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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2010

or

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

For the transition period from __________ to __________

Commission File number 1-8923

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)

(Former name, former address and former fiscal year, if changed since last report)

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

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

Large accelerated filer ☑	Accelerated filer 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 ☑

As of October 31, 2010, the registrant had 135,129,154 shares of common stock outstanding.

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PART I. FINANCIAL INFORMATION

Item 1. ***Financial Statements***

CONSOLIDATED BALANCE SHEETS
HEALTH CARE REIT, INC. AND SUBSIDIARIES

	September 30, 2010 (Unaudited)	December 31, 2009 (Note)
	(In thousands)	
Assets		
Real estate investments:		
Real property owned:		
Land and land improvements	$ 668,135	$ 521,055
Buildings and improvements	6,350,167	5,185,328
Acquired lease intangibles	223,349	127,390
Real property held for sale, net of accumulated depreciation	16,928	45,686
Construction in progress	286,366	456,832
Gross real property owned	7,544,945	6,336,291
Less accumulated depreciation and amortization	(804,651)	(677,851)
Net real property owned	6,740,294	5,658,440
Real estate loans receivable:		
Real estate loans receivable	416,570	427,363
Less allowance for losses on loans receivable	(1,190)	(5,183)
Net real estate loans receivable	415,380	422,180
Net real estate investments	7,155,674	6,080,620
Other assets:		
Equity investments	213,163	5,816
Deferred loan expenses	29,529	22,698
Cash and cash equivalents	181,147	35,476
Restricted cash	61,224	23,237
Receivables and other assets	252,330	199,339
Total other assets	737,393	286,566
Total assets	$ 7,893,067	$ 6,367,186
Liabilities and equity		
Liabilities:		
Borrowings under unsecured line of credit arrangement	$ —	$ 140,000
Senior unsecured notes	2,585,961	1,653,027
Secured debt	885,494	620,995
Accrued expenses and other liabilities	201,529	145,713
Total liabilities	3,672,984	2,559,735
Equity:		
Preferred stock	275,000	288,683
Common stock	135,046	123,385
Capital in excess of par value	4,429,425	3,900,666
Treasury stock	(11,352)	(7,619)
Cumulative net income	1,636,589	1,547,669
Cumulative dividends	(2,329,215)	(2,057,658)
Accumulated other comprehensive income	(11,459)	(2,891)
Other equity	5,972	4,804
Total Health Care REIT, Inc. stockholders’ equity	4,130,006	3,797,039
Noncontrolling interests	90,077	10,412
Total equity	4,220,083	3,807,451
Total liabilities and equity	$ 7,893,067	$ 6,367,186

NOTE: The consolidated balance sheet at December 31, 2009 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by U.S. generally accepted accounting principles for complete financial statements.

See notes to unaudited consolidated financial statements

CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)
HEALTH CARE REIT, INC. AND SUBSIDIARIES

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
	(In thousands, except per share data)			
Revenues:				
Rental income	$ 152,127	$ 128,527	$ 441,337	$ 379,326
Resident fees and services	12,809	—	12,809	—
Interest income	10,054	10,528	28,437	30,639
Other income	1,156	1,089	4,802	3,810
Total revenues	176,146	140,144	487,385	413,775
Expenses:				
Interest expense	44,408	27,595	110,703	79,428
Property operating expenses	20,849	12,153	45,859	34,441
Depreciation and amortization	48,565	39,187	138,321	114,446
Transaction costs	18,835	—	27,301	—
General and administrative	11,628	10,363	40,331	38,784
Loss (gain) on extinguishment of debt	9,099	26,374	34,171	24,697
Provision for loan losses	28,918	—	28,918	140
Total expenses	182,302	115,672	425,604	291,936
Income from continuing operations before income taxes and income from unconsolidated joint ventures	(6,156)	24,472	61,781	121,839
Income tax (expense) benefit	(52)	55	(325)	(17)
Income from unconsolidated joint ventures	1,899	—	4,496	—
Income from continuing operations	(4,309)	24,527	65,952	121,822
Discontinued operations:				
Gain (loss) on sales of properties	10,526	(806)	20,559	26,907
Impairment of assets	(947)	(1,873)	(947)	(1,873)
Income (loss) from discontinued operations, net	511	2,837	2,973	9,233
Discontinued operations, net	10,090	158	22,585	34,267
Net income	5,781	24,685	88,537	156,089
Less: Preferred stock dividends	5,347	5,520	16,340	16,560
Less: Net income (loss) attributable to noncontrolling interests	(690)	35	(383)	40
Net income attributable to common stockholders	$ 1,124	$ 19,130	$ 72,580	$ 139,489
Average number of common shares outstanding:				
Basic	125,298	114,874	124,132	111,345
Diluted	125,842	115,289	124,660	111,749
Earnings per share:				
Basic:				
Income from continuing operations attributable to common stockholders	$ (0.08)	$ 0.17	$ 0.40	$ 0.95
Discontinued operations, net	0.08	—	0.18	0.31
Net income attributable to common stockholders*	$ 0.01	$ 0.17	$ 0.58	$ 1.25
Diluted:				
Income from continuing operations attributable to common stockholders	$ (0.08)	$ 0.16	$ 0.40	$ 0.94
Discontinued operations, net	0.08	—	0.18	0.31
Net income attributable to common stockholders*	$ 0.01	$ 0.17	$ 0.58	$ 1.25
Dividends declared and paid per common share	$ 0.69	$ 0.68	$ 2.05	$ 2.04

* Amounts may not sum due to rounding

See notes to unaudited consolidated financial statements

CONSOLIDATED STATEMENTS OF EQUITY (UNAUDITED)
HEALTH CARE REIT, INC. AND SUBSIDIARIES
(in thousands)

	Nine Months Ended September 30, 2010									
	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	Total
Balances at beginning of period	$ 288,683	$ 123,385	$ 3,900,666	$ (7,619)	$ 1,547,669	$ (2,057,658)	$ (2,891)	$ 4,804	$ 10,412	$ 3,807,451
Comprehensive income:										
Net income					88,920				(383)	88,537
Other comprehensive income:										
Unrealized gain (loss) on equity investments							(95)			(95)
Cash flow hedge activity							(8,473)			(8,473)
Total comprehensive income										79,969
Contributions by noncontrolling interests			41,423						82,697	124,120
Distributions to noncontrolling interests									(2,649)	(2,649)
Amounts related to issuance of common stock from dividend reinvestment and stock incentive plans, net of forfeitures		1,691	70,540	(3,733)				(246)		68,252
Net proceeds from sale of common stock		9,631	413,306							422,937
Equity component of convertible debt			(9,689)							(9,689)
Redemption of preferred stock	(165)									(165)
Conversion of preferred stock	(13,518)	339	13,179							—
Option compensation expense								1,414		1,414
Cash dividends paid:										
Common stock cash dividends						(255,217)				(255,217)
Preferred stock cash dividends						(16,340)				(16,340)
Balances at end of period	$ 275,000	$ 135,046	$ 4,429,425	$ (11,352)	$ 1,636,589	$ (2,329,215)	$ (11,459)	$ 5,972	$ 90,077	$ 4,220,083

	Nine Months Ended September 30, 2009									
	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	Total
Balances at beginning of period	$ 289,929	$ 104,635	$ 3,204,690	$ (5,145)	$ 1,354,400	$ (1,723,819)	$ (1,113)	$ 4,105	$ 10,603	$ 3,238,285
Comprehensive income:										
Net income					156,049				40	156,089
Other comprehensive income:										
Unrealized gain (loss) on equity investments							667			667
Cash flow hedge activity							(4,496)			(4,496)
Total comprehensive income										152,260
Contributions by noncontrolling interests									1,946	1,946
Distributions to noncontrolling interests									(1,967)	(1,967)
Amounts related to issuance of common stock from dividend reinvestment and stock incentive plans, net of forfeitures		1,236	44,672	(2,474)						43,434
Proceeds from issuance of common shares		16,969	628,294							645,263
Conversion of preferred stock	(1,246)	30	1,216							—
Option compensation expense								1,446		1,446
Cash dividends paid:										
Common stock cash dividends						(227,959)				(227,959)
Preferred stock cash dividends						(16,558)				(16,558)
Balances at end of period	$ 288,683	$ 122,870	$ 3,878,872	$ (7,619)	$ 1,510,449	$ (1,968,336)	$ (4,942)	$ 5,551	$ 10,622	$ 3,836,150

See notes to unaudited consolidated financial statements

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CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
HEALTH CARE REIT, INC. AND SUBSIDIARIES

	Nine Months Ended September 30,	
	2010	2009
	(In thousands)	
Operating activities		
Net income	$ 88,537	$ 156,089
Adjustments to reconcile net income to net cash provided from (used in) operating activities:		
Depreciation and amortization	140,137	123,143
Other amortization expenses	13,178	10,999
Provision for loan losses	28,918	140
Impairment of assets	947	1,873
Stock-based compensation expense	9,757	8,734
Loss (gain) on extinguishment of debt	34,171	24,697
Income from unconsolidated joint ventures	(4,496)	—
Rental income less than (in excess of) cash received	(6,200)	8,964
Amortization related to above (below) market leases, net	(2,112)	(1,344)
Loss (gain) on sales of properties	(20,559)	(26,907)
Increase (decrease) in accrued expenses and other liabilities	10,139	(5,038)
Decrease (increase) in receivables and other assets	(1,413)	(10,901)
Net cash provided from (used in) operating activities	291,004	290,449
Investing activities		
Investment in real property	(803,364)	(417,378)
Capitalized interest	(16,008)	(30,866)
Investment in real estate loans receivable	(52,499)	(46,882)
Other investments, net of payments	(75,349)	(18,969)
Principal collected on real estate loans receivable	18,819	34,892
Contributions to unconsolidated joint ventures	(174,692)	—
Decrease (increase) in restricted cash	(34,279)	136,577
Proceeds from sales of real property	134,722	153,507
Net cash provided from (used in) investing activities	(1,002,650)	(189,119)
Financing activities		
Net increase (decrease) under unsecured lines of credit arrangements	(140,000)	(427,000)
Proceeds from issuance of senior unsecured notes	1,378,180	—
Payments to extinguish senior unsecured notes	(495,542)	(201,048)
Net proceeds from the issuance of secured debt	79,127	276,277
Payments on secured debt	(177,305)	(102,635)
Net proceeds from the issuance of common stock	486,565	683,883
Decrease (increase) in deferred loan expenses	(1,993)	(7,286)
Contributions by noncontrolling interests	2,491	1,946
Distributions to noncontrolling interests	(2,649)	(1,967)
Cash distributions to stockholders	(271,557)	(244,517)
Net cash provided from (used in) financing activities	857,317	(22,347)
Increase (decrease) in cash and cash equivalents	145,671	78,983
Cash and cash equivalents at beginning of period	35,476	23,370
Cash and cash equivalents at end of period	$ 181,147	$ 102,353
Supplemental cash flow information:		
Interest paid	$ 92,106	$ 100,365
Income taxes paid	220	534

See notes to unaudited consolidated financial statements

HEALTH CARE REIT, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

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 senior housing and health care real estate. Our full service platform also offers property management and development services to our customers. As of September 30, 2010, our broadly diversified portfolio consisted of 641 properties in 39 states. Founded in 1970, we were the first real estate investment trust to invest exclusively in health care facilities. More information is available on our website at www.hcreit.com.

2. Accounting Policies and Related Matters

Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") for interim financial information and with instructions to Quarterly Report on Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the nine months ended September 30, 2010 are not necessarily an indication of the results that may be expected for the year ending December 31, 2010. For further information, refer to the financial statements and footnotes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2009, as updated by our Current Report on Form 8-K filed May 10, 2010.

New Accounting Standards

In June 2009, the Financial Accounting Standards Board ("FASB") amended the consolidation guidance for variable interest entities. The new guidance, to be applied on a continuous basis, requires enterprises to perform a qualitative approach to determining whether or not a variable interest entity will need to be consolidated. This evaluation is based on an enterprise's ability to direct and influence the activities of a variable interest entity that most significantly impact its economic performance. This amendment was effective as of January 1, 2010. The adoption of this guidance did not have a material impact on our consolidated financial position or results of operations.

In July 2010, the FASB issued Accounting Standards Update No. 2010-20, Receivables (Topic 310): Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses ("ASU 2010-20"). This update expands disclosures about the credit quality of our financing receivables, how that risk is analyzed and assessed in arriving at the allowance for credit losses, and changes and reasons for those changes in the allowance for credit losses. Both new and existing disclosures must be disaggregated by portfolio segment and class. The disaggregation of information is based on the level at which an entity develops and documents a systematic method for determining its allowance for credit losses. This update is effective for interim periods and fiscal years ending after December 15, 2010. We are currently evaluating the impact of ASU 2010-20 on our consolidated financial statements.

3. Real Property Acquisitions and Development

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 senior 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 additional communities previously owned by Merrill Gardens. The transaction took advantage of the structure authorized by the REIT Investment Diversification and Empowerment Act of 2007 ("RIDEA"). The results of operations for this partnership have been included in our consolidated results of operations beginning as of September 1, 2010 and are a component of our senior housing and care segment. Consolidation is based on a combination of ownership interest and operational decision-making control authority.

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. The total purchase price for the 25 communities acquired have been allocated to the tangible and identifiable intangible assets and liabilities based upon their respective fair values in accordance

HEALTH CARE REIT, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

with the Company's accounting policies. Such allocations have not been finalized as we await final asset valuations and, as such, the allocation of the purchase consideration included in the accompanying Consolidated Balance Sheet at September 30, 2010 is preliminary and subject to adjustment. The 20% noncontrolling interest relating to the acquired 25 properties is also reflected at estimated fair value. The following table presents the preliminary allocation of the purchase price to assets and liabilities assumed, based on their estimated fair values (in thousands):

Land and land improvements	$ 86,664
Buildings and improvements	423,919
Acquired lease intangibles	75,320
Cash and cash equivalents	4,777
Restricted cash	3,707
Receivables and other assets	16,459
Total assets acquired	610,846
Secured debt	235,273
Accrued expenses and other liabilities	3,316
Total liabilities assumed	238,589
Capital in excess of par	41,423
Noncontrolling interests	80,207
Net assets acquired	$ 250,627

The weighted average useful life of the acquired intangibles was 1.9 years as of September 30, 2010.

Real Property Investment Activity

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

	Nine Months Ended					
	September 30, 2010			September 30, 2009		
	Senior Housing and Care	Medical Facilities	Totals	Senior Housing and Care	Medical Facilities	Totals
Real property acquisitions:						
Senior housing — operating	$ 576,000	$ —	$ 576,000	$ —	$ —	$ —
Senior housing — triple net	219,772	—	219,772	—	—	—
Medical office buildings	—	246,582	246,582	—	—	—
Total acquisitions	795,772	246,582	1,042,354	—	—	—
Less: Assumed debt	(244,921)	(108,244)	(353,165)	—	—	—
Assumed other items, net	(118,901)	(31,048)	(149,949)	—	—	—
Cash disbursed for acquisitions	431,950	107,290	539,240	—	—	—
Construction in progress additions:						
Senior housing — triple net	62,115	—	62,115	250,066	—	250,066
Skilled nursing facilities	—	—	—	19,534	—	19,534
Hospitals	—	93,931	93,931	—	82,671	82,671
Medical office buildings	—	91,042	91,042	—	96,642	96,642
Total construction in progress additions	62,115	184,973	247,088	269,600	179,313	448,913
Less: Capitalized interest	(5,700)	(9,836)	(15,536)	(21,306)	(9,560)	(30,866)
Accruals(1)	—	(8,088)	(8,088)	—	(21,466)	(21,466)
Cash disbursed for construction in progress	56,415	167,049	223,464	248,294	148,287	396,581
Capital improvements to existing properties	18,821	21,839	40,660	11,333	9,464	20,797
Total cash invested in real property	$ 507,186	$ 296,178	$ 803,364	$ 259,627	$ 157,751	$ 417,378

(1) 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:

HEALTH CARE REIT, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

	Nine Months Ended					
	September 30, 2010			September 30, 2009		
	Senior Housing and Care	Medical Facilities	Totals	Senior Housing and Care	Medical Facilities	Totals
Development projects:						
Senior housing facilities	$ 269,261	$ —	$ 269,261	$ 257,456	$ —	$ 257,456
Skilled nursing facilities	—	—	—	14,561	—	14,561
Hospitals	—	96,829	96,829	—	—	—
Medical office buildings	—	49,144	49,144	—	173,744	173,744
Total development projects	269,261	145,973	415,234	272,017	173,744	445,761
Expansion projects	2,320	—	2,320	4,064	—	4,064
Total construction in progress conversions	$ 271,581	$ 145,973	$ 417,554	$ 276,081	$ 173,744	$ 449,825

Transaction costs for the nine months ended September 30, 2010 primarily represent costs incurred with the Merrill Gardens partnership (including due diligence costs, fees for legal and valuation services, and termination of a pre-existing relationship computed based on the fair value of the assets acquired), lease termination fees and costs incurred in connection with the new property acquisitions.

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):

	September 30, 2010	December 31, 2009
Assets:		
In place lease intangibles	$ 149,447	$ 74,198
Above market tenant leases	27,689	10,232
Below market ground leases	41,874	39,806
Lease commissions	4,339	3,154
Gross historical cost	223,349	127,390
Accumulated amortization	(37,881)	(29,698)
Net book value	$ 185,468	$ 97,692
Weighted-average amortization period in years	17.5	30.0
Liabilities:		
Below market tenant leases	$ 54,009	$ 22,961
Above market ground leases	4,084	4,084
Gross historical cost	58,093	27,045
Accumulated amortization	(14,582)	(10,478)
Net book value	$ 43,511	$ 16,567
Weighted-average amortization period in years	12.3	12.1

5. Dispositions, Assets Held for Sale and Discontinued Operations

During the year ended December 31, 2009, an impairment charge of $25,223,000 was recorded to reduce the carrying value of eight medical facilities to their estimated fair value less costs to sell. In determining the fair value of the 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 nine months ended September 30, 2010, we sold 16 properties, including three of the held for sale medical facilities, for net gains of $20,559,000. At September 30, 2010, we had five medical facilities and one senior housing facility that satisfied the requirements for held for sale treatment. 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. The following is a summary of our real

HEALTH CARE REIT, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

property disposition activity for the periods presented (in thousands):

	Nine Months Ended					
	September 30, 2010			September 30, 2009		
	Senior Housing and Care	Medical Facilities	Totals	Senior Housing and Care	Medical Facilities	Totals
Real property dispositions:						
Senior housing facilities	$ 3,437	$ —	$ 3,437	$ 44,877	$ —	$ 44,877
Skilled nursing facilities	104,628	—	104,628	18,854	—	18,854
Hospitals	—	—	—	—	40,841	40,841
Medical office buildings	—	7,568	7,568	—	28,128	28,128
Total dispositions	108,065	7,568	115,633	63,731	68,969	132,700
Add: Gain on sales of real property	18,894	1,665	20,559	13,358	13,549	26,907
Seller financing on sales of real property	—	(1,470)	(1,470)	—	(6,100)	(6,100)
Proceeds from real property sales	$ 126,959	$ 7,763	$ 134,722	$ 77,089	$ 76,418	$ 153,507

We have reclassified the income and expenses attributable to all properties sold and attributable to properties held for sale at September 30, 2010 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):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Revenues:				
Rental income	$ 2,602	$ 6,794	$ 9,292	$ 25,237
Expenses:				
Interest expense	577	1,238	1,817	4,748
Property operating expenses	973	821	2,686	2,559
Provision for depreciation	541	1,898	1,816	8,697
Income (loss) from discontinued operations, net	$ 511	$ 2,837	$ 2,973	$ 9,233

HEALTH CARE REIT, INC.
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6. Real Estate Loans Receivable

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

	Nine Months Ended					
	September 30, 2010			September 30, 2009		
	Senior Housing and Care	Medical Facilities	Totals	Senior Housing and Care	Medical Facilities	Totals
Advances on real estate loans receivable:						
Investments in new loans	$ 9,742	$ 15,799	$ 25,541	$ 3,316	$ —	$ 3,316
Draws on existing loans	28,413	15	28,428	42,226	1,340	43,566
Sub-total	38,155	15,814	53,969	45,542	1,340	46,882
Less: Seller financing on property sales	—	(1,470)	(1,470)	—	—	—
Net cash advances on real estate loans	38,155	14,344	52,499	45,542	1,340	46,882
Receipts on real estate loans receivable:						
Loan payoffs	3,809	—	3,809	20,440	—	20,440
Principal payments on loans	11,682	3,328	15,010	12,838	1,614	14,452
Total receipts on real estate loans	15,491	3,328	18,819	33,278	1,614	34,892
Net advances (receipts) on real estate loans	$ 22,664	$ 11,016	$ 33,680	$ 12,264	$ (274)	$ 11,990

We recorded $28,918,000 of provision for loan losses during the nine months ended September 30, 2010. This amount includes the write-off of loans totaling $32,753,000 primarily related to certain early stage senior housing and CCRC development projects no longer being actively pursued. This was offset by a net reduction of the allowance balance by $3,835,000, resulting in an allowance for losses on loans receivable balance of $1,190,000 as of September 30, 2010.

During the quarter ended September 30, 2010, we received title to a parcel of land and an equity interest in full satisfaction of certain loans outstanding with a combined balance of $38,848,000. For balance sheet purposes, the land parcel is recorded as land and the equity interest is accounted for as an equity method investment.

7. Investments in Unconsolidated Joint Ventures

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 with approximately 1.2 million square feet located in University Park in Cambridge, MA, which is immediately adjacent to the campus of the Massachusetts Institute of Technology. Six buildings closed on February 22, 2010 and the seventh closed on June 30, 2010. 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 these transactions, we invested $174,692,000 of cash which is recorded as an equity investment 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 joint ventures. The aggregate remaining unamortized basis difference of our investment in this joint venture of $18,411,000 at September 30, 2010 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 joint ventures.

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8. Customer Concentration

The following table summarizes certain information about our customer concentration as of September 30, 2010 (dollars in thousands):

	Number of Properties	Total Investment(2)	Percent of Investment(3)
Concentration by investment:(1)			
Merrill Gardens LLC	38	$ 745,473	10%
Senior Living Communities, LLC	12	593,483	9%
Aurora Health Care, Inc.	18	305,517	4%
Brookdale Senior Living, Inc.	86	303,463	4%
Signature Healthcare LLC	32	260,620	4%
Remaining portfolio	455	4,948,308	69%
Totals	641	$7,156,864	100%

(1) All of our top five customers, except for Aurora Health Care, Inc., are in our senior housing and care segment.

(2) Excludes our share of unconsolidated joint venture investment of $349,832,000. Please see Note 7 for additional information.

(3) Investments with our top five customers comprised 24% of total investments at December 31, 2009.

9. Borrowings Under Line of Credit Arrangement and Related Items

At September 30, 2010, we had an unsecured line of credit arrangement with a consortium of sixteen banks in the amount of $1,150,000,000, which is scheduled to expire on August 5, 2011 (with the ability to extend for one year at our discretion if we are in compliance with all covenants). 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 (0.86% at September 30, 2010). The applicable margin is based on certain of our debt ratings and was 0.6% at September 30, 2010. 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 0.15% at September 30, 2010. We also pay an annual agent's fee of $50,000. Principal is due upon expiration of the agreement.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Balance outstanding at quarter end	$ —	$143,000	$ —	$143,000
Maximum amount outstanding at any month end	$560,000	$292,000	$560,000	$559,000
Average amount outstanding (total of daily principal balances divided by days in period)	$220,467	$217,174	$265,465	$301,740
Weighted average interest rate (actual interest expense divided by average borrowings outstanding)	2.22%	1.99%	1.74%	1.76%

10. Senior Unsecured Notes and Secured Debt

We have $2,585,961,000 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 $2,614,930,000 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 approximately $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

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extinguished $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. As of September 30, 2010, we had $125,588,000 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 approximately $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 September 30, 2010, we had $168,086,000 of these notes outstanding.

During the nine months ended September 30, 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 approximately $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 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. We have secured debt totaling $885,494,000, collateralized by owned properties, with annual interest rates ranging from 3.86% to 8.74%. The carrying amounts of the secured debt represent the par value of $897,265,000 adjusted for any unamortized fair value adjustments. The carrying values of the properties securing the debt totaled $1,399,126,000 at September 30, 2010. During the nine months ended September 30, 2010, we assumed $363,515,000 of first mortgage loans principal with an average rate of 6.44% secured by 41 properties. During the nine months ended September 30, 2010, we extinguished $159,475,000 of first mortgage loans principal with an average rate of 5.93% and recognized a loss of $9,099,000.

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 September 30, 2010, we were in compliance with all of the covenants under our debt agreements.

At September 30, 2010, the annual principal payments due on these debt obligations are as follows (in thousands):

	Senior Unsecured Notes(1)	Secured Debt (1)	Totals
2010	$ —	$ 4,927	$ 4,927
2011	—	53,611	53,611
2012	76,853	73,540	150,393
2013	300,000	52,987	352,987
2014	—	166,407	166,407
Thereafter	2,238,077	545,793	2,783,870
Totals	$ 2,614,930	$ 897,265	$ 3,512,195

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

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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. Derivates 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.

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

	Balance Sheet Location	Fair Value	
		September 30, 2010	December 31, 2009
Cash flow hedge interest rate swaps	Other liabilities	$—	$2,381

Cash Flow Hedges

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 $1,643,000 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 presents the impact of derivative instruments on the statement of operations and OCI for the periods presented (dollars in thousands):

		Three Months Ended		Nine Months Ended	
	Location	September 30, 2010	September 30, 2009	September 30, 2010	September 30, 2009
Gain (loss) on interest rate swap recognized in OCI (effective portion)	n/a	$(3,211)	$(4,644)	$(10,307)	$(4,644)
Gain (loss) reclassified from AOCI into income (effective portion)	Interest expense	(236)	(229)	(1,834)	(148)
Gain (loss) recognized in income (ineffective portion and amount excluded from effectiveness testing)	Realized loss	—	—	—	—

On August 7, 2009, we entered into an interest rate swap (the "August 2009 Swap") for a total notional amount of $52,198,000 to hedge seven years of interest payments associated with long-term LIBOR based borrowings. This swap was terminated on September 30, 2010 for a cash payment of $6,645,000. The effective portion is being amortized over the remaining term of the original swap as an adjustment to the yield on our LIBOR-based debt. The August 2009 Swap had an effective date of August 12, 2009 and a maturity date of September 1, 2016. The August 2009 Swap had the economic effect of fixing $52,198,000 at 3.93% plus a credit spread for seven years. The August 2009 Swap had been designated as a cash flow hedge and we expected it to be highly effective at offsetting changes in cash flows of interest payments on $52,198,000 of long-term debt due to changes in the LIBOR swap rate.

On September 28, 2009, we entered into an interest rate swap (the "September 2009 Swap") for a total notional amount of $48,155,000 to hedge seven years of interest payments associated with long-term LIBOR based borrowings. This swap was terminated on September 30, 2010 for a cash payment of $4,365,000. The effective portion is being amortized over the remaining term of the original swap as an adjustment to the yield on our LIBOR-based debt. The September 2009 Swap had an effective date of September 30, 2009 and a maturity date of October 1, 2016. The September 2009 Swap had the economic effect of fixing $48,155,000 at 3.2675% plus a credit spread for seven years. The September 2009 Swap had been designated as a cash flow hedge and we expected it to be highly effective at offsetting changes in cash flows of interest payments on $48,155,000 of long-term debt due to changes in the LIBOR swap rate.

Fair Value Hedges

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For derivative instruments that are designated as a fair value hedge, the gain or loss on the derivative as well as the offsetting loss or gain on the hedged risk are recognized in current earnings. There were no outstanding fair value hedges at September 30, 2010 or December 31, 2009.

12. Commitments and Contingencies

We have two outstanding letters of credit issued for the benefit of certain insurance companies that provide workers' compensation insurance to one of our tenants. Our obligation to provide the letters of credit terminates in 2013. At September 30, 2010, our obligation under the letters of credit was $4,200,000.

We have an outstanding letter of credit issued for the benefit of certain insurance companies that provide liability and property insurance to one of our tenants. Our obligation to provide the letter of credit terminates in 2013. At September 30, 2010, our obligation under the letter of credit was $1,000,000.

We have an outstanding letter of credit issued for the benefit of a village in Illinois that secures the completion and installation of certain public improvements by one of our tenants in connection with the development of a property. Our obligation to provide the letter of credit terminates in November 2010. At September 30, 2010, our obligation under the letter of credit was $129,057.

At September 30, 2010, we had outstanding construction in process of $286,366,000 for leased properties and were committed to providing additional funds of approximately $314,132,000 to complete construction. At September 30, 2010, we had contingent purchase obligations totaling $7,065,000. 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.

At September 30, 2010, we had operating lease obligations of $209,719,000 relating to certain ground leases and company office space. We incurred rental expense relating to company office space of $303,000 and $938,000 for the three and nine months ended September 30, 2010, respectively, as compared to $302,000 and $899,000 for the same periods in 2009. 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 September 30, 2010, aggregate future minimum rentals to be received under these noncancelable subleases totaled $31,088,000.

At September 30, 2010, future minimum lease payments due under operating leases are as follows (in thousands):

2010	$ 1,250
2011	4,980
2012	5,054
2013	4,758
2014	4,781
Thereafter	188,896
Totals	$ 209,719

13. Stockholders' Equity

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

	September 30, 2010	December 31, 2009
Preferred Stock, $1.00 par value:		
Authorized shares	50,000,000	50,000,000
Issued shares	11,000,000	11,474,093
Outstanding shares	11,000,000	11,474,093
Common Stock, $1.00 par value:		
Authorized shares	225,000,000	225,000,000
Issued shares	135,293,332	123,583,242
Outstanding shares	135,009,522	123,385,317

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Preferred Stock. During the nine months ended September 30, 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 September 30, 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 such shares outstanding at September 30, 2010.

Common Stock. The following is a summary of our common stock issuances during the nine months ended September 30, 2010 and 2009 (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	356,691
2009 Equity shelf plan issuances	1,952,600	40.69	79,447	77,692
2009 Dividend reinvestment plan issuances	1,099,340	35.05	38,528	38,528
2009 Option exercises	3,434	26.67	92	92
2009 Totals	18,072,244		$ 704,099	$ 683,883
September 2010 public issuance	9,200,000	$ 45.75	$ 420,900	$ 403,921
2010 Equity shelf plan issuances	431,082	44.94	19,371	19,014
2010 Dividend reinvestment plan issuances	1,441,612	42.83	61,737	61,737
2010 Option exercises	56,947	33.24	1,893	1,893
2010 Totals	11,129,641		$ 503,901	$ 486,565

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

	Nine Months Ended			
	September 30, 2010		September 30, 2009	
	Per Share	Amount	Per Share	Amount
Common Stock	$ 2.0500	$ 255,217	$ 2.0400	$ 227,959
Series D Preferred Stock	1.4766	5,906	1.4766	5,906
Series E Preferred Stock	1.1250	94	1.1250	84
Series F Preferred Stock	1.4297	10,008	1.4297	10,008
Series G Preferred Stock	1.4064	332	1.4064	560
Totals		$ 271,557		$ 244,517

Comprehensive Income

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

	September 30, 2010	December 31, 2009
Unrecognized losses on cash flow hedges	$ (10,380)	$ (1,907)
Unrecognized losses on equity investments	(645)	(550)
Unrecognized actuarial losses	(434)	(434)
Totals	$ (11,459)	$ (2,891)

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Unrecognized losses on cash flow hedges	$ (2,975)	$ (4,415)	$ (8,473)	$ (4,496)
Unrecognized gains (losses) on equity investments	42	489	(95)	667
Total other comprehensive income (loss)	(2,933)	(3,926)	(8,568)	(3,829)
Net income attributable to controlling interests	6,471	24,650	88,920	156,049
Comprehensive income attributable to controlling interests	3,538	20,724	80,352	152,220
Net and comprehensive income (loss) attributable to noncontrolling interests	(690)	35	(383)	40
Total comprehensive income	$ 2,848	$ 20,759	$ 79,969	$ 152,260

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 $221,000 and $1,414,000 for the three and nine months ended September 30, 2010, respectively, as compared to $182,000 and $1,446,000 for the same periods in 2009.

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 continue to vest 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 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:

	Nine Months Ended	
	September 30, 2010	September 30, 2009
Dividend yield	6.28%	7.35%
Expected volatility	34.08%	29.36%
Risk-free interest rate	3.23%	2.33%
Expected life (in years)	7.0	7.0
Weighted-average fair value	$ 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.

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Option Award Activity

The following table summarizes information about stock option activity for the nine months ended September 30, 2010:

Stock Options	Number of Shares (000's)	Weighted Average Exercise Price	Weighted Average Remaining Contract Life (years)	Aggregate Intrinsic Value ($000's)
Options at beginning of year	1,062	$ 37.71	8.1	
Options granted	280	43.29		
Options exercised	(57)	33.24		
Options terminated	(6)	37.82		
Options at end of period	1,279	$ $39.13	7.8	$ 10,502
Options exercisable at end of period	512	$ 37.21	6.1	$ 5,185
Weighted average fair value of options granted during the period		$ $7.82		

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 September 30, 2010. During the nine months ended September 30, 2010 and 2009, the aggregate intrinsic value of options exercised under our stock incentive plans was $668,000 and $54,000, respectively (determined as of the date of option exercise). Cash received from option exercises under our stock incentive plans was $1,893,000 for the nine months ended September 30, 2010.

As of September 30, 2010, there was approximately $3,045,000 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 four years. As of September 30, 2010, there was approximately $8,810,000 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 three years.

The following table summarizes information about non-vested stock incentive awards as of September 30, 2010 and changes for the nine months ended September 30, 2010:

	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, 2009	675	$ 5.44	405	$ 40.26
Vested	(181)	5.91	(232)	42.02
Granted	280	7.82	244	43.32
Terminated	(6)	7.06	(1)	38.55
Non-vested at September 30, 2010	768	$ 6.19	416	$ 41.09

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15. Earnings Per Share

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Numerator for basic and diluted earnings per share — net income attributable to common stockholders	$ 1,124	$ 19,130	$ 72,580	$ 139,489
Denominator for basic earnings per share — weighted average shares	125,298	114,874	124,132	111,345
Effect of dilutive securities:				
Employee stock options	128	11	112	—
Non-vested restricted shares	416	404	416	404
Dilutive potential common shares	544	415	528	404
Denominator for diluted earnings per share — adjusted weighted average shares	125,842	115,289	124,660	111,749
Basic earnings per share	$ 0.01	$ 0.17	$ 0.58	$ 1.25
Diluted earnings per share	$ 0.01	$ 0.17	$ 0.58	$ 1.25

The diluted earnings per share calculations exclude the dilutive effect of 381,000 stock options for the three and nine months ended September 30, 2010, as compared to 418,000 and 885,000 for the same periods in 2009, because the exercise prices were less than the average market price. The outstanding convertible senior unsecured notes were not included in these calculations as the effect of the conversions into common stock was anti-dilutive for the relevant periods presented.

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.

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):

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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

	September 30, 2010		December 31, 2009	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets:				
Mortgage loans receivable	$ 78,864	$ 78,972	$ 74,517	$ 74,765
Other real estate loans receivable	337,706	347,777	352,846	354,429
Available-for-sale equity investments	955	955	1,050	1,050
Cash and cash equivalents	181,147	181,147	35,476	35,476
Financial Liabilities:				
Borrowings under unsecured lines of credit arrangements	$ —	$ —	$ 140,000	$ 140,000
Senior unsecured notes	2,585,961	2,885,225	1,653,027	1,762,129
Secured debt	885,494	953,451	620,995	623,266
Interest rate swap agreements	—	—	2,381	2,381

U.S. GAAP provides authoritative guidance for measuring and disclosing fair value measurements of assets and liabilities. The guidance for financial assets and liabilities was previously adopted as the standard for those assets and liabilities as of January 1, 2008. Additional guidance for non-financial assets and liabilities is effective for fiscal years beginning after November 15, 2008, and was adopted as the standard for those assets and liabilities as of January 1, 2009. The impact of adoption was not significant. 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.

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.

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 September 30, 2010			
	Total	Level 1	Level 2	Level 3
Available-for-sale equity investments(1)	$ 955	$ 955	$ —	$ —
Assets held for sale(2)	3,453	—	3,453	—
Totals	$ 4,408	$ 955	$ 3,453	$ —

(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.

HEALTH CARE REIT, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

17. Segment Reporting

We invest in senior housing and health care real estate. We evaluate our business and make resource allocations on our two business segments — senior housing and care and medical facilities. Our primary senior housing and care properties include skilled nursing facilities, assisted living facilities, independent living/continuing care retirement communities and combinations thereof. Under the senior housing and care segment, we invest in senior housing and health care real estate through acquisition and financing of primarily single tenant properties. Excluding our Merrill Gardens partnership (please see Note 3 for additional information), properties acquired are primarily leased under triple-net leases and we are not involved in the management of the property. 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 investments are structured similar to our senior housing and care investments. Our life science investments represent investments in an unconsolidated joint venture (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 (see Note 1 to the financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2009, as updated by our Current Report on Form 8-K filed May 10, 2010). 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.

During the nine months ended September 30, 2010, we changed the names of our segments and reclassified certain assets and related revenues. All hospitals that were formerly classified as investment properties have been reclassified to medical facilities. Accordingly, we have reclassified the following prior period amounts to be consistent with the current year classification for the three and nine months ended September 30, 2009, respectively: (i) rental income of $10,884,000 and $34,188,000; (ii) interest income of $1,262,000 and $3,740,000; (iii) other income of $84,000 and $256,000; and (iv) real estate depreciation/amortization of $3,460,000 and $10,284,000. Additionally, we have restated $111,000 and $298,000 of interest income from non-segment/corporate revenues to medical facilities to be consistent with the current year classification.

Summary information for the reportable segments during the three and nine months ended September 30, 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	Interest Expense	Total Assets
Three Months Ended September 30, 2010										
Senior housing and care	$ 97,658	$ 12,809	$ 9,179	$ 698	$ 120,344	$ 7,993	$ 112,351	$ 29,087	$ 7,507	$ 4,838,163
Medical facilities[2]	57,071		875	227	58,173	13,829	44,344	20,019	6,506	2,792,882
Non-segment/Corporate	—		—	231	231	—	231	—	30,972	262,022
	$ 154,729	$ 12,809	$ 10,054	$ 1,156	$ 178,748	$ 21,822	$ 156,926	$ 49,106	$ 44,985	$ 7,893,067
Three Months Ended September 30, 2009										
Senior housing and care	$ 89,429	$ —	$ 9,266	$ 557	$ 99,252	$ —	$ 99,252	$ 24,853	$ 3,625	
Medical facilities	45,892		1,262	332	47,486	12,974	34,512	16,232	5,151	
Non-segment/Corporate	—		—	200	200	—	200	—	20,057	
	$ 135,321	$ —	$ 10,528	$ 1,089	$ 146,938	$ 12,974	$ 133,964	$ 41,085	$ 28,833	

	Rental Income	Resident Fees and Services	Interest Income	Other Income	Total Revenues	Property Operating Expenses	Net Operating Income[1]	Real Estate Depreciation/ Amortization	Interest Expense
Nine Months Ended September 30, 2010									
Senior housing and care	$ 288,148	$ 12,809	$ 26,583	$ 2,726	$ 330,266	$ 7,993	$ 322,273	$ 84,040	$ 17,200
Medical facilities[2]	162,481		1,853	800	165,134	40,552	124,582	56,097	18,560
Non-segment/Corporate	—		—	1,276	1,276	—	1,276	—	76,760
	$ 450,629	$ 12,809	$ 28,436	$ 4,802	$ 496,676	$ 48,545	$ 448,131	$ 140,137	$ 112,520
Nine Months Ended September 30, 2009									
Senior housing and care	$ 269,521	$ —	$ 26,899	$ 1,921	$ 298,341	$ —	$ 298,341	$ 76,132	$ 8,183
Medical facilities	135,042		3,740	951	139,733	37,000	102,733	47,011	15,603
Non-segment/Corporate	—		—	938	938	—	938	—	60,390
	$ 404,563	$ —	$ 30,639	$ 3,810	$ 439,012	$ 37,000	$ 402,012	$ 123,143	$ 84,176

(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 life science buildings held in an unconsolidated joint venture. Please see Note 7 for additional information.

Item 2. ***Management's Discussion and Analysis of Financial Condition and Results of Operations***

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 Quarterly Report on Form 10-Q. Other important factors are identified in our Annual Report on Form 10-K for the year ended December 31, 2009, as updated by our Current Report on Form 8-K filed May 10, 2010, including factors identified under the headings "Business," "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Executive Summary

Company Overview

Health Care REIT, Inc. is an equity real estate investment trust ("REIT") that invests in senior housing and health care real estate. Founded in 1970, we were the first REIT to invest exclusively in health care facilities. The following table summarizes our portfolio as of September 30, 2010:

Type of Property	Investments (in thousands)	Percentage of Investments	Number of Properties	# Beds/Units or Sq. Ft.		Investment per metric(1)		States
Senior housing facilities	$ 3,326,935	44.2%	264	23,098	units	$ 148,363	per unit	34
Skilled nursing facilities	1,350,142	18.0%	197	26,413	beds	51,117	per bed	26
Hospitals	741,008	9.9%	31	1,857	beds	438,893	per bed	13
Medical office buildings	1,738,779	23.2%	142	7,585,071	sq. ft.	248	per sq. ft.	25
Life science buildings(2)	349,832	4.7%	7			n/a		1
Totals	$ 7,506,696	100.0%	641					39

(1) Investment per metric was computed by using the total investment amount of $7,470,996,000, which includes net real estate investments and unfunded construction commitments for which initial funding has commenced which amounted to $7,156,864,000 and $314,132,000, respectively.

(2) Includes our share of unconsolidated joint venture investments. Please see Note 7 to our unaudited 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 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. The elderly population aged 65 and over is projected to increase by 79.2% through 2030. Most health care services are provided within a health care facility such as a hospital, a physician's office or a senior 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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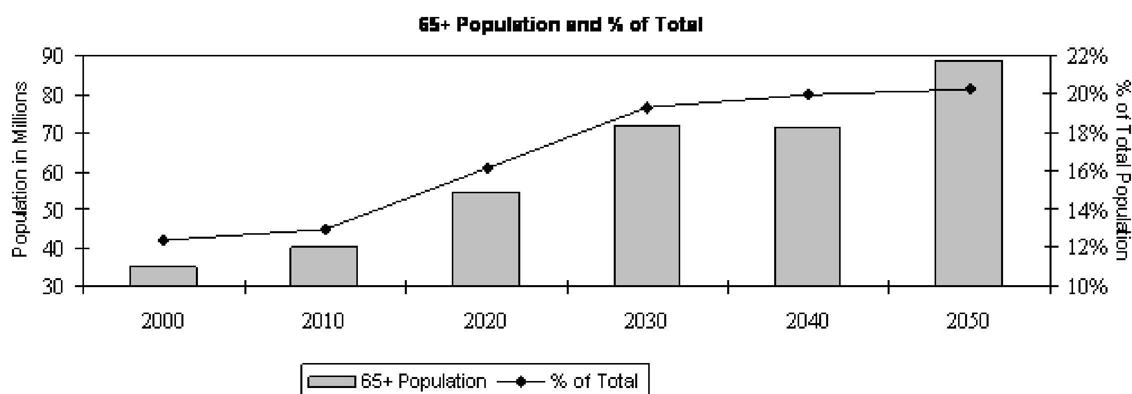

Source: U.S. Census Bureau

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, which enhances the credibility and experience of our company;
- 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 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"). 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.

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 will face a specified percentage decrease in their annual update for discharges beginning in 2010. Additionally, beginning in 2012, long-term care hospitals will be subject to the productivity adjustments, which may decrease the federal payment rates for long-term care hospitals. Similar productivity adjustments and other adjustments to payment rates will apply to inpatient rehabilitation facilities, psychiatric hospitals and outpatient hospitals beginning in 2010.

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The Health Reform Laws revise other reimbursement provisions that may affect our business. For example, the Health Reform Laws mandate a one-year extension of the exceptions for medical therapy caps, which will be applicable though December 31, 2010. The Health Reform Laws also 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. The Health Reform Laws also call for reductions in payments for discharges beginning October 1, 2012, in order to account for excess readmissions. While the exact amount of the reduction is not yet known, a reduction 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. 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.

Additionally, the Health Reform Laws delay until at least October 1, 2011, the implementation of the Resource Utilization Group, Version Four ("RUG-IV") that would revise the payment classification system for skilled nursing facilities. 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. 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 September 23, 2010, CMS published a proposed rulemaking to implement the enhanced provider and supplier screening provisions called for in the Health Reform Laws. Under the proposed rule, all enrolling and participating providers and suppliers would be assessed an annual administrative fee and be placed in one of three risk levels (limited, moderate, and high) based on an assessment of the entity's overall risk of fraud, waste and abuse. 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 proposed rulemaking has the potential to materially adversely affect our operators and tenants who, if implemented, may be evaluated under the enhanced screening process.

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.

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Impact to the Health Care Plans Offered to Our Employees. The Health Reform Laws will affect employers that provide health plans to their employees. The new laws will 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

CMS recently released a number of rulemakings that may potentially increase or decrease the government reimbursement of 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 16, 2010, CMS issued a final rule updating the long-term acute care hospital prospective payment system for FY 2011. Among other things, the final rule updates payment rates for acute care and long-term care hospitals and implements certain provisions of the Health Reform Laws. In the rule, CMS finalized an update of 2.5% for inflation with a cut of 0.5% as required by the Health Reform Laws and a negative 2.5% documentation and coding adjustment for long-term care hospitals. CMS also released a notice and comment rulemaking for the prospective payment system and consolidated billing for skilled nursing facilities for FY 2011 on July 22, 2010. CMS adjusts the nursing home payment rates for FY 2011 by including a market basket increase factor of 2.3% and a negative 0.6 percentage point forecast error adjustment, which would result in a net increase update of 1.7% for nursing home rates.

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 2, 2010, CMS placed the CY 2011 Physician Fee Schedule final rule on public display for an expected publication date of November 29, 2010. Among other things, CMS preliminary estimates in the final rule that the CY 2011 SGR formula will be negative 13.4%. This measure is a significant change from the figure provided in the proposed rule, and will replace the 21.3% reduction in physician Medicare reimbursement in 2010 required by the SGR formula. Additionally, in the final rule, CMS has eliminated certain CPT consultation codes, which could negatively impact the reimbursement levels received by our operators and tenants.

Finally, on November 2, 2010, CMS placed on public display the CY 2011 Hospital Outpatient Prospective Payment System ("HOPPS") final rule with comment period for an expected publication date of November 24, 2010. CMS estimates that the cumulative effect of all changes to payment rates for CY 2011 will have a positive effect, resulting in a 2.5% estimated increase in Medicare payments to providers paid under the HOPPS.

Economic Outlook

The serious economic recession affecting the national and global economy has continued to impact all sectors, including to a somewhat lesser degree health care. Continuing mixed economic signals have made it difficult to predict when there might be a return to more normal and stable growth rates, employment levels and overall economic performance.

Banks have remained cautious in their lending, but significant liquidity has been injected into the senior housing and care markets by various Government-Sponsored Enterprises. In addition, there is significant equity investment capital available for certain health care sectors, particularly medical office buildings. This has had the effect of keeping capitalization rates in these segments generally in line with or even below historic rates. Debt costs for REITs have generally come down over the past 12 months, and equity markets for health care REITs have remained open for the most part.

As a consequence, while liquidity remains an important consideration in 2010, we have been more aggressive in pursuing attractive investment opportunities that meet our strategic and underwriting criteria. We have also been more active in accessing capital markets during this time. We believe the markets in which we invest will continue to offer stable returns during the economic downturn and significant growth potential as and when the economy begins to rebound.

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 senior housing and health care real estate and diversify our investment portfolio by property type, customer and geographic location.

Item 2. ***Management's Discussion and Analysis of Financial Condition and Results of Operations***

Substantially all of our revenues and sources of cash flows from operations are derived from operating lease rentals 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 nine months ended September 30, 2010, rental income and interest income represented 91% and 6% 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 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 internal cash from rent and interest receipts 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.

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. We expect to complete gross new investments of $2.3 billion to $2.7 billion in 2010, comprised of acquisitions/joint ventures totaling $2.0 billion to $2.3 billion and funded new development of $300 million to $400 million. We anticipate the sale of real property and the repayment of loans receivable totaling approximately $200 million during 2010. It is possible that additional 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 September 30, 2010, we had $181,147,000 of cash and cash equivalents, $61,224,000 of restricted cash and $1,150,000,000 of available borrowing capacity under our unsecured line of credit arrangement.

Key Transactions in 2010

We have completed the following key transactions to date in 2010:

- our Board of Directors increased the quarterly cash dividend to $0.69 per common share, as compared to $0.68 per common share for 2009, beginning in August 2010. The dividend declared for the quarter ended September 30, 2010 represents the 158th consecutive quarterly dividend payment;
- we completed $1,580,059,000 of gross investments and had $119,442,000 of investment payoffs during the nine months ended September 30, 2010;
- we issued $494,403,000 of 3.00% convertible senior unsecured notes due 2029 and repurchased $441,326,000 of 4.75% convertible senior unsecured notes due 2026 and 2027 in March and June 2010;
- we issued $450,000,000 of 6.125% senior unsecured notes due 2020 with net proceeds of $446,328,000 in April and June 2010;
- we raised $81,977,000 of HUD mortgage loans at an average rate of 5.10%;
- we issued $450,000,000 of 4.70% senior unsecured notes due 2017 with net proceeds of $445,768,000 in September 2010;

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- we completed a public offering of 9,200,000 shares of common stock with net proceeds of approximately $403,921,000 in September 2010; and
- we completed our RIDEA partnership with Merrill Gardens LLC in September 2010.

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):

	Three Months Ended						
	March 31, 2009	June 30, 2009	September 30, 2009	December 31, 2009	March 31, 2010	June 30, 2010	September 30, 2010
Net income attributable to common stockholders	$ 61,119	$ 59,240	$ 19,130	$ 31,700	$ 25,812	$ 45,646	$ 1,124
Funds from operations	85,322	89,207	60,933	56,290	63,087	92,214	41,108
Net operating income(1)	134,819	133,228	133,964	145,667	143,055	157,415	164,292
Per share data (fully diluted):							
Net income attributable to common stockholders	$ 0.56	$ 0.53	$ 0.17	$ 0.26	$ 0.21	$ 0.37	$ 0.01
Funds from operations	0.79	0.80	0.53	0.46	0.51	0.74	0.33

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

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 earnings before interest, taxes, depreciation and amortization ("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:

	Three Months Ended						
	March 31, 2009	June 30, 2009	September 30, 2009	December 31, 2009	March 31, 2010	June 30, 2010	September 30, 2010
Debt to book capitalization ratio	43%	44%	39%	39%	43%	46%	45%
Debt to undepreciated book capitalization ratio	39%	40%	35%	35%	39%	41%	41%
Debt to market capitalization ratio	41%	40%	31%	30%	32%	36%	34%
Interest coverage ratio	3.88x	3.74x	2.63x	3.21x	3.08x	3.48x	2.25x
Fixed charge coverage ratio	3.18x	3.07x	2.16x	2.57x	2.44x	2.78x	1.86x

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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 for the periods presented:

	March 31, 2009	June 30, 2009	September 30, 2009	December 31, 2009	March 31, 2010	June 30, 2010	September 30, 2010
Asset mix:							
Real property	92%	92%	92%	93%	93%	93%	94%
Real estate loans receivable	8%	8%	8%	7%	7%	7%	6%
Investment mix:(1)							
Senior housing facilities	40%	40%	40%	42%	38%	39%	44%
Skilled nursing facilities	27%	26%	26%	25%	22%	21%	18%
Hospitals	10%	10%	11%	10%	10%	10%	10%
Medical office buildings	23%	24%	23%	23%	25%	25%	23%
Life science buildings	0%	0%	0%	0%	5%	5%	5%
Customer mix:(1)							
Merrill Gardens LLC							10%
Senior Living Communities, LLC	6%	6%	7%	7%	8%	8%	8%
Aurora Health Care, Inc.					5%	5%	4%
Brookdale Senior Living Inc	5%	5%	5%	5%	5%	4%	4%
Signature Healthcare LLC	5%	5%	5%	5%	4%	4%	4%
Emeritus Corporation	4%	4%	4%	4%	4%	3%	
Life Care Centers of America, Inc.	5%	4%	3%	3%			
Remaining customers	75%	76%	76%	76%	74%	76%	70%
Geographic mix:(1)							
California	8%	8%	8%	9%	9%	9%	11%
Florida	14%	13%	13%	12%	12%	11%	10%
Texas	11%	11%	11%	11%	10%	10%	9%
Massachusetts	7%	7%	7%	7%	11%	11%	9%
Washington							7%
Wisconsin					7%	7%	
Ohio			5%	6%			
Tennessee	5%	5%					
Remaining states	55%	56%	56%	55%	51%	52%	54%

(1) Includes our share of unconsolidated joint venture investments.

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 Quarterly Report on Form 10-Q. 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 our Annual Report on Form 10-K for the year ended December 31, 2009, as updated by our Current Report on Form 8-K filed May 10, 2010, under the headings "Business," "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" for further discussion of these risk factors.

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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):

	Three Months Ended						
	March 31, 2009	June 30, 2009	September 30, 2009	December 31, 2009	March 31, 2010	June 30, 2010	September 30, 2010
Net operating income:							
Senior housing and care	$ 98,950	$100,137	$ 99,252	$101,024	$102,307	$107,620	$112,351
Medical facilities(1)	35,493	32,728	34,512	44,411	40,517	48,983	51,710
Non-segment/corporate	376	363	200	232	231	812	231
Net operating income	$134,819	$133,228	$133,964	$145,667	$143,055	$157,415	$164,292

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

Payment coverage. Payment coverage of our operators continues to remain strong. Our overall payment coverage is at 2.11 times. The table below reflects our recent historical trends of portfolio coverage. Coverage data reflects the 12 months ended for the periods presented. CBMF represents the ratio of our customers' earnings before interest, taxes, depreciation, amortization, rent and management fees to contractual rent or interest due us. CAMF represents the ratio of our customers' earnings before interest, taxes, depreciation, amortization and rent (but after imputed management fees) to contractual rent or interest due us.

	June 30, 2008		June 30, 2009		June 30, 2010	
	CBMF	CAMF	CBMF	CAMF	CBMF	CAMF
Senior housing facilities	1.51x	1.29x	1.51x	1.30x	1.54x	1.31x
Skilled nursing facilities	2.29x	1.68x	2.24x	1.64x	2.37x	1.75x
Hospitals	2.39x	1.86x	2.37x	2.05x	2.65x	2.32x
Weighted averages	1.99x	1.54x	1.98x	1.55x	2.11x	1.66x

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. These guidelines meet the listing standards adopted by the New York Stock Exchange and are available on our website at www.hcreit.com and from us upon written request sent to the Senior Vice President — Administration and Corporate Secretary, Health Care REIT, Inc., 4500 Dorr Street, Toledo, Ohio 43615-4040.

Liquidity and Capital Resources

Sources and Uses of Cash

Our primary sources of cash include rent and interest receipts, 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 construction advances), loan advances 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.

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

	Nine Months Ended		Change	
	September 30, 2010	September 30, 2009	$	%
Cash and cash equivalents at beginning of period	$ 35,476	$ 23,370	$ 12,106	52%
Cash provided from operating activities	291,004	290,449	555	0%
Cash used in investing activities	(1,002,650)	(189,119)	(813,531)	430%
Cash provided from (used in) financing activities	857,317	(22,347)	879,664	n/a
Cash and cash equivalents at end of period	$ 181,147	$ 102,353	$ 78,794	77%

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 and debt extinguishment 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):

	Nine Months Ended		Change	
	September 30, 2010	September 30, 2009	$	%
Gross straight-line rental income	$ 12,414	$ 14,499	$ (2,085)	-14%
Cash receipts due to real property sales	(752)	(3,452)	2,700	-78%
Prepaid rent receipts	(5,462)	(20,011)	14,549	-73%
Amortization related to below (above) market leases, net	2,112	1,344	768	57%
	$ 8,312	$ (7,620)	$ 15,932	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 the lack of 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):

	Nine Months Ended					
	September 30, 2010			September 30, 2009		
	Senior Housing and Care	Medical Facilities	Totals	Senior Housing and Care	Medical Facilities	Totals
Advances on real estate loans receivable:						
Investments in new loans	$ 9,742	$ 15,799	$ 25,541	$ 3,316	$ —	$ 3,316
Draws on existing loans	28,413	15	28,428	42,226	1,340	43,566
Sub-total	38,155	15,814	53,969	45,542	1,340	46,882
Less: Seller financing on property sales	—	(1,470)	(1,470)	—	—	—
Net cash advances on real estate loans	38,155	14,344	52,499	45,542	1,340	46,882
Receipts on real estate loans receivable:						
Loan payoffs	3,809	—	3,809	20,440	—	20,440
Principal payments on loans	11,682	3,328	15,010	12,838	1,614	14,452
Total receipts on real estate loans	15,491	3,328	18,819	33,278	1,614	34,892
Net advances (receipts) on real estate loans	$ 22,664	$ 11,016	$ 33,680	$ 12,264	$ (274)	$ 11,990

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	Nine Months Ended			
	September 30, 2010		September 30, 2009	
	Properties	Amount	Properties	Amount
Real property acquisitions:				
Senior housing — operating	25	$ 576,000	—	$ —
Senior housing — triple net	15	219,772	—	—
Medical office buildings	19	246,582	—	—
Total acquisitions	59	1,042,354	—	—
Less: Assumed debt		(353,165)		—
Assumed other items, net		(149,949)		—
Cash disbursed for acquisitions		539,240		—
Construction in progress additions		223,464		396,581
Capital improvements to existing properties		40,660		20,797
Total cash invested in real property		803,364		417,378
Real property dispositions:				
Senior housing — triple net	1	3,437	10	44,877
Skilled nursing facilities	12	104,628	3	18,854
Hospitals	—	—	2	40,841
Medical office buildings	3	7,568	10	28,128
Total dispositions	16	115,633	25	132,700
Less: Gains (losses) on sales of real property		20,559		26,907
Seller financing on sales of real property		(1,470)		(6,100)
Proceeds from real property sales		134,722		153,507
Net cash investments in real property	43	$ 668,642	(25)	$ 263,871

The contributions to unconsolidated joint ventures represent $174,692,000 of cash invested by us in the joint venture with Forest City Enterprises. Please see Note 7 to our unaudited financial statements for additional information.

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 stock and dividend payments.

For the nine months ended September 30, 2010, we had a net decrease of $140,000,000 on our unsecured line of credit arrangement as compared to a net decrease of $427,000,000 for the same period in 2009. The changes in our senior unsecured notes are due to (i) the issuance of $494,403,000 of convertible senior unsecured notes in March and June 2010; (ii) the repurchase of $441,326,000 of convertible senior unsecured notes in March and June 2010; (iii) the issuance of $450,000,000 of senior unsecured notes in April and June 2010; (iv) the issuance of $450,000,000 of senior unsecured notes in September 2010; and (v) the extinguishment of $183,147,000 of various senior unsecured notes in March and September 2009. The changes in our secured debt are due to (i) the extinguishment of $159,475,000 of secured debt in September 2010; and (ii) the extinguishment of $79,743,000 of secured debt in September 2009.

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 March and June 2010 convertible senior unsecured notes prior to December 1, 2014 unless such redemption is necessary to preserve our status as a REIT. However, on or after December 1, 2014, 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.

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The following is a summary of our common stock issuances for the nine months ended September 30, 2010 and 2009 (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	356,691
2009 Equity shelf plan issuances	1,952,600	40.69	79,447	77,692
2009 Dividend reinvestment plan issuances	1,099,340	35.05	38,528	38,528
2009 Option exercises	3,434	26.67	92	92
2009 Totals	18,072,244		$ 704,099	$ 683,883
September 2010 public issuance	9,200,000	$ 45.75	$ 420,900	$ 403,921
2010 Equity shelf plan issuances	431,082	44.94	19,371	19,014
2010 Dividend reinvestment plan issuances	1,441,612	42.83	61,737	61,737
2010 Option exercises	56,947	33.24	1,893	1,893
2010 Totals	11,129,641		$ 503,901	$ 486,565

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):

	Nine Months Ended			
	September 30, 2010		September 30, 2009	
	Per Share	Amount	Per Share	Amount
Common Stock	$ 2.0500	$ 255,217	$ 2.0400	$ 227,959
Series D Preferred Stock	1.4766	5,906	1.4766	5,906
Series E Preferred Stock	1.1250	94	1.1250	84
Series F Preferred Stock	1.4297	10,008	1.4297	10,008
Series G Preferred Stock	1.4064	332	1.4064	560
Totals		$ 271,557		$ 244,517

Off-Balance Sheet Arrangements

During the three months ended March 31, 2010, we entered into a joint venture investment with Forest City Enterprises (NYSE:FCE.A and FCE.B). In connection with this transaction, we invested $174,692,000 of cash which is recorded as an equity investment 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%. Please see Note 7 to our unaudited 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 unaudited consolidated financial statements for additional information.

At September 30, 2010, we had four outstanding letter of credit obligations totaling $5,329,057 and expiring between 2010 and 2013. Please see Note 12 to our unaudited consolidated financial statements for additional information.

Contractual Obligations

The following table summarizes our payment requirements under contractual obligations as of September 30, 2010 (in thousands):

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Contractual Obligations	Total	2010	2011-2012	2013-2014	Thereafter
	Payments Due by Period				
Unsecured line of credit arrangement	$ —	$ —	$ —	$ —	$ —
Senior unsecured notes(1)	2,614,930	—	76,853	300,000	2,238,077
Secured debt(1)	897,265	4,927	127,151	219,394	545,793
Contractual interest obligations	1,548,381	63,064	362,304	315,574	807,439
Capital lease obligations	—	—	—	—	—
Operating lease obligations	209,719	1,250	10,034	9,539	188,896
Purchase obligations	321,197	4,364	316,833	—	—
Other long-term liabilities	4,946	75	1,065	1,903	1,903
Total contractual obligations	$5,596,438	$ 73,680	$894,240	$846,410	$3,782,108

(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 September 30, 2010, we had an unsecured line of credit arrangement with a consortium of sixteen banks in the amount of $1.15 billion, which is scheduled to expire on August 5, 2011. 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 (0.86% at September 30, 2010). The applicable margin is based on certain of our debt ratings and was 0.6% at September 30, 2010. 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 0.15% at September 30, 2010. We also pay an annual agent's fee of $50,000. Principal is due upon expiration of the agreement.

We have $2,614,930,000 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 $1,207,621,000 at September 30, 2010. A total of $788,077,000 of our senior unsecured notes are convertible notes that also contain put features. Please see Note 10 to our unaudited consolidated financial statements for additional information.

Additionally, we have secured debt with total outstanding principal of $897,265,000, collateralized by owned properties, with fixed annual interest rates ranging from 3.86% to 8.74%, payable monthly. The carrying values of the properties securing the debt totaled $1,399,126,000 at September 30, 2010. Total contractual interest obligations on secured debt totaled $340,760,000 at September 30, 2010.

At September 30, 2010, we had operating lease obligations of $209,719,000 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 September 30, 2010, we had outstanding construction financings of $286,366,000 for leased properties and were committed to providing additional financing of approximately $314,132,000 to complete construction. At September 30, 2010, we had contingent purchase obligations totaling $7,065,000. 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. No contributions by the company are anticipated for the 2010 fiscal year. Benefit payments are expected to total $4,758,000 during the next five fiscal years and no benefit payments are expected to occur during the succeeding five fiscal years. We use a December 31 measurement date for the SERP. The accrued liability on our balance sheet for the SERP was $3,722,000 and $3,287,000 at September 30, 2010 and December 31, 2009, respectively.

In connection with the Windrose merger, we entered into consulting agreements with Fred S. Klipsch and Frederick L. Farrar, which expired in December 2008. We entered into a new consulting agreement with Mr. Farrar in December 2008, which expired in December 2009. Each consultant has agreed not to compete with us for a period of two years following the expiration of the agreement. In exchange for complying with the covenant not to compete, Messers. Klipsch and Farrar receive eight quarterly payments of $75,000 and $37,500, respectively, with the first payment to be made on the date of expiration of the agreement. The first payment to Mr. Klipsch was made in December 2008 and the final payment in September 2010. The first payment to Mr. Farrar was made in January 2010.

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Capital Structure

As of September 30, 2010, we had total equity of $4,220,083,000 and a total outstanding debt balance of $3,471,455,000, which represents a debt to total book capitalization ratio of 45%. Our ratio of debt to market capitalization was 34% at September 30, 2010. For the three months ended September 30, 2010, our interest coverage ratio was 2.25x and our fixed charge coverage ratio was 1.86x. Also, at September 30, 2010, we had $181,147,000 of cash and cash equivalents, $61,224,000 of restricted cash and $1,150,000,000 of available borrowing capacity under our 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 September 30, 2010, 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 October 31, 2010, 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 October 31, 2010, 8,915,091 shares of common stock remained available for issuance under this registration statement. In November 2008, we entered into an Equity Distribution Agreement with UBS Securities LLC relating to the offer and sale from time to time of up to $250,000,000 aggregate amount of our common stock ("Equity Shelf Program"). As of October 31, 2010, we had $119,985,000 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 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):

	Three Months Ended		Change		Nine Months Ended		Change	
	September 30, 2010	September 30, 2009	Amount	%	September 30, 2010	September 30, 2009	Amount	%
Net income attributable to common stockholders	$ 1,124	$ 19,130	$(18,006)	-94%	$ 72,580	$139,489	$(66,909)	-48%
Funds from operations	41,108	60,933	(19,825)	-33%	196,405	235,463	(39,058)	-17%
EBITDA	99,924	94,548	5,376	6%	341,519	363,425	(21,906)	-6%
Net operating income	164,292	133,964	30,328	23%	464,760	402,012	62,748	16%
Per share data (fully diluted):								
Net income attributable to common stockholders	$ 0.01	$ 0.17	$ (0.16)	-94%	$ 0.58	$ 1.25	$ (0.67)	-54%
Funds from operations	0.33	0.53	(0.20)	-38%	1.58	2.11	(0.53)	-25%
Interest coverage ratio	2.25x	2.63x	-0.38x	-14%	2.90x	3.41x	-0.51x	-15%
Fixed charge coverage ratio	1.86x	2.16x	-0.30x	-14%	2.34x	2.80x	-0.46x	-16%

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We evaluate our business and make resource allocations on our two business segments — senior housing and care properties and medical facilities. Please see Note 17 to our unaudited consolidated financial statements for additional information.

Senior Housing and Care Properties

The following is a summary of our results of operations for the senior housing and care properties segment (dollars in thousands):

	Three Months Ended		Change		Nine Months Ended		Change	
	September 30, 2010	September 30, 2009	$	%	September 30, 2010	September 30, 2009	$	%
Revenues:								
Rental income	$ 95,357	$ 84,391	$ 10,966	13%	$ 280,345	$ 251,016	$ 29,329	12%
Resident fees and services	12,809	—	12,809	n/a	12,809	—	12,809	n/a
Interest income	9,179	9,266	(87)	-1%	26,583	26,899	(316)	-1%
Other income	698	557	141	25%	2,726	1,921	805	42%
	118,043	94,214	23,829	25%	322,463	279,836	42,627	15%
Expenses:								
Interest expense	6,979	2,755	4,224	153%	15,535	4,687	10,848	231%
Property operating expenses	7,993	—	7,993	n/a	7,993	—	7,993	n/a
Depreciation and amortization	28,546	23,593	4,953	21%	82,224	69,730	12,494	18%
Transaction costs	18,820	—	18,820	n/a	24,483	—	24,483	n/a
Loss on extinguishment of debt	7,791	2,057	5,734	279%	7,791	2,057	5,734	279%
Provision for loan losses	28,918	—	28,918	n/a	28,918	140	28,778	20556%
	99,047	28,405	70,642	249%	166,944	76,614	90,330	118%
Income from continuing operations before income taxes	18,996	65,809	(46,813)	-71%	155,519	203,222	(47,703)	-23%
Income from continuing operations	18,996	65,809	(46,813)	-71%	155,519	203,222	(47,703)	-23%
Discontinued operations:								
Gain on sales of properties	10,526	—	10,526	n/a	18,894	13,358	5,536	41%
Income from discontinued operations, net	1,232	2,908	(1,676)	-58%	4,322	8,607	(4,285)	-50%
Discontinued operations, net	11,758	2,908	8,850	304%	23,216	21,965	1,251	6%
Net income	30,754	68,717	(37,963)	-55%	178,735	225,187	(46,452)	-21%
Less: Net income attributable to noncontrolling interests	567	—	567	n/a	567	—	567	n/a
Net income attributable to common stockholders	$ 30,187	$ 68,717	$ (38,530)	-56%	$ 178,168	$ 225,187	$ (47,019)	-21%

The increase in rental income is primarily attributable to the conversion of newly constructed senior housing and care properties subsequent to September 30, 2009 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.

As discussed in Note 3 to our unaudited consolidated financial statements, we completed our partnership with Merrill Gardens LLC in September 2010. The results of operations for this partnership have been included in our consolidated results of operations from the date of acquisition and represent the sole component of resident fees and services, property operating expenses and net income attributable to noncontrolling interests for this segment.

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Interest expense for the three and nine months ended September 30, 2010 represents $7,507,000 and $17,200,000, respectively, of secured debt interest expense offset by interest allocated to discontinued operations. Interest expense for the three and nine months ended September 30, 2009 represents $3,625,000 and $8,183,000, 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 senior housing and care property secured debt principal activity (dollars in thousands):

	Three Months Ended September 30, 2010		Three Months Ended September 30, 2009		Nine Months Ended September 30, 2010		Nine Months Ended September 30, 2009	
	Amount	Weighted Avg. Interest Rate	Amount	Weighted Avg. Interest Rate	Amount	Weighted Avg. Interest Rate	Amount	Weighted Avg. Interest Rate
Beginning balance	$ 388,092	5.705%	$ 194,512	6.283%	$ 298,492	5.998%	$ 94,234	6.996%
Debt issued	—		132,456	5.863%	81,977	4.600%	265,527	5.982%
Debt assumed	247,087	6.053%	—	0.000%	257,375	6.057%	—	0.000%
Debt extinguished	(150,981)	5.924%	(26,575)	7.402%	(150,981)	5.924%	(47,502)	7.414%
Principal payments	(1,581)	5.918%	(743)	6.360%	(4,246)	5.978%	(12,609)	7.780%
Ending balance	$ 482,617	5.815%	$ 299,650	5.998%	$ 482,617	5.815%	$ 299,650	5.998%
Monthly averages	$ 411,312	5.738%	$ 326,590	6.113%	$ 345,020	5.875%	$ 358,738	6.246%

Depreciation and amortization increased primarily as a result of the conversions of newly constructed investment properties subsequent to September 30, 2009. 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 nine months ended September 30, 2010 primarily represent costs incurred with the Merrill Gardens partnership, lease termination fees and costs incurred in connection with other new property acquisitions.

During the nine months ended September 30, 2010, we sold 12 senior housing and care properties. The following illustrates the reclassification impact as a result of classifying the properties sold subsequent to January 1, 2009 or held for sale at September 30, 2010 as discontinued operations for the periods presented. Please refer to Note 5 to our unaudited consolidated financial statements for further discussion.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Rental income	$ 2,301	$ 5,038	$ 7,803	$ 18,505
Expenses:				
Interest expense	528	870	1,665	3,496
Provision for depreciation	541	1,260	1,816	6,402
Income from discontinued operations, net	$ 1,232	$ 2,908	$ 4,322	$ 8,607

As a result of our quarterly evaluations, we recorded $28,918,000 of provision for loan losses during the nine months ended September 30, 2010. This amount includes the write-off of loans totaling $32,753,000 primarily related to certain early stage senior housing and CCRC development projects. This was offset by a net reduction of the allowance balance by $3,835,000. 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."

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Medical Facilities

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

	Three Months Ended		Change		Nine Months Ended		Change	
	September 30, 2010	September 30, 2009	$	%	September 30, 2010	September 30, 2009	$	%
Revenues:								
Rental income	$ 56,770	$ 44,136	$ 12,634	29%	$ 160,992	$ 128,310	$ 32,682	25%
Interest income	875	1,262	(387)	-31%	1,853	3,740	(1,887)	-50%
Other income	227	332	(105)	-32%	800	951	(151)	-16%
	57,872	45,730	12,142	27%	163,645	133,001	30,644	23%
Expenses:								
Interest expense	6,457	4,783	1,674	35%	18,408	14,351	4,057	28%
Property operating expenses	12,856	12,153	703	6%	37,866	34,441	3,425	10%
Depreciation and amortization	20,019	15,594	4,425	28%	56,097	44,716	11,381	25%
Transaction costs	15	—	15	n/a	2,818	—	2,818	n/a
Loss (gain) on extinguishment of debt	1,308	3,371	(2,063)	-61%	1,308	3,371	(2,063)	-61%
	40,655	35,901	4,754	13%	116,497	96,879	19,618	20%
Income from continuing operations before income taxes and income from unconsolidated joint ventures	17,217	9,829	7,388	75%	47,148	36,122	11,026	31%
Income tax (expense) benefit	73	25	48	192%	(174)	(232)	58	-25%
Income from unconsolidated joint ventures	1,899	—	1,899	n/a	4,496	—	4,496	n/a
Income from continuing operations	19,189	9,854	9,335	95%	51,470	35,890	15,580	43%
Discontinued operations:								
Gain (loss) on sales of properties	—	(806)	806	-100%	1,665	13,549	(11,884)	-88%
Impairment of assets	(947)	(1,873)	926	-49%	(947)	(1,873)	926	-49%
Income (loss) from discontinued operations, net	(721)	(71)	(650)	915%	(1,349)	626	(1,975)	n/a
Discontinued operations, net	(1,668)	(2,750)	1,082	-39%	(631)	12,302	(12,933)	n/a
Net income (loss)	17,521	7,104	10,417	147%	50,839	48,192	2,647	5%
Less: Net income (loss) attributable to noncontrolling interests	(123)	35	(158)	n/a	184	40	144	360%
Net income (loss) attributable to common stockholders	$ 17,644	$ 7,069	$ 10,575	150%	$ 50,655	$ 48,152	$ 2,503	5%

The increase in rental income is primarily attributable to the acquisitions and construction conversions of medical facilities subsequent to September 30, 2009 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. 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 three and nine months ended September 30, 2010 represents $6,506,000 and $18,560,000, respectively, of secured debt interest expense offset by interest allocated to discontinued operations. Interest expense for the three and nine months ended September 30, 2009 represents $5,151,000 and $15,603,000, 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

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assumptions, extinguishments and principal amortizations. The following is a summary of our medical facilities secured debt principal activity (dollars in thousands):

	Three Months Ended September 30, 2010		Three Months Ended September 30, 2009		Nine Months Ended September 30, 2010		Nine Months Ended September 30, 2009	
	Amount	Weighted Avg. Interest Rate	Amount	Weighted Avg. Interest Rate	Amount	Weighted Avg. Interest Rate	Amount	Weighted Avg. Interest Rate
Beginning balance	$415,570	6.098%	$351,146	5.799%	$314,065	5.677%	$354,145	5.799%
Debt assumed	—	0.000%	—	0.000%	106,140	7.352%	—	0.000%
Debt extinguished	(8,494)	6.045%	(32,241)	7.033%	(8,494)	6.045%	(32,241)	7.033%
Principal payments	(2,307)	6.131%	(1,451)	5.722%	(6,942)	6.200%	(4,450)	5.746%
Ending balance	$404,769	6.099%	$317,454	5.675%	$404,769	6.099%	$317,454	5.675%
Monthly averages	$412,278	6.099%	$350,412	5.800%	$394,779	6.032%	$351,919	5.799%

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 nine months ended September 30, 2010 represent costs incurred in connection with the acquisition of new properties.

Income tax expense is primarily related to third party management fee income.

Income from unconsolidated joint ventures represents our share of net income related to our joint venture investment with Forest City Enterprises. The following is a summary of our net income from this investment for the periods presented (in thousands):

	Three Months Ended		Change		Nine Months Ended		Change	
	September 30, 2010	September 30, 2009	$	%	September 30, 2010	September 30, 2009	$	%
Revenues	$ 10,401	$ —	$ 10,401	n/a	$ 23,481	$ —	$ 23,481	n/a
Operating expenses	3,035	—	3,035	n/a	6,852	—	6,852	n/a
Net operating income	7,366	—	7,366	n/a	16,629	—	16,629	n/a
Depreciation and amortization	2,696	—	2,696	n/a	5,794	—	5,794	n/a
Interest expense	2,362	—	2,362	n/a	5,399	—	5,399	n/a
Asset management fee	409	—	409	n/a	940	—	940	n/a
Net income	$ 1,899	$ —	$ 1,899	n/a	$ 4,496	$ —	$ 4,496	n/a

During the year ended December 31, 2009, an impairment charge of $25,223,000 was recorded to reduce the carrying value of eight medical facilities to their estimated fair value less costs to sell. In determining the fair value of the 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 nine months ended September 30, 2010, we sold three of the held for sale medical facilities, for net gains of $1,665,000. At September 30, 2010, we had five medical facilities that satisfied the requirements for held for sale treatment. 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. The following illustrates the reclassification impact as a result of classifying medical facilities sold subsequent to January 1, 2009 or held for sale at September 30, 2010 as discontinued operations for the periods presented. Please refer to Note 5 to our unaudited consolidated financial statements for further discussion.

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	Three Months Ended September 30, 2010	Three Months Ended September 30, 2009	Nine Months Ended September 30, 2010	Nine Months Ended September 30, 2009
Rental income	$ 301	$ 1,756	$ 1,489	$ 6,732
Expenses:				
Interest expense	49	368	152	1,252
Property operating expenses	973	821	2,686	2,559
Provision for depreciation	—	638	—	2,295
Income (loss) from discontinued operations, net	$ (721)	$ (71)	$ (1,349)	$ 626

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):

	Three Months Ended September 30, 2010	Three Months Ended September 30, 2009	Change $	Change %	Nine Months Ended September 30, 2010	Nine Months Ended September 30, 2009	Change $	Change %
Revenues:								
Other income	$ 231	$ 200	$ 31	16%	$ 1,276	$ 938	$ 338	36%
Expenses:								
Interest expense	30,972	20,057	10,915	54%	76,760	60,390	16,370	27%
General and administrative	11,628	10,363	1,265	12%	40,331	38,784	1,547	4%
Loss (gain) on extinguishments of debt	—	20,946	(20,946)	-100%	25,072	19,269	5,803	30%
	42,600	51,366	(8,766)	-17%	142,163	118,443	23,720	20%
Loss from continuing operations before income taxes	(42,369)	(51,166)	8,797	-17%	(140,887)	(117,505)	(23,382)	20%
Income tax (expense) benefit	(125)	30	(155)	n/a	(151)	215	(366)	n/a
Net loss	(42,494)	(51,136)	8,642	-17%	(141,038)	(117,290)	(23,748)	20%
Preferred stock dividends	5,347	5,520	(173)	-3%	16,340	16,560	(220)	-1%
Net loss attributable to common stockholders	$ (47,841)	$ (56,656)	$ 8,815	-16%	$ (157,378)	$ (133,850)	$ (23,528)	18%

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):

	Three Months Ended September 30, 2010	Three Months Ended September 30, 2009	Change $	Change %	Nine Months Ended September 30, 2010	Nine Months Ended September 30, 2009	Change $	Change %
Senior unsecured notes	$ 31,522	$ 27,146	$ 4,376	16%	$ 83,894	$ 82,149	$ 1,745	2%
Secured debt	160	90	70	78%	463	90	373	414%
Unsecured lines of credit	1,221	1,081	140	13%	3,459	3,979	(520)	-13%
Capitalized interest	(3,656)	(9,975)	6,319	-63%	(16,008)	(30,866)	14,858	-48%
SWAP savings	(40)	(40)	—	0%	(121)	(121)	—	0%
Loan expense	1,765	1,755	10	1%	5,073	5,159	(86)	-2%
Totals	$ 30,972	$ 20,057	$ 10,915	54%	$ 76,760	$ 60,390	$ 16,370	27%

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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):

	Three Months Ended September 30, 2010		Three Months Ended September 30, 2009		Nine Months Ended September 30, 2010		Nine Months Ended September 30, 2009	
	Amount	Weighted Avg. Interest Rate	Amount	Weighted Avg. Interest Rate	Amount	Weighted Avg. Interest Rate	Amount	Weighted Avg. Interest Rate
Beginning balance	$ 2,164,930	5.256%	$ 1,823,277	5.773%	$ 1,661,853	5.557%	$ 1,845,000	5.782%
Debt issued	450,000	4.700%	—	0.000%	1,394,403	4.557%	—	0.000%
Debt extinguished	—		(161,424)	8.000%	(441,326)	4.750%	(183,147)	7.823%
Ending balance	$ 2,614,930	5.160%	$ 1,661,853	5.557%	$ 2,614,930	5.160%	$ 1,661,853	5.557%
Monthly averages	$ 2,277,430	5.228%	$ 1,782,921	5.723%	$ 2,025,167	5.313%	$ 1,813,652	5.756%

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 arrangement 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 arrangement (dollars in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Balance outstanding at quarter end	$ —	$ 143,000	$ —	$ 143,000
Maximum amount outstanding at any month end	$ 560,000	$ 292,000	$ 560,000	$ 559,000
Average amount outstanding (total of daily principal balances divided by days in period)	$ 220,467	$ 217,174	$ 265,465	$ 301,740
Weighted average interest rate (actual interest expense divided by average borrowings outstanding)	2.22%	1.99%	1.74%	1.76%

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 unaudited 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 for the nine months ended September 30, 2010 is consistent with the prior year.

General and administrative expenses as a percentage of consolidated revenues (including revenues from discontinued operations) for the three and nine months ended September 30, 2010 were 6.51% and 8.12%, respectively, as compared to 7.05% and 8.83% for the same periods in 2009. The change from prior year is primarily related to the recognition of $2,853,000 of expenses in connection with a performance-based stock grant during the nine months ended September 30, 2010 and additional salary and benefits to attract and retain appropriate personnel to support our business growth. This was partially offset by $3,909,000 of non-recurring expenses recognized during the nine months ended September 30, 2009 in connection with the departure of Raymond W. Braun who formerly served as President of the company.

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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):

	Three Months Ended September 30, 2010		Three Months Ended September 30, 2009		Nine Months Ended September 30, 2010		Nine Months Ended September 30, 2009	
	Shares	Weighted Avg. Dividend Rate	Shares	Weighted Avg. Dividend Rate	Shares	Weighted Avg. Dividend Rate	Shares	Weighted Avg. Dividend Rate
Beginning balance	11,397,252	7.697%	11,475,093	7.697%	11,474,093	7.697%	11,516,302	7.696%
Shares redeemed	(5,513)	7.500%	—	0.000%	(5,513)	7.500%	—	0.000%
Shares converted	(391,739)	7.215%	(1,000)	7.500%	(468,580)	7.265%	(42,209)	7.478%
Ending balance	11,000,000	7.716%	11,474,093	7.697%	11,000,000	7.716%	11,474,093	7.697%
Monthly averages	11,297,939	7.703%	11,474,593	7.697%	11,383,466	7.700%	11,485,097	7.697%

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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, plus depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures.

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. Our covenant requires an adjusted fixed charge ratio of at least 1.75 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. Multi-period amounts may not equal the sum of the individual quarterly amounts due to rounding.

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The tables below reflect 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 transaction costs and depreciation and amortization. Unconsolidated joint venture amounts represent our share of unconsolidated joint ventures' depreciation and amortization. Amounts are in thousands except for per share data.

	Three Months Ended						
	March 31, 2009	June 30, 2009	September 30, 2009	December 31, 2009	March 31, 2010	June 30, 2010	September 30, 2010
FFO Reconciliation:							
Net income attributable to common stockholders	$ 61,119	$ 59,240	$ 19,130	$ 31,700	$ 25,812	$ 45,646	$ 1,124
Depreciation and amortization	41,326	40,731	41,085	41,780	43,581	47,451	49,106
Loss (gain) on sales of properties	(17,036)	(10,677)	806	(16,487)	(6,718)	(3,314)	(10,526)
Noncontrolling interests	(87)	(87)	(88)	(703)	(363)	108	(1,292)
Unconsolidated joint ventures	—	—	—	—	775	2,323	2,696
Funds from operations	$ 85,322	$ 89,207	$ 60,933	$ 56,290	$ 63,087	$ 92,214	$ 41,108
Average common shares outstanding:							
Basic	108,214	110,864	114,874	122,700	123,270	123,808	125,298
Diluted	108,624	111,272	115,289	123,105	123,790	124,324	125,842
Per share data:							
Net income attributable to common stockholders							
Basic	$ 0.56	$ 0.53	$ 0.17	$ 0.26	$ 0.21	$ 0.37	$ 0.01
Diluted	0.56	0.53	0.17	0.26	0.21	0.37	0.01
Funds from operations							
Basic	$ 0.79	$ 0.80	$ 0.53	$ 0.46	$ 0.51	$ 0.74	$ 0.33
Diluted	0.79	0.80	0.53	0.46	0.51	0.74	0.33

	Nine Months Ended	
	September 30, 2009	September 30, 2010
FFO Reconciliation:		
Net income attributable to common stockholders	$ 139,489	$ 72,580
Depreciation and amortization	123,143	140,137
Loss (gain) on sales of properties	(26,907)	(20,559)
Noncontrolling interests	(262)	(1,547)
Unconsolidated joint ventures	—	5,794
Funds from operations	$ 235,463	$ 196,405
Average common shares outstanding:		
Basic	111,345	124,132
Diluted	111,749	124,660
Per share data:		
Net income attributable to common stockholders		
Basic	$ 1.25	$ 0.58
Diluted	1.25	0.58
Funds from operations		
Basic	$ 2.11	$ 1.58
Diluted	2.11	1.58

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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 joint ventures for life science buildings are included in medical facilities. Amounts are in thousands.

	Three Months Ended						
	March 31, 2009	June 30, 2009	September 30, 2009	December 31, 2009	March 31, 2010	June 30, 2010	September 30, 2010
NOI Reconciliation:							
Total revenues:							
Senior housing and care:							
Rental income:							
Senior housing	$ 47,704	$ 47,678	$ 47,446	$ 47,856	$ 52,366	$ 56,197	$ 56,162
Skilled nursing facilities	41,731	42,979	41,983	40,733	40,872	41,057	41,496
Sub-total	89,435	90,657	89,429	88,589	93,238	97,254	97,658
Resident fees and services	—	—	—	—	—	—	12,809
Interest income	8,723	8,910	9,266	9,046	8,575	8,830	9,179
Other income	792	570	557	3,389	494	1,536	698
Total senior housing and care revenues	98,950	100,137	99,252	101,024	102,307	107,620	120,344
Medical facilities:							
Rental income							
Medical office buildings	33,253	32,593	35,008	35,980	40,088	42,056	43,758
Hospitals	12,677	10,627	10,884	10,779	10,781	12,484	13,313
Life science buildings	—	—	—	—	3,725	9,355	10,401
Sub-total	45,930	43,220	45,892	46,759	54,594	63,895	67,472
Interest income	1,230	1,248	1,262	1,201	473	505	875
Other income	316	304	332	8,415	271	302	227
Total medical facilities revenues	47,476	44,772	47,486	56,375	55,338	64,702	68,574
Corporate other income	376	363	200	232	231	812	231
Total revenues	146,802	145,272	146,938	157,631	157,876	173,134	189,149
Property operating expenses:							
Senior housing and care	—	—	—	—	—	—	7,993
Medical facilities:							
Medical office buildings	11,983	12,044	12,974	11,964	12,992	12,853	13,307
Hospitals	—	—	—	—	728	150	522
Life science buildings	—	—	—	—	1,101	2,716	3,035
Sub-total	11,983	12,044	12,974	11,964	14,821	15,719	16,864
Non-segment/corporate	—	—	—	—	—	—	—
Total property operating expenses	11,983	12,044	12,974	11,964	14,821	15,719	24,857
Net operating income:							
Senior housing and care	98,950	100,137	99,252	101,024	102,307	107,620	112,351
Medical facilities	35,493	32,728	34,512	44,411	40,517	48,983	51,710
Non-segment/corporate	376	363	200	232	231	812	231
Net operating income	$ 134,819	$ 133,228	$ 133,964	$ 145,667	$ 143,055	$ 157,415	$ 164,292

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Item 2. ***Management's Discussion and Analysis of Financial Condition and Results of Operations***

	Nine Months Ended	
	September 30, 2009	September 30, 2010
NOI Reconciliation:		
Total revenues:		
Senior housing and care:		
Rental income:		
Senior housing	$ 142,828	$ 164,723
Skilled nursing facilities	126,693	123,425
Sub-total	269,521	288,148
Resident fees and services	—	12,809
Interest income	26,899	26,583
Other income	1,921	2,726
Total senior housing and care revenues	298,341	330,266
Medical facilities:		
Rental income		
Medical office buildings	100,854	125,903
Hospitals	34,188	36,578
Life science buildings	—	23,481
Sub-total	135,042	185,962
Interest income	3,740	1,853
Other income	951	800
Total medical facilities revenues	139,733	188,615
Corporate other income	938	1,276
Total revenues	439,012	520,157
Property operating expenses:		
Senior housing and care	—	7,993
Medical facilities:		
Medical office buildings	37,000	39,152
Hospitals	—	1,400
Life science buildings	—	6,852
Sub-total	37,000	47,404
Non-segment/corporate	—	—
Total property operating expenses	37,000	55,397
Net operating income:		
Senior housing and care	298,341	322,273
Medical facilities	102,733	141,211
Non-segment/corporate	938	1,276
Net operating income	$ 402,012	$ 464,760

Item 2. ***Management's Discussion and Analysis of Financial Condition and Results of Operations***

The tables below reflect the reconciliation of 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.

	Three Months Ended						
	March 31, 2009	June 30, 2009	September 30, 2009	December 31, 2009	March 31, 2010	June 30, 2010	September 30, 2010
EBITDA Reconciliation:							
Net income	$ 66,645	$ 64,759	$24,685	$ 36,838	$ 31,694	$ 51,064	$ 5,781
Interest expense	28,011	27,332	28,833	25,596	29,985	37,550	44,985
Income tax expense (benefit)	50	21	(55)	151	84	188	52
Depreciation and amortization	41,326	40,731	41,085	41,780	43,581	47,451	49,106
EBITDA	$136,032	$132,843	$94,548	$104,365	$105,344	$136,253	$99,924
Interest Coverage Ratio:							
Interest expense	$ 28,011	$ 27,332	$28,833	$ 25,596	$ 29,985	$ 37,550	$44,985
Non-cash interest expense	(2,772)	(2,844)	(2,895)	(3,387)	(2,841)	(3,659)	(4,258)
Capitalized interest	9,865	11,026	9,975	10,305	7,076	5,276	3,656
Total interest	35,104	35,514	35,913	32,514	34,220	39,167	44,383
EBITDA	$136,032	$132,843	$94,548	$104,365	$105,344	$136,253	$99,924
Interest coverage ratio	3.88x	3.74x	2.63x	3.21x	3.08x	3.48x	2.25x
Fixed Charge Coverage Ratio:							
Total interest	$ 35,104	$ 35,514	$35,913	$ 32,514	$ 34,220	$ 39,167	$44,383
Secured debt principal payments	2,206	2,177	2,298	2,611	3,378	4,325	4,019
Preferred dividends	5,524	5,516	5,520	5,520	5,509	5,484	5,347
Total fixed charges	42,834	43,207	43,731	40,645	43,107	48,976	53,749
EBITDA	$136,032	$132,843	$94,548	$104,365	$105,344	$136,253	$99,924
Fixed charge coverage ratio	3.18x	3.07x	2.16x	2.57x	2.44x	2.78x	1.86x

	Nine Months Ended	
	September 30, 2009	September 30, 2010
EBITDA Reconciliation:		
Net income	$156,089	$ 88,537
Interest expense	84,176	112,520
Income tax expense	17	325
Depreciation and amortization	123,143	140,137
EBITDA	$363,425	$341,519
Interest Coverage Ratio:		
Interest expense	$ 84,176	$112,520
Non-cash interest expense	(8,511)	(10,759)
Capitalized interest	30,866	16,008
Total interest	106,531	117,769
EBITDA	$363,425	$341,519
Interest coverage ratio	3.41x	2.90x
Fixed Charge Coverage Ratio:		
Total interest	$106,531	$117,769
Secured debt principal payments	6,681	11,723
Preferred dividends	16,560	16,340
Total fixed charges	129,772	145,832
EBITDA	$363,425	$341,519
Fixed charge coverage ratio	2.80x	2.34x

Item 2. ***Management's Discussion and Analysis of Financial Condition and Results of Operations***

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.

	Twelve Months Ended						
	March 31, 2009	June 30, 2009	September 30, 2009	December 31, 2009	March 31, 2010	June 30, 2010	September 30, 2010
Adjusted EBITDA Reconciliation:							
Net income	$ 314,613	$ 218,112	$ 183,478	$ 192,927	$ 157,976	$ 144,282	$ 125,377
Interest expense	131,750	122,927	116,406	109,772	111,746	121,964	138,116
Income tax expense	77	54	152	168	201	368	475
Depreciation and amortization	164,797	165,898	165,292	164,923	167,177	173,897	181,918
Stock-based compensation expense	11,360	11,034	10,637	9,633	10,619	10,736	10,669
Provision for loan losses	234	234	234	23,261	23,121	23,121	52,039
Loss (gain) on extinguishment of debt	(2,446)	(2,446)	24,696	25,107	44,822	51,857	34,582
Adjusted EBITDA	$ 620,385	$ 515,813	$ 500,895	$ 525,791	$ 515,662	$ 526,225	$ 543,176
Adjusted Fixed Charge Coverage Ratio:							
Interest expense	$ 131,750	$ 122,927	$ 116,406	$ 109,772	$ 111,746	$ 121,964	$ 138,116
Capitalized interest	29,727	35,690	39,301	41,170	38,381	32,631	26,313
Non-cash interest expense	(11,214)	(11,289)	(11,410)	(11,898)	(11,967)	(12,782)	(14,145)
Secured debt principal payments	8,232	8,592	8,810	9,292	10,464	12,612	14,333
Preferred dividends	22,579	22,311	22,101	22,079	22,064	22,032	21,860
Total fixed charges	181,074	178,231	175,208	170,415	170,688	176,457	186,477
Adjusted EBITDA	$ 620,385	$ 515,813	$ 500,895	$ 525,791	$ 515,662	$ 526,225	$ 543,176
Adjusted fixed charge coverage ratio	3.43x	2.89x	2.86x	3.09x	3.02x	2.98x	2.91x

Item 2. ***Management's Discussion and Analysis of Financial Condition and Results of Operations***

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 an accounting estimate or assumption 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 to the financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2009, as updated by our Current Report on Form 8-K filed May 10, 2010, for further information regarding significant accounting policies that impact us. There have been no material changes to these policies in 2010.

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
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, 2009, an impairment charge of $25,223,000 was recorded to reduce the carrying value of eight medical facilities to their estimated fair value less costs to sell. In determining the fair value of the 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 nine months ended September 30, 2010, we sold 16 properties, including three of the held for sale medical facilities, for net gains of $20,559,000. At September 30, 2010, we had five medical facilities and one senior housing facility that satisfied the requirements for held for sale treatment. 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.

Item 2. ***Management's Discussion and Analysis of Financial Condition and Results of Operations***

Nature of Critical Accounting Estimate	Assumptions/Approach Used
Business Combinations	
Substantially all of the properties owned by us are leased under operating leases and are recorded at cost. The cost of our real property is allocated to land, buildings, improvements and intangibles in accordance with U.S. GAAP.	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 nine months ended September 30, 2010, we recorded $103,670,000, $29,539,000 and $6,928,000 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 38.1 years, 11.3 years and 9.9 years, respectively, for the nine months ended September 30, 2010.
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 evaluate the collectibility of our revenues and related receivables on an on-going basis. We evaluate collectibility 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 collectibility 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 nine months ended September 30, 2010, we recognized $28,437,000 of interest income, $12,809,000 of resident fees and services, and $450,629,000 of rental income, including discontinued operations. Cash receipts on leases with deferred revenue provisions were $6,214,000 as compared to gross straight-line rental income recognized of $12,414,000 for the nine months ended September 30, 2010. At September 30, 2010, our straight-line receivable balance was $86,606,000, net of reserves totaling $273,000. Also at September 30, 2010, we had real estate loans with outstanding balances of $10,889,000 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 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 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 which may change in the future. At September 30, 2010, we did not participate in any interest rate swap agreements.

Item 2. ***Management's Discussion and Analysis of Financial Condition and Results of Operations***

Nature of Critical Accounting Estimate	Assumptions/Approach Used
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 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.	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. As a result of our quarterly evaluations, we recorded $28,918,000 of provision for loan losses during the nine months ended September 30, 2010. This amount includes the write-off of loans totaling $32,753,000 primarily related to certain early stage senior housing and CCRC development projects. This was offset by a net reduction of the allowance balance by $3,835,000, resulting in an allowance for loan losses of $1,190,000 relating to real estate loans with outstanding balances of $10,889,000, all of which were on non-accrual status at September 30, 2010.

Forward-Looking Statements and Risk Factors

This Quarterly Report on Form 10-Q may contain "forward-looking" statements as defined in the Private Securities Litigation Reform Act of 1995. These forward-looking statements concern and are based upon, among other things, the possible expansion of the company's portfolio; the sale of properties; the performance of its operators and properties; its occupancy rates; its ability to acquire or develop properties; its ability to manage properties; its ability to enter into agreements with viable new tenants for vacant space or for properties that the company takes back from financially troubled tenants, if any; its ability to make distributions; its policies and plans regarding investments, financings and other matters; its tax status as a real estate investment trust; its ability to appropriately balance the use of debt and equity; its ability to access capital markets or other sources of funds; its critical accounting policies; and its ability to meet its earnings guidance. When the company uses words such as "may," "will," "intend," "should," "believe," "expect," "anticipate," "project," "estimate" or similar expressions, it is making forward-looking statements. Forward-looking statements are not guarantees of future performance and involve risks and uncertainties. The company's expected results may not be achieved, and actual results may differ materially from 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, senior 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; the company's ability to transition or sell facilities with profitable results; the failure to make new investments as and when anticipated; acts of God affecting the company's properties; the company's ability to re-lease space at similar rates as vacancies occur; the company's 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 the company's properties; changes in rules or practices governing the company's financial reporting; and legal and operational matters, including real estate investment trust qualification and key management personnel recruitment and retention. Other important factors are identified in the company's Annual Report on Form 10-K for the year ended December 31, 2009, as updated by our Current Report on Form 8-K filed May 10, 2010, including factors identified under the headings "Business," "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations." Finally, the company assumes no obligation to update or revise any forward-looking statements or to update the reasons why actual results could differ from those projected in any forward-looking statements.

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Item 3. ***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 senior 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 or 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):

	September 30, 2010		December 31, 2009	
	Principal balance	Change in fair value	Principal balance	Change in fair value
Senior unsecured notes	$ 2,614,930	$ (226,147)	$ 1,661,853	$ (129,350)
Secured debt	826,615	(44,903)	491,094	(22,522)
Totals	$ 3,441,545	$ (271,050)	$ 2,152,947	$ (151,872)

Our variable rate debt, including our unsecured line of credit arrangement, is reflected at fair value. At September 30, 2010, we had $0 outstanding related to our variable rate line of credit and $70,650,000 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 $707,000. At December 31, 2009, we had $140,000,000 outstanding related to our variable rate line of credit and $131,952,000 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 $2,720,000.

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.

Item 4. ***Controls and Procedures***

Our management, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures are effective in providing reasonable assurance that information required to be disclosed by us in the reports we file with or submit to the Securities and Exchange Commission ("SEC") under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. No changes in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) occurred during the fiscal quarter covered by this Quarterly Report on Form 10-Q that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

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

Except as provided in "Item 2 — Management's Discussion and Analysis of Financial Condition and Results of Operations — Forward Looking Statements and Risk Factors," there have been no material changes from the risk factors identified under the heading "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2009, as updated by our Current Report on Form 8-K filed May 10, 2010.

Item 2. ***Unregistered Sales of Equity Securities and Use of Proceeds***

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased(1)	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs(2)	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
July 1, 2010 through July 31, 2010	873	$ 42.41		
August 1, 2010 through August 31, 2010				
September 1, 2010 through September 30, 2010				
Totals	873	$ 42.41		

(1) During the three months ended September 30, 2010, the company acquired shares of common stock held by employees who tendered owned shares to satisfy the tax withholding on the lapse of certain restrictions on restricted stock.

(2) No shares were purchased as part of publicly announced plans or programs.

Item 5. ***Other Information***

Preferred Stock — Certificates of Elimination

On November 4, 2010, we filed certificates of elimination with the Delaware Secretary of State to eliminate from our Second Restated Certificate of Incorporation, as amended, all matters set forth in the certificates of designation for the 6% Series E Cumulative Convertible and Redeemable Preferred Stock and the 7.5% Series G Cumulative Convertible Preferred Stock.

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 such shares outstanding at September 30, 2010.

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Item 6. ***Exhibits***

3.1	Certificate of Elimination of 6% Series E Cumulative Convertible and Redeemable Preferred Stock of the company.
3.2	Certificate of Elimination of 7.5% Series G Cumulative Convertible Preferred Stock of the company.
4.1	Indenture, dated as of March 15, 2010, between the company and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee") (filed with the Securities and Exchange Commission as Exhibit 4.1 to the company's Form 8-K filed March 15, 2010, and incorporated herein by reference thereto).
4.2	Supplemental Indenture No. 3, dated as of September 10, 2010, between the company and the Trustee (filed with the Securities and Exchange Commission as Exhibit 4.2 to the company's Form 8-K filed September 10, 2010, and incorporated herein by reference thereto).
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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* Attached as Exhibit 101 to this Quarterly Report on Form 10-Q are the following materials, formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Balance Sheets at September 30, 2010 and December 31, 2009, (ii) the Consolidated Statements of Income for the three and nine months ended September 30, 2010 and 2009, (iii) the Consolidated Statements of Equity for the nine months ended September 30, 2010 and 2009, (iv) the Consolidated Statements of Cash Flows for the nine months ended September 30, 2010 and 2009 and (v) the Notes to Unaudited Consolidated Financial Statements tagged as blocks of text.

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.

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.
Date: November 8, 2010	By: /s/ GEORGE L. CHAPMAN George L. Chapman, Chairman, Chief Executive Officer and President (Principal Executive Officer)
Date: November 8, 2010	By: /s/ SCOTT A. ESTES Scott A. Estes, Executive Vice President and Chief Financial Officer (Principal Financial Officer)
Date: November 8, 2010	By: /s/ PAUL D. NUNGESTER, JR. Paul D. Nungester, Jr., Vice President and Controller (Principal Accounting Officer)

CERTIFICATE OF ELIMINATION
OF
SERIES E CUMULATIVE CONVERTIBLE AND REDEEMABLE
PREFERRED STOCK
OF
HEALTH CARE REIT, INC.

Pursuant to Section 151 of the
General Corporation Law of the State of Delaware

The undersigned duly authorized officer of Health Care REIT, Inc., a corporation organized and existing under the General Corporation Law of the State of Delaware (the "Company"), does hereby certify as follows:

1. That, pursuant to Section 151 of the General Corporation Law of the State of Delaware, the Board of Directors of the Company adopted the resolutions set forth below on July 29, 2010, authorizing a decrease in the number of shares designated as Series E Cumulative Convertible and Redeemable Preferred Stock, $1.00 par value per share ("Series E Stock"), from 1,060,000 shares to zero shares.

2. That, pursuant to Section 151 of the General Corporation Law of the State of Delaware, such resolutions shall have the effect of eliminating from the certificate of incorporation of the Company all matters set forth in the Certificate of Designation of the Series E Stock.

3. That no shares of Series E Stock remain issued and outstanding.

RESOLUTIONS ADOPTED BY THE BOARD OF DIRECTORS

RESOLVED, that no further shares of Series E Stock shall be issued subject to the Certificate of Designation of the Series E Stock previously filed with the Secretary of State of the State of Delaware.

RESOLVED FURTHER, that the number of shares designated as Series E Stock be reduced to zero, which is the number issued and outstanding following the redemption or conversion of all the shares of Series E Stock, in order to allow the 1,060,000 redeemed or converted shares to resume their status as authorized but undesignated shares of preferred stock of the Company, par value $1.00 per share, pursuant to Section 151 of the General Corporation Law of the State of Delaware, such shares thereafter to be available for designation in the future as part of a different series.

RESOLVED FURTHER, that George L. Chapman, Scott A. Estes, Jeffrey H. Miller, John T. Thomas, Erin C. Ibele and Michael A. Crabtree be, and each of them hereby is, authorized and directed in the name and on behalf of the Company, to execute a Certificate of Elimination of the Series E Stock, as well as such other certificates or instruments as may be required, to be filed with the Secretary of State of the State of Delaware to evidence the reduction in the number of shares designated as Series E Stock and the elimination from the certificate of incorporation of the Company all matters set forth in the Certificate of Designation of the Series E Stock, such elimination to be effective upon the filing with the Secretary of State of the State of Delaware of such Certificate of Elimination of the Series E Stock.

RESOLVED FURTHER, that the officers of the Company be, and each of them hereby is, authorized and directed to execute, acknowledge, and deliver such agreements and other instruments, and to take or cause to be taken such actions, as they, or any of them, may deem necessary or advisable to carry out and to otherwise accomplish the purpose and intent of these resolutions.

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IN WITNESS WHEREOF, the undersigned has executed and subscribed this certificate and does affirm the foregoing as true under the penalties of perjury this 4th day of November, 2010.

/s/ George L. Chapman
George L. Chapman
Chairman, Chief Executive Officer and President

ATTEST:

/s/ Erin C. Ibele
Erin C. Ibele
Senior Vice President-Administration and Corporate Secretary

EXHIBIT 3.2

CERTIFICATE OF ELIMINATION
OF
SERIES G CUMULATIVE CONVERTIBLE
PREFERRED STOCK
OF
HEALTH CARE REIT, INC.

Pursuant to Section 151 of the
General Corporation Law of the State of Delaware

The undersigned duly authorized officer of Health Care REIT, Inc., a corporation organized and existing under the General Corporation Law of the State of Delaware (the "Company"), does hereby certify as follows:

1. That, pursuant to Section 151 of the General Corporation Law of the State of Delaware, the Board of Directors of the Company adopted the resolutions set forth below on July 29, 2010, authorizing a decrease in the number of shares designated as Series G Cumulative Convertible Preferred Stock, $1.00 par value per share ("Series G Stock"), from 2,100,000 shares to zero shares.

2. That, pursuant to Section 151 of the General Corporation Law of the State of Delaware, such resolutions shall have the effect of eliminating from the certificate of incorporation of the Company all matters set forth in the Certificate of Designation of the Series G Stock.

3. That no shares of Series G Stock remain issued and outstanding.

RESOLUTIONS ADOPTED BY THE BOARD OF DIRECTORS

RESOLVED, that no further shares of Series G Stock shall be issued subject to the Certificate of Designation of the Series G Stock previously filed with the Secretary of State of the State of Delaware.

RESOLVED FURTHER, that the number of shares designated as Series G Stock be reduced to zero, which is the number issued and outstanding following the redemption or conversion of all the shares of Series G Stock, in order to allow the 2,100,000 redeemed or converted shares to resume their status as authorized but undesignated shares of preferred stock of the Company, par value $1.00 per share, pursuant to Section 151 of the General Corporation Law of the State of Delaware, such shares thereafter to be available for designation in the future as part of a different series.

RESOLVED FURTHER, that George L. Chapman, Scott A. Estes, Jeffrey H. Miller, John T. Thomas, Erin C. Ibele and Michael A. Crabtree be, and each of them hereby is, authorized and directed in the name and on behalf of the Company, to execute a Certificate of Elimination of the Series G Stock, as well as such other certificates or instruments as may be required, to be filed with the Secretary of State of the State of Delaware to evidence the reduction in the number of shares designated as Series G Stock and the elimination from the certificate of incorporation of the Company all matters set forth in the Certificate of Designation of the Series G Stock, such elimination to be effective upon the filing with the Secretary of State of the State of Delaware of such Certificate of Elimination of the Series G Stock.

RESOLVED FURTHER, that the officers of the Company be, and each of them hereby is, authorized and directed to execute, acknowledge, and deliver such agreements and other instruments, and to take or cause to be taken such actions, as they, or any of them, may deem necessary or advisable to carry out and to otherwise accomplish the purpose and intent of these resolutions.

[THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the undersigned has executed and subscribed this certificate and does affirm the foregoing as true under the penalties of perjury this 4th day of November, 2010.

/s/ George L. Chapman
George L. Chapman
Chairman, Chief Executive Officer and President

ATTEST:

/s/ Erin C. Ibele
Erin C. Ibele
Senior Vice President-Administration and Corporate Secretary

EXHIBIT 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, **George L. Chapman**, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Health Care REIT, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 8, 2010

/s/ GEORGE L. CHAPMAN
George L. Chapman,
Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, **Scott A. Estes**, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Health Care REIT, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 8, 2010

/s/ SCOTT A. ESTES
Scott A. Estes,
Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350

I, George L. Chapman, the Chief Executive Officer of Health Care REIT, Inc. (the “Company”), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350), that (i) the Quarterly Report on Form 10-Q for the Company for the quarter ended September 30, 2010 (the “Report”), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ GEORGE L. CHAPMAN
George L. Chapman,
Chief Executive Officer
Date: November 8, 2010

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT 32.2

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350

I, Scott A. Estes, the Chief Financial Officer of Health Care REIT, Inc. (the "Company"), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350), that (i) the Quarterly Report on Form 10-Q for the Company for the quarter ended September 30, 2010 (the "Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ SCOTT A. ESTES

Scott A. Estes,
Chief Financial Officer
Date: November 8, 2010

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.