructuring. The amendments in this ASU are effective for the first interim or annual period beginning on or after June 15, 2011, and are to be applied retrospectively to the beginning of the annual period of adoption. The adoption of this ASU did not have a material impact on our consolidated financial position or results of operations.

In September 2011, FASB issued ASU No. 2011-08, Testing for Goodwill Impairment. It allows companies the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. Companies would then only proceed to the existing two step impairment test if, after assessing the totality of the events or circumstances, an entity determines it is not more likely than not that the fair value of a reporting unit is less than its carrying amount. The ASU is effective for annual and interim goodwill tests performed for fiscal years beginning after December 15, 2011 with early adoption permitted. We have early adopted this ASU and applied it to our annual goodwill assessment performed on October 1, 2011.

In June 2011, the FASB issued Accounting Standards Update No. 2011-05, "Statement of Comprehensive Income" ("ASU 2011-05"), which requires entities to present net income and other comprehensive income in either a single continuous statement or in two separate, but consecutive, statements of net income and other comprehensive income. ASU 2011-05 will only impact the company's financial presentation as the company currently presents items of other comprehensive income in the statement of changes in equity. ASU 2011-05 will be effective for our fiscal year beginning January 1, 2012.

Reclassifications

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

3. Real Property Acquisitions and Development

Genesis Acquisition

On April 1, 2011, we completed the acquisition of substantially all of the real estate assets (147 properties) of privately-owned Genesis HealthCare Corporation. The total purchase price of approximately $2,483,398,000 is comprised of $2,400,000,000 of cash consideration, the fair value of capital lease obligations assumed totaling approximately $75,144,000 and approximately $8,254,000 relating to uncertain tax positions that were assumed in the transaction (see Note 18 for further discussion on such tax positions and the related indemnification received). The total purchase price has been allocated on a preliminary basis in the amounts of $144,091,000 to land and land improvements, $2,331,053,000 to buildings and improvements and $8,254,000 to receivables and other assets. We funded the cash consideration and other associated costs of the acquisition primarily through the proceeds of the offerings of common stock, preferred stock and senior unsecured notes completed in March 2011. Effective April 1, 2011, we began leasing the acquired facilities to Genesis pursuant to a master lease. In addition to rent, the triple-net master lease requires Genesis to pay all operating costs, utilities, real estate taxes, insurance, building repairs, maintenance costs and all obligations under the ground leases. All obligations under the master lease have been guaranteed by FC-GEN Operations Investment, LLC, which was spun-off by Genesis prior to closing the acquisition. The initial term is fifteen years. Genesis has one option to renew for an additional term of fifteen years. The master lease provides that the base rent for the first year is $198,000,000 and will increase at least 1.75% but no more than 3.50% (subject to CPI changes) for each of the years two through six during the initial term and at least 1.50% but no more than 3.00% per year thereafter (subject to CPI changes). We are recognizing rental income based on the minimum rent escalators during the initial term. These properties are reported in our seniors housing triple-net segment.

The following unaudited pro forma consolidated results of operations have been prepared as if the Genesis acquisition had occurred as of January 1, 2010 based on the preliminary purchase price allocations discussed above. Amounts are in thousands, except per share data:

HEALTH CARE REIT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	Year Ended December 31,			
		2011		2010
Revenues	$	1,476,769	$	879,726
Income from continuing operations attributable to common stockholders	$	121,317	$	93,193
Income from continuing operations attributable to common stockholders per share:				
Basic	$	0.66	$	0.60
Diluted	$	0.66	$	0.59

Strategic Medical Office Partnership

On December 31, 2010, we formed a strategic partnership with a national medical office building company ("MOBJV") whereby the partnership invested in 17 medical office properties. We own a controlling interest in 11 properties and consolidate them. Consolidation is based on a combination of ownership interest and control of operational decision-making authority. We do not own a controlling interest in six properties and account for them under the equity method. Our investment in the strategic partnership provides us access to health systems and includes development and property management resources. The results of operations for this partnership have been included in our consolidated results of operations for 2011 and 2010 and are a component of our medical facilities segment.

In conjunction with the formation of the partnership, we contributed $225,173,000 of cash, convertible preferred stock valued at $16,667,000, options valued at $2,721,000 and a note payable of $8,333,000 with an interest rate of 6%. MOBJV contributed the properties to the partnership and the secured debt relating to these properties in exchange for their ownership interest in the partnership. The partnership contains certain contingent consideration arrangements ranging from $0 to $35,008,000. Amounts to be paid are contingent upon certain occupancy and development project performance thresholds. Of this amount, we recognized $29,439,000 as an estimate of additional purchase consideration based on the probability amounts will be paid by the expiration date of the commitments. Of the amount recognized, $12,500,000 is required to be settled in the Company's common stock upon the achievement of certain performance thresholds. The total purchase price for the assets acquired by the partnership has been allocated to the tangible and identifiable intangible assets and liabilities based upon their respective fair values in accordance with the Company's accounting policies. Goodwill represents the estimated fair value of the future development pipeline expected to be generated. Cash flows from this future pipeline are expected to come from development activities and the ability to perform the management functions at the assets after the properties are developed. The noncontrolling interest relating to the properties is also reflected at estimated fair value. The weighted average useful life of the acquired intangibles was 26.2 years. The following table presents the final allocation of the purchase price to assets and liabilities assumed, based on their estimated fair values (in thousands):

Land and land improvements	$	10,240
Buildings and improvements		170,886

Acquired lease intangibles		41,519
Investment in unconsolidated entity		21,321
Goodwill		68,321
Other acquired intangibles		36,439
Cash and cash equivalents		3,873
Restricted cash		107
Receivables and other assets		5,390
Total assets acquired		358,096
Secured debt		61,664
Below market lease intangibles		4,188
Accrued expenses and other liabilities		36,835
Total liabilities assumed		102,687
Redeemable noncontrolling interests		10,848
Preferred stock		16,667
Capital in excess of par		2,721
Net assets acquired	$	225,173

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HEALTH CARE REIT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Seniors Housing Operating Partnerships

Under the provisions of the REIT Investment Diversification and Empowerment Act of 2007 ("RIDEA"), for taxable years beginning after July 30, 2008, we may lease "qualified health care properties" on an arm's-length basis to our taxable REIT subsidiary ("TRS") if the property is operated on behalf of such subsidiary by a person who qualifies as an eligible independent contractor ("EIK"). A "qualified health care property" includes real property and any personal property that is, or is necessary or incidental to the use of, a hospital, nursing facility, assisted living facility, congregate care facility, qualified continuing care facility, or other licensed facility which extends medical or nursing or ancillary services to patients. The "qualified health care properties" are operated by an EIK under a management agreement. The lease agreement required under RIDEA between us and our TRS is eliminated for accounting purposes in consolidation.

During 2010, we entered into two partnerships that were structured under RIDEA, and during 2011, we entered into three additional partnerships that were structured under RIDEA and added certain properties to existing RIDEA structured investments. Resident level rents and related operating expenses for these facilities are reported in the consolidated financial statements and are subject to federal taxes as the operations of such facilities are included in our TRS. The results of all such partnerships and acquisitions have been included in our consolidated results of operations from the acquisition date and are a component of our senior housing operating segment. Consolidation of all such partnerships is based on a combination of ownership interest and control of operational decision-making authority. The weighted average useful life of the acquired intangibles was 2.4 years at December 31, 2011.

Merrill Gardens Partnership

During the three months ended September 30, 2010, we completed the formation of our partnership with Merrill Gardens LLC to own and operate a portfolio of 38 combination seniors housing and care communities located primarily in West Coast markets. We own an 80% partnership interest and Merrill Gardens owns the remaining 20% interest and continues to manage the communities. The partnership owns and operates 13 communities previously owned by us and 25 communities previously owned by Merrill Gardens.

In conjunction with the formation of the partnership, we contributed $254,885,000 of cash and the 13 properties previously owned by us, and the partnership assumed the secured debt relating to these properties. Merrill Gardens contributed the remaining 25 properties to the partnership and the secured debt relating to these properties in exchange for their 20% interest in the partnership. The 13 properties are recorded at their historical carrying values and the noncontrolling interest was established based on such values. The difference between the fair value of the consideration received relating to these properties and the historical allocation of the 20% noncontrolling interest was recorded in capital in excess of par value. During December 2011, the partnership acquired nine new communities previously owned by Merrill Gardens. In conjunction with the transaction, we contributed $163,064,000 of cash in exchange for our 80% interest and Merrill Gardens contributed the nine communities and the secured debt relating to these properties in exchange for their 20% interest. The total purchase price for the communities acquired has been allocated to the tangible and identifiable intangible assets and liabilities based upon their respective fair values in accordance with our accounting policies.

Benchmark Partnership

During March 2011, we completed the formation of our partnership with Benchmark Senior Living to own and operate a portfolio of 34 seniors housing communities located in New England. We own a 95% partnership interest and Benchmark owns the remaining 5% interest and continues to manage the communities. The 34 communities included in the partnership were previously owned by The GPT Group and Benchmark. In conjunction with the formation of the partnership, we contributed $383,356,000 of cash. Benchmark contributed its interests in the 34 properties to the partnership and the secured debt relating to these properties in exchange for its 5% interest in the partnership. The total purchase price for the communities acquired has been allocated to the tangible and identifiable intangible assets and liabilities as well as the noncontrolling interests based upon their respective fair values in accordance with our accounting policies.

Other Partnerships

During 2010 and 2011, in addition to the investments above, we invested through similar partnerships structured under RIDEA in nine and 21 properties, respectively. Our ownership position in these partnerships ranges from 90% to 95% and all are consolidated by us in the financial statements.

The following table presents the aggregated final purchase price allocations of the assets acquired and liabilities assumed for all seniors housing operating partnership transactions for the periods presented (in thousands):

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	Year Ended December 31,	
	2011	2010
Land and land improvements	$ 112,350	$ 75,620
Buildings and improvements	1,512,764	686,911
Acquired lease intangibles	122,371	63,757
Investment in unconsolidated entities	14,960	-
Cash and cash equivalents	38,952	8,532
Restricted cash	20,699	5,899
Receivables and other assets	901	14,399
Total assets acquired	1,822,997	855,118
Secured debt	796,273	305,167
Accrued expenses and other liabilities	44,483	8,270
Total liabilities assumed	840,756	313,437
Capital in excess of par	6,017	43,641
Noncontrolling interests	69,984	107,774
Net assets acquired	$ 906,240	$ 390,266

Real Property Investment Activity

The following is a summary of our real property investment activity for the periods presented (in thousands):

	Year Ended		
	December 31, 2011	December 31, 2010	December 31, 2009
Real property acquisitions:			
Seniors housing triple-net	$ 3,320,664	$ 1,028,529	$ 11,650
Seniors housing operating	1,747,485	816,000	-
Medical facilities(1)	610,843	626,414	56,023
Land parcels	19,084	4,300	-
Total acquisitions	5,698,076	2,475,243	67,673
Less: Assumed debt	(961,928)	(559,508)	-
Assumed other items, net	(210,411)	(208,314)	-
Cash disbursed for acquisitions	4,525,737	1,707,421	67,673
Construction in progress additions:			
Seniors housing triple-net	182,626	85,993	333,572
Medical facilities	165,593	252,594	221,760

Total construction in progress additions		348,219		338,587		555,332
Less: Capitalized interest		(13,164)		(20,320)		(40,969)
Accruals[(2)]		(33,451)		(11,435)		(21,466)
Cash disbursed for construction in progress		301,604		306,832		492,897
Capital improvements to existing properties		77,781		59,923		38,389
Total cash invested in real property	$	4,905,122	$	2,074,176	$	598,959

(1) Includes $318,608,000 relating to acquisitions of 12 medical facilities that closed in the fourth quarter of 2011. The allocation of the purchase price consideration is preliminary and subject to change.

(2) Represents non-cash accruals for amounts to be paid in future periods relating to properties that converted in the period noted above.

The following is a summary of the construction projects that were placed into service and began generating revenues during the periods presented:

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	Year Ended		
	December 31, 2011	December 31, 2010	December 31, 2009
Development projects:			
Seniors housing triple-net	$ 114,161	$ 273,034	$ 550,504
Medical facilities	355,935	162,376	183,127
Total development projects	470,096	435,410	733,631
Expansion projects	45,414	3,216	4,288
Total construction in progress conversions	$ 515,510	$ 438,626	$ 737,919

Transaction costs for the year ended December 31, 2011 primarily represent costs incurred with the Genesis acquisition and seniors housing operating partnerships and medical facilities purchases (including due diligence costs, fees for legal and valuation services, and termination of pre-existing relationships computed based on the fair value of the assets acquired), lease termination fees and costs incurred in connection with the new property acquisitions.

At December 31, 2011, future minimum lease payments receivable under operating leases (excluding properties in our seniors housing operating partnerships and excluding any operating expense reimbursements) are as follows (in thousands):

2012	$ 931,680
2013	923,885
2014	876,401
2015	846,878
2016	836,858
Thereafter	6,163,444
Totals	$ 10,579,146

4. Real Estate Intangibles

The following is a summary of our real estate intangibles, excluding those classified as held for sale, as of the dates indicated (dollars in thousands):

		December 31, 2011	December 31, 2010
Assets:			
	In place lease intangibles	$ 332,645	$ 182,030
	Above market tenant leases	35,973	24,089
	Below market ground leases	51,316	46,992
	Lease commissions	8,265	4,968
	Gross historical cost	428,199	258,079
	Accumulated amortization	(148,380)	(49,145)
	Net book value	$ 279,819	$ 208,934
	Weighted-average amortization period in years	17.0	18.2
Liabilities:			
	Below market tenant leases	$ 67,284	$ 57,261
	Above market ground leases	5,020	5,020
	Gross historical cost	72,304	62,281
	Accumulated amortization	(21,387)	(15,992)
	Net book value	$ 50,917	$ 46,289
	Weighted-average amortization period in years	12.3	14.0

The following is a summary of real estate intangible amortization for the periods presented (in thousands):

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	Year Ended December 31,		
	2011	2010	2009
Rental income related to above/below market tenant leases, net	$ 3,340	$ 3,829	$ 2,670
Property operating expenses related to above/below market ground leases, net	(1,161)	(1,049)	(1,052)
Depreciation and amortization related to in place lease intangibles and lease commissions	(98,856)	(18,298)	(9,722)

The future estimated aggregate amortization of intangible assets and liabilities is as follows for the periods presented (in thousands):

	Assets	Liabilities
2012	$ 85,656	$ 6,108
2013	34,209	5,549
2014	17,136	5,169
2015	14,897	4,330
2016	17,801	4,129
Thereafter	110,120	25,632
Totals	$ 279,819	$ 50,917

5. Dispositions, Assets Held for Sale and Discontinued Operations

During the year ended December 31, 2009, we sold 36 properties for net gains of $43,394,000. At December 31, 2009, we had two skilled nursing facilities and eight medical facilities held for sale and recorded an impairment charge of $25,223,000 to reduce the medical office buildings to their estimated fair values less costs to sell. In determining the fair value of the held for sale properties, we used a combination of third party appraisals based on market comparable transactions, other market listings and asset quality as well as management calculations based on projected operating income and published capitalization rates. During the year ended December 31, 2010, we sold 38 properties, including seven of the held for sale medical facilities, for net gains of $36,115,000. At December 31, 2010, we had one medical facility and 16 seniors housing facilities that satisfied the requirements for held for sale treatment and such properties were properly recorded at the lesser of their estimated fair values less costs to sell or carrying values. During the year ended December 31, 2010, we recorded an impairment charge of $947,000 related to two of the held for sale medical facilities to adjust the carrying values to estimated fair values less costs to sell based on current sales price expectations. During the year ended December 31, 2011, we sold 42 properties for net gains of $61,160,000. At December 31, 2011, we had five medical facilities and one seniors housing triple-net facility that satisfied the requirements for held for sale treatment and such properties were properly recorded at the lesser of their estimated fair values less costs to sell or carrying values. During the year ended December 31, 2011, we recorded an impairment charge of $12,194,000 related to certain held for sale properties to adjust the carrying values to estimated fair values less costs to sell based on current sales price expectations. The following is a summary of our real property disposition activity for the periods presented (in thousands):

	Year Ended		
	December 31, 2011	December 31, 2010	December 31, 2009
Real property dispositions:			
Seniors housing triple-net	$ 150,755	$ 170,290	$ 101,155
Medical facilities	35,295	14,092	85,558
Total dispositions	186,050	184,382	186,713
Add: Gain (loss) on sales of real property	61,160	36,115	43,394
Seller financing on sales of real property	-	(1,470)	(6,100)
Proceeds from real property sales	$ 247,210	$ 219,027	$ 224,007

We have reclassified the income and expenses attributable to all properties sold prior to or held for sale at December 31, 2011 to discontinued operations. Expenses include an allocation of interest expense based on property carrying values and our weighted average cost of debt. The following illustrates the reclassification impact as a result of classifying properties as discontinued operations for the periods presented (in thousands):

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	Year Ended December 31, 2011		Year Ended December 31, 2010		Year Ended December 31, 2009	
Revenues:						
Rental income	$	16,134	$	45,219	$	65,296
Other income		-		-		8,059
Expenses:						
Interest expense		3,604		9,664		12,916
Property operating expenses		4,394		7,172		6,464
Provision for depreciation		5,199		15,580		24,231
Income (loss) from discontinued operations, net	$	2,937	$	12,803	$	29,744

6. Real Estate Loans Receivable

The following is a summary of our real estate loans receivable (in thousands):

	December 31, 2011		December 31, 2010	
Mortgage loans	$	63,934	$	109,283
Other real estate loans		228,573		327,297
Totals	$	292,507	$	436,580

The following is a summary of our real estate loan activity for the periods presented (in thousands):

	Year Ended December 31, 2011			Year Ended December 31, 2010			Year Ended December 31, 2009		
	Seniors Housing Triple-net	Medical Facilities	Totals	Seniors Housing Triple-net	Medical Facilities	Totals	Seniors Housing Triple-net	Medical Facilities	Totals
Advances on real estate loans receivable:									
Investments in new loans	$ 18,541	$ -	$ 18,541	$ 9,742	$ 41,644	$ 51,386	$ 20,036	$ -	$ 20,036

Draws on existing loans	29,752	3,184	32,936	46,113	1,236	47,349	52,910	1,471	54,381
Sub-total	48,293	3,184	51,477	55,855	42,880	98,735	72,946	1,471	74,417
Less: Seller financing on property sales	-	-	-	-	(1,470)	(1,470)	-	-	-
Net cash advances on real estate loans	48,293	3,184	51,477	55,855	41,410	97,265	72,946	1,471	74,417
Receipts on real estate loans receivable:									
Loan payoffs	162,705	2,943	165,648	5,619	6,233	11,852	61,659	32,197	93,856
Principal payments on loans	17,856	5,307	23,163	24,203	7,440	31,643	15,890	2,033	17,923
Total receipts on real estate loans	180,561	8,250	188,811	29,822	13,673	43,495	77,549	34,230	111,779
Net advances (receipts) on real estate loans	$ (132,268)	$ (5,066)	$ (137,334)	$ 26,033	$ 27,737	$ 53,770	$ (4,603)	$ (32,759)	$ (37,362)

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HEALTH CARE REIT, INC.

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The following is a summary of the allowance for losses on loans receivable for the periods presented (in thousands):

	Year Ended December 31,		
	2011	2010	2009
Balance at beginning of year	$ 1,276	$ 5,183	$ 7,500
Provision for loan losses	2,010	29,684	23,261
Charge-offs	(3,286)	(33,591)	(25,578)
Balance at end of year	$ -	$ 1,276	$ 5,183

As a result of our quarterly evaluations, we recorded $2,010,000 of provision for loan losses during the year ended December 31, 2011. This amount includes the write-off of a loan in the amount of $3,286,000 related to a hospital in Texas. This was offset by a net reduction of the allowance balance by $1,276,000, resulting in an allowance for loan losses of $0 relating to real estate loans with outstanding balances of $6,244,000, all of which were on non-accrual status at December 31, 2011.

The following is a summary of our loan impairments (in thousands):

	Year Ended December 31,		
	2011	2010	2009
Balance of impaired loans at end of year	$ 6,244	$ 9,691	$ 67,126
Allowance for loan losses	-	1,276	5,183
Balance of impaired loans not reserved	$ 6,244	$ 8,415	$ 61,943
Average impaired loans for the year	$ 7,968	$ 38,409	$ 69,948
Interest recognized on impaired loans(1)	-	103	530

(1) Represents interest recognized prior to placement on non-accrual status.

7. Investments in Unconsolidated Entities

During the six months ended June 30, 2010, we entered into a joint venture investment with Forest City Enterprises (NYSE:FCE.A and FCE.B). We acquired a 49% interest in a seven-building life science campus located in University Park in Cambridge, MA, which is immediately adjacent to the campus of the Massachusetts Institute of Technology. On February 22, 2010, six buildings were purchased and the seventh was purchased on June 30, 2010. The portfolio is 100% leased. In connection with these transactions, we invested $174,692,000 of cash which is recorded as an investment in unconsolidated entities on the balance sheet. Our share of the non-recourse secured debt assumed by the joint venture was approximately $156,729,000 with weighted-average interest rates of 7.1%. The results of operations for these properties have been included in our consolidated results of operations from the date of acquisition by the joint venture and are reflected in our income statement as income from unconsolidated entities. The aggregate remaining unamortized basis difference of our investment in this joint venture of $6,379,000 at December 31, 2011 is primarily attributable to real estate and related intangible assets and will be amortized over the life of the related properties and included in the reported amount of income from unconsolidated entities. In addition, at December 31, 2011, we had other investments in unconsolidated entities with our ownership ranging from 10% to 50%.

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8. Customer Concentration

The following table summarizes certain information about our customer concentration as of December 31, 2011 (dollars in thousands):

Concentration by investment:[1]	Number of Properties		Total Investment[2]	Percent of Investment[3]
Genesis HealthCare, LLC	150	$	2,466,243	18%
Merrill Gardens, LLC	48		1,132,399	8%
Benchmark Senior Living, LLC	35		883,681	6%
Brandywine Senior Living, LLC	24		719,509	5%
Senior Living Communities, LLC	12		604,079	4%
Remaining portfolio	655		8,136,439	59%
Totals	924	$	13,942,350	100%

(1) Merrill Gardens and Benchmark are in our seniors housing operating segment whereas the other top five customers are in our seniors housing triple-net segment.

(2) Excludes our share of investments in unconsolidated entities. Please see Note 7 for additional information.

(3) Investments with our top five customers comprised 32% of total investments at December 31, 2010.

9. Borrowings Under Line of Credit Arrangement and Related Items

At December 31, 2011, we had a $2,000,000,000 unsecured line of credit arrangement with a consortium of 31 banks with an option to upsize the facility by up to an additional $500,000,000 through an accordion feature, allowing for an aggregate commitment of up to $2,500,000,000. The revolving credit facility is scheduled to expire July 27, 2015. Borrowings under the agreement are subject to interest payable in periods no longer than three months at either the agent bank's prime rate of interest or the applicable margin over LIBOR interest rate, at our option (1.65% at December 31, 2011). The applicable margin is based on certain of our debt ratings and was 1.35% at December 31, 2011. In addition, we pay a facility fee annually to each bank based on the bank's commitment amount. The facility fee depends on certain of our debt ratings and was 0.25% at December 31, 2011. Principal is due upon expiration of the agreement. In addition, at December 31, 2011, we had a $5,000,000 unsecured revolving demand note outstanding and bearing interest at 1.34%.

The following information relates to aggregate borrowings under the unsecured line of credit arrangements for the periods presented (dollars in thousands):

	Year Ended December 31, 2011	2010	2009
Balance outstanding at year end	$ 610,000	$ 300,000	$ 140,000
Maximum amount outstanding at any month end	$ 710,000	$ 560,000	$ 559,000
Average amount outstanding (total of daily principal balances divided by days in period)	$ 240,104	$ 268,762	$ 241,463
Weighted average interest rate (actual interest expense divided by average borrowings outstanding)	1.51%	1.48%	1.92%

10. Senior Unsecured Notes and Secured Debt

We have $4,434,107,000 of senior unsecured notes with annual stated interest rates ranging from 3.00% to 8.00%. The carrying amounts of the senior unsecured notes represent the par value of $4,464,927,000 adjusted for any unamortized premiums or discounts and other basis adjustments related to hedging the debt with derivative instruments. See Note 11 for further discussion regarding derivative instruments.

During the three months ended December 31, 2006, we issued $345,000,000 of 4.75% senior unsecured convertible notes due December 2026, generating net proceeds of $337,517,000. The notes are convertible, in certain circumstances, into cash and, if applicable, shares of common stock at an initial conversion rate of 20.8833 shares per $1,000 principal amount of notes, which represents an initial conversion price of $47.89 per share. In general, upon conversion, the holder of each note would receive, in respect of the conversion value of such note, cash up to the principal amount of such note and common stock for the note's conversion value in excess of such principal amount. In addition, on each of December 1, 2011, December 1, 2016 and December 1, 2021, holders may require us to purchase all or a portion of their notes at a purchase price in cash equal to 100% of the principal amount of the notes to be purchased, plus any accrued and unpaid interest. During the three months ended March 31, 2009, we extinguished

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$5,000,000 of these notes and recognized a gain of $446,000. During the six months ended June 30, 2010, we extinguished $214,412,000 of these notes, recognized a loss of $8,837,000 and paid $18,552,000 to reacquire the equity component of convertible debt. During the three months ended December 31, 2011, we purchased $3,000 of these notes from holders. As of December 31, 2011, we had $125,585,000 of these notes outstanding.

In July 2007, we issued $400,000,000 of 4.75% senior unsecured convertible notes due July 2027, generating net proceeds of $388,943,000. The notes are convertible, in certain circumstances, into cash and, if applicable, shares of our common stock at an initial conversion rate of 20.0000 shares per $1,000 principal amount of notes, which represents an initial conversion price of $50.00 per share. In general, upon conversion, the holder of each note would receive, in respect of the conversion value of such note, cash up to the principal amount of such note and common stock for the note’s conversion value in excess of such principal amount. In addition, on each of July 15, 2012, July 15, 2017 and July 15, 2022, holders may require us to purchase all or a portion of their notes at a purchase price in cash equal to 100% of the principal amount of the notes to be purchased, plus any accrued and unpaid interest. During the three months ended March 31, 2009, we extinguished $5,000,000 of these notes and recognized a gain of $594,000. During the six months ended June 30, 2010, we extinguished $226,914,000 of these notes, recognized a loss of $16,235,000 and paid $21,062,000 to reacquire the equity component of convertible debt. As of December 31, 2011, we had $168,086,000 of these notes outstanding.

During the twelve months ended December 31, 2010, we issued $494,403,000 of 3.00% senior unsecured convertible notes due December 2029, generating net proceeds of $486,084,000. The notes are convertible, in certain circumstances, into cash and, if applicable, shares of common stock at an initial conversion rate of 19.5064 shares per $1,000 principal amount of notes, which represents an initial conversion price of $51.27 per share. In general, upon conversion, the holder of each note would receive, in respect of the conversion value of such note, cash up to the principal amount of such note and common stock for the note’s conversion value in excess of such principal amount. In addition, on each of December 1, 2014, December 1, 2019 and December 1, 2024, holders may require us to purchase all or a portion of their notes at a purchase price in cash equal to 100% of the principal amount of the notes to be purchased, plus any accrued and unpaid interest. In connection with this issuance, we recognized $29,925,000 of equity component of convertible debt.

During the year ended December 31, 2009, we extinguished $183,147,000 of senior unsecured notes with a weighted-average interest rate of 7.82% and recognized losses of $19,269,000. During the three months ended June 30, 2010, we issued $450,000,000 of 6.125% senior unsecured notes due 2020 with net proceeds of $446,328,000. During the three months ended September 30, 2010, we issued $450,000,000 of 4.70% senior unsecured notes due 2017 with net proceeds of $445,768,000. During the three months ended December 31, 2010, we issued $450,000,000 of 4.95% senior unsecured notes due 2021 with net proceeds of $443,502,000. During the three months ended March 31, 2011, we issued $400,000,000 of 3.625% senior unsecured notes due 2016, $600,000,000 of 5.25% senior unsecured notes due 2022 and $400,000,000 of 6.50% senior unsecured notes due 2041, generating net proceeds of $1,381,086,000.

We have secured debt totaling $2,112,649,000, collateralized by owned properties, with annual interest rates ranging from 1.22% to 10.00%. The carrying amounts of the secured debt represent the par value of $2,108,384,000 adjusted for any unamortized fair value adjustments. The carrying values of the properties securing the debt totaled $4,048,469,000 at December 31, 2011. During the year ended December 31, 2009, we extinguished 20 secured debt loans totaling $81,715,000 with a weighted-average interest rate of 7.21% and recognized extinguishment losses of

$5,838,000. During the year ended December 31, 2010, we issued $157,156,000 of first mortgage loans principal with a rate of 5.45% secured by 15 properties. During the year ended December 31, 2010, we assumed $564,657,000 of first mortgage loans principal with an average rate of 6.06% secured by 60 properties. During the year ended December 31, 2010, we extinguished $194,493,000 of first mortgage loans principal with an average rate of 6.07% and recognized a loss of $9,099,000. During the year ended December 31, 2011, we issued $114,903,000 of first mortgage loans principal with a rate of 5.78% secured by nine properties. During the year ended December 31, 2011, we assumed $940,855,000 of first mortgage loans principal with an average rate of 4.85% secured by 55 properties. During the year ended December 31, 2011, we extinguished $55,317,000 of first mortgage loans principal with an average rate of 5.95% and recognized a gain of $979,000.

We adopted FASB Accounting Standards Codification ("ASC") topic for Accounting for Convertible Debt Instruments that May Be Settled in Cash upon Conversion (Including Partial Cash Settlement) ("Convertible Debt Guidance"), effective January 1, 2009. It provides guidance on accounting for convertible debt that may be settled in cash upon conversion. It requires bifurcation of the convertible debt instrument into a debt component and an equity component. The value of the debt component is based upon the estimated fair value of a similar debt instrument without the conversion feature. The difference between the contractual principal on the debt and the value allocated to the debt is recorded as an equity component and represents the conversion feature of the instrument. The excess of the contractual principal amount of the debt over its estimated fair value is amortized to interest expense using the effective interest method over the period used to estimate the fair value.

Our debt agreements contain various covenants, restrictions and events of default. Certain agreements require us to maintain certain

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financial ratios and minimum net worth and impose certain limits on our ability to incur indebtedness, create liens and make investments or acquisitions. As of December 31, 2011, we were in compliance with all of the covenants under our debt agreements.

At December 31, 2011, the annual principal payments due on these debt obligations are as follows (in thousands):

	Senior Unsecured Notes(1)	Secured Debt (1)	Totals
2012	$ 76,853	$ 122,359	$ 199,212
2013	300,000	292,735	592,735
2014	-	203,767	203,767
2015	250,000	184,378	434,378
2016	700,000	190,255	890,255
Thereafter	3,138,074	1,114,890	4,252,964
Totals	$ 4,464,927	$ 2,108,384	$ 6,573,311

(1) Amounts represent principal amounts due and do not include unamortized premiums/discounts or other fair value adjustments as reflected on the balance sheet.

11. Derivative Instruments

We are exposed to various market risks, including the potential loss arising from adverse changes in interest rates. We may elect to use financial derivative instruments to hedge interest rate exposure. These decisions are principally based on our policy to manage the general trend in interest rates at the applicable dates and our perception of the future volatility of interest rates. Derivatives are recorded at fair value on the balance sheet as assets or liabilities. The valuation of derivative instruments requires us to make estimates and judgments that affect the fair value of the instruments. Fair values of our derivatives are estimated by pricing models that consider the forward yield curves and discount rates. Such amounts and the recognition of such amounts are subject to significant estimates that may change in the future.

For instruments that are designated and qualify as a cash flow hedge, the effective portion of the gain or loss on the derivative is reported as a component of other comprehensive income (“OCI”), and reclassified into earnings in the same period, or periods, during which the hedged transaction affects earnings. Gains and losses on the derivative representing either hedge ineffectiveness or hedge components excluded from the assessment of effectiveness are recognized in earnings. Approximately $2,016,000 of losses, which are included in accumulated other comprehensive income (“AOCI”), are expected to be reclassified into earnings in the next 12 months.

The following is a summary of the fair value of our derivative instruments (dollars in thousands):

	Balance Sheet Location	Fair Value December 31, 2011	December 31, 2010
Cash flow hedge interest rate swaps	Other liabilities	$ 2,854	$ 482

The following presents the impact of derivative instruments on the statement of operations and OCI for the periods presented (dollars in thousands):

		Year Ended		
	Location	December 31, 2011	December 31, 2010	December 31, 2009
Gain (loss) on interest rate swap recognized in OCI (effective portion)	n/a	$ 3,189	$ (10,307)	$ (3,513)
Gain (loss) reclassified from AOCI into income (effective portion)	Interest expense	1,781	(2,244)	(971)
Gain (loss) recognized in income (ineffective portion and amount excluded from effectiveness testing)	Realized loss	-	-	-

As of December 31, 2011, we had eight interest rate swaps for a total aggregate notional amount of $135,445,000. The swaps hedge interest payments associated with long-term LIBOR based borrowings and mature between December 31, 2012 and December 31, 2013.

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12. Commitments and Contingencies

At December 31, 2011, we had five outstanding letter of credit obligations totaling $5,515,000 and expiring between 2012 and 2014.

At December 31, 2011, we had outstanding construction in process of $189,502,000 for leased properties and were committed to providing additional funds of approximately $282,899,000 to complete construction. At December 31, 2011, we had contingent purchase obligations totaling $57,470,000. These contingent purchase obligations relate to unfunded capital improvement obligations. Rents due from the tenant are increased to reflect the additional investment in the property.

We evaluate our leases for operating versus capital lease treatment in accordance with ASC Topic 840 “Leases.” A lease is classified as a capital lease if it provides for transfer of ownership of the leased asset at the end of the lease term, contains a bargain purchase option, has a lease term greater than 75% of the economic life of the leased asset, or if the net present value of the future minimum lease payments are in excess of 90% of the fair value of the leased asset. Certain leases contain bargain purchase options and have been classified as capital leases. At December 31, 2011, we had operating lease obligations of $356,464,000 relating to certain ground leases and company office space. We incurred rental expense relating to company office space of $1,901,000, $1,280,000 and $1,138,000 for the years ended December 31, 2011, 2010 and 2009, respectively. Regarding the ground leases, we have sublease agreements with certain of our operators that require the operators to reimburse us for our monthly operating lease obligations. At December 31, 2011, aggregate future minimum rentals to be received under these noncancelable subleases totaled $29,558,000.

At December 31, 2011, future minimum lease payments due under operating and capital leases are as follows (in thousands):

	Operating Leases		Capital Leases(1)	
2012	$	6,166	$	7,622
2013		6,442		73,003
2014		6,502		660
2015		6,016		8,425
2016		6,002		-
Thereafter		325,336		-
Totals	$	356,464	$	89,710

(1) Amounts above represent principal and interest obligations under capital lease arrangements. Related assets with a gross value of $345,815,000 and accumulated depreciation of $7,024,000 recorded in real property.

13. Stockholders’ Equity

The following is a summary of our stockholder's equity capital accounts as of the dates indicated:

	December 31, 2011	December 31, 2010
Preferred Stock, $1.00 par value:		
Authorized shares	50,000,000	50,000,000
Issued shares	25,724,854	11,349,854
Outstanding shares	25,724,854	11,349,854
Common Stock, $1.00 par value:		
Authorized shares	400,000,000	225,000,000
Issued shares	192,604,918	147,381,191
Outstanding shares	192,275,248	147,097,381

Preferred Stock. During the year ended 2009, certain holders of our Series G Cumulative Convertible Preferred Stock converted 41,600 shares into 29,771 shares of our common stock, leaving 399,713 of such shares outstanding at December 31, 2009. During the nine months ended September 30, 2010, certain holders of our Series G Cumulative Convertible Preferred Stock converted 394,200 shares into 282,078 shares of our common stock, leaving 5,513 of such shares outstanding, which were redeemed by us on September 30, 2010. During the three months ended September 30, 2010, the holder of our Series E Cumulative Convertible and Redeemable Preferred Stock converted 74,380 shares into 56,935 shares of our common stock, leaving no shares outstanding at December 31, 2011.

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In July 2003, we closed a public offering of 4,000,000 shares of 7.875% Series D Cumulative Redeemable Preferred Stock. These shares have a liquidation value of $25.00 per share. Dividends are payable quarterly in arrears. The preferred stock, which has no stated maturity, are redeemable by us at a redemption price of $25.00 per share, plus accrued and unpaid dividends on such shares to the redemption date, effective July 9, 2008.

In September 2004, we closed a public offering of 7,000,000 shares of 7.625% Series F Cumulative Redeemable Preferred Stock. These shares have a liquidation value of $25.00 per share. Dividends are payable quarterly in arrears. The preferred stock, which has no stated maturity, are redeemable by us at a redemption price of $25.00 per share, plus accrued and unpaid dividends on such shares to the redemption date, effective September 14, 2009.

During the three months ended December 31, 2010, we issued 349,854 shares of 6.00% Series H Cumulative Convertible and Redeemable Preferred Stock in connection with a business combination. These shares have a liquidation value of $25.00 per share. Dividends are payable quarterly in arrears. The preferred stock, which has no stated maturity, may be redeemed by us at a redemption price of $25.00 per share, plus accrued and unpaid dividends on such shares to the redemption date, on or after December 31, 2015. See Note 3 for additional information.

During the three months ended March 31, 2011, we issued 14,375,000 of 6.50% Series I Cumulative Convertible Perpetual Preferred Stock. These shares have a liquidation value of $50.00 per share. Dividends are payable quarterly in arrears. The preferred stock is not redeemable by us. The preferred shares are convertible, at the holder's option, into 0.8460 shares of common stock (equal to an initial conversion price of approximately $59.10).

Common Stock. The following is a summary of our common stock issuances during the periods indicated (dollars in thousands, except per share amounts):

	Shares Issued	Average Price	Gross Proceeds	Net Proceeds
February 2009 public issuance	5,816,870	$ 36.85	$ 214,352	$ 210,880
September 2009 public issuance	9,200,000	40.40	371,680	356,554
2009 Dividend reinvestment plan issuances	1,499,497	37.22	55,818	55,818
2009 Equity shelf program issuances	1,952,600	40.69	79,447	77,605
2009 Option exercises	96,166	38.23	3,676	3,676
2009 Totals	18,565,133		$ 724,973	$ 704,533
September 2010 public issuance	9,200,000	$ 45.75	$ 420,900	$ 403,921
December 2010 public issuance	11,500,000	43.75	503,125	482,448
2010 Dividend reinvestment plan issuances	1,957,364	43.95	86,034	86,034
2010 Equity shelf program issuances	431,082	44.94	19,371	19,013

2010 Option exercises	129,054		31.17		4,022		4,022
2010 Totals	23,217,500			$	1,033,452	$	995,438
March 2011 public issuance	28,750,000	$	49.25	$	1,415,938	$	1,358,543
November 2011 public issuance	12,650,000		50.00		632,500		606,595
2011 Dividend reinvestment plan issuances	2,534,707		48.44		122,794		121,846
2011 Equity shelf program issuances	848,620		50.53		42,888		41,982
2011 Option exercises	232,081		37.17		8,628		8,628
2011 Totals	45,015,408			$	2,222,748	$	2,137,594

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Dividends. The following is a summary of our dividend payments (dollars in thousands, except per share amounts):

	Year Ended					
	December 31, 2011		December 31, 2010		December 31, 2009	
	Per Share	Amount	Per Share	Amount	Per Share	Amount
Common Stock	$ 2.83500	$ 483,746	$ 2.74000	$ 348,578	$ 2.72000	$ 311,760
Series D Preferred Stock	1.96875	7,875	1.96875	7,875	1.96875	7,875
Series E Preferred Stock	-	-	1.12500	94	1.50000	112
Series F Preferred Stock	1.90625	13,344	1.90625	13,344	1.90625	13,344
Series G Preferred Stock	-	-	1.40640	332	1.87500	748
Series H Preferred Stock	2.85840	1,000	-	-	-	-
Series I Preferred Stock	1.33159	38,283	-	-	-	-
Totals		$ 544,248		$ 370,223		$ 333,839

Comprehensive Income

The following is a summary of accumulated other comprehensive income/(loss) as of the dates indicated (in thousands):

	December 31, 2011	December 31, 2010
Unrecognized gains (losses) on cash flow hedges	$ (8,561)	$ (9,969)
Unrecognized gains (losses) on equity investments	(619)	(497)
Unrecognized actuarial gains (losses)	(2,748)	(633)
Totals	$ (11,928)	$ (11,099)

The following is a summary of comprehensive income/(loss) for the periods indicated (in thousands):

	Year Ended December 31, 2011	2010	2009
Unrecognized gains (losses) on cash flow hedges	$ 1,408	$ (8,063)	$ (2,542)
Unrecognized gains (losses) on equity investments	(122)	54	487
Unrecognized actuarial gains (losses)	(2,115)	(199)	277
Total other comprehensive income (loss)	(829)	(8,208)	(1,778)
Net income attributable to controlling interests	217,610	128,527	193,269
Comprehensive income attributable to controlling interests	216,781	120,319	191,491
Net and comprehensive income (loss) attributable to noncontrolling interests(1)	(4,894)	357	(342)
Total comprehensive income	$ 211,887	$ 120,676	$ 191,149

(1) Includes amounts attributable to redeemable noncontrolling interests.

Other Equity

Other equity consists of accumulated option compensation expense, which represents the amount of amortized compensation costs related to stock options awarded to employees and directors. Expense, which is recognized as the options vest based on the market value at the date of the award, totaled $1,917,000, $1,634,000 and $1,629,000 for the years ended December 31, 2011, 2010 and 2009, respectively.

14. Stock Incentive Plans

Our Amended and Restated 2005 Long-Term Incentive Plan authorizes up to 6,200,000 shares of common stock to be issued at the discretion of the Compensation Committee of the Board of Directors. The 2005 Plan replaced the 1995 Stock Incentive Plan and the Stock Plan for Non-Employee Directors. The options granted to officers and key employees under the 1995 Plan vested through 2010 and expire ten years from the date of grant. Our non-employee directors, officers and key employees are eligible to participate in the 2005 Plan. The 2005 Plan allows for the issuance of, among other things, stock options, restricted stock, deferred stock units and dividend equivalent rights. Vesting periods for options, deferred stock units and restricted shares generally range from three years for

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non-employee directors to five years for officers and key employees. Options expire ten years from the date of grant.

Valuation Assumptions

The fair value of each option grant is estimated on the date of grant using the Black-Scholes-Merton option pricing model with the following weighted-average assumptions:

	Year Ended		
	December 31, 2011	December 31, 2010	December 31, 2009
Dividend yield	5.74%	6.28%	7.35%
Expected volatility	34.80%	34.08%	29.40%
Risk-free interest rate	2.87%	3.23%	2.33%
Expected life (in years)	7.0	7.0	7.0
Weighted-average fair value	$9.60	$7.82	$4.38

The dividend yield represented the dividend yield of our common stock on the dates of grant. Our computation of expected volatility was based on historical volatility. The risk-free interest rates used were the 7-year U.S. Treasury Notes yield on the date of grant. The expected life was based on historical experience of similar awards, giving consideration to the contractual terms, vesting schedules and expectations regarding future employee behavior.

Option Award Activity

The following table summarizes information about stock option activity for the twelve months ended December 31, 2011:

	Year Ended					
	December 31, 2011		December 31, 2010		December 31, 2009	
Stock Options	Number of Shares (000's)	Weighted Average Exercise Price	Number of Shares (000's)	Weighted Average Exercise Price	Number of Shares (000's)	Weighted Average Exercise Price
Options at beginning of year	1,207	$ 39.45	1,062	$ 37.71	817	$ 38.29

Options granted	289		49.17	280		43.29	366		37.00
Options exercised	(232)		36.92	(129)		33.58	(96)		38.22
Options terminated	(12)		43.09	(6)		37.82	(25)		44.50
Options at end of period	1,252	$	42.12	1,207	$	39.45	1,062	$	37.71
Options exercisable at end of period	427	$	39.45	440	$	37.76	388	$	35.85
Weighted average fair value of options granted during the period		$	9.60		$	7.82		$	4.38

The following table summarizes information about stock options outstanding at December 31, 2011:

	Options Outstanding				Options Exercisable			
Range of Per Share Exercise Prices	Number Outstanding (thousands)	Weighted Average Exercise Price		Weighted Average Remaining Contract Life	Number Exercisable (thousands)	Weighted Average Exercise Price		Weighted Average Remaining Contract Life
$20-$30	20	$	25.82	1.0	20	$	25.82	1.0
$30-$40	390		36.75	5.9	179		36.46	4.5
$40+	842		44.99	7.5	228		42.96	6.1
Totals	1,252	$	42.12	6.9	427	$	39.45	5.2
Aggregate intrinsic value	$ 15,528,000				$ 6,439,000			

The aggregate intrinsic value is calculated as the difference between the exercise price of the underlying options and the quoted price of our common stock for the options that were in-the-money at December 31, 2011. During the years ended December 31, 2011, 2010 and 2009, the aggregate intrinsic value of options exercised under our stock incentive plans was $3,390,000, $1,798,000 and $737,000,

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respectively (determined as of the date of option exercise). Cash received from option exercises under our stock incentive plans was $8,628,000, $4,022,000 and $3,676,000 for the years ended December 31, 2011, 2010 and 2009, respectively.

As of December 31, 2011, there was approximately $4,419,000 of total unrecognized compensation cost related to unvested stock options granted under our stock incentive plans. That cost is expected to be recognized over a weighted average period of 4 years. As of December 31, 2011, there was approximately $14,410,000 of total unrecognized compensation cost related to unvested restricted stock granted under our stock incentive plans. That cost is expected to be recognized over a weighted average period of 3 years.

The following table summarizes information about non-vested stock incentive awards as of December 31, 2011 and changes for the twelve months ended December 31, 2011:

	Stock Options			Restricted Stock		
	Number of Shares (000's)		Weighted Average Grant Date Fair Value	Number of Shares (000's)		Weighted Average Grant Date Fair Value
Non-vested at December 31, 2010	768	$	6.19	420	$	41.09
Vested	(219)		6.12	(148)		41.90
Granted	289		9.60	245		49.20
Terminated	(13)		6.40	(9)		32.86
Non-vested at December 31, 2011	825	$	7.40	508	$	44.91

We use the Black-Scholes-Merton option pricing model to estimate the value of stock option grants and expect to continue to use this acceptable option valuation model. We recognize compensation cost for share-based grants on a straight-line basis through the date the awards become fully vested or to the retirement eligible date, if sooner. Compensation cost totaled $10,786,000, $11,823,000 and $9,633,000 for the years ended December 31, 2011, 2010 and 2009, respectively.

15. Earnings Per Share

The following table sets forth the computation of basic and diluted earnings per share (in thousands, except per share data):

	Year Ended December 31, 2011	2010	2009
Numerator for basic and diluted earnings per share - net income attributable to common stockholders	$ 157,108	$ 106,882	$ 171,190
Denominator for basic earnings per share - weighted average shares	173,741	127,656	114,207
Effect of dilutive securities:			
Employee stock options	176	125	-
Non-vested restricted shares	246	420	405
Convertible senior unsecured notes	238	7	-
Dilutive potential common shares	660	552	405
Denominator for diluted earnings per share - adjusted weighted average shares	174,401	128,208	114,612
Basic earnings per share	$ 0.90	$ 0.84	$ 1.50
Diluted earnings per share	$ 0.90	$ 0.83	$ 1.49

The diluted earnings per share calculations exclude the dilutive effect of 0, 280,000 and 351,000 stock options for the years ended December 31, 2011, 2010 and 2009, respectively, because the exercise prices were more than the average market price. The outstanding convertible senior unsecured notes were not included in the 2009 calculations as the effect of the conversions into common stock was anti-dilutive for that period. The Series H Cumulative Convertible and Redeemable Preferred Stock issued in 2010 was excluded from the calculations for 2010 and 2011 as the effect of the conversions was anti-dilutive. The Series I

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Cumulative Convertible Perpetual Preferred Stock issued in 2011 was excluded from the calculations for 2011 as the effect of the conversions was anti-dilutive.

16. Disclosure about Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value.

Mortgage Loans and Other Real Estate Loans Receivable — The fair value of mortgage loans and other real estate loans receivable is generally estimated by discounting the estimated future cash flows using the current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities.

Cash and Cash Equivalents — The carrying amount approximates fair value.

Available-for-sale Equity Investments — Available-for-sale equity investments are recorded at their fair value based on publicly available trading prices.

Borrowings Under Unsecured Lines of Credit Arrangements — The carrying amount of the unsecured line of credit arrangement approximates fair value because the borrowings are interest rate adjustable.

Senior Unsecured Notes — The fair value of the senior unsecured notes payable was estimated based on publicly available trading prices.

Secured Debt — The fair value of fixed rate secured debt is estimated by discounting the estimated future cash flows using the current rates at which similar loans would be made with similar credit ratings and for the same remaining maturities. The carrying amount of variable rate secured debt approximates fair value because the borrowings are interest rate adjustable.

Interest Rate Swap Agreements — Interest rate swap agreements are recorded as assets or liabilities on the balance sheet at fair market value. Fair market value is estimated by utilizing pricing models that consider forward yield curves and discount rates.

The carrying amounts and estimated fair values of our financial instruments are as follows (in thousands):

	December 31, 2011		December 31, 2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets:				
Mortgage loans receivable	$ 63,934	$ 64,194	$ 109,283	$ 111,255
Other real estate loans receivable	228,573	231,308	327,297	333,003
Available-for-sale equity investments	980	980	1,103	1,103
Cash and cash equivalents	163,482	163,482	131,570	131,570
Financial Liabilities:				
Borrowings under unsecured lines of credit arrangements	$ 610,000	$ 610,000	$ 300,000	$ 300,000
Senior unsecured notes	4,434,107	4,709,736	3,034,949	3,267,638
Secured debt	2,112,649	2,297,278	1,125,906	1,178,081
Interest rate swap agreements	2,854	2,854	482	482

U.S. GAAP provides authoritative guidance for measuring and disclosing fair value measurements of assets and liabilities. The guidance defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The guidance also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The guidance describes three levels of inputs that may be used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets or liabilities.

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Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Interest rate swap agreements are valued using models that assume a hypothetical transaction to sell the asset or transfer the liability in the principal market for the asset or liability based on market data derived from interest rates and yield curves observable at commonly quoted intervals, volatilities, prepayment timing, loss severities, credit risks and default rates.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Items Measured at Fair Value on a Recurring Basis

The market approach is utilized to measure fair value for our financial assets and liabilities reported at fair value on a recurring basis. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.

	Fair Value Measurements as of December 31, 2011			
	Total	Level 1	Level 2	Level 3
Available-for-sale equity investments(1)	$ 980	$ 980	$ -	$ -
Assets held for sale(2)	36,115	-	36,115	-
Interest rate swap agreements(3)	(2,854)	-	(2,854)	-
Totals	$ 34,241	$ 980	$ 33,261	$ -

(1) Unrealized gains or losses on equity investments are recorded in accumulated other comprehensive income (loss) at each measurement date.
(2) Please see Note 5 for additional information.
(3) Please see Note 11 for additional information.

Items Measured at Fair Value on a Nonrecurring Basis

In addition to items that are measured at fair value on a recurring basis, we also have assets and liabilities in our balance sheet that are measured at fair value on a nonrecurring basis. As these assets and liabilities are not measured at fair value on a recurring basis, they are not included in the tables above. Assets and liabilities that are measured at fair value on a nonrecurring basis include assets acquired and liabilities assumed in business combinations (see Note 3) and asset impairments (see Note 5 for impairments of real property and Note 6 for impairments of loans receivable). We have determined that the fair value measurements included in each of these assets and liabilities rely primarily on Company-specific inputs and our assumptions about the use of the assets and settlement of liabilities, as observable inputs are not available. As such, we have determined that each of these fair value measurements generally reside within Level 3 of the fair value hierarchy. We estimate the fair value of real estate and related intangibles using the income approach and unobservable data such as net operating income and estimated capitalization and discount rates. We also consider local and national industry market data including comparable sales, and commonly engage an external real estate appraiser to assist us in our estimation of fair value. We estimate the fair value of secured debt assumed in business combinations using current interest rates at which similar borrowings could be obtained on the transaction date.

17. Segment Reporting

During the year ended December 31, 2011, we changed the name of our seniors housing and care segment to seniors housing triple-net. Additionally, we added a new seniors housing operating segment. There was no activity related to this segment prior to September 1, 2010. We invest in seniors housing and health care real estate. We evaluate our business and make resource allocations on our three business segments: seniors housing triple-net, seniors housing operating and medical facilities. Our seniors housing triple-net properties include skilled nursing/post-acute facilities, assisted living facilities, independent living/continuing care retirement communities and combinations thereof. Under the seniors housing triple-net segment, we invest in seniors housing and health care real estate through acquisition and financing of primarily single tenant properties. Properties acquired are primarily leased under triple-net leases and we are not involved in the management of the property. Our seniors housing operating properties include assisted living facilities and independent living/continuing care retirement communities that are owned and/or operated through RIDEA partnership structures. Our primary medical facility properties include medical office buildings, hospitals and life science buildings. Our medical office buildings are typically leased to multiple tenants and generally require a certain level of property management. Our hospital

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investments are structured similar to our seniors housing triple-net investments. Our life science investments represent investments in an unconsolidated entity (see Note 7 for additional information). The accounting policies of the segments are the same as those described in the summary of significant accounting policies (in Note 2 to our audited consolidated financial statements). There are no intersegment sales or transfers. We evaluate performance based upon net operating income of the combined properties in each segment. Non-segment revenue consists mainly of interest income on non-real estate investments and other income. Non-segment assets consist of corporate assets including cash, deferred loan expenses and corporate offices and equipment among others. Non-property specific revenues and expenses are not allocated to individual segments in determining net operating income.

Summary information for the reportable segments during the years ended December 31, 2011, 2010 and 2009 is as follows (in thousands and includes amounts from discontinued operations):

	Rental Income	Resident Fees and Services	Interest Income	Other Income	Total Revenues	Property Operating Expenses	Net Operating Income[1]	Real Estate Depreciation/ Amortization	
Year Ended December 31, 2011									
Seniors housing triple-net	$ 622,330	$ -	$ 34,068	$ 6,620	$ 663,018	$ -	$ 663,018	$ 178,321	$
Seniors housing operating	-	456,085	-	-	456,085	314,142	141,943	138,192	
Medical facilities[2]	306,516	-	7,002	3,985	317,503	69,728	247,775	107,092	
Non-segment/Corporate	-	-	-	690	690	-	690	-	
	$ 928,846	$ 456,085	$ 41,070	$ 11,295	$ 1,437,296	$ 383,870	$ 1,053,426	$ 423,605	$
Year Ended December 31, 2010									
Seniors housing triple-net	$ 382,904	$ -	$ 36,176	$ 3,386	$ 422,466	$ -	$ 422,466	$ 111,213	$
Seniors housing operating	-	51,006	-	-	51,006	32,621	18,385	15,504	
Medical facilities[2]	220,506	-	4,679	985	226,170	53,844	172,326	75,826	
Non-segment/Corporate	-	-	-	2,874	2,874	-	2,874	-	
	$ 603,410	$ 51,006	$ 40,855	$ 7,245	$ 702,516	$ 86,465	$ 616,051	$ 202,543	$
Year Ended December 31, 2009									

Seniors housing triple-net	$ 358,109	$ -	$ 35,945	$ 5,309	$ 399,363	$ -	$ 399,363	$ 101,300	$
Medical facilities	181,802	-	4,940	9,368	196,110	48,965	147,145	63,623	
Non-segment/Corporate	-	-	-	1,170	1,170	-	1,170	-	
	$ 539,911	$ -	$ 40,885	$ 15,847	$ 596,643	$ 48,965	$ 547,678	$ 164,923	$

(1) Net operating income ("NOI") is used to evaluate the operating performance of our properties. We define NOI as total revenues, including tenant reimbursements, less property level operating expenses, which exclude depreciation and amortization, general and administrative expenses, impairments and interest expense. We believe NOI provides investors relevant and useful information because it measures the operating performance of our properties at the property level on an unleveraged basis. We use NOI to make decisions about resource allocations and to assess the property level performance of our properties.

(2) Excludes income and expense amounts related to our properties held in unconsolidated entities. Please see Note 7 for additional information.

18. Income Taxes and Distributions

To qualify as a real estate investment trust for federal income tax purposes, at least 90% of taxable income (excluding 100% of net capital gains) must be distributed to stockholders. We distributed at least 100% of taxable income for the years ended December 31, 2011, 2010 and 2009. Real estate investment trusts that do not distribute a certain amount of current year taxable income in the current year are also subject to a 4% federal excise tax. The main differences between undistributed net income for federal income tax purposes and financial statement purposes are the recognition of straight-line rent for reporting purposes, basis differences in acquisitions, differing useful lives and depreciation and amortization methods for real property and the provision for loan losses for reporting purposes versus bad debt expense for tax purposes.

Cash distributions paid to common stockholders, for federal income tax purposes, are as follows:

	Year Ended December 31,		
	2011	2010	2009
Per Share:			
Ordinary income	**$** 1.1472	$ 0.7774	$ 1.9865
Return of capital	1.4227	1.7408	0.4864
Long-term capital gains	0.1059	0.0190	-
1250 gains	0.1592	0.2028	0.2471
Totals	**$** 2.8350	$ 2.7400	$ 2.7200

At December 31, 2011, we had U.S. federal tax losses from our taxable REIT subsidiaries ("TRS") of $7,400,000, as well as apportioned state tax losses of $14,240,000 available for carryforward. Valuation allowances have been established for these assets based upon our assessment, as it is more likely than not that such assets may not be realized. During the year ended December 31,

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2011, the federal tax valuation allowance declined by $10,306,000 due to current year utilization of net operating losses. The U.S. federal and state tax loss carryforwards expire from 2012 through 2031.

Tax expense reflected in the financial statements primarily represents federal, state and local income taxes as well as amounts related to uncertain tax positions as discussed below. As a result of certain acquisitions, we are subject to corporate level taxes for related asset dispositions for the period December 31, 2011 through December 31, 2021 (“built-in gains tax”). The amount of income potentially subject to this special corporate level tax is generally equal to (a) the excess of the fair value of the asset as of December 31, 2011 over its adjusted tax basis as of December 31, 2011, or (b) the actual amount of gain, whichever of (a) and (b) is lower. Some but not all gains recognized during this period of time could be offset by available net operating losses and capital loss carryforwards. We have not recorded a deferred tax liability as a result of the potential built-in gains tax based on our intentions with respect to such properties and available tax planning strategies.

Under the provisions of the REIT Investment Diversification and Empowerment Act of 2007 (“RIDEA”), for taxable years beginning after July 30, 2008, the REIT may lease “qualified health care properties” on an arm’s-length basis to a TRS if the property is operated on behalf of such subsidiary by a person who qualifies as an “eligible independent contractor.” Generally, the rent received from the TRS will meet the related party rent exception and will be treated as “rents from real property.” A “qualified health care property” includes real property and any personal property that is, or is necessary or incidental to the use of, a hospital, nursing facility, assisted living facility, congregate care facility, qualified continuing care facility, or other licensed facility which extends medical or nursing or ancillary services to patients.

Through December 31, 2011, we entered into five joint ventures that were structured under RIDEA. Resident level rents and related operating expenses for these facilities are reported in the consolidated financial statements and are subject to federal taxes as the operations of such facilities are included in a TRS. Certain net operating loss carryforwards could be utilized to offset taxable income in future years.

We apply the rules under ASC 740-10 in our Accounting for Uncertainty in Income Taxes for uncertain tax positions using a “more likely than not” recognition threshold for tax positions. Pursuant to these rules, we will initially recognize the financial statement effects of a tax position when it is more likely than not, based on the technical merits of the tax position, that such a position will be sustained upon examination by the relevant tax authorities. If the tax benefit meets the “more likely than not” threshold, the measurement of the tax benefit will be based on our estimate of the ultimate tax benefit to be sustained if audited by the taxing authority.

The entire balance of unrecognized tax benefits as of December 31, 2011 of $6,098,000 (exclusive of accrued interest and penalties) relates to the April 1, 2011 Genesis Acquisition discussed in further detail in Note 3 and is included in Accrued expenses and other liabilities on the consolidated balance sheet. As a part of the Genesis Acquisition, we received a full indemnification from FC-GEN Operations Investment, LLC covering income taxes or other taxes as well as interest and penalties relating to tax positions taken by FC-GEN Operations Investment, LLC prior to the acquisition. Accordingly, an offsetting indemnification asset is recorded in receivables and other assets on the Consolidated Balance Sheet. Such indemnification asset is reviewed for collectability periodically.

There were $149,000 of uncertain tax positions as of December 31, 2011 for which it is reasonably possible that the amount of unrecognized tax benefits would decrease during 2012. Interest and penalties totaled $582,000 in expense for the year ended December 31, 2011 and were recorded as income tax expense in the consolidated statements of income with an offsetting amount recorded in other income relating to the increase in the indemnification asset. As of December 31, 2011, $2,738,000 of interest and penalties were accrued related to income taxes.

19. Retirement Arrangements

Under the retirement plan and trust (the “401(k) Plan”), eligible employees may make contributions, and we may make matching contributions and a profit sharing contribution. Our contributions to the 401(k) Plan totaled $1,558,000, $1,341,000 and $1,201,000 in 2011, 2010 and 2009, respectively.

We have a Supplemental Executive Retirement Plan (“SERP”), a non-qualified defined benefit pension plan, which provides one executive officer with supplemental deferred retirement benefits. The SERP provides an opportunity for the participant to receive retirement benefits that cannot be paid under our tax-qualified plans because of the restrictions imposed by ERISA and the Internal Revenue Code of 1986, as amended. Benefits are based on compensation and length of service and the SERP is unfunded. Benefit payments are expected to total $2,375,000 during the next five fiscal years and $3,560,000 thereafter. We use a December 31 measurement date for the SERP. The accrued liability on our balance sheet for the SERP was $5,623,000 at December 31, 2011 ($4,066,000 at December 31, 2010).

HEALTH CARE REIT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following tables provide a reconciliation of the changes in the SERP's benefit obligations for the periods indicated (in thousands):

	Year Ended December 31,			
	2011		2010	
Reconciliation of benefit obligation:				
Obligation at January 1	$	4,066	$	3,287
Service cost		489		413
Interest cost		112		115
Actuarial (gain) loss		2,303		251
Settlements		(1,347)		-
Obligation at December 31	$	5,623	$	4,066

We contributed $1,347,000 to the plan in connection with a settlement during the year ended December 31, 2011. The following table shows the components of net periodic benefit costs for the periods indicated (in thousands):

	Year Ended December 31,			
	2011		2010	
Service cost	$	489	$	413
Interest cost		112		115
Net actuarial (gain) loss		50		52
Net periodic benefit cost	$	651	$	580

The following table provides information for the SERP, which has an accumulated benefit in excess of plan assets (in thousands):

	December 31,			
	2011		2010	
Projected benefit obligation	$	5,623	$	4,066
Accumulated benefit obligation		3,307		2,938
Fair value of assets		n/a		n/a

The following table reflects the weighted-average assumptions used to determine the benefit obligations and net periodic benefit cost for the SERP:

	Benefit Obligations December 31,		Net Periodic Benefit Cost Year Ended December 31,	
	2011	2010	2011	2010
Discount rate	2.75%	3.50%	3.50%	3.50%
Rate of compensation increase	4.50%	4.50%	4.50%	4.50%
Expected long-term return on plan assets	n/a	n/a	n/a	n/a

HEALTH CARE REIT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

20. Quarterly Results of Operations (Unaudited)

The following is a summary of our unaudited quarterly results of operations for the years ended December 31, 2011 and 2010 (in thousands, except per share data). The sum of individual quarterly amounts may not agree to the annual amounts included in the consolidated statements of income due to rounding.

	Year Ended December 31, 2011			
	1st Quarter	2nd Quarter	3rd Quarter[2]	4th Quarter[3]
Revenues - as reported	$ 255,477	$ 381,059	$ 384,786	$ 407,391
Discontinued operations	(4,157)	(1,675)	(1,723)	-
Revenues - as adjusted[1]	$ 251,320	$ 379,384	$ 383,063	$ 407,391
Net income (loss) attributable to common stockholders	$ 23,372	$ 69,847	$ 36,607	$ 27,282
Net income (loss) attributable to common stockholders per share:				
Basic	$ 0.15	$ 0.40	$ 0.21	$ 0.15
Diluted	0.15	0.39	0.21	0.15

	Year Ended December 31, 2010			
	1st Quarter	2nd Quarter	3rd Quarter[4]	4th Quarter
Revenues - as reported	$ 152,759	$ 163,131	$ 176,146	$ 202,456
Discontinued operations	(11,361)	(10,992)	(8,809)	(6,033)
Revenues - as adjusted[1]	$ 141,398	$ 152,139	$ 167,337	$ 196,423
Net income attributable to common stockholders	$ 25,812	$ 45,646	$ (4,563)	$ 39,988
Net income attributable to common stockholders per share:				
Basic	$ 0.21	$ 0.37	$ (0.04)	$ 0.29
Diluted	0.21	0.37	(0.04)	0.29

(1) We have reclassified the income attributable to the properties sold prior to or held for sale at December 31, 2011 to discontinued operations. See Note 5.
(2) The decreases in net income and amounts per share are primarily attributable to gains on sales of real estate totaling $30,224,000 for the second quarter as compared to $185,000 for the third quarter.
(3) The decreases in net income and amounts per share are primarily attributable to impairment charges of $11,992,000.
(4) The decreases in net income and amounts per share are primarily attributable to provisions for loan losses ($28,918,000) and transaction costs ($18,835,000).

21. Subsequent Events

Chartwell. On February 15, 2012, the company announced it will partner with Chartwell Seniors Housing Real Estate Investment Trust to own and operate a portfolio of 42 seniors housing and care communities located in Canada. The portfolio is being acquired for $925 million. This transaction will be structured under RIDEA with 39 facilities owned 50% by us and 50% by Chartwell, and three facilities wholly owned by us. Our $503 million investment will be through a combination of cash and the pro rata assumption of secured debt. Chartwell will provide management services to the communities under an incentive-based management contract.

Item 9. ***Changes in and Disagreements with Accountants on Accounting and Financial Disclosure***

Not applicable.

Item 9A. ***Controls and Procedures***

Disclosure Controls and Procedures

An evaluation was carried out under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the disclosure controls and procedures (as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the disclosure controls and procedures were effective as of the end of the period covered by this report.

Management's Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) of the Securities Exchange Act of 1934, as amended). The 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 U.S. generally accepted accounting principles. The 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 U.S. 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.

Management has assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2011 based on the criteria established by the Committee of Sponsoring Organizations of the Treadway Commission in a report entitled Internal Control — Integrated Framework. Based on this assessment, using the criteria above, management concluded that the Company's system of internal control over financial reporting was effective as of December 31, 2011.

The independent registered public accounting firm of Ernst & Young LLP, as auditors of the Company's consolidated financial statements, has issued an attestation report on the Company's internal control over financial reporting.

Changes in Internal Control over Financial Reporting

No change in our internal control over financial reporting (as defined in Rule 13a-15(f) of the Securities Exchange Act of 1934, as amended) occurred during the fourth quarter of the one-year period covered by this report that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

HEALTH CARE REIT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm on Internal Control over Financial Reporting

The Board of Directors and Shareholders of Health Care REIT, Inc.

We have audited Health Care REIT, Inc.'s internal control over financial reporting as of December 31, 2011, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Health Care REIT, Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

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

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Health Care REIT, Inc. as of December 31, 2011 and 2010, and the related consolidated statements of income, equity, and cash flows for each of the three years in the period ended December 31, 2011 and our report dated February 17, 2012 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Toledo, Ohio

February 17, 2012

Item 9B. ***Other Information***

None.

PART III

Item 10. ***Directors, Executive Officers and Corporate Governance***

The information required by this Item is incorporated herein by reference to the information under the headings "Election of Directors," "Executive Officers," "Board and Committees," "Communications with the Board" and "Security Ownership of Directors and Management and Certain Beneficial Owners — Section 16(a) Compliance" in our definitive proxy statement, which will be filed with the Securities and Exchange Commission ("Commission") prior to April 30, 2012.

We have adopted a Code of Business Conduct & Ethics that applies to our directors, officers and employees. The code is posted on the Internet at www.hcreit.com. Any amendment to, or waivers from, the code that relate to any officer or director of the Company will be promptly disclosed on the Internet at www.hcreit.com.

In addition, the Board has adopted charters for the Audit, Compensation and Nominating/Corporate Governance Committees. These charters are posted on the Internet at www.hcreit.com.

Item 11. ***Executive Compensation***

The information required by this Item is incorporated herein by reference to the information under the headings "Executive Compensation," "Compensation Committee Report" and "Director Compensation" in our definitive proxy statement, which will be filed with the Commission prior to April 30, 2012.

Item 12. ***Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters***

The information required by this Item is incorporated herein by reference to the information under the headings "Security Ownership of Directors and Management and Certain Beneficial Owners" and "Equity Compensation Plan Information" in our definitive proxy statement, which will be filed with the Commission prior to April 30, 2012.

Item 13. ***Certain Relationships and Related Transactions and Director Independence***

The information required by this Item is incorporated herein by reference to the information under the headings "Board and Committees — Independence and Meetings" and "Certain Relationships and Related Transactions" in our definitive proxy statement, which will be filed with the Commission prior to April 30, 2012.

Item 14. ***Principal Accounting Fees and Services***

The information required by this Item is incorporated herein by reference to the information under the headings "Ratification of the Appointment of the Independent Registered Public Accounting Firm" and "Pre-Approval Policies and Procedures" in our definitive proxy statement, which will be filed with the Commission prior to April 30, 2012.

PART IV

Item 15. *Exhibits and Financial Statement Schedules*

(a) 1. *Our Consolidated Financial Statements are included in Part II, Item 8:*

2. *The following Financial Statement Schedules are included in Item 15(c):*

III – Real Estate and Accumulated Depreciation

IV – Mortgage Loans on Real Estate

3. *Exhibit Index:*

The information required by this item is set forth on the Exhibit Index that follows the Financial Statement Schedules to this Annual Report on Form 10-K.

(b) *Exhibits:*

The exhibits listed on the Exhibit Index are either filed with this Form 10-K or incorporated by reference in accordance with Rule 12b-32 of the Securities Exchange Act of 1934.

(c) *Financial Statement Schedules:*

Financial statement schedules are included on pages 106 through 120.

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

HEALTH CARE REIT, INC.

By: /s/ George L. Chapman

Chairman, Chief Executive Officer, President and Director

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below on February 17, 2012, by the following person on behalf of the Company and in the capacities indicated.

/s/ William C. Ballard, Jr.**	/s/ Sharon M. Oster**
William C. Ballard, Jr., Director	Sharon M. Oster, Director
/s/ Pier C. Borra**	/s/ Jeffrey R. Otten**
Pier C. Borra, Director	Jeffrey R. Otten, Director
/s/ Thomas J. Derosa**	/s/ R. Scott Trumbull**
Thomas J. DeRosa, Director	R. Scott Trumbull, Director
/s/ Jeffrey H. Donahue**	/s/ George L. Chapman
Jeffrey H. Donahue, Director	George L. Chapman, Chairman, Chief Executive Officer, President and Director (Principal Executive Officer)

/s/ Peter J. Grua**
Peter J. Grua, Director

/s/ Scott A. ESTES**
Scott A. Estes, Executive Vice President and Chief Financial Officer (Principal Financial Officer)

/s/ Fred S. Klipsch**
Fred S. Klipsch, Director

/s/ Paul D. Nungester, Jr.**
Paul D. Nungester, Jr., Senior Vice President and Controller (Principal Accounting Officer)

/s/ Daniel A. Decker**
Daniel A. Decker, Director

**By: /s/ George L. Chapman
George L. Chapman, Attorney-in-Fact

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Health Care REIT, Inc.
Schedule III
Real Estate and Accumulated Depreciation
December 31, 2011

(Dollars in thousands)

		Initial Cost to Company			Gross Amount at Which Carried at Close of Period			
Description	Encumbrances	Land	Buildings & Improvements	Cost Capitalized Subsequent to Acquisition	Land	Buildings & Improvements	Accumulated Depreciation	Yea Acqu
Seniors housing triple-net:								
Aboite Twp, IN	$ -	$ 1,770	$ 19,930	$ 835	$ 1,770	$ 20,765	$ 668	201
Agawam, MA	-	880	16,112	2,134	880	18,246	4,690	200
Agawam, MA	-	1,230	13,618	-	1,230	13,618	299	201
Agawam, MA	-	930	15,304	-	930	15,304	326	201
Agawam, MA	-	920	10,661	-	920	10,661	239	201
Agawam, MA	-	920	10,562	-	920	10,562	236	201
Akron, OH	-	290	8,219	491	290	8,710	1,559	200
Akron, OH	-	630	7,535	184	630	7,719	1,195	200
Alexandria, VA	-	1,330	7,820	-	1,330	7,820	688	200
Alliance, OH	4,482	270	7,723	107	270	7,830	1,311	200
Amarillo, TX	-	540	7,260	-	540	7,260	1,383	200
Amelia Island, FL	-	3,290	24,310	19,131	3,290	43,441	5,335	200
Ames, IA	-	330	8,871	-	330	8,870	400	201
Anderson, SC	-	710	6,290	419	710	6,709	1,675	200
Andover, MA	-	1,310	12,647	-	1,310	12,647	292	201
Annapolis, MD	-	1,010	24,825	-	1,010	24,825	509	201
Ansted, WV	-	240	14,113	-	240	14,113	284	201
Asheboro, NC	-	290	5,032	165	290	5,197	1,194	200

Asheville, NC	-	204	3,489	-	204	3,489	1,295	199
Asheville, NC	-	280	1,955	351	280	2,306	596	200
Aspen Hill, MD	-	-	9,008	-	-	9,008	206	201
Atlanta, GA	-	460	5,540	190	460	5,730	1,156	200
Auburndale, FL	-	750	5,950	304	750	6,254	1,179	200
Aurora, CO	-	2,600	5,906	7,915	2,600	13,821	2,341	200
Aurora, CO	-	2,440	28,172	-	2,440	28,172	3,263	200
Aurora, OH	-	1,760	14,148	-	1,760	14,148	388	201
Austin, TX	10,052	730	18,970	-	730	18,970	2,421	200
Avon Lake, OH	-	790	10,421	-	790	10,421	297	201
Avon, IN	-	1,830	14,470	-	1,830	14,470	681	201
Ayer, MA	-	-	22,074	-	-	22,074	454	201
Baltic, OH	3,672	50	8,709	189	50	8,898	1,460	200
Baltimore, MD	-	1,350	14,884	-	1,350	14,884	322	201
Baltimore, MD	-	900	5,039	-	900	5,039	129	201
Barnum, MN	-	-	-	-	-	-	-	201
Bartlesville, OK	-	100	1,380	-	100	1,380	602	199
Baytown, TX	9,428	450	6,150	-	450	6,150	1,700	200
Baytown, TX	-	540	11,110	-	540	11,110	682	200
Beachwood, OH	-	1,260	23,478	-	1,260	23,478	6,529	200
Beattyville, KY	-	100	6,900	-	100	6,900	1,274	200
Bedford, NH	-	2,250	28,831	-	2,250	28,831	589	201
Bellevue, WI	-	1,740	18,260	571	1,740	18,831	2,706	200
Benbrook, TX	-	1,550	13,553	-	1,550	13,553	236	201
Bethel Park, PA	-	1,700	16,007	-	1,700	16,007	1,213	200
Bluefield, VA	-	900	12,463	-	900	12,463	262	201
Boise, ID	-	810	5,401	-	810	5,401	2,345	199
Boonville, IN	-	190	5,510	-	190	5,510	1,499	200
Boynton Beach, FL	-	980	8,112	-	980	8,112	1,734	200
	-	252	3,298	-	252	3,298	1,455	199

Bradenton, FL								
Braintree, MA	-	170	7,157	1,290	170	8,447	6,421	199
Brandon, MS	-	1,220	10,241	-	1,220	10,241	327	201
Bremerton, WA	-	390	2,210	144	390	2,354	303	200
Bremerton, WA	-	830	10,420	150	830	10,570	323	201
Brick, NJ	-	1,290	25,247	-	1,290	25,247	226	201
Brick, NJ	-	1,170	17,372	61	1,176	17,427	451	201
Brick, NJ[(1)]	-	690	17,125	16	690	17,141	439	201
Bridgewater, NJ	-	1,850	3,050	-	1,850	3,050	874	200
Bridgewater, NJ	-	1,730	48,201	74	1,730	48,275	1,235	201
Bridgewater, NJ	-	1,800	31,810	-	1,800	31,810	282	201
Brighton, MA	-	240	3,859	2,126	240	5,985	1,142	200
Broadview Heights, OH	-	920	12,400	2,388	920	14,788	3,539	200
Brookline, MA	-	2,760	9,217	-	2,760	9,217	230	201
Brooklyn Park, MD	-	1,290	16,329	-	1,290	16,329	347	201
Bunnell, FL	-	260	7,118	-	260	7,118	1,610	200
Burleson, TX	12,752	670	13,985	-	670	13,985	253	201
Burlington, NC	-	280	4,297	707	280	5,004	1,133	200
Burlington, NC	-	460	5,467	-	460	5,467	1,274	200
Burlington, NJ	-	1,700	12,554	-	1,700	12,554	306	201
Burlington, NJ	-	1,170	19,205	-	1,170	19,205	274	201
Butler, AL	-	90	3,510	-	90	3,510	867	200

Description	Encumbrances	Initial Cost to Company: Land	Initial Cost to Company: Buildings & Improvements	Cost Capitalized Subsequent to Acquisition	Gross Amount at Which Carried at Close of Period: Land	Gross Amount at Which Carried at Close of Period: Buildings & Improvements	Accumulated Depreciation	Ye Acq
Butte, MT	-	550	3,957	43	550	4,000	1,223	19
Byrdstown, TN	-	-	2,414	132	-	2,546	1,247	20
Cambridge, MD	-	490	15,843	-	490	15,843	329	20
Canton, MA	-	820	8,201	263	820	8,464	2,495	20
Canton, OH	-	300	2,098	-	300	2,098	769	19
Cape Coral, FL	-	530	3,281	-	530	3,281	897	20
Carmel, IN	-	2,370	57,175	421	2,370	57,596	5,271	20
Cary, NC	-	1,500	4,350	986	1,500	5,336	1,798	19
Catonsville, MD	-	1,330	15,003	-	1,330	15,003	324	20
Cedar Grove, NJ	-	1,830	10,939	-	1,830	10,939	244	20
Cedar Grove, NJ	-	2,850	27,737	-	2,850	27,737	581	20
Centreville, MD[(1)]	-	600	14,602	-	600	14,602	312	20
Chapel Hill, NC	-	354	2,646	783	354	3,429	893	20
Charles Town, WV	-	230	22,834	-	230	22,834	454	20
Charleston, WV	-	440	17,575	-	440	17,575	354	20
Charleston, WV	-	410	5,430	-	410	5,430	123	20
Chelmsford, MA	-	1,040	10,951	1,441	1,040	12,392	2,407	20
Chickasha, OK	-	85	1,395	-	85	1,395	602	19
Cincinnati, OH	-	2,060	109,388	350	2,060	109,738	4,195	20
Cinnaminson, NJ	-	860	6,663	-	860	6,663	161	20
Claremore, OK	-	155	1,428	-	155	1,428	597	19
	-	600	11,179	-	600	11,179	247	20

Clark Summit, PA								
Clarks Summit, PA	-	400	6,529	-	400	6,529	148	20
Clarksville, TN	-	330	2,292	-	330	2,292	833	19
Clearwater, FL	-	160	7,218	-	160	7,218	1,478	20
Clearwater, FL	-	1,260	2,740	324	1,260	3,064	713	20
Cleburne, TX	-	520	5,369	-	520	5,369	654	20
Cleveland, TN	-	350	5,000	122	350	5,122	1,531	20
Cloquet, MN	-	340	4,660	-	340	4,660	33	20
Cloquet, MN	-	-	-	-	-	-	-	20
Coeur d'Alene, ID	-	600	7,878	-	600	7,878	3,047	19
Colchester, CT	-	980	4,860	-	980	4,860	132	20
Colorado Springs, CO	-	310	6,290	-	310	6,290	1,273	20
Colts Neck, NJ	-	780	14,733	99	783	14,829	388	20
Columbia Heights, MN	-	825	14,175	-	825	14,175	94	20
Columbia, SC	-	2,120	4,860	5,709	2,120	10,569	2,086	20
Columbia, TN	-	341	2,295	-	341	2,295	846	19
Columbia, TN	-	590	3,787	-	590	3,787	1,161	20
Columbus, IN	-	610	3,190	-	610	3,190	147	20
Columbus, IN	-	530	6,710	-	530	6,710	1,677	20
Columbus, OH	-	530	5,170	8,300	1,070	12,930	2,170	20
Columbus, OH	4,090	1,010	5,022	-	1,010	5,022	923	20
Columbus, OH	-	1,010	4,931	13,620	1,860	17,701	2,900	20
Concord, NC	-	550	3,921	55	550	3,976	1,027	20
Concord, NH	-	780	18,423	-	780	18,423	371	20
Concord, NH	-	1,760	43,179	-	1,760	43,179	867	20
Concord, NH	-	720	3,041	-	720	3,041	79	20

Conroe, TX	-	980	7,771	-	980	7,771	363	20
Corpus Christi, TX	-	307	443	-	307	443	240	20
Corpus Christi, TX	-	400	1,916	-	400	1,916	517	20
Dade City, FL	-	250	7,150	-	250	7,150	1,520	20
Daniels, WV	-	200	17,320	-	200	17,320	347	20
Danville, VA	-	410	3,954	722	410	4,676	1,104	20
Daytona Beach, FL	-	470	5,930	-	470	5,930	1,372	20
Daytona Beach, FL	-	490	5,710	-	490	5,710	1,370	20
DeBary, FL	-	440	7,460	-	440	7,460	1,578	20
Dedham, MA	-	1,360	9,830	-	1,360	9,830	2,878	20
DeForest, WI	-	250	5,350	354	250	5,704	690	20
Defuniak Springs, FL	-	1,350	10,250	-	1,350	10,250	1,572	20
DeLand, FL	-	220	7,080	-	220	7,080	1,511	20
Denton, MD	-	390	4,010	206	390	4,216	1,183	20
Denton, TX	-	1,760	8,305	-	1,760	8,305	21	20
Denver, CO	-	2,530	9,514	-	2,530	9,514	1,684	20
Denver, CO	-	3,650	14,906	1,605	3,650	16,511	2,134	20
Denver, CO	-	2,076	13,594	-	2,076	13,594	784	20
Dover, DE	-	400	7,717	-	400	7,717	170	20
Dover, DE	-	600	22,266	-	600	22,266	456	20
Drescher, PA	-	2,060	40,236	45	2,063	40,278	1,028	20
Dundalk, MD[1]	-	1,770	32,047	-	1,770	32,047	658	20
Durham, NC	-	1,476	10,659	2,196	1,476	12,855	7,592	19
East Brunswick, NJ	-	1,380	34,229	-	1,380	34,229	300	20
East Norriston, PA	-	1,200	28,129	139	1,210	28,258	731	20
Easton, MD	-	900	24,539	-	900	24,539	518	20
Easton, PA	-	285	6,315	-	285	6,315	3,440	19
Eatontown, NJ	-	1,190	23,358	-	1,190	23,358	489	20

		Initial Cost to Company		Cost Capitalized Subsequent to Acquisition	Gross Amount at Which Carried at Close of Period		
Description	Encumbrances	Land	Buildings & Improvements		Land	Buildings & Improvements	Accumulated Depreciation
Eden, NC	-	390	4,877	-	390	4,877	1,156
El Paso, TX	-	539	8,961	232	539	9,193	1,725
El Paso, TX	-	642	3,958	1,100	642	5,058	998
Elizabeth City, NC	-	200	2,760	2,011	200	4,771	1,480
Elizabethton, TN	-	310	4,604	336	310	4,940	1,514
Englewood, NJ	-	930	4,514	-	930	4,514	104
Englishtown, NJ	-	690	12,520	41	694	12,557	333
Erin, TN	-	440	8,060	134	440	8,194	2,347
Eugene, OR	-	300	5,316	-	300	5,316	2,207
Everett, WA	-	1,400	5,476	-	1,400	5,476	1,906
Fair Lawn, NJ	-	2,420	24,504	-	2,420	24,504	511
Fairfield, CA	-	1,460	14,040	-	1,460	14,040	3,911
Fairhaven, MA	-	770	6,230	-	770	6,230	1,282
Fall River, MA	-	620	5,829	4,856	620	10,685	3,699
Fall River, MA	-	920	34,715	-	920	34,715	710
Fanwood, NJ	-	2,850	55,175	-	2,850	55,175	477
Fayetteville, NY	-	410	3,962	500	410	4,462	1,193
Findlay, OH	-	200	1,800	-	200	1,800	720
Fishers, IN	-	1,500	14,500	-	1,500	14,500	682
Florence, NJ	-	300	2,978	-	300	2,978	810
Flourtown, PA	-	1,800	14,830	-	1,800	14,830	316
Follansbee, WV	-	640	27,670	-	640	27,670	561
Forest City, NC	-	320	4,497	-	320	4,497	1,076
Fork Union, VA	-	310	2,490	60	310	2,550	245
Fort Ashby, WV	-	330	19,566	-	330	19,566	389
	-	440	3,560	211	440	3,771	711

Fort Pierce, FL							
Franconia, NH	-	360	11,320	-	360	11,320	235
Franklin, NH	-	430	15,210	-	430	15,210	313
Fredericksburg, VA	-	1,000	20,000	1,119	1,000	21,119	3,579
Fredericksburg, VA	-	590	28,611	-	590	28,611	575
Gardner, MA	-	480	10,210	-	480	10,210	222
Gastonia, NC	-	470	6,129	-	470	6,129	1,419
Gastonia, NC	-	310	3,096	22	310	3,118	772
Gastonia, NC	-	400	5,029	120	400	5,149	1,199
Georgetown, TX	-	200	2,100	-	200	2,100	826
Gettysburg, PA	-	590	8,913	-	590	8,913	204
Glastonbury, CT	-	1,950	9,532	-	1,950	9,532	220
Glen Mills, PA	-	690	9,110	-	690	9,110	200
Glenside, PA	-	1,940	16,867	-	1,940	16,867	357
Goochland, VA	-	350	3,697	-	350	3,697	354
Goshen, IN	-	210	6,120	-	210	6,120	1,059
Graceville, FL	-	150	13,000	-	150	13,000	1,939
Grafton, WV	-	280	18,824	-	280	18,824	376
Granbury, TX	22,500	2,040	30,670	-	2,040	30,670	548
Grand Ledge, MI	8,356	1,150	16,286	-	1,150	16,286	454
Grand Prairie, TX	-	574	3,426	-	574	3,426	790
Granger, IN	-	1,670	21,280	1,127	1,670	22,407	710
Greeneville, TN	-	400	8,290	409	400	8,699	1,868
Greenfield, WI	-	600	6,626	328	600	6,954	807
Greensboro, NC	-	330	2,970	554	330	3,524	853
Greensboro, NC	-	560	5,507	1,013	560	6,520	1,565
Greenville, NC	-	290	4,393	168	290	4,561	1,048
Greenville, SC	-	310	4,750	-	310	4,750	1,013
Greenville, SC	-	5,400	100,523	1,007	5,400	101,530	5,372
Greenwood, IN	-	1,550	22,770	-	1,550	22,770	746
Groton, CT	-	2,430	19,941	-	2,430	19,941	450
Haddonfield, NJ	-	520	2,320	-	520	2,320	12
Hamburg, PA	-	840	10,543	-	840	10,543	250

Hamden, CT	-	1,470	4,530	-	1,470	4,530	1,475	2
Hamilton, NJ	-	440	4,469	-	440	4,469	1,209	2
Hanover, IN	-	210	4,430	-	210	4,430	978	2
Harleysville, PA	-	960	11,355	-	960	11,355	785	2
Harriman, TN	-	590	8,060	158	590	8,218	2,507	2
Hatboro, PA	-	-	28,112	-	-	28,112	566	2
Hattiesburg, MS	13,100	450	15,518	35	450	15,553	409	2
Haverford, PA	-	1,880	33,993	85	1,880	34,078	871	2
Hemet, CA	-	870	3,405	-	870	3,405	413	2
Henderson, NV	-	380	9,220	65	380	9,285	3,161	1
Henderson, NV	-	380	4,360	41	380	4,401	1,326	1
Hermitage, TN	-	1,500	9,856	-	1,500	9,856	150	2
Hickory, NC	-	290	987	232	290	1,219	395	2
High Point, NC	-	560	4,443	793	560	5,236	1,242	2
High Point, NC	-	370	2,185	410	370	2,595	659	2
High Point, NC	-	330	3,395	28	330	3,423	819	2
High Point, NC	-	430	4,143	-	430	4,143	982	2

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		Initial Cost to Company			Gross Amount at Which Carried at Close of Period			
Description	Encumbrances	Land	Buildings & Improvements	Cost Capitalized Subsequent to Acquisition	Land	Buildings & Improvements	Accumulated Depreciation	Y Acc
Highlands Ranch, CO	-	940	3,721	-	940	3,721	1,027	2
Hilliard, FL	-	150	6,990	-	150	6,990	2,665	1
Hilltop, WV	-	480	25,355	-	480	25,355	514	2
Homestead, FL	-	2,750	11,750	-	2,750	11,750	1,793	2
Hopedale, MA	-	130	8,170	-	130	8,170	1,502	2
Houston, TX	10,050	860	18,715	-	860	18,715	2,139	2
Houston, TX	-	5,090	9,471	-	5,090	9,471	724	2
Houston, TX	10,410	630	5,970	750	630	6,720	1,793	2
Howell, NJ	10,528	1,050	21,703	36	1,050	21,739	567	2
Huntington, WV	-	800	32,261	-	800	32,261	657	2
Huron, OH	-	160	6,088	1,452	160	7,540	1,176	2
Hurricane, WV	-	620	21,454	-	620	21,454	442	2
Hutchinson, KS	-	600	10,590	-	600	10,590	2,034	2
Indianapolis, IN	-	495	6,287	22,565	495	28,852	4,486	2
Indianapolis, IN	-	255	2,473	12,123	255	14,596	2,079	2
Jamestown, TN	-	-	6,707	-	-	6,707	3,465	2
Jefferson, OH	-	80	9,120	-	80	9,120	1,589	2
Kalida, OH	-	480	8,173	-	480	8,173	1,041	2
Kalispell, MT	-	360	3,282	-	360	3,282	1,175	1
Keene, NH	-	530	9,639	-	530	9,639	97	2
Kenner, LA	-	1,100	10,036	328	1,100	10,364	6,054	1
Kennett Square, PA	-	1,050	22,946	18	1,050	22,964	592	2
Kenosha, WI	-	1,500	9,139	-	1,500	9,139	723	2
Kent, WA	-	940	20,318	10,470	940	30,788	2,841	2
Kirkland, WA	-	1,880	4,315	214	1,880	4,529	1,006	2
	-	230	3,854	-	230	3,854	819	2

Kissimmee, FL								
LaBelle, FL	-	60	4,946	-	60	4,946	1,141	2
Laconia, NH	-	810	14,434	-	810	14,434	305	2
Lake Havasu City, AZ	-	450	4,223	-	450	4,223	1,452	1
Lake Havasu City, AZ	-	110	2,244	136	110	2,380	854	1
Lake Placid, FL	-	150	12,850	-	150	12,850	2,791	2
Lake Zurich, IL	-	1,470	9,830	-	1,470	9,830	197	2
Lancaster, NH	-	430	15,804	-	430	15,804	324	2
Lancaster, NH	-	160	434	-	160	434	18	2
Lancaster, PA	-	890	7,623	-	890	7,623	180	2
Langhorne, PA	-	1,350	24,881	-	1,350	24,881	524	2
LaPlata, MD	-	700	19,068	-	700	19,068	402	2
Lawrenceville, VA	-	170	4,780	-	170	4,780	441	2
Lebanon, NH	-	550	20,138	-	550	20,138	413	2
Lecanto, FL	-	200	6,900	-	200	6,900	1,412	2
Lee, MA	-	290	18,135	926	290	19,061	5,058	2
Lenoir, NC	-	190	3,748	641	190	4,389	1,036	2
Leominster, MA	-	530	6,201	-	530	6,201	149	2
Lewisburg, WV	-	260	3,699	-	260	3,699	90	2
Lexington, NC	-	200	3,900	1,015	200	4,915	1,250	2
Libertyville, IL	14,343	6,500	40,024	-	6,500	40,024	742	2
Lincoln, NE	5,273	390	13,807	-	390	13,807	599	2
Linwood, NJ	-	800	21,984	275	800	22,259	580	2
Litchfield, CT	-	1,240	17,908	45	1,240	17,953	465	2
Little Neck, NY	-	3,350	38,461	151	3,355	38,607	993	2
Littleton, MA	-	1,240	2,910	-	1,240	2,910	968	1
Loma Linda, CA	-	2,214	9,586	-	2,214	9,586	1,228	2
Longview, TX	-	293	1,707	-	293	1,707	457	2
Longview, TX	-	610	5,520	-	610	5,520	683	2
Longwood, FL	-	480	7,520	-	480	7,520	1,628	2
Longwood, FL	-	1,260	6,445	-	1,260	6,445	32	2

Louisville, KY	-	490	10,010	-	490	10,010	2,297	2
Louisville, KY	-	430	7,135	163	430	7,298	2,217	2
Louisville, KY	-	350	4,675	109	350	4,784	1,485	2
Lowell, MA	-	1,070	13,481	-	1,070	13,481	298	2
Lowell, MA	-	680	3,378	-	680	3,378	91	2
Lufkin, TX	-	343	1,184	-	343	1,184	460	2
Lutherville, MD	-	1,100	19,786	-	1,100	19,786	407	2
Macungie, PA	-	960	29,033	-	960	29,033	586	2
Manahawkin, NJ	-	1,020	20,361	-	1,020	20,361	425	2
Manalapan, NJ	-	900	22,624	-	900	22,624	199	2
Manassas, VA	-	750	7,446	492	750	7,938	1,662	2
Manchester, NH	-	340	4,360	259	340	4,619	811	2
Mansfield, TX	-	660	5,251	-	660	5,251	657	2
Marianna, FL	-	340	8,910	-	340	8,910	1,325	2
Marlinton, WV	-	270	8,430	-	270	8,430	180	2
Marmet, WV	-	540	26,483	-	540	26,483	527	2
Martinsburg, WV	-	340	17,180	-	340	17,180	345	2
Martinsville, VA	-	349	-	-	349	-	-	2

		Initial Cost to Company			Gross Amount at Which Carried at Close of Period			
Description	Encumbrances	Land	Buildings & Improvements	Cost Capitalized Subsequent to Acquisition	Land	Buildings & Improvements	Accumulated Depreciation	A
Marysville, CA	-	450	4,172	44	450	4,216	1,294	
Matawan, NJ	-	190	15,549	-	190	15,549	312	
Matthews, NC	-	560	4,738	-	560	4,738	1,158	
McConnelsville, OH	-	190	7,060	-	190	7,060	277	
McHenry, IL	-	1,576	-	-	1,576	-	-	
McHenry, IL	-	3,550	15,300	6,718	3,550	22,018	2,533	
McKinney, TX	-	1,570	7,389	-	1,570	7,389	377	
McMurray, PA	-	1,440	15,805	-	1,440	15,805	-	
Melbourne, FL	-	7,070	48,257	11,726	7,070	59,983	3,323	
Melville, NY	-	4,280	73,283	187	4,282	73,468	1,867	
Memphis, TN	-	940	5,963	-	940	5,963	1,535	
Memphis, TN	-	390	9,660	1,600	390	11,260	316	
Mendham, NJ	-	1,240	27,169	-	1,240	27,169	550	
Menomonee Falls, WI	-	1,020	6,984	-	1,020	6,984	793	
Mercerville, NJ	-	860	9,929	-	860	9,929	222	
Meriden, CT	-	1,300	1,472	-	1,300	1,472	68	
Merrillville, IN	-	643	7,084	3,526	643	10,610	5,601	
Merrillville, IN	-	1,080	3,413	-	1,080	3,413	49	
Middleburg Heights, OH	-	960	7,780	-	960	7,780	1,525	
Middleton, WI	-	420	4,006	600	420	4,606	1,109	
Middletown, RI	-	1,480	19,703	-	1,480	19,703	417	
Midland, MI	-	200	11,025	-	200	11,025	299	
Midwest City, OK	-	470	5,673	-	470	5,673	3,277	
Midwest City, OK	-	484	5,516	-	484	5,516	1,107	
Milford, DE	-	400	7,816	-	400	7,816	172	
Milford, DE	-	680	19,216	-	680	19,216	404	
Millersville, MD	-	680	1,020	-	680	1,020	31	
Millville, NJ	-	840	29,944	-	840	29,944	615	
Missoula, MT	-	550	7,490	-	550	7,490	1,291	
	-	720	6,209	-	720	6,209	146	

Monmouth Junction, NJ							
Monroe Twp, NJ	-	1,160	13,193	-	1,160	13,193	296
Monroe, NC	-	470	3,681	648	470	4,329	1,048
Monroe, NC	-	310	4,799	857	310	5,656	1,290
Monroe, NC	-	450	4,021	114	450	4,135	997
Monteagle, TN	-	310	3,318	-	310	3,318	945
Monterey, TN	-	-	4,195	23	-	4,218	2,167
Monticello, FL	-	140	4,471	-	140	4,471	1,061
Montville, NJ	-	3,500	31,002	-	3,500	31,002	278
Moorestown, NJ	-	2,060	51,628	109	2,062	51,735	1,328
Morehead City, NC	-	200	3,104	1,648	200	4,752	1,481
Morgantown, KY	-	380	3,705	7	380	3,712	998
Morgantown, WV	-	1,830	20,541	-	1,830	20,541	443
Morton Grove, IL	-	1,900	19,374	-	1,900	19,374	44
Moss Point, MS	-	120	7,280	-	120	7,280	1,609
Mount Airy, NC	-	270	6,430	128	270	6,558	1,025
Mountain City, TN	-	220	5,896	660	220	6,556	3,263
Mt. Vernon, WA	-	400	2,200	156	400	2,356	312
Myrtle Beach, SC	-	6,890	41,526	10,640	6,890	52,166	2,887
Nacogdoches, TX	-	390	5,754	-	390	5,754	702
Naperville, IL	9,144	3,470	29,547	-	3,470	29,547	558
Naples, FL	-	550	5,450	-	550	5,450	1,193
Nashville, TN	-	4,910	29,590	-	4,910	29,590	2,775
Naugatuck, CT	-	1,200	15,826	-	1,200	15,826	335
Needham, MA	-	1,610	13,715	366	1,610	14,081	4,141
Neenah, WI	-	630	15,120	-	630	15,120	633
New Braunfels, TX	-	1,200	19,800	-	1,200	19,800	401
New Haven, CT	-	160	4,778	1,789	160	6,567	2,100
New Haven, IN	-	176	3,524	-	176	3,524	917
Newark, DE	-	560	21,220	1,181	560	22,401	4,007
Newburyport, MA	-	960	8,290	-	960	8,290	2,227
Newport, VT	-	290	3,867	-	290	3,867	91
Norman, OK	-	55	1,484	-	55	1,484	720
Norristown, PA	-	1,200	19,488	-	1,200	19,488	404

North Andover, MA	-	950	21,817	-	950	21,817	450
North Andover, MA	-	1,070	17,341	-	1,070	17,341	370
North Augusta, SC	-	332	2,558	-	332	2,558	930
North Cape May, NJ	-	600	22,266	-	600	22,266	456
North Miami, FL	-	430	3,918	-	430	3,918	1,137
North Miami, FL	-	440	4,830	-	440	4,830	1,145
Oak Hill, WV	-	240	24,506	-	240	24,506	486
Oak Hill, WV	-	170	721	-	170	721	31
Ocala, FL	-	1,340	10,564	-	1,340	10,564	674
Ogden, UT	-	360	6,700	627	360	7,327	1,334
Oklahoma City, OK	-	510	10,694	-	510	10,694	1,794
Oklahoma City, OK	-	590	7,513	-	590	7,513	725

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		Initial Cost to Company			Gross Amount at Which Carried at Close of Period		
Description	Encumbrances	Land	Buildings & Improvements	Cost Capitalized Subsequent to Acquisition	Land	Buildings & Improvements	Accumulated Depreciation
Oklahoma City, OK	-	760	7,017	-	760	7,017	563
Omaha, NE	-	370	10,230	-	370	10,230	457
Omaha, NE	4,544	380	8,864	-	380	8,864	405
Oneonta, NY	-	80	5,020	-	80	5,020	552
Ormond Beach, FL	-	-	2,739	73	-	2,812	1,354
Orwigsburg, PA	-	650	20,632	-	650	20,632	429
Oshkosh, WI	-	900	3,800	3,687	900	7,487	1,072
Oshkosh, WI	-	400	23,237	-	400	23,237	1,818
Overland Park, KS	-	1,120	8,360	-	1,120	8,360	1,511
Overland Park, KS	-	3,730	27,076	340	3,730	27,416	1,542
Overland Park, KS	-	4,500	29,105	6,386	4,500	35,491	945
Owasso, OK	-	215	1,380	-	215	1,380	576
Owensboro, KY	-	240	6,760	-	240	6,760	1,331
Owensboro, KY	-	225	13,275	-	225	13,275	2,523
Owenton, KY	-	100	2,400	-	100	2,400	561
Oxford, MI	11,892	1,430	15,791	-	1,430	15,791	453
Palestine, TX	-	180	4,320	1,300	180	5,620	735
Palm Coast, FL	-	870	10,957	-	870	10,957	568
Panama City Beach, FL	-	900	7,717	-	900	7,717	118
Panama City, FL	-	300	9,200	-	300	9,200	2,004
Paris, TX	-	490	5,452	-	490	5,452	1,877

Parkersburg, WV	-	390	21,288	-	390	21,288	431	2
Parkville, MD	-	1,350	16,071	-	1,350	16,071	344	2
Parkville, MD	-	791	11,186	-	791	11,186	245	2
Parkville, MD	-	1,100	11,768	-	1,100	11,768	256	2
Pasadena, TX	10,073	720	24,080	-	720	24,080	3,027	2
Paso Robles, CA	-	1,770	8,630	675	1,770	9,305	2,394	2
Pawleys Island, SC	-	2,020	32,590	5,482	2,020	38,072	5,602	2
Pennington, NJ	-	1,380	27,620	-	1,380	27,620	120	2
Pennsauken, NJ	-	900	10,780	-	900	10,780	258	2
Petoskey, MI	6,456	860	14,452	-	860	14,452	337	2
Philadelphia, PA	-	2,700	25,709	-	2,700	25,709	540	2
Philadelphia, PA	-	2,930	10,433	-	2,930	10,433	257	2
Philadelphia, PA	-	540	11,239	-	540	11,239	228	2
Philadelphia, PA	-	1,810	16,898	-	1,810	16,898	381	2
Phillipsburg, NJ	-	800	21,175	-	800	21,175	448	2
Phillipsburg, NJ	-	300	8,114	-	300	8,114	171	2
Pigeon Forge, TN	-	320	4,180	117	320	4,297	1,373	2
Pikesville, MD	-	450	10,750	-	450	10,750	1,423	2
Pinehurst, NC	-	290	2,690	484	290	3,174	795	2
Piqua, OH	-	204	1,885	-	204	1,885	710	1
Pittsburgh, PA	-	1,750	8,572	115	1,750	8,687	1,654	2
Plainview, NY	-	3,990	11,969	-	3,990	11,969	120	2
Plano, TX	-	1,305	9,095	1,281	1,305	10,376	1,820	2
Plattsmouth, NE	-	250	5,650	-	250	5,650	265	2
Plymouth, MI	12,463	1,490	19,990	-	1,490	19,990	546	2
Port St. Joe, FL	-	370	2,055	-	370	2,055	764	2
	-	8,700	47,230	2,969	8,700	50,199	2,223	2

Port St. Lucie, FL								
Post Falls, ID	-	2,700	14,217	2,181	2,700	16,398	1,383	2
Pottsville, PA	-	950	26,964	-	950	26,964	566	2
Princeton, NJ	-	1,730	30,888	-	1,730	30,888	133	2
Prospect, CT	-	820	1,441	2,541	820	3,982	1,482	2
Pueblo, CO	-	370	6,051	-	370	6,051	2,591	1
Quakertown, PA	-	1,040	25,389	-	1,040	25,389	521	2
Quincy, FL	-	200	5,333	-	200	5,333	1,276	2
Quincy, MA	-	2,690	15,410	-	2,690	15,410	2,842	2
Quitman, MS	-	60	10,340	-	60	10,340	2,151	2
Raleigh, NC	-	10,000	-	-	10,000	-	-	2
Reading, PA	-	980	19,906	-	980	19,906	415	2
Red Bank, NJ	-	1,050	21,275	-	1,050	21,275	187	2
Rehoboth Beach, DE	-	960	24,248	61	961	24,308	630	2
Reidsville, NC	-	170	3,830	857	170	4,687	1,207	2
Reno, NV	-	1,060	11,440	604	1,060	12,044	2,245	2
Richmond, VA	-	1,211	2,889	-	1,211	2,889	1,012	2
Richmond, VA	-	760	12,640	-	760	12,640	1,708	2
Ridgeland, MS	-	520	7,675	-	520	7,675	1,711	2
Ridgely, TN	-	300	5,700	97	300	5,797	1,703	2
Ridgewood, NJ	-	1,350	16,170	-	1,350	16,170	332	2
Rockledge, FL	-	360	4,117	-	360	4,117	1,533	2
Rockville Centre, NY	-	4,290	20,310	-	4,290	20,310	189	2
Rockville, CT	-	1,500	4,835	-	1,500	4,835	137	2
Rockwood, TN	-	500	7,116	741	500	7,857	2,301	2
Rocky Hill, CT	-	1,460	7,040	-	1,460	7,040	2,076	2
Rocky Hill, CT	-	1,090	6,710	1,500	1,090	8,210	1,623	2
	-	350	3,278	-	350	3,278	937	2

Rogersville,
TN

		Initial Cost to Company			Gross Amount at Which Carried at Close of Period		
Description	Encumbrances	Land	Buildings & Improvements	Cost Capitalized Subsequent to Acquisition	Land	Buildings & Improvements	Accumulated Depreciation
Romeoville, IL	-	1,895	-	-	1,895	-	-
Royal Palm Beach, FL	-	980	8,320	-	980	8,320	1,854
Rutland, VT	-	1,190	23,655	-	1,190	23,655	494
Saint Simons Island, GA	-	6,440	50,060	996	6,440	51,056	4,510
Salem, OR	-	449	5,172	-	449	5,172	1,856
Salisbury, NC	-	370	5,697	168	370	5,865	1,352
San Angelo, TX	-	260	8,800	-	260	8,800	1,689
San Antonio, TX	-	6,120	28,169	-	6,120	28,169	199
San Antonio, TX	10,882	560	7,315	-	560	7,315	2,038
San Antonio, TX	10,030	640	13,360	-	640	13,360	1,755
Sanatoga, PA	-	980	30,695	-	980	30,695	618
Sarasota, FL	-	475	3,175	-	475	3,175	1,400
Sarasota, FL	-	560	8,474	-	560	8,474	2,958
Sarasota, FL	-	600	3,400	-	600	3,400	830
Scituate, MA	-	1,740	10,640	-	1,740	10,640	1,780
Scott Depot, WV	-	350	6,876	-	350	6,876	151
Seaford, DE	-	720	14,029	-	720	14,029	308
Selbyville, DE	-	750	25,912	44	764	25,943	675
Seven Fields, PA	-	484	4,663	60	484	4,722	1,703
Severna Park, MD(1)	-	2,120	31,273	-	2,120	31,273	632
Seville, OH	-	230	1,770	-	230	1,770	457
Shawnee, OK	-	80	1,400	-	80	1,400	607
Sheboygan, WI	-	80	5,320	3,774	80	9,094	903
Shelby, MS	-	60	5,340	-	60	5,340	1,146
Shelbyville, KY	-	630	3,870	-	630	3,870	744
	-	250	13,806	-	250	13,806	279

Shepherdstown, WV							
Sherman, TX	-	700	5,221	-	700	5,221	707
Shillington, PA	-	1,020	19,569	-	1,020	19,569	410
Shrewsbury, NJ	-	2,120	38,116	162	2,120	38,278	985
Silvis, IL	-	880	16,420	-	880	16,420	588
Sissonville, WV	-	600	23,948	-	600	23,948	488
Sisterville, WV	-	200	5,400	-	200	5,400	123
Smithfield, NC	-	290	5,680	-	290	5,680	1,328
Somerset, MA	-	1,010	29,577	-	1,010	29,577	599
South Boston, MA	-	385	2,002	5,218	385	7,220	2,642
South Pittsburg, TN	-	430	5,628	-	430	5,628	1,370
Southbury, CT	-	1,860	23,613	-	1,860	23,613	462
Sparks, NV	-	3,700	46,526	-	3,700	46,526	3,058
Spartanburg, SC	-	3,350	15,750	10,037	3,350	25,787	3,148
Spencer, WV	-	190	8,810	-	190	8,810	185
Spring City, TN	-	420	6,085	2,628	420	8,713	2,415
Spring House, PA	-	900	10,780	-	900	10,780	240
St. Charles, MD	-	580	15,555	-	580	15,555	328
St. Louis, MO	-	750	6,030	-	750	6,030	1,610
St. Louis, MO	-	1,890	12,165	-	1,890	12,165	375
Starke, FL	-	120	10,180	-	120	10,180	2,199
Statesville, NC	-	150	1,447	266	150	1,713	428
Statesville, NC	-	310	6,183	8	310	6,191	1,397
Statesville, NC	-	140	3,627	-	140	3,627	846
Staunton, VA	-	310	11,090	-	310	11,090	1,514
Stillwater, OK	-	80	1,400	-	80	1,400	610
Stuart, FL	-	390	8,110	-	390	8,110	1,737
Summit, NJ	9,413	3,080	14,152	-	3,080	14,152	265
Swanton, OH	-	330	6,370	-	330	6,370	1,318
Tampa, FL	-	830	6,370	-	830	6,370	1,699
Texarkana, TX	-	192	1,403	-	192	1,403	585
Thomasville, GA	-	530	13,899	-	530	13,899	205
Tomball, TX	-	1,050	13,300	-	1,050	13,300	313
Toms River, NJ	-	1,610	34,627	285	1,641	34,881	901
	-	360	1,261	1,292	360	2,553	851

Torrington, CT							
Towson, MD[1]	-	1,180	13,280	-	1,180	13,280	286
Troy, OH	-	200	2,000	4,254	200	6,254	1,000
Troy, OH	-	470	16,730	-	470	16,730	3,332
Trumbull, CT	14,164	4,440	43,384	-	4,440	43,384	775
Tucson, AZ	-	930	13,399	-	930	13,399	2,308
Tulsa, OK	-	1,390	7,110	-	1,390	7,110	343
Twin Falls, ID	-	550	14,740	-	550	14,740	4,184
Tyler, TX	-	650	5,268	-	650	5,268	654
Uhrichsville, OH	-	24	6,716	-	24	6,716	1,116
Uniontown, PA	-	310	6,817	-	310	6,817	147
Valley Falls, RI	-	1,080	7,433	-	1,080	7,433	162
Valparaiso, IN	-	112	2,558	-	112	2,558	761
Valparaiso, IN	-	108	2,962	-	108	2,962	863
Venice, FL	-	500	6,000	-	500	6,000	1,290
Venice, FL	-	1,150	10,674	-	1,150	10,674	604

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Description	Encumbrances	Initial Cost to Company		Cost Capitalized Subsequent to Acquisition	Gross Amount at Which Carried at Close of Period		
		Land	Buildings & Improvements		Land	Buildings & Improvements	Accumulated Depreciation
Vero Beach, FL	-	263	3,187	-	263	3,187	919
Vero Beach, FL	-	297	3,263	-	297	3,263	950
Vero Beach, FL	-	2,930	40,070	13,615	2,930	53,685	4,866
Voorhees, NJ	-	1,800	37,299	-	1,800	37,299	776
Voorhees, NJ(1)	-	1,900	26,040	-	1,900	26,040	549
W. Hartford, CT	-	2,650	5,980	-	2,650	5,980	1,316
Waconia, MN	-	890	14,726	-	890	14,726	96
Wake Forest, NC	-	200	3,003	1,742	200	4,745	1,529
Wall, NJ	-	1,650	25,350	-	1,650	25,350	111
Wallingford, CT	-	490	1,210	-	490	1,210	44
Wareham, MA	-	875	10,313	1,701	875	12,014	3,283
Warren, NJ	-	2,000	30,810	-	2,000	30,810	268
Warren, OH	-	240	3,810	-	240	3,810	780
Warwick, RI	-	1,530	18,564	-	1,530	18,564	397
Watchung, NJ	-	1,920	24,880	-	1,920	24,880	108
Waterbury, CT	-	370	2,166	1,927	370	4,093	1,198
Waterford, CT	-	1,360	12,540	-	1,360	12,540	3,401
Waukesha, WI	-	1,100	14,910	-	1,100	14,910	804
Waxahachie, TX	-	650	5,763	-	650	5,763	569
Weatherford, TX	-	660	5,261	-	660	5,261	658
Webster, TX	9,585	360	5,940	-	360	5,940	1,648
West Bend, WI	-	620	17,790	-	620	17,790	-
West Chester, PA	-	1,350	29,237	-	1,350	29,237	606
West Haven, CT	-	580	1,620	1,680	580	3,300	1,121
West Orange, NJ	-	2,280	10,687	-	2,280	10,687	248
West Worthington,	-	510	5,090	-	510	5,090	882

OH							
Westerville, OH	-	740	8,287	2,736	740	11,023	5,877
Westfield, NJ(1)	-	2,270	16,589	-	2,270	16,589	382
Westford, MA	-	920	13,829	-	920	13,829	298
Westlake, OH	-	1,330	17,926	-	1,330	17,926	5,064
Westlake, OH	-	571	5,411	-	571	5,411	2,241
Westmoreland, TN	-	330	1,822	2,634	330	4,456	1,355
White Lake, MI	10,917	2,920	20,179	-	2,920	20,179	563
Whitemarsh, PA	-	2,310	6,190	1,923	2,310	8,113	1,501
Wichita, KS	-	1,400	11,000	-	1,400	11,000	1,734
Wilkes-Barre, PA	-	610	13,842	-	610	13,842	298
Wilkes-Barre, PA	-	570	2,301	-	570	2,301	78
Williamsburg, VA	-	1,360	7,440	-	1,360	7,440	1,019
Williamsport, PA	-	300	4,946	-	300	4,946	112
Williamsport, PA	-	620	8,487	-	620	8,487	198
Williamstown, KY	-	70	6,430	-	70	6,430	1,234
Willow Grove, PA	-	1,300	14,736	-	1,300	14,736	331
Wilmington, DE	-	800	9,494	-	800	9,494	211
Wilmington, NC	-	210	2,991	-	210	2,991	1,066
Winchester, VA	-	640	1,510	-	640	1,510	168
Windsor, CT	-	2,250	8,539	-	2,250	8,539	207
Windsor, CT	-	1,800	600	-	1,800	600	38
Winston-Salem, NC	-	360	2,514	459	360	2,973	718
Winston-Salem, NC	-	5,700	13,550	11,716	5,700	25,266	3,418
Woodbridge, VA	-	680	4,423	330	680	4,753	1,302
Worcester, MA	-	3,500	54,099	-	3,500	54,099	2,897
Worcester, MA	-	2,300	9,060	-	2,300	9,060	831
Wyncote, PA	-	2,700	22,244	-	2,700	22,244	474
Wyncote, PA	-	1,610	21,256	-	1,610	21,256	433
Wyncote, PA	-	900	7,811	-	900	7,811	166
Zionsville, IN	-	1,610	22,400	1,358	1,610	23,758	749
	258,600	575,231	6,992,506	293,078	576,701	7,284,115	642,910

Seniors housing triple-net total

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Description	Encumbrances	Initial Cost to Company: Land	Initial Cost to Company: Buildings & Improvements	Cost Capitalized Subsequent to Acquisition	Gross Amount at Which Carried at Close of Period: Land	Gross Amount at Which Carried at Close of Period: Buildings & Improvements	Accumulated Depreciation
Seniors housing operating facilities:							
Albuquerque, NM	$ 5,772	$ 1,270	$ 20,837	$ 80	$ 1,270	$ 20,917	$ 1,386
Agawam, MA	6,688	880	10,044	-	880	10,044	724
Alhambra, CA	3,047	600	6,305	-	600	6,305	382
Albertville, AL	2,088	170	6,203	116	170	6,319	490
Apple Valley, CA	11,126	480	16,639	66	480	16,705	1,651
Atlanta, GA	7,889	2,058	14,914	606	2,059	15,518	8,666
Austin, TX	19,550	880	9,520	512	880	10,032	3,529
Avon, CT	21,463	1,550	30,571	-	1,550	30,571	1,903
Azusa, CA	-	570	3,141	6,000	570	9,141	1,295
Bellingham, WA	8,979	1,500	19,861	59	1,500	19,920	1,836
Belmont, CA	-	3,000	23,526	-	3,000	23,526	398
Brighton, MA	-	2,100	14,616	-	2,100	14,616	920
Brookfield, CT	20,005	2,250	30,180	-	2,250	30,180	1,946
Cardiff by the Sea, CA	-	5,880	64,711	-	5,880	64,711	708
North Chelmsford, MA	11,972	880	18,478	-	880	18,478	1,118
Concord, NH	13,591	720	21,164	-	720	21,164	1,169
Costa Mesa, CA	-	2,050	19,969	-	2,050	19,969	1,749
Citrus Heights, CA	15,373	2,300	31,876	153	2,300	32,029	2,960
Centerville, MA	17,763	1,300	27,357	-	1,300	27,357	1,588
Dallas, TX	-	1,080	9,655	-	1,080	9,655	614
Danvers, MA	9,621	1,120	14,557	-	1,120	14,557	1,004
Davenport, IA	-	1,403	35,893	1,805	1,403	37,699	2,149

Dublin, OH	19,181	1,680	43,423	196	1,680	43,619	2,225
Encinitas, CA	-	1,460	7,721	163	1,460	7,884	2,595
Escondido, CA	13,471	1,520	24,024	-	1,520	24,024	1,633
East Haven, CT	23,577	2,660	35,533	-	2,660	35,533	2,266
Florence, AL	7,342	353	13,049	125	350	13,177	1,168
Fremont, CA	20,028	3,400	25,300	1,527	3,400	26,827	4,183
Gig Harbor, WA	5,967	1,560	15,947	52	1,560	15,999	1,434
Gilroy, CA	-	760	13,880	23,860	760	37,740	4,044
Gardnerville, NV	12,943	1,143	10,831	653	1,144	11,482	6,832
Hemet, CA	13,550	1,890	28,606	146	1,890	28,752	2,820
Hemet, CA	-	430	9,630	384	430	10,014	598
Hamden, CT	15,710	1,460	24,093	-	1,460	24,093	1,602
Henderson, NV	15,709	880	29,809	-	880	29,809	148
Houston, TX	8,326	960	27,598	-	960	27,598	1,797
Irving, TX	-	1,030	6,823	595	1,030	7,418	652
Kingwood, TX	3,329	480	9,777	-	480	9,777	658
Kennewick, WA	9,010	1,820	27,991	91	1,820	28,082	2,646
Kansas City, MO	5,911	1,820	34,898	331	1,820	35,229	2,236
Kansas City, MO	7,250	1,930	39,997	78	1,930	40,075	2,688
Kirkland, WA	34,000	3,450	38,709	-	3,450	38,709	201
Lancaster, CA	10,378	700	15,295	83	700	15,378	1,621
Los Angeles, CA	-	-	11,430	357	-	11,787	579
Los Angeles, CA	-	-	114,438	-	-	114,438	1,172
Mansfield, MA	37,918	3,320	57,011	-	3,320	57,011	2,763
Mansfield, MA	-	-	-	-	-	-	-
Manteca, CA	6,358	1,300	12,125	1,361	1,300	13,486	2,138
Meriden, CT	9,903	1,500	14,874	-	1,500	14,874	1,272
Mesa, AZ	6,279	950	9,087	486	950	9,573	2,914
Milford, CT	12,656	3,210	17,364	-	3,210	17,364	1,171
Middletown, CT	15,756	1,430	24,242	-	1,430	24,242	1,659
Middletown, RI	16,729	2,480	24,628	-	2,480	24,628	1,612
Mill Creek, WA	30,259	10,150	60,274	282	10,150	60,556	5,360

Monroe, WA	14,167	2,560	34,460	185	2,560	34,645	3,107
Marysville, WA	4,711	620	4,780	276	620	5,056	1,082
Mystic, CT	12,072	1,400	18,274	-	1,400	18,274	1,274
North Andover, MA	22,890	1,960	34,976	-	1,960	34,976	2,055
Newton, MA	28,400	2,250	43,614	-	2,250	43,614	2,536
Newton, MA	10,758	2,500	30,681	-	2,500	30,681	1,829
Newton, MA	17,564	3,360	25,099	-	3,360	25,099	1,683
Niantic, CT	16,855	1,320	25,986	-	1,320	25,986	1,623
Naples, FL	-	1,716	17,306	1,588	1,716	18,894	13,706
Olympia, WA	7,197	550	16,689	164	550	16,853	1,533
Oceanside, CA	13,369	2,160	18,352	-	2,160	18,352	138
Plano, TX	4,335	840	8,538	-	840	8,538	733
Providence, RI	18,433	2,600	27,546	-	2,600	27,546	1,977
Puyallup, WA	11,706	1,150	20,776	169	1,150	20,945	2,085
Quincy, MA	8,551	1,350	12,584	-	1,350	12,584	907
Redondo Beach, CA	6,154	-	9,556	-	-	9,556	765
Rocky Hill, CT	10,531	810	16,351	-	810	16,351	1,104
Romeoville, IL	-	854	12,646	58,314	6,100	65,714	3,300
Renton, WA	22,855	3,080	51,824	-	3,080	51,824	260
Rohnert Park, CA	14,086	6,500	18,700	1,367	6,500	20,067	3,152
Roswell, GA	8,100	1,107	9,627	420	1,107	10,047	6,105

		Initial Cost to Company			Gross Amount at Which Carried at Close of Period		
Description	Encumbrances	Land	Buildings & Improvements	Cost Capitalized Subsequent to Acquisition	Land	Buildings & Improvements	Accumulated Depreciation
Sacramento, CA	10,596	940	14,781	38	940	14,819	1,473
Salem, NH	20,915	980	32,721	-	980	32,721	1,827
San Ramon, CA	9,598	2,430	17,488	16	2,430	17,504	1,624

Scottsdale, AZ	-	2,500	3,890	796	2,500	4,686	424
San Diego, CA	15,879	4,200	30,707	-	4,200	30,707	68
Seattle, WA	7,838	5,190	9,350	99	5,190	9,449	1,573
Seattle, WA	7,795	3,420	15,555	27	3,420	15,582	1,777
Seattle, WA	9,398	2,630	10,257	25	2,630	10,282	1,255
Seattle, WA	29,205	10,670	37,291	78	10,670	37,369	3,683
Seattle, WA	48,540	6,790	85,369	-	6,790	85,369	407
Shelburne, VT	19,706	720	31,041	-	720	31,041	1,737
San Juan Capistrano, CA	-	1,390	6,942	75	1,390	7,017	2,051
Salt Lake City, UT	-	1,360	19,691	-	1,360	19,691	2,100
San Jose, CA	23,422	2,850	35,098	-	2,850	35,098	203
Sonoma, CA	15,238	1,100	18,400	1,146	1,100	19,546	3,056
Stanwood, WA	10,196	2,260	28,474	74	2,260	28,548	2,755
Santa Maria, CA	30,564	6,050	50,658	-	6,050	50,658	287
Stockton, CA	3,050	2,280	5,983	107	2,280	6,090	765
Sugar Land, TX	5,904	960	31,423	-	960	31,423	2,268
South Windsor, CT	19,888	3,000	29,295	-	3,000	29,295	1,989
Tacoma, WA	19,390	2,400	35,053	-	2,400	35,053	176
Toledo, OH	16,609	2,040	47,129	92	2,040	47,221	3,721
Trumbull, CT	25,078	2,850	37,685	-	2,850	37,685	2,321
Tustin, CA	7,090	840	15,299	-	840	15,299	900
Tulsa, OK	6,467	1,330	21,285	174	1,330	21,459	1,509
Tulsa, OK	8,452	1,500	20,861	54	1,500	20,915	1,514
Vacaville, CA	14,485	900	17,100	1,185	900	18,285	2,892
Vancouver, WA	12,173	1,820	19,042	73	1,820	19,115	1,944
Vallejo, CA	14,501	4,000	18,000	1,536	4,000	19,536	3,045
Vallejo, CA	7,628	2,330	15,407	24	2,330	15,431	1,776
Warwick, RI	16,567	2,400	24,635	-	2,400	24,635	1,790
Waterbury, CT	25,825	2,460	39,547	-	2,460	39,547	2,568
The Woodlands, TX	2,678	480	12,379	-	480	12,379	834
Whittier, CA	11,931	4,470	22,151	97	4,470	22,248	2,392
Wilbraham, MA	11,221	660	17,639	-	660	17,639	1,198
Woodbridge, CT	9,399	1,370	14,219	-	1,370	14,219	1,225

Worcester, MA	14,005	1,140	21,664	-	1,140	21,664	1,449
Yarmouth, ME	17,415	450	27,711	-	450	27,711	1,625
Seniors housing operating total	**1,317,849**	**223,614**	**2,678,007**	**108,366**	**228,859**	**2,781,126**	**218,031**

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		Initial Cost to Company			Gross Amount at Which Carried at Close of Period		
Description	Encumbrances	Land	Buildings & Improvements	Cost Capitalized Subsequent to Acquisition	Land	Buildings & Improvements	Accumulated Depreciation
Medical facilities:							
Akron, OH	$ -	$ 300	$ 20,200	$ -	$ 300	$ 20,200	$ 1,057
Alpharetta, GA	-	233	18,205	-	233	18,205	42
Alpharetta, GA	-	498	32,729	-	498	32,729	60
Alpharetta, GA	-	417	14,406	-	417	14,406	-
Alpharetta, GA	-	1,700	163	-	1,700	163	-
Alpharetta, GA	-	628	16,063	-	628	16,063	-
Amarillo, TX	-	72	11,928	1,400	72	13,328	2,139
Arcadia, CA	9,941	5,408	23,219	1,354	5,618	24,362	4,399
Atlanta, GA	-	4,931	18,720	2,123	5,293	20,480	4,509
Bartlett, TN	8,349	187	15,015	748	187	15,763	2,801
Bellaire, TX	-	4,551	46,105	-	4,551	46,105	6,577
Bellaire, TX	-	2,972	33,445	1,601	2,972	35,046	5,677
Bellevue, NE	-	-	15,833	519	-	16,352	907
Bellevue, NE	-	4,500	109,719	-	4,500	109,719	4,363
Bellingham, MA	-	9,270	-	-	9,270	-	-
Birmingham, AL	-	52	9,950	-	52	9,950	1,898
Birmingham, AL	-	124	12,238	-	124	12,238	2,206
Birmingham, AL	-	476	18,994	-	476	18,994	3,100
Boardman, OH	-	80	11,787	-	80	11,787	601
Boardman, OH	-	1,200	12,800	-	1,200	12,800	1,292
Boca Raton, FL	13,520	109	34,002	1,548	124	35,535	6,255
Boerne, TX	-	50	13,463	-	50	13,463	28
Bowling Green, KY	-	3,800	26,700	143	3,800	26,843	2,395
Boynton Beach, FL	4,507	2,048	7,692	204	2,048	7,896	1,855
Boynton Beach, FL	4,043	2,048	7,403	732	2,048	8,134	1,506
Boynton Beach, FL	10,187	109	11,235	1,009	117	12,236	2,053
Bridgeton, MO	-	-	30,221	-	-	30,221	-
Bridgeton, MO	11,649	450	21,221	2	450	21,223	1,209
Burleson, TX	-	10	11,619	-	10	11,619	319

Carmel, IN	-	2,280	18,820	-	2,280	18,820	560
Carmel, IN	-	2,152	18,591	-	2,152	18,591	323
Cedar Grove, WI	-	113	618	-	113	618	41
Claremore, OK	8,238	132	12,829	270	132	13,099	2,346
Clarkson Valley, MO	-	-	-	35,592	-	35,592	2,287
Coral Springs, FL	-	1,598	10,627	797	1,636	11,385	2,515
Corpus Christi, TX	-	77	3,923	-	77	3,923	772
Dade City, FL	-	1,211	5,511	-	1,211	5,511	83
Dallas, TX	15,212	137	28,690	592	137	29,282	5,268
Dayton, OH	-	730	6,515	-	730	6,515	171
Deerfield Beach, FL	3,873	2,408	7,482	-	2,408	7,482	146
Delray Beach, FL	-	1,882	34,767	4,288	1,941	38,996	7,722
Denton, TX	12,152	-	19,407	610	-	20,017	2,874
Durham, NC	-	5,350	9,320	-	5,350	9,320	2,867
Edina, MN	5,667	310	15,132	-	310	15,132	661
El Paso, TX	10,193	677	17,075	1,098	677	18,173	3,545
El Paso, TX	-	600	6,700	-	600	6,700	656
El Paso, TX	-	112	15,888	162	112	16,050	2,671
El Paso, TX	-	2,400	32,800	424	2,400	33,224	4,070
Everett, WA	-	4,842	26,010	-	4,842	26,010	834
Fayetteville, GA	3,262	959	7,540	592	986	8,104	1,577
Fort Wayne, IN	-	170	8,232	-	170	8,232	963
Fort Worth, TX	-	450	13,615	-	450	13,615	277
Franklin, TN	-	2,338	12,138	709	2,338	12,847	2,308
Franklin, WI	8,021	6,872	7,550	-	6,872	7,550	531
Fresno, CA	-	2,500	35,800	118	2,500	35,918	3,211
Frisco, TX	9,057	-	18,635	60	-	18,695	3,134
Frisco, TX	-	-	15,309	1,380	-	16,689	2,919
Gallatin, TN	-	20	19,432	-	20	19,432	1,416
Germantown, TN	-	3,049	12,456	562	3,049	13,017	2,264
Glendale, CA	8,126	37	18,398	4	37	18,402	3,092
Greeley, CO	-	877	6,707	-	877	6,707	1,366
Green Bay, WI	9,590	-	14,891	-	-	14,891	925
Green Bay, WI	-	-	20,098	-	-	20,098	1,225
Green Bay, WI	-	-	11,696	-	-	11,696	990
Greeneville, TN	-	970	10,032	-	970	10,032	478
Houston, TX	-	10,395	-	-	10,395	-	-
Jupiter, FL	7,106	2,252	11,415	73	2,252	11,488	2,443
Jupiter, FL	4,422	-	5,858	2,868	2,825	5,901	1,218
Kenosha, WI	9,886	-	18,058	-	-	18,058	1,098
Killeen, TX	-	760	22,667	-	760	22,667	1,000
Lafayette, LA	-	1,928	10,483	25	1,928	10,509	2,034

Lake St Louis, MO	-	240	11,937	1,947	240	13,884	664
Lakeway, TX	-	5,484	24,886	-	5,484	24,886	53
Lakeway, TX	-	2,801	-	-	2,801	-	-
Lakewood, CA	-	146	14,885	859	146	15,744	2,616
Las Vegas, NV	5,923	74	15,287	321	74	15,608	3,212

		Initial Cost to Company			Gross Amount at Which Carried at Close of Period		
Description	Encumbrances	Land	Buildings & Improvements	Cost Capitalized Subsequent to Acquisition	Land	Buildings & Improvements	Accumulated Depreciation
Las Vegas, NV	-	952	9,618	-	952	9,618	1,504
Las Vegas, NV	-	1,006	10,255	-	1,006	10,255	1,644
Las Vegas, NV	-	3,182	17,200	-	3,182	17,200	2,947
Las Vegas, NV	-	1,595	17,902	-	1,595	17,902	2,854
Las Vegas, NV	-	2,319	4,612	607	2,319	5,218	972
Las Vegas, NV	3,025	-	6,921	499	433	6,987	1,282
Las Vegas, NV	-	6,127	-	-	6,127	-	-
Las Vegas, NV	-	580	23,420	-	580	23,420	209
Lawrenceville, GA	-	2,279	10,732	121	2,305	10,827	2,132
Lawrenceville, GA	-	1,054	4,974	92	1,077	5,044	1,030
Lenexa, KS	12,177	540	16,013	1,730	540	17,743	860
Lincoln, NE	10,962	1,420	29,692	-	1,420	29,692	1,835
Los Alamitos, CA	16,067	-	18,635	383	39	18,979	3,158
Los Gatos, CA	-	488	22,386	1,055	488	23,440	4,561
Loxahatchee, FL	-	1,637	5,048	786	1,652	5,819	1,007
Loxahatchee, FL	-	1,340	6,509	33	1,345	6,537	1,257
Loxahatchee, FL	2,651	1,553	4,694	554	1,567	5,234	913
Malabar, FL	-	5,000	12,000	-	5,000	12,000	300
Marinette, WI	7,949	-	13,538	-	-	13,538	991
Marlton, NJ	-	-	38,300	207	-	38,507	3,435
Mechanicsburg, PA	-	1,350	16,650	-	1,350	16,650	152
Melbourne, FL	-	7,000	69,000	-	7,000	69,000	1,725
Melbourne, FL	-	1,400	24,400	-	1,400	24,400	610
Melbourne, FL	-	600	9,400	-	600	9,400	235
Melbourne, FL	-	367	458	-	367	458	10

Merced, CA	-	-	13,772	927	-	14,699	942
Meridian, ID	-	3,600	20,802	251	3,600	21,053	2,676
Merriam, KS	-	176	7,189	-	176	7,189	629
Merriam, KS	-	81	3,122	-	81	3,122	105
Merriam, KS	-	336	13,605	-	336	13,605	770
Merriam, KS	15,637	182	7,393	-	182	7,393	488
Merrillville, IN	-	-	22,134	-	-	22,134	2,327
Merrillville, IN	-	700	11,699	154	700	11,853	1,159
Mesa, AZ	-	1,558	9,561	268	1,558	9,829	1,985
Middletown, NY	-	1,756	20,364	568	1,756	20,932	5,148
Midwest City, OK	-	146	3,854	-	146	3,854	739
Milwaukee, WI	4,874	540	8,457	-	540	8,457	556
Milwaukee, WI	6,904	1,425	11,520	-	1,425	11,520	988
Milwaukee, WI	1,659	922	2,185	-	922	2,185	234
Milwaukee, WI	24,416	-	44,535	-	-	44,535	2,650
Morrow, GA	-	818	8,064	184	834	8,232	1,617
Mount Juliet, TN	4,849	1,566	11,697	554	1,566	12,251	2,180
Murrieta, CA	-	-	46,520	-	-	46,520	1,682
Murrieta, CA	-	8,800	202,412	-	8,800	202,412	3,333
Muskego, WI	1,727	964	2,159	-	964	2,159	131
Nashville , TN	-	1,806	7,165	988	1,806	8,153	1,890
Nashville, TN	-	4,300	-	7,148	11,448	-	-
New Berlin, WI	6,630	3,739	8,290	-	3,739	8,290	547
Niagara Falls, NY	-	1,145	10,574	-	1,145	10,574	2,324
Niagara Falls, NY	-	388	7,870	-	388	7,870	1,243
Orange Village, OH	-	610	7,419	55	610	7,473	1,693
Oro Valley, AZ	15,586	89	18,339	546	89	18,885	3,070
Oshkosh, WI	-	-	18,339	-	-	18,339	1,107
Oshkosh, WI	9,834	-	15,881	-	-	15,881	949
Palm Springs , CA	-	365	12,396	1,021	365	13,417	2,486
Palm Springs, FL	2,717	739	4,066	53	739	4,119	864
Palm Springs, FL	-	1,182	7,765	81	1,182	7,846	1,699
Palmer, AK	19,478	-	29,705	628	217	30,116	4,739
Pearland, TX	-	781	5,517	54	781	5,570	1,136
Pearland, TX	29,700	948	4,556	105	948	4,661	893
Pewaukee, WI	-	4,700	20,669	-	4,700	20,669	3,066
Phoenix, AZ	-	1,149	48,018	9,537	1,149	57,556	9,101
Pineville, NC	-	961	6,974	1,604	1,069	8,470	1,467
Plano, TX	-	5,423	20,752	18	5,423	20,770	4,487
Plano, TX	-	195	14,805	500	195	15,305	2,528
Plantation, FL	9,615	8,563	10,666	2,037	8,575	12,691	3,186
Plantation, FL	8,945	8,848	9,262	172	8,896	9,385	4,411

Plymouth, WI	1,722	1,250	1,870	-	1,250	1,870	138
Portland, ME	15,963	-	25,500	-	-	25,500	107
Raleigh, NC	-	1,486	11,200	-	1,486	11,200	292
Redmond, WA	-	5,015	26,697	-	5,015	26,697	1,025

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Description	Encumbrances	Initial Cost to Company: Land	Initial Cost to Company: Buildings & Improvements	Cost Capitalized Subsequent to Acquisition	Gross Amount at Which Carried at Close of Period: Land	Gross Amount at Which Carried at Close of Period: Buildings & Improvements	Accumulated Depreciation
Rolla, MO	-	1,931	48,224	-	1,931	48,224	95
Roswell, NM	1,921	-	5,900	-	-	5,900	-
Roswell, NM	5,358	-	16,500	-	-	16,500	-
Roswell, NM	-	-	17,880	-	-	17,880	-
Ruston, LA	-	710	9,790	-	710	9,790	97
Sacramento, CA	-	866	12,756	785	866	13,540	2,255
San Antonio, TX	-	2,050	16,251	1,473	2,050	17,724	4,636
San Antonio, TX	-	-	17,303	-	-	17,303	3,061
San Bernardino, CA	-	3,700	14,300	462	3,700	14,762	1,243
San Diego, CA	-	-	22,003	1,464	-	23,467	1,897
Sarasota, FL	-	3,360	19,140	-	3,360	19,140	168
Seattle, WA	-	4,410	35,787	-	4,410	35,787	1,439
Sewell, NJ	-	-	53,360	4,149	-	57,509	5,653
Shakopee, MN	7,090	420	11,360	8	420	11,368	556
Shakopee, MN	12,065	640	18,089	-	640	18,089	626
Sheboygan, WI	1,768	1,012	2,216	-	1,012	2,216	166
Somerville, NJ	-	3,400	22,244	2	3,400	22,246	1,901
St. Louis, MO	7,433	-	17,247	1,101	336	18,012	3,254
St. Paul, MN	26,460	2,681	39,507	-	2,681	39,507	959

Stafford, VA	-	-	11,260	304	-	11,564	910
Suffern, NY	-	622	35,220	-	622	35,220	74
Suffolk, VA	-	1,530	10,979	154	1,530	11,133	914
Summit, WI	-	2,899	87,666	-	2,899	87,666	8,277
Tallahassee, FL	-	-	14,719	-	-	14,719	566
Tampa, FL	-	4,319	12,234	-	4,319	12,234	158
Tomball, TX	-	1,404	5,071	638	1,404	5,709	1,443
Trussville, AL	-	1,336	2,177	139	1,351	2,301	980
Tucson, AZ	-	1,302	4,925	541	1,302	5,466	1,080
Tulsa, OK	-	3,003	6,025	20	3,003	6,045	1,631
Van Nuys, CA	-	-	36,187	-	-	36,187	2,187
Viera, FL	-	1,600	10,600	-	1,600	10,600	265
Virginia Beach, VA	-	827	18,289	-	827	18,289	673
Voorhees, NJ	-	6,404	24,251	1,248	6,404	25,499	4,038
Webster, TX	-	360	5,940	8,178	2,418	12,060	2,549
Wellington , FL	6,197	-	13,697	497	388	13,806	2,178
Wellington, FL	6,909	107	16,933	226	107	17,158	2,710
West Allis, WI	2,379	1,106	3,309	-	1,106	3,309	295
West Palm Beach, FL	6,819	628	14,740	121	628	14,861	2,774
West Palm Beach, FL	6,293	610	14,618	115	610	14,733	3,365
West Seneca, NY	12,357	917	22,435	1,296	1,447	23,201	4,013
Yorkville, IL	-	1,419	2,816	73	1,419	2,889	782
Zephyrhills, FL	-	3,875	23,907	-	3,875	23,907	299
Medical facilities total	519,055	296,220	3,330,098	121,590	311,196	3,436,705	333,535

Initial Cost to Company

Description	Encumbrances	Land	Buildings & Improvements	Cost Capitalized Subsequent to Acquisition	Gross Amount at Which Carried at Close of Period: Land	Gross Amount at Which Carried at Close of Period: Buildings & Improvements	Accumulated Depreciation	Ye Acqu
Assets held for sale:								
Austell, GA	$ -	$ 2,223	$ 5,582	$ -	$ 2,223	$ 5,582	$ -	200
Boynton Beach, FL	10,187	214	5,611	-	214	5,611	-	200
Chicago, IL	-	-	1,250	-	-	1,250	-	200
Okatie, SC	-	171	8,736	-	171	8,736	-	200
Norwalk, CT	-	410	2,640	-	410	2,640	-	200
Tempe, AZ	-	-	9,277	-	-	9,277	-	200
Assets held for sale total	**10,187**	**3,018**	**33,097**	**-**	**3,018**	**33,097**	**-**	

(1) Represents real property asset associated with a capital lease.

		Initial Cost to Company			Gross Amount at Which Carried at Close of Period		
Segment	Encumbrances	Land	Buildings & Improvements	Cost Capitalized Subsequent to Acquisition	Land	Buildings & Improvements	Accumulated Depreciation
Seniors housing triple-net	$ 258,600	$ 575,231	$ 6,992,506	$ 293,078	$ 576,701	$ 7,284,115	$ 642,910
Seniors housing operating	1,317,849	223,614	2,678,007	108,366	228,859	2,781,126	218,031
Medical facilities	519,055	296,220	3,330,098	121,590	311,196	3,436,705	333,535
Construction in progress	-	-	189,502	-	-	189,502	-
Total continuing operating properties	**2,095,504**	**1,095,065**	**13,190,113**	**523,034**	**1,116,756**	**13,691,448**	**1,194,476**
Assets held for sale	10,187	3,018	33,097	-	3,018	33,097	-
Total investments in real property owned	**2,105,691**	**1,098,083**	**13,223,210**	**523,034**	**1,119,774**	**13,724,545**	**1,194,476**

	Year Ended December 31,		
	2011	2010	2009
Reconciliation of real property:	(in thousands)		
Investment in real estate:			
Balance at beginning of year	$ 8,992,495	$ 6,336,291	$ 5,979,575
Additions:			
Acquisitions	4,525,737	1,707,421	67,673
Improvements	426,000	398,510	590,394
Conversions from loans receivable	-	10,070	-
Assumed other items, net	210,411	208,314	-
Assumed debt	961,928	559,508	-

Purchase price adjustments		-		-		665
Total additions		6,124,076		2,883,823		658,732
Deductions:						
Cost of real estate sold		(250,047)		(216,300)		(260,956)
Reclassification of accumulated depreciation and amortization for assets held for sale		(10,011)		(10,372)		(15,837)
Impairment of assets		(12,194)		(947)		(25,223)
Total deductions		(272,252)		(227,619)		(302,016)
Balance at end of year(2)	$	14,844,319	$	8,992,495	$	6,336,291
Accumulated depreciation:						
Balance at beginning of year	$	836,966	$	677,851	$	600,781
Additions:						
Depreciation and amortization expenses		423,605		202,543		164,923
Amortization of above market leases		6,409		2,524		2,061
Total additions		430,014		205,067		166,984
Deductions:						
Sale of properties		(63,997)		(31,919)		(74,244)
Reclassification of accumulated depreciation and amortization for assets held for sale		(8,507)		(14,033)		(15,670)
Total deductions		(72,504)		(45,952)		(89,914)
Balance at end of year	$	1,194,476	$	836,966	$	677,851

(2) The aggregate cost for tax purposes for real property equals $13,604,448,000, $8,802,656,000 and $6,378,056,000 at December 31, 2011, 2010 and 2009, respectively.

Health Care REIT, Inc.
Schedule IV - Mortgage Loans on Real Estate
December 31, 2011

(in thousands)

Description	Interest Rate	Final Maturity Date	Monthly Payment Terms	Prior Liens	Face Amount of Mortgages	Carrying Amount of Mortgages	Principal Amount of Loans Subject to Delinquent Principal or Interest
First mortgage relating to one hospital in California	8.42%	12/01/17	$122,722	$ -	$ 17,500	$ 17,500	$ -
First mortgage relating to one hospital in California	9.89%	06/01/20	$153,140	-	17,500	13,906	-
First mortgage relating to one seniors housing facility in North Carolina	7.86%	04/30/15	$51,384	-	7,000	6,637	-
First mortgage relating to one medical office building in Georgia	6.50%	10/01/14	$38,556	-	6,100	6,083	-
First mortgage relating to one hospital in California	9.63%	01/14/14	$156,038	-	8,045	1,834	-
First mortgage relating to one seniors housing facility in Arizona	3.55%	01/01/13	$12,511	-	4,500	4,151	4,151
First mortgage relating to one senior housing facility in Texas	10.00%	09/01/12	$21,957	-	2,635	2,635	-
Two first mortgages	From 8.11%	From 1/1/12 to	From $773 to	-	1,000	316	-

relating to one medical office building in Georgia and one senior housing facility in Massachusetts	to 12.00%	10/1/14	$2,000				
Second mortgage relating to one hospital in California	9.48%	10/31/13	$138,048	13,906	13,000	2,778	-
Second mortgage relating to one seniors housing facility in Wisconsin	15.21%	01/15/15	$41,250	7,792	3,300	3,300	-
Second mortgage relating to one senior housing facility in New Hampshire	12.17%	10/01/16	$13,945	670	3,235	2,701	-
Second mortgage relating to one hospital in Massachusetts	12.17%	06/30/10	$16,900	4,100	2,243	2,093	2,093
Totals				$ 26,468	$ 86,058	$ 63,934	$ 6,244

	Year Ended December 31, 2011	2010	2009
Reconciliation of mortgage loans:		(in thousands)	
Balance at beginning of year	$ 109,283	$ 74,517	$ 137,292
Additions:			
New mortgage loans	11,286	73,439	9,456
Total additions	11,286	73,439	9,456
Deductions:			
Collections of principal	(50,579)	(10,540)	(54,696)
Conversions to real property	(4,000)	(10,070)	-
Charge-offs	-	(18,063)	(17,535)
Reclass to other real estate loans	(2,056)	-	-
Total deductions	(56,635)	(38,673)	(72,231)
Balance at end of year	$ 63,934	$ 109,283	$ 74,517

EXHIBIT INDEX

1.1(a) Form of Equity Distribution Agreement, dated as of November 12, 2010, entered into by and between the Company and each of UBS Securities LLC, RBS Securities Inc., KeyBanc Capital Markets Inc. and Credit Agricole Securities (USA) Inc. (filed with the Commission as Exhibit 1.1 to the Company's Form 8-K filed November 15, 2010 (File No. 001-08923), and incorporated herein by reference thereto).

1.1(b) Form of Amendment No. 1, dated September 1, 2011, to the Equity Distribution Agreements entered into by and between the Company and each of UBS Securities LLC, RBS Securities Inc., KeyBanc Capital Markets Inc. and Credit Agricole Securities (USA) Inc. (filed with the Commission as Exhibit 1.1 to the Company's Form 8-K filed September 8, 2011 (File No. 001-08923), and incorporated herein by reference thereto).

3.1(a) Second Restated Certificate of Incorporation of the Company (filed with the Commission as Exhibit 3.1 to the Company's Form 10-K filed March 20, 2000 (File No. 001-08923), and incorporated herein by reference thereto).

3.1(b) Certificate of Designation, Preferences and Rights of Junior Participating Preferred Stock, Series A, of the Company (filed with the Commission as Exhibit 3.1 to the Company's Form 10-K filed March 20, 2000 (File No. 001-08923), and incorporated herein by reference thereto).

3.1(c) Certificate of Amendment of Second Restated Certificate of Incorporation of the Company (filed with the Commission as Exhibit 3.1 to the Company's Form 10-K filed March 20, 2000 (File No. 001-08923), and incorporated herein by reference thereto).

3.1(d) Certificate of Amendment of Second Restated Certificate of Incorporation of the Company (filed with the Commission as Exhibit 3.1 to the Company's Form 8-K filed June 13, 2003 (File No. 001-08923), and incorporated herein by reference thereto).

3.1(e) Certificate of Designation of 7 7/8% Series D Cumulative Redeemable Preferred Stock of the Company (filed with the Commission as Exhibit 2.5 to the Company's Form 8-A/A filed July 8, 2003 (File No. 001-08923), and incorporated herein by reference thereto).

3.1(f) Certificate of Designation of 7 5/8% Series F Cumulative Redeemable Preferred Stock of the Company (filed with the Commission as Exhibit 2.5 to the Company's Form 8-A filed September 10, 2004 (File No. 001-08923), and incorporated herein by reference thereto).

3.1(g) Certificate of Amendment of Second Restated Certificate of Incorporation of the Company (filed with the Commission as Exhibit 3.9 to the Company's Form 10-Q filed August 9, 2007 (File No. 001-08923), and incorporated herein by reference thereto).

3.1(h) Certificate of Change of Location of Registered Office and of Registered Agent of the Company (filed with the Commission as Exhibit 3.1 to the Company's Form 10-Q filed August 6, 2010 (File No. 001-08923), and incorporated herein by reference thereto).

3.1(i) Certificate of Designation of 6% Series H Cumulative Convertible and Redeemable Preferred Stock of the Company (filed with the Commission as Exhibit 3.1 to the Company's Form 10-Q filed May 10, 2011 (File No. 001-08923), and incorporated herein by reference thereto).

3.1(j) Certificate of Designation of 6.50% Series I Cumulative Convertible Perpetual Preferred Stock of the Company (filed with the Commission as Exhibit 3.1 to the Company’s Form 8-K filed March 7, 2011 (File No. 001-08923), and incorporated herein by reference thereto).

3.1(k) Certificate of Amendment of Second Restated Certificate of Incorporation of the Company (filed with the Commission as Exhibit 3.1 to the Company’s Form 8-K filed May 10, 2011 (File No. 001-08923), and incorporated herein by reference thereto).

3.2 Fourth Amended and Restated By-Laws of the Company (filed with the Commission as Exhibit 3.1 to the Company's Form 8-K filed November 1, 2011 (File No. 001-08923), and incorporated herein by reference thereto).

4.1(a) Indenture for Senior Debt Securities, dated as of September 6, 2002, between the Company and Fifth Third Bank (filed with the Commission as Exhibit 4.1 to the Company's Form 8-K filed September 9, 2002 (File No. 001-08923), and incorporated herein by reference thereto).

4.1(b) Supplemental Indenture No. 1, dated as of September 6, 2002, to Indenture for Senior Debt Securities, dated as of September 6, 2002, between the Company and Fifth Third Bank (filed with the Commission as Exhibit 4.2 to the Company's Form 8-K filed September 9, 2002 (File No. 001-08923), and incorporated herein by reference thereto).

4.1(c) Amendment No. 1, dated March 12, 2003, to Supplemental Indenture No. 1, dated as of September 6, 2002, to Indenture for Senior Debt Securities, dated as of September 6, 2002, between the Company and Fifth Third Bank (filed with the Commission as Exhibit 4.1 to the Company's Form 8-K filed March 14, 2003 (File No. 001-08923), and incorporated herein by reference thereto).

4.1(d) Supplemental Indenture No. 2, dated as of September 10, 2003, to Indenture for Senior Debt Securities, dated as of September 6, 2002, between the Company and Fifth Third Bank (filed with the Commission as Exhibit 4.2 to the Company's Form 8-K filed September 24, 2003 (File No. 001-08923), and incorporated herein by reference thereto).

4.1(e) Amendment No. 1, dated September 16, 2003, to Supplemental Indenture No. 2, dated as of September 10, 2003, to Indenture for Senior Debt Securities, dated as of September 6, 2002, between the Company and Fifth Third Bank (filed with the Commission as Exhibit 4.4 to the Company's Form 8-K filed September 24, 2003 (File No. 001-08923), and incorporated herein by reference thereto).

4.1(f) Supplemental Indenture No. 3, dated as of October 29, 2003, to Indenture for Senior Debt Securities, dated as of September 6, 2002, between the Company and Fifth Third Bank (filed with the Commission as Exhibit 4.1 to the Company's Form 8-K filed October 30, 2003 (File No. 001-08923), and incorporated herein by reference thereto).

4.1(g) Amendment No. 1, dated September 13, 2004, to Supplemental Indenture No. 3, dated as of October 29, 2003, to Indenture for Senior Debt Securities, dated as of September 6, 2002, between the Company and The Bank of New York Trust Company, N.A., as successor to Fifth Third Bank (filed with the Commission as Exhibit 4.1 to the Company's Form 8-K filed September 13, 2004 (File No. 001-08923), and incorporated herein by reference thereto).

4.1(h) Supplemental Indenture No. 4, dated as of April 27, 2005, to Indenture for Senior Debt Securities, dated as of September 6, 2002, between the Company and The Bank of New York Trust Company, N.A. (filed with the Commission as Exhibit 4.1 to the Company's Form 8-K filed April 28, 2005 (File No. 001-08923), and incorporated herein by reference thereto).

4.1(i) Supplemental Indenture No. 5, dated as of November 30, 2005, to Indenture for Senior Debt Securities, dated as of September 6, 2002, between the Company and The Bank of New York Trust Company, N.A. (filed with the Commission as Exhibit 4.1 to the Company's Form 8-K filed November 30, 2005 (File No. 001-08923), and incorporated herein by reference thereto).

4.2(a) Indenture, dated as of November 20, 2006, between the Company and The Bank of New York Trust Company, N.A. (filed with the Commission as Exhibit 4.1 to the Company's Form 8-K filed November 20, 2006 (File No. 001-08923), and incorporated herein by reference thereto).

4.2(b) Supplemental Indenture No. 1, dated as of November 20, 2006, between the Company and The Bank of New York Trust Company, N.A. (filed with the Commission as Exhibit 4.2 to the Company's Form 8-K filed November 20, 2006 (File No. 001-08923), and incorporated herein by reference thereto).

4.2(c) Supplemental Indenture No. 2, dated as of July 20, 2007, between the Company and The Bank of New York Trust Company, N.A. (filed with the Commission as Exhibit 4.1 to the Company's Form 8-K filed July 20, 2007 (File No. 001-08923), and incorporated herein by reference thereto).

4.3(a) Indenture, dated as of March 15, 2010, between the Company and The Bank of New York Mellon Trust Company, N.A. (filed with the Commission as Exhibit 4.1 to the Company's Form 8-K filed March 15, 2010 (File No. 001-08923), and incorporated herein by reference thereto).

4.3(b) Supplemental Indenture No. 1, dated as of March 15, 2010, between the Company and The Bank of New York Mellon Trust Company, N.A. (filed with the Commission as Exhibit 4.2 to the Company's Form 8-K filed March 15, 2010 (File No. 001-08923), and incorporated herein by reference thereto).

4.3(c) Amendment No. 1 to Supplemental Indenture No. 1, dated as of June 18, 2010, between the Company and The Bank of New York Mellon Trust Company, N.A. (filed with the Commission as Exhibit 4.3 to the Company's Form 8-K filed June 18, 2010 (File No. 001-08923), and incorporated herein by reference thereto).

4.3(d) Supplemental Indenture No. 2, dated as of April 7, 2010, between the Company and The Bank of New York Mellon Trust Company, N.A. (filed with the Commission as Exhibit 4.2 to the Company's Form 8-K filed April 7, 2010 (File No. 001-08923), and incorporated herein by reference thereto).

4.3(e) Amendment No. 1 to Supplemental Indenture No. 2, dated as of June 8, 2010, between the Company and The Bank of New York Mellon Trust Company, N.A. (filed with the Commission as Exhibit 4.3 to the Company's Form 8-K filed June 8, 2010 (File No. 001-08923), and incorporated herein by reference thereto).

4.3(f) Supplemental Indenture No. 3, dated as of September 10, 2010, between the Company and The Bank of New York Mellon Trust Company, N.A. (filed with the Commission as Exhibit 4.2 to the Company's Form 8-K filed September 13, 2010 (File No. 001-08923), and incorporated herein by reference thereto).

4.3(g) Supplemental Indenture No. 4, dated as of November 16, 2010, between the Company and The Bank of New York Mellon Trust Company, N.A. (filed with the Commission as Exhibit 4.2 to the Company's Form 8-K filed November 16, 2010 (File No. 001-08923), and incorporated herein by reference thereto).

4.3(h) Supplemental Indenture No. 5, dated as of March 14, 2011, between the Company and The Bank of New York Mellon Trust Company, N.A. (filed with the Commission as Exhibit 4.2 to the Company's Form 8-K filed March 14, 2011 (File No. 001-08923), and incorporated herein by reference thereto).

4.4 Form of Indenture for Senior Subordinated Debt Securities (filed with the Commission as Exhibit 4.9 to the Company's Form S-3 (File No. 333-73936) filed November 21, 2001, and incorporated herein by reference thereto).

4.5 Form of Indenture for Junior Subordinated Debt Securities (filed with the Commission as Exhibit 4.10 to the Company's Form S-3 (File No. 333-73936) filed November 21, 2001, and incorporated herein by reference thereto).

10.1 Fifth Amended and Restated Loan Agreement, dated as of July 27, 2011, by and among the Company, the banks signatory thereto, Merrill Lynch, Pierce, Fenner & Smith Incorporated and J.P. Morgan Securities LLC, as joint lead arrangers and joint book managers, KeyBanc Capital Markets Inc., as a joint lead arranger, Deutsche Bank Securities Inc., as a joint lead arranger and documentation agent, KeyBank National Association, as administrative agent, and Bank of America, N.A. and JPMorgan Chase Bank, N.A., as co-syndication agents (filed with the Commission as Exhibit 10.1 to the Company's Form 8-K filed August 2, 2011 (File No. 001-08923), and incorporated herein by reference thereto).

10.2 Equity Purchase Agreement, dated as of February 28, 2011, by and among the Company, FC-GEN Investment, LLC and FC-GEN Operations Investment, LLC (filed with the Commission as Exhibit 10.1 to the

Company's Form 8-K filed February 28, 2011 (File No. 001-08923), and incorporated herein by reference thereto).

10.3 Health Care REIT, Inc. Interest Rate & Currency Risk Management Policy adopted on May 6, 2004 (filed with the Commission as Exhibit 10.6 to the Company's Form 10-Q filed July 23, 2004 (File No. 001-08923), and incorporated herein by reference thereto).

10.4(a) The 1995 Stock Incentive Plan of Health Care REIT, Inc. (filed with the Commission as Appendix II to the Company's Proxy Statement for the 1995 Annual Meeting of Stockholders, filed September 29, 1995 (File No. 001-08923), and incorporated herein by reference thereto).*

10.4(b) First Amendment to the 1995 Stock Incentive Plan of Health Care REIT, Inc. (filed with the Commission as Exhibit 4.2 to the Company's Form S-8 (File No. 333-40771) filed November 21, 1997, and incorporated herein by reference thereto).*

10.4(c) Second Amendment to the 1995 Stock Incentive Plan of Health Care REIT, Inc. (filed with the Commission as Exhibit 4.3 to the Company's Form S-8 (File No. 333-73916) filed November 21, 2001, and incorporated herein by reference thereto).*

10.4(d) Third Amendment to the 1995 Stock Incentive Plan of Health Care REIT, Inc. (filed with the Commission as Exhibit 10.15 to the Company's Form 10-K filed March 12, 2004 (File No. 001-08923), and incorporated herein by reference thereto).*

10.4(e) Form of Stock Option Agreement for Executive Officers under the 1995 Stock Incentive Plan (filed with the Commission as Exhibit 10.17 to the Company's Form 10-K filed March 16, 2005 (File No. 001-08923), and incorporated herein by reference thereto).*

10.5(a) Stock Plan for Non-Employee Directors of Health Care REIT, Inc. (filed with the Commission as Exhibit 10.1 to the Company's Form 10-Q filed May 10, 2004 (File No. 001-08923), and incorporated herein by reference thereto).*

10.5(b) First Amendment to the Stock Plan for Non-Employee Directors of Health Care REIT, Inc. effective April 21, 1998 (filed with the Commission as Exhibit 10.2 to the Company's Form 10-Q filed May 10, 2004 (File No. 001-08923), and incorporated herein by reference thereto).*

10.5(c) Form of Stock Option Agreement under the Stock Plan for Non-Employee Directors (filed with the Commission as Exhibit 10.3 to the Company's Form 10-Q/A filed October 27, 2004 (File No. 001-08923), and incorporated herein by reference thereto).*

10.6(a) Amended and Restated Health Care REIT, Inc. 2005 Long-Term Incentive Plan (filed with the Commission as Appendix A to the Company's Proxy Statement for the 2009 Annual Meeting of Stockholders, filed March 25, 2009 (File No. 001-08923), and incorporated herein by reference thereto).*

10.6(b) Form of Stock Option Agreement (with Dividend Equivalent Rights) for the Chief Executive Officer under the 2005 Long-Term Incentive Plan (filed with the Commission as Exhibit 10.18 to the Company's Form 10-K filed March 10, 2006 (File No. 001-08923), and incorporated herein by reference thereto).*

10.6(c) Form of Amendment to Stock Option Agreements (with Dividend Equivalent Rights) for the Chief Executive Officer under the 2005 Long-Term Incentive Plan (filed with the Commission as Exhibit 10.6 to the Company's Form 8-K filed January 5, 2009 (File No. 001-08923), and incorporated herein by reference thereto).*

10.6(d) Form of Stock Option Agreement (with Dividend Equivalent Rights) for the Chief Executive Officer under the 2005 Long-Term Incentive Plan (filed with the Commission as Exhibit 10.8 to the Company's Form 8-K filed January 5, 2009 (File No. 001-08923), and incorporated herein by reference thereto).*

10.6(e) Form of Stock Option Agreement (with Dividend Equivalent Rights) for Executive Officers under the 2005 Long-Term Incentive Plan (filed with the Commission as Exhibit 10.19 to the Company's Form 10-K filed March 10, 2006 (File No. 001-08923), and incorporated herein by reference thereto).*

10.6(f) Form of Amendment to Stock Option Agreements (with Dividend Equivalent Rights) for Executive Officers under the 2005 Long-Term Incentive Plan (filed with the Commission as Exhibit 10.7 to the Company's Form 8-K filed January 5, 2009 (File No. 001-08923), and incorporated herein by reference thereto).*

10.6(g) Form of Stock Option Agreement (with Dividend Equivalent Rights) for Executive Officers under the 2005 Long-Term Incentive Plan (filed with the Commission as Exhibit 10.9 to the Company's Form 8-K filed January 5, 2009 (File No. 001-08923), and incorporated herein by reference thereto).*

10.6(h) Form of Stock Option Agreement (without Dividend Equivalent Rights) for the Chief Executive Officer under the 2005 Long-Term Incentive Plan (filed with the Commission as Exhibit 10.20 to the Company's Form 10-K filed March 10, 2006 (File No. 001-08923), and incorporated herein by reference thereto).*

10.6(i) Form of Stock Option Agreement (without Dividend Equivalent Rights) for the Chief Executive Officer under the Amended and Restated 2005 Long-Term Incentive Plan (filed with the Commission as Exhibit 10.1 to the Company's Form 10-Q filed May 10, 2010 (File No. 001-08923), and incorporated herein by reference thereto).*

10.6(j) Form of Stock Option Agreement (without Dividend Equivalent Rights) for Executive Officers under the 2005 Long-Term Incentive Plan (filed with the Commission as Exhibit 10.21 to the Company's Form 10-K filed March 10, 2006 (File No. 001-08923), and incorporated herein by reference thereto).*

10.6(k) Form of Stock Option Agreement (without Dividend Equivalent Rights) for Executive Officers under the Amended and Restated 2005 Long-Term Incentive Plan (filed with the Commission as Exhibit 10.2 to the Company's Form 10-Q filed May 10, 2010 (File No. 001-08923), and incorporated herein by reference thereto).*

10.6(l) Form of Restricted Stock Agreement for the Chief Executive Officer under the 2005 Long-Term Incentive Plan (filed with the Commission as Exhibit 10.22 to the Company's Form 10-K filed March 10, 2006 (File No. 001-08923), and incorporated herein by reference thereto).*

10.6(m) Form of Restricted Stock Agreement for Executive Officers under the 2005 Long-Term Incentive Plan (filed with the Commission as Exhibit 10.23 to the Company's Form 10-K filed March 10, 2006 (File No. 001-08923), and incorporated herein by reference thereto).*

10.6(n) Form of Restricted Stock Agreement for the Chief Executive Officer under the Amended and Restated 2005 Long-Term Incentive Plan (filed with the Commission as Exhibit 10.3 to the Company's Form 10-Q filed May 10, 2010 (File No. 001-08923), and incorporated herein by reference thereto).*

10.6(o) Form of Restricted Stock Agreement for Executive Officers under the Amended and Restated 2005 Long-Term Incentive Plan (filed with the Commission as Exhibit 10.4 to the Company's Form 10-Q filed May 10, 2010 (File No. 001-08923), and incorporated herein by reference thereto).*

10.6(p) Form of Deferred Stock Unit Grant Agreement for Non-Employee Directors under the 2005 Long-Term Incentive Plan (filed with the Commission as Exhibit 10.24 to the Company's Form 10-K filed March 10, 2006 (File No. 001-08923), and incorporated herein by reference thereto).*

10.6(q) Form of Amendment to Deferred Stock Unit Grant Agreements for Non-Employee Directors under the 2005 Long-Term Incentive Plan (filed with the Commission as Exhibit 10.10 to the Company's Form 8-K filed January 5, 2009 (File No. 001-08923), and incorporated herein by reference thereto).*

10.6(r) Form of Deferred Stock Unit Grant Agreement for Non-Employee Directors under the 2005 Long-Term Incentive Plan (filed with the Commission as Exhibit 10.11 to the Company's Form 8-K filed January 5, 2009 (File No. 001-08923), and incorporated herein by reference thereto).*

10.6(s) Form of Deferred Stock Unit Grant Agreement for Non-Employee Directors under the Amended and Restated 2005 Long-Term Incentive Plan (filed with the Commission as Exhibit 10.5 to the Company's Form 10-Q filed May 10, 2010 (File No. 001-08923), and incorporated herein by reference thereto).*

10.7 Fifth Amended and Restated Employment Agreement, dated December 2, 2010, by and between the Company and George L. Chapman (filed with the Commission as Exhibit 10.1 to the Company's Form 8-K filed December 8, 2010 (File No. 001-08923), and incorporated herein by reference thereto).*

10.8 Second Amended and Restated Employment Agreement, dated December 29, 2008, between the Company and Scott A. Estes (filed with the Commission as Exhibit 10.4 to the Company's Form 8-K filed January 5, 2009 (File No. 001-08923), and incorporated herein by reference thereto).*

10.9 Second Amended and Restated Employment Agreement, dated December 29, 2008, between the Company and Charles J. Herman, Jr. (filed with the Commission as Exhibit 10.3 to the Company's Form 8-K filed January 5, 2009 (File No. 001-08923), and incorporated herein by reference thereto).*

10.10 Amended and Restated Employment Agreement, dated December 29, 2008, between the Company and Jeffrey H. Miller (filed with the Commission as Exhibit 10.8 to the Company's Form 10-K filed March 2, 2009 (File No. 001-08923), and incorporated herein by reference thereto).*

10.11 Employment Agreement, dated January 19, 2009, between the Company and John T. Thomas (filed with the Commission as Exhibit 10.10 to the Company's Form 10-K filed March 2, 2009 (File No. 001-08923), and incorporated herein by reference thereto).*

10.12 Third Amended and Restated Employment Agreement, dated December 29, 2008, between the Company and Erin C. Ibele (filed with the Commission as Exhibit 10.11 to the Company's Form 10-K filed March 2, 2009 (File No. 001-08923), and incorporated herein by reference thereto).*

10.13 Second Amended and Restated Employment Agreement, dated December 29, 2008, between the Company and Daniel R. Loftus (filed with the Commission as Exhibit 10.12 to the Company's Form 10-K filed March 2, 2009 (File No. 001-08923), and incorporated herein by reference thereto).*

10.14 Amended and Restated Consulting Agreement, dated December 29, 2008, between the Company and Fred S. Klipsch (filed with the Commission as Exhibit 10.5 to the Company's Form 8-K filed January 5, 2009 (File No. 001-08923), and incorporated herein by reference thereto).*

10.15 Amended and Restated Consulting Agreement, dated December 29, 2008, between the Company and Frederick L. Farrar (filed with the Commission as Exhibit 10.14 to the Company's Form 10-K filed March 2, 2009 (File No. 001-08923), and incorporated herein by reference thereto).*

10.16 Amended and Restated Health Care REIT, Inc. Supplemental Executive Retirement Plan, dated December 29, 2008 (filed with the Commission as Exhibit 10.12 to the Company's Form 8-K filed January 5, 2009 (File No. 001-08923), and incorporated herein by reference thereto).*

10.17 Form of Indemnification Agreement between the Company and each director, executive officer and officer of the Company (filed with the Commission as Exhibit 10.1 to the Company's Form 8-K filed February 18, 2005 (File No. 001-08923), and incorporated herein by reference thereto).*

10.18 Summary of Director Compensation (filed with the Commission as Exhibit 10.17 to the Company's Form 10-K filed February 25, 2011 (File No. 001-08923), and incorporated herein by reference thereto).*

12 Statement Regarding Computation of Ratio of Earnings to Fixed Charges and Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends (Unaudited).

14 Code of Business Conduct and Ethics (filed with the Commission as Exhibit 14 to the Company's Form 10-K filed March 12, 2004 (File No. 001-08923), and incorporated herein by reference thereto).

21 Subsidiaries of the Company.

23 Consent of Ernst & Young LLP, independent registered public accounting firm.

24.1 Power of Attorney executed by William C. Ballard, Jr. (Director).

24.2 Power of Attorney executed by Pier C. Borra (Director).

24.3 Power of Attorney executed by Daniel A. Decker (Director).

24.4 Power of Attorney executed by Thomas J. DeRosa (Director).

24.5 Power of Attorney executed by Jeffrey H. Donahue (Director).

24.6 Power of Attorney executed by Peter J. Grua (Director).

24.7 Power of Attorney executed by Fred S. Klipsch (Director).

24.8 Power of Attorney executed by Sharon M. Oster (Director).

24.9 Power of Attorney executed by Jeffrey R. Otten (Director).

24.10 Power of Attorney executed by R. Scott Trumbull (Director).

24.11 Power of Attorney executed by George L. Chapman (Director, Chairman of the Board, Chief Executive Officer and President and Principal Executive Officer).

24.12 Power of Attorney executed by Scott A. Estes (Executive Vice President and Chief Financial Officer and Principal Financial Officer).

24.13 Power of Attorney executed by Paul D. Nungester, Jr. (Senior Vice President and Controller and Principal Accounting Officer).

31.1 Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer.

31.2 Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer.

32.1 Certification pursuant to 18 U.S.C. Section 1350 by Chief Executive Officer.

32.2 Certification pursuant to 18 U.S.C. Section 1350 by Chief Financial Officer.

101.INS XBRL Instance Document**

101.SCH XBRL Taxonomy Extension Schema Document**

101.CAL XBRL Taxonomy Extension Calculation Linkbase Document**

101.LAB XBRL Taxonomy Extension Label Linkbase Document**

101.PRE XBRL Taxonomy Extension Presentation Linkbase Document**

101.DEF XBRL Taxonomy Extension Definition Linkbase Document**

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* Management Contract or Compensatory Plan or Arrangement.

** Attached as Exhibit 101 to this Annual Report on Form 10-K are the following materials, formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Balance Sheets at December 31, 2011 and 2010, (ii) the Consolidated Statements of Income for the years ended December 31, 2011, 2010 and 2009, (iii) the Consolidated Statements of Equity for the years ended December 31, 2011, 2010 and 2009, (iv) the Consolidated Statements of Cash Flows for the years ended December 31, 2011, 2010 and 2009, (v) the Notes to Consolidated Financial Statements, (vi) Schedule III – Real Estate and Accumulated Depreciation and (vii) Schedule IV – Mortgage Loans on Real Estate.

Pursuant to Rule 406T of Regulation S-T, the Interactive Data Files on Exhibit 101 hereto are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities and Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.