

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

FORM 10-Q/A  
(Amendment No. 1)

(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, 2012

or

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File number 1-8923

**HEALTH CARE REIT, INC.**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of incorporation or organization)

**34-1096634**

(I.R.S. Employer Identification No.)

**4500 Dorr Street, Toledo, Ohio**

(Address of principal executive office)

**43615**

(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 90 days. Yes  No

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

Indicate by check mark 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

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

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

As of October 31, 2012, the registrant had 259,682,359 shares of common stock outstanding.

#### **EXPLANATORY NOTE**

This Amendment No. 1 to Health Care REIT, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2012, as filed with the Securities and Exchange Commission ("SEC") on November 7, 2012 (the "Original Filing"), is being filed solely to include the Interactive Data File in Exhibit 101 that was excluded from the Original Filing. The Interactive Data File was inadvertently omitted from the Original Filing due to unanticipated technical difficulties. This Amendment No. 1 does not reflect events or transactions occurring after the date of the Original Filing or modify or update those disclosures that may have been affected by events or transactions occurring subsequent to such filing date, and, except as described above, all information included in the Original Filing remains unchanged.

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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 authorized.

**HEALTH CARE REIT, INC.**

Date: November 8, 2012

By: /s/ GEORGE L. CHAPMAN  
George L. Chapman,  
Chairman, Chief Executive Officer, and President  
(Principal Executive Officer)

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## EXHIBIT INDEX

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 Amendment No. 1 to Quarterly Report on Form 10-Q are the following materials, formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Sheets at September 30, 2012 and December 31, 2011, (ii) the Consolidated Statements of Comprehensive Income for the three and nine months ended September 30, 2012 and 2011, (iii) the Consolidated Statements of Equity for the nine months ended September 30, 2012 and 2011, (iv) the Consolidated Statements of Cash Flows for the nine months ended September 30, 2012 and 2011 and (v) the Unaudited Consolidated Financial Statements.

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	<b>Page</b>
<b>PART I. FINANCIAL INFORMATION</b>	
<u>Item 1. Financial Statements (Unaudited)</u>	
Consolidated Balance Sheets — September 30, 2012 and December 31, 2011	3
Consolidated Statements of Comprehensive Income — Three and nine months ended September 30, 2012 and 2011	4
Consolidated Statements of Equity — Nine months ended September 30, 2012 and 2011	5
Consolidated Statements of Cash Flows — Nine months ended September 30, 2012 and 2011	6
<u>Notes to Unaudited Consolidated Financial Statements</u>	7
<u>Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	26
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	59
<u>Item 4. Controls and Procedures</u>	59
<b>PART II. OTHER INFORMATION</b>	
<u>Item 1. Legal Proceedings</u>	59
<u>Item 1A. Risk Factors</u>	59
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	59
<u>Item 6. Exhibits</u>	60
Signatures	60

## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements

CONSOLIDATED BALANCE SHEETS  
HEALTH CARE REIT, INC. AND SUBSIDIARIES

	September 30, 2012 (Unaudited)	December 31 2011 (Note)
(In thousands)		
Assets		
Real estate investments:		
Real property owned:		
Land and land improvements	\$ 1,268,757	\$ 1
Buildings and improvements	14,766,557	13
Acquired lease intangibles	572,765	
Real property held for sale, net of accumulated depreciation	153,458	
Construction in progress	<u>219,705</u>	
Gross real property owned	16,981,242	14
Less accumulated depreciation and amortization	<u>(1,480,293)</u>	<u>(1)</u>
Net real property owned	15,500,949	13
Real estate loans receivable:		
Real estate loans receivable	284,908	
Less allowance for losses on loans receivable	<u>-</u>	
Net real estate loans receivable	<u>284,908</u>	
Net real estate investments	15,785,857	13
Other assets:		
Equity investments	456,552	
Goodwill	68,321	
Deferred loan expenses	57,539	
Cash and cash equivalents	1,382,252	
Restricted cash	140,404	
Receivables and other assets	<u>391,350</u>	
Total other assets	<u>2,496,418</u>	
Total assets	<u>\$ 18,282,275</u>	<u>\$ 14</u>
Liabilities and equity		
Liabilities:		
Borrowings under unsecured line of credit arrangement	\$ -	\$ -
Senior unsecured notes	4,921,712	4
Secured debt	2,314,717	2
Capital lease obligations	82,596	
Accrued expenses and other liabilities	<u>405,798</u>	
Total liabilities	7,724,823	7
Redeemable noncontrolling interests	35,047	
Equity:		
Preferred stock	1,022,917	1
Common stock	259,522	
Capital in excess of par value	10,502,057	7
Treasury stock	(17,531)	
Cumulative net income	2,077,641	1
Cumulative dividends	(3,485,592)	(2)
Accumulated other comprehensive income (loss)	(10,432)	
Other equity	<u>7,445</u>	
Total Health Care REIT, Inc. stockholders' equity	10,356,027	7
Noncontrolling interests	<u>166,378</u>	
Total equity	<u>10,522,405</u>	<u>7</u>
Total liabilities and equity	<u>\$ 18,282,275</u>	<u>\$ 14</u>

NOTE: The consolidated balance sheet at December 31, 2011 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 COMPREHENSIVE INCOME (UNAUDITED)**  
**HEALTH CARE REIT, INC. AND SUBSIDIARIES**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
(In thousands, except per share data)				
<b>Revenues:</b>				
Rental income	\$ 290,225	\$ 235,938	\$ 826,627	\$ 700,000
Resident fees and services	174,464	125,125	498,295	437,000
Interest income	8,111	7,858	24,131	24,131
Other income	1,339	1,809	4,505	4,505
Total revenues	<u>474,139</u>	<u>370,730</u>	<u>1,353,558</u>	<u>1,206,636</u>
<b>Expenses:</b>				
Interest expense	94,580	84,429	280,058	280,058
Property operating expenses	144,479	103,127	409,606	409,606
Depreciation and amortization	132,150	111,582	387,053	387,053
General and administrative	23,679	19,735	77,302	77,302
Transaction costs	8,264	6,739	42,535	42,535
Loss (gain) on derivatives, net	409	-	(1,712)	-
Loss (gain) on extinguishment of debt, net	215	-	791	-
Provision for loan losses	27,008	132	27,008	27,008
Total expenses	<u>430,784</u>	<u>325,744</u>	<u>1,222,641</u>	<u>1,222,641</u>
Income (loss) from continuing operations before income taxes and income from unconsolidated entities	43,355	44,986	130,917	130,917
Income tax (expense) benefit	(836)	(223)	(3,754)	(3,754)
Income from unconsolidated entities	(739)	1,642	2,250	2,250
Income (loss) from continuing operations	<u>41,780</u>	<u>46,405</u>	<u>129,413</u>	<u>129,413</u>
<b>Discontinued operations:</b>				
Gain (loss) on sales of properties, net	12,827	185	46,046	46,046
Impairment of assets	(6,952)	-	(6,952)	-
Income (loss) from discontinued operations, net	<u>5,851</u>	<u>5,763</u>	<u>19,329</u>	<u>19,329</u>
Discontinued operations, net	<u>11,726</u>	<u>5,948</u>	<u>58,423</u>	<u>58,423</u>
Net income	53,506	52,353	187,836	187,836
Less: Preferred stock dividends	16,602	17,234	52,527	52,527
Less: Preferred stock redemption charge	-	-	6,242	-
Less: Net income (loss) attributable to noncontrolling interests <sup>(1)</sup>	(365)	(1,488)	(2,241)	(2,241)
Net income (loss) attributable to common stockholders	<u>\$ 37,269</u>	<u>\$ 36,607</u>	<u>\$ 131,308</u>	<u>\$ 131,308</u>
<b>Average number of common shares outstanding:</b>				
Basic	224,391	177,272	212,592	212,592
Diluted	226,258	177,849	214,075	214,075
<b>Earnings per share:</b>				
<b>Basic:</b>				
Income (loss) from continuing operations attributable to common stockholders	\$ 0.11	\$ 0.17	\$ 0.34	\$ 0.34
Discontinued operations, net	0.05	0.03	0.27	0.27
Net income (loss) attributable to common stockholders*	<u>\$ 0.17</u>	<u>\$ 0.21</u>	<u>\$ 0.62</u>	<u>\$ 0.62</u>
<b>Diluted:</b>				
Income (loss) from continuing operations attributable to common stockholders	\$ 0.11	\$ 0.17	\$ 0.34	\$ 0.34
Discontinued operations, net	0.05	0.03	0.27	0.27
Net income (loss) attributable to common stockholders*	<u>\$ 0.16</u>	<u>\$ 0.21</u>	<u>\$ 0.61</u>	<u>\$ 0.61</u>
Dividends declared and paid per common share	\$ 0.74	\$ 0.715	\$ 2.22	\$ 2.22
Total comprehensive income (loss) attributable to stockholders	\$ 56,664	\$ 52,144	\$ 189,332	\$ 189,332

\* Amounts may not sum due to rounding

(1) Includes amounts attributable to redeemable noncontrolling interests.

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, 2012

	Preferred Stock	Common Stock	Capital in Excess of Par Value	Treasury Stock	Cumulative Net Income	Cumulative Dividends	Accumulated Other Comprehensive Income (Loss)	Other Equity	Noncontrolling Interests	Total
Balances at beginning of period	\$ 1,010,417	\$ 192,299	\$ 7,019,714	\$ (13,535)	\$ 1,893,806	\$ (2,972,129)	\$ (11,928)	\$ 6,120	\$ 153,883	\$ 8,076,868
Comprehensive income:										
Net income (loss)					190,077				(1,272)	
Other comprehensive income							1,496			
Total comprehensive income										
Contributions by noncontrolling interests			80							26,671
Distributions to noncontrolling interests			(1,609)							(12,904)
Amounts related to issuance of common stock										
from dividend reinvestment and stock incentive plans, net of forfeitures		1,784	102,238	(3,996)				(1,046)		
Proceeds from issuance of common stock		64,400	3,383,008							
Proceeds from issuance of preferred stock	287,500		(9,813)							
Equity component of convertible debt		1,039	2,237							
Redemption of preferred stock	(275,000)		6,202		(6,242)					
Option compensation expense								2,371		
Cash dividends paid:										
Common stock cash dividends						(460,936)				
Preferred stock cash dividends						(52,527)				
Balances at end of period	\$ 1,022,917	\$ 259,522	\$ 10,502,057	\$ (17,531)	\$ 2,077,641	\$ (3,485,592)	\$ (10,432)	\$ 7,445	\$ 166,378	\$ 8,344,937

Nine Months Ended September 30, 2011

	Preferred Stock	Common Stock	Capital in Excess of Par Value	Treasury Stock	Cumulative Net Income	Cumulative Dividends	Accumulated Other Comprehensive Income (Loss)	Other Equity	Noncontrolling Interests	Total
Balances at beginning of period	\$ 291,667	\$ 147,155	\$ 4,932,468	\$ (11,352)	\$ 1,676,196	\$ (2,427,881)	\$ (11,099)	\$ 5,697	\$ 130,249	\$ 4,568,410
Comprehensive income:										
Net income (loss)					173,094				(2,303)	
Other comprehensive income							745			
Total comprehensive income										
Contributions by noncontrolling interests			6,647							22,695
Distributions to noncontrolling interests										(36,268)
Amounts related to issuance of common stock										
from dividend reinvestment and stock incentive plans, net of forfeitures		2,124	102,937	(2,183)				(1,046)		
Proceeds from issuance of common stock		29,493	1,364,972							
Proceeds from issuance of preferred stock	718,750		(22,313)							
Option compensation expense								1,641		
Cash dividends paid:										
Common stock cash dividends						(355,651)				
Preferred stock cash dividends						(43,268)				
Balances at end of period	\$ 1,010,417	\$ 178,772	\$ 6,384,711	\$ (13,535)	\$ 1,849,290	\$ (2,026,800)	\$ (10,354)	\$ 6,292	\$ 114,373	\$ 6,358,973

See notes to unaudited consolidated financial statements

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

	Nine Months Ended September 30,	
	2012	2011
Operating activities	(In thousands)	
Net income	\$ 187,836	\$
Adjustments to reconcile net income to		
net cash provided from (used in) operating activities:		
Depreciation and amortization	393,243	
Other amortization expenses	11,702	
Provision for loan losses	27,008	
Impairment of assets	6,952	
Stock-based compensation expense	16,229	
Loss (gain) on derivatives, net	(1,712)	
Loss (gain) on extinguishment of debt, net	791	
Income from unconsolidated entities	(2,250)	
Rental income in excess of cash received	(32,069)	
Amortization related to above (below) market leases, net	767	
Loss (gain) on sales of properties, net	(46,046)	
Distributions by unconsolidated entities	3,920	
Increase (decrease) in accrued expenses and other liabilities	16,417	
Decrease (increase) in receivables and other assets	(19,318)	
Net cash provided from (used in) operating activities	<u>563,470</u>	
Investing activities		
Investment in real property, net of cash acquired	(2,119,796)	(4,0
Capitalized interest	(7,113)	(
Investment in real estate loans receivable	(35,894)	(
Other investments, net of payments	26,752	
Principal collected on real estate loans receivable	16,577	
Contributions to unconsolidated entities	(227,735)	
Distributions by unconsolidated entities	12,592	
Proceeds from (payments on) derivatives	4,435	
Decrease (increase) in restricted cash	(69,809)	
Proceeds from sales of real property	302,377	
Net cash provided from (used in) investing activities	<u>(2,097,614)</u>	(3,6
Financing activities		
Net increase (decrease) under unsecured lines of credit arrangements	(610,000)	
Proceeds from issuance of senior unsecured notes	842,323	1,
Payments to extinguish senior unsecured notes	(370,524)	
Net proceeds from the issuance of secured debt	145,713	
Payments on secured debt	(272,399)	(
Net proceeds from the issuance of common stock	3,536,232	1,
Net proceeds from the issuance of preferred stock	277,687	(
Redemption of preferred stock	(275,000)	
Decrease (increase) in deferred loan expenses	(5,119)	(
Contributions by noncontrolling interests <sup>(1)</sup>	12,106	
Distributions to noncontrolling interests <sup>(1)</sup>	(15,283)	(
Cash distributions to stockholders	(513,463)	(3
Other financing activities	641	
Net cash provided from (used in) financing activities	<u>2,752,914</u>	3,
Increase (decrease) in cash and cash equivalents	1,218,770	
Cash and cash equivalents at beginning of period	163,482	
Cash and cash equivalents at end of period	<u>\$ 1,382,252</u>	<u>\$</u>
Supplemental cash flow information:		
Interest paid	\$ 275,246	\$
Income taxes paid	3,012	

(1) Includes amounts attributable to redeemable noncontrolling interests.

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 seniors housing and health care real estate. Our full service platform also offers property management and development services to our customers. As of September 30, 2012, our broadly diversified portfolio consisted of 1,030 properties in 46 states, the United Kingdom and Canada. Founded in 1970, we were the first real estate investment trust to invest exclusively in health care facilities.

**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, 2012 are not necessarily an indication of the results that may be expected for the year ending December 31, 2012. For further information, refer to the financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2011, as updated by our Current Report on Form 8-K filed on August 6, 2012.

*New Accounting Standards*

In May 2011, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2011-04, "Fair Value Measurements (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS" ("ASU 2011-04"), which requires incremental fair value disclosures in the notes to the financial statements. We have adopted ASU 2011-04 effective January 1, 2012. The adoption of this guidance did not have a material impact on our consolidated financial position or results of operations.

In June 2011, the FASB issued ASU No. 2011-05, "Presentation of Comprehensive Income" ("ASU 2011-05"), which requires entities to present net income and other comprehensive income in either a single continuous statement or in two separate, but consecutive, statements of net income and other comprehensive income. We have adopted ASU 2011-05 effective January 1, 2012 and presented total comprehensive income on the consolidated statements of comprehensive income. Further disclosures including reconciliation from net income to total comprehensive income will be required on an annual basis. The provisions of ASU No. 2011-12, "Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in ASU 2011-05" delayed the requirement to present certain reclassifications on the face of the financial statements.

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

**3. Real Property Acquisition and Development**

*Seniors Housing Triple-net Activity*

During the nine months ended September 30, 2012, we completed the acquisition of 49 seniors housing triple-net properties. The total purchase price for the communities acquired has been allocated to the tangible and identifiable intangible assets and liabilities based upon their respective fair values in accordance with our accounting policies. During the three months ended March 31, 2012, we finalized our purchase price allocation of the previously acquired Genesis HealthCare Corporation real estate assets. There were no material changes in the Genesis purchase accounting allocation from those previously disclosed in Note 3 to our Annual Report on Form 10-K for the year ended December 31, 2011, as updated by our Current Report on Form 8-K filed on August 6, 2012. The following summarizes our purchase price allocations and other seniors housing triple-net property investment activity for the periods presented (in thousands):

	Nine Months Ended	
	September 30, 2012 <sup>(1)</sup>	September 30, 2011
	Amount	Amount
Land and land improvements	\$ 79,325	\$ 210,956
Buildings and improvements	935,036	2,991,317
Total assets acquired <sup>(2)</sup>	<u>1,014,361</u>	<u>3,202,273</u>
Assumed debt	(86,186)	(93,425)
Accrued expenses and other liabilities	(3,340)	(75,144)
Total liabilities assumed	<u>(89,526)</u>	<u>(168,569)</u>
Capital in excess of par	1,024	-
Noncontrolling interest	(16,826)	-
Non-cash acquisition related activity	(310)	-
Cash disbursed for acquisitions	<u>908,723</u>	<u>3,033,704</u>
Construction in progress additions	131,579	121,382
Less: Capitalized interest	(4,228)	(4,077)
Cash disbursed for construction in progress	<u>127,351</u>	<u>117,305</u>
Capital improvements to existing properties	48,450	16,453
Total cash invested in real property, net of cash acquired	<u>\$ 1,084,524</u>	<u>\$ 3,167,462</u>

(1) Includes acquisitions with an aggregate purchase price of \$777,916,000 for which the allocation of the purchase price consideration is preliminary and subject to change.

(2) Excludes \$2,031,000 of cash acquired during the nine months ended September 30, 2012.

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

*Seniors Housing Operating Activity*

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

During the nine months ended September 30, 2012, we completed the acquisition of 53 seniors housing operating properties. Certain of our subsidiaries’ functional currencies are the local currencies of their respective countries. We translate the results of operations of our foreign subsidiaries into U.S. dollars using average rates of exchange in effect during the period, and we translate balance sheet accounts using exchange rates in effect at the end of the period. We record resulting currency translation adjustments in accumulated other comprehensive income, a component of stockholders’ equity, on our balance sheet. The total purchase price for the properties acquired has been allocated to tangible and identifiable intangible assets and liabilities based upon their respective fair values in accordance with our accounting policies. The following is a summary of our seniors housing operating real property investment activity for the periods presented (in thousands):

	Nine Months Ended	
	September 30, 2012 <sup>(2)</sup>	September 30, 2011
	Amount	Amount
Land and land improvements	\$ 46,391	\$ 71,610
Building and improvements	450,255	968,727
Acquired lease intangibles	39,875	88,285
Restricted cash	-	8,186
Receivables and other assets	2,247	18,415
Total assets acquired <sup>(1)</sup>	538,768	1,155,223
Assumed debt	(8,684)	(585,656)
Accrued expenses and other liabilities	(5,480)	(39,044)
Total liabilities assumed	(14,164)	(624,700)
Capital in excess of par	-	(6,017)
Noncontrolling interests	(2,054)	(27,560)
Non-cash acquisition related activity	-	(27,298)
Cash disbursed for acquisitions	522,550	469,648
Capital improvements to existing properties	13,325	14,847
Total cash invested in real property, net of cash acquired	\$ 535,875	\$ 484,495

(1) Excludes \$4,369,000 and \$34,342,000 of cash acquired during the nine months ended September 30, 2012 and 2011, respectively.

(2) Includes acquisitions with an aggregate purchase price of \$330,013,000 for which the allocation of the purchase price consideration is preliminary and subject to change.

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

*Medical Facilities Activity*

During the nine months ended September 30, 2012, we acquired 22 medical office buildings, one hospital, and one parcel of land. The total purchase price for the commu acquired has been allocated to the tangible and identifiable intangible assets and liabilities based upon their respective fair values in accordance with our accounting policies. following is a summary of our medical facilities real property investment activity for the periods presented (in thousands):

	Nine Months Ended	
	September 30, 2012 <sup>(2)</sup>	September 30, 2011
	Amount	Amount
Land and land improvements	\$ 53,493	\$ 7,711
Buildings and improvements	487,255	303,848
Acquired lease intangibles	93,392	1,126
Restricted cash	975	-
Receivables and other assets	4,311	-
Total assets acquired	<u>639,426</u>	<u>312,685</u>
Assumed debt	(238,589)	(48,801)
Accrued expenses and other liabilities	(18,075)	(568)
Total liabilities assumed	<u>(256,664)</u>	<u>(49,369)</u>
Non-controlling interests	-	(5,853)
Non-cash acquisition activity	(880)	-
Cash disbursed for acquisitions	381,882	257,463
Construction in progress additions:	94,462	138,898
Less: Capitalized interest	(2,885)	(6,013)
Accruals <sup>(1)</sup>	(4,567)	(33,451)
Cash disbursed for construction in progress	87,010	99,434
Capital improvements to existing properties	30,505	21,590
Total cash invested in real property	<u>\$ 499,397</u>	<u>\$ 378,487</u>

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

(2) Includes acquisitions with an aggregate purchase price of \$486,014,000 for which the allocation of the purchase price consideration is preliminary and subject to change.

*Development Conversions*

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

	Nine Months Ended	
	September 30, 2012	September 30, 2011
Development projects:		
Seniors housing triple-net	\$ 84,271	\$
Medical facilities	111,327	:
Total development projects	<u>195,598</u>	:
Expansion projects	240	:
Total construction in progress conversions	<u>\$ 195,838</u>	<u>\$</u>

*Transaction Costs*

Transaction costs primarily represent costs incurred with property acquisitions, including due diligence costs, fees for legal and valuation services and termination of pre-relationships computed based on the fair value of the assets acquired, lease termination fees and other acquisition-related costs.

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

**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, 2012	December 31, 2011
<b>Assets:</b>		
In place lease intangibles	\$ 447,833	\$ :
Above market tenant leases	52,210	
Below market ground leases	60,771	
Lease commissions	11,951	
Gross historical cost	572,765	
Accumulated amortization	(230,217)	(1
Net book value	\$ 342,548	\$ :
Weighted-average amortization period in years	19.6	
<b>Liabilities:</b>		
Below market tenant leases	\$ 72,442	\$
Above market ground leases	8,955	
Gross historical cost	81,397	
Accumulated amortization	(26,010)	(
Net book value	\$ 55,387	\$
Weighted-average amortization period in years	14.5	

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Rental income related to above/below market tenant leases, net	\$ (972)	\$ 1,118	\$ 452	\$
Property operating expenses related to above/below market ground leases, net	(555)	(315)	(1,219)	
Depreciation and amortization related to in place lease intangibles and lease commissions	(22,271)	(28,263)	(78,114)	(6

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

	Assets		Liabilities	
2012	\$	51,651	\$	
2013		38,021		
2014		32,294		
2015		22,877		
2016		24,184		
Thereafter		173,521		
Totals	\$	342,548	\$	



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

**5. Dispositions, Assets Held for Sale and Discontinued Operations**

During the nine months ended September 30, 2012, we sold 42 properties for net gains of \$46,046,000. Of our total sale proceeds, \$152,495,000 was deposited in an Internal Revenue Code Section 1031 exchange escrow account with a qualified intermediary and, during the nine months ended September 30, 2012, we used \$84,243,000 of the deposit proceeds for acquisitions. At September 30, 2012, we had 31 seniors housing facilities that satisfied the requirements for held for sale treatment and such properties were properly recorded at the lesser of their estimated fair value less costs to sell or carrying value. During the nine months ended September 30, 2012, we recorded an impairment charge of \$6,952,000 related to five held for sale seniors housing triple-net facilities to adjust the carrying values to estimated fair values less cost to sell based on current sales price expect. The following is a summary of our real property disposition activity for the periods presented (in thousands):

	Nine Months Ended	
	September 30, 2012	September 30, 2011
Real property dispositions:		
Seniors housing triple-net	\$ 149,984	\$
Medical facilities	106,347	
Total dispositions	<u>256,331</u>	
Add: Gain (loss) on sales of real property, net	46,046	
Proceeds from real property sales	<u>\$ 302,377</u>	<u>\$</u>

We have reclassified the income and expenses attributable to all properties sold prior to and held for sale at September 30, 2012 to discontinued operations. Expenses include 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		Nine Months Ended	
	September 30,		September 30,	
	2012	2011	2012	2011
Revenues:				
Rental income	\$ 8,441	\$ 14,147	\$ 33,287	\$
Expenses:				
Interest expense	1,663	3,382	6,669	
Property operating expenses	219	944	1,099	
Provision for depreciation	708	4,058	6,190	
Income (loss) from discontinued operations, net	<u>\$ 5,851</u>	<u>\$ 5,763</u>	<u>\$ 19,329</u>	<u>\$</u>

**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, 2012			September 30, 2011		
	Seniors Housing Triple-net	Medical Facilities	Totals	Seniors Housing Triple-net	Medical Facilities	Totals
Advances on real estate loans receivable:						
Investments in new loans	\$ 1,154	\$ -	\$ 1,154	\$ 13,129	\$ -	\$
Draws on existing loans	33,710	1,030	34,740	15,308	8,067	
Net cash advances on real estate loans	34,864	1,030	35,894	28,437	8,067	
Receipts on real estate loans receivable:						
Loan payoffs	450	-	450	129,860	2,943	
Principal payments on loans	14,204	1,923	16,127	11,618	4,598	
Total receipts on real estate loans	<u>14,654</u>	<u>1,923</u>	<u>16,577</u>	<u>141,478</u>	<u>7,541</u>	
Net advances (receipts) on real estate loans	<u>\$ 20,210</u>	<u>\$ (893)</u>	<u>\$ 19,317</u>	<u>\$ (113,041)</u>	<u>\$ 526</u>	<u>\$ (1)</u>

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

During our third quarter loan loss evaluation, new factors arose including change in intent regarding collateral and updated appraisal that, under the circumstances, resulted in a determination to write-off \$27,008,000 of loans. Additionally, at September 30, 2012, we had real estate loans with outstanding balances of \$13,035,000 on non-accrual status with an allowance for loan losses of \$0.

**7. Investments in Unconsolidated Entities**

During the year ended December 31, 2010, we entered into a joint venture investment with Forest City Enterprises (NYSE:FCE.A and FCE.B). We acquired a 49% interest in a seven-building life science campus located at University Park in Cambridge, Massachusetts, which is immediately adjacent to the campus of the Massachusetts Institute of Technology. At September 30, 2012, our investment of \$176,579,000 is recorded as an investment in unconsolidated entities on the balance sheet. 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 statement of comprehensive income as income from unconsolidated entities. The aggregate remaining unamortized basis difference of our investment in this joint venture of \$1,791,000 at September 30, 2012 is primarily attributable to real estate and related intangible assets and will be amortized over the life of the related properties and included in the reported amount of income from unconsolidated entities.

During the quarter ended June 30, 2012, we entered into a joint venture with Chartwell Seniors Housing REIT (TSX:CSH.UN). The portfolio contains 42 properties in Canada, 39 of which are owned 50% by the company and Chartwell, and three of which the company wholly owns. In connection with the 39 properties, we invested \$223,134,000 which was recorded as an investment in unconsolidated entities on the balance sheet. The 39 properties are accounted for under the equity method of accounting and do not constitute variable interest entities (VIEs). The joint venture is structured under RIDEA.

In addition, at September 30, 2012, we had other investments in unconsolidated entities with our ownership ranging from 10% to 50%.

**8. Customer Concentration**

The following table summarizes certain information about our customer concentration as of September 30, 2012 (dollars in thousands):

Concentration by investment: <sup>(1)</sup>	Number of Properties <sup>(2)</sup>	Total Investment <sup>(2)</sup>	Percent of Investment <sup>(3)</sup>
Genesis HealthCare Corporation	158	\$ 2,558,276	16%
Merrill Gardens, LLC	48	1,095,029	7%
Benchmark Senior Living	35	849,397	5%
Brandywine Senior Living, LLC	26	722,623	5%
Senior Living Communities, LLC	12	607,208	4%
Remaining portfolio	699	9,953,324	63%
Totals	978	\$ 15,785,857	100%

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

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

(3) Investments with our top five customers comprised 41% of total investments at December 31, 2011.

**9. Borrowings Under Line of Credit Arrangements and Related Items**

At September 30, 2012, we had a \$2,000,000,000 unsecured line of credit arrangement with a consortium of 31 banks with an option to upsize the facility by up to an additional \$500,000,000 through an accordion feature, allowing for the aggregate commitment of up to \$2,500,000,000. The revolving credit facility is scheduled to expire July 27, 2013. Borrowings under the agreement are subject to interest payable in periods no longer than three months at either the agent bank's prime rate of interest or the applicable margin over LIBOR interest rate, at our option (1.57% at September 30, 2012). The applicable margin is based on certain of our debt ratings and was 1.35% at September 30, 2012. In addition, we pay a facility fee annually to each bank based on the bank's commitment amount. The facility fee depends on certain of our debt ratings and was 0.25% at September 30, 2012. Principal is due upon expiration of the agreement. In addition, at September 30, 2012, we had a \$5,000,000 unsecured revolving demand note undrawn and bearing interest at 1 month LIBOR plus 110 basis points.

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Balance outstanding at quarter end	\$ -	\$ 390,000	\$ -	\$ -
Maximum amount outstanding at any month end	\$ 145,000	\$ 390,000	\$ 897,000	\$ -
Average amount outstanding (total of daily principal balances divided by days in period)	\$ 165,000	\$ 140,978	\$ 255,639	\$ -
Weighted average interest rate (actual interest expense divided by average borrowings outstanding)	2.30%	1.61%	1.79%	

**10. Senior Unsecured Notes and Secured Debt**

At September 30, 2012, the annual principal payments due on consolidated debt obligations were as follows (in thousands):

	Senior Unsecured Notes <sup>(1,2)</sup>	Secured Debt <sup>(1,3)</sup>	Totals
2012	\$ -	\$ 9,914	\$ 9,914
2013	300,000	221,368	521,368
2014	-	201,848	201,848
2015 <sup>(4)</sup>	504,143	221,295	725,438
2016	700,000	318,507	1,018,507
Thereafter	3,444,403	1,327,589	4,771,992
<b>Totals</b>	<b>\$ 4,948,546</b>	<b>\$ 2,300,521</b>	<b>\$ 7,249,067</b>

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

(2) Annual interest rates range from 3.0% to 6.5%, excluding the Canadian denominated unsecured term loan discussed in footnote 4.

(3) Annual interest rates range from 1.2% to 8.0%. Carrying value of the properties securing the debt totaled \$5,083,684,000 at September 30, 2012.

(4) On July 30, 2012, we completed funding on a \$250,000,000 Canadian denominated unsecured term loan (approximately \$254,143,000 USD at exchange rates on September 30, 2012). The loan is coterminous with unsecured revolving credit facility and matures July 27, 2015 (with an option to extend for an additional year at our discretion) and bears interest at the Canadian Dealer Offered Rate plus 145 basis points (2.65% at September 30, 2012).

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

The following is a summary of our senior unsecured note activity during the periods presented, excluding the Canadian term loan (dollars in thousands):

	Nine Months Ended			
	September 30, 2012		September 30, 2011	
	Amount	Weighted Avg. Interest Rate	Amount	Weighted Avg. Interest Rate
Beginning balance	\$ 4,464,927	5.133%	\$ 3,064,930	5.129%
Debt issued	600,000	4.125%	1,400,000	5.143%
Debt extinguished	(76,853)	8.000%	-	0.000%
Debt redeemed	(293,671)	4.750%	-	0.000%
Ending balance	<u>\$ 4,694,403</u>	<u>5.030%</u>	<u>\$ 4,464,930</u>	<u>5.133%</u>

The following is a summary of our secured debt principal activity for the periods presented (dollars in thousands):

	Nine Months Ended			
	September 30, 2012		September 30, 2011	
	Amount	Weighted Avg. Interest Rate	Amount	Weighted Avg. Interest Rate
Beginning balance	\$ 2,108,373	5.34%	\$ 1,133,715	5.59%
Debt issued	145,713	4.13%	60,470	5.77%
Debt assumed	311,653	5.71%	693,797	5.40%
Debt extinguished	(237,259)	4.29%	-	0.00%
Foreign currency	288	5.62%	-	0.00%
Principal payments	(28,247)	5.35%	(20,285)	5.83%
Ending balance	<u>\$ 2,300,521</u>	<u>5.42%</u>	<u>\$ 1,867,697</u>	<u>5.52%</u>

Our debt agreements contain various covenants, restrictions and events of default. Certain agreements require us to maintain certain financial ratios and minimum net worth impose certain limits on our ability to incur indebtedness, create liens and make investments or acquisitions. As of September 30, 2012, we were in compliance with all of the covenants under our debt agreements.

#### 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 such interest rate exposures. 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 volatility of interest rates. In addition, non-U.S. investments expose us to the potential losses associated with adverse changes in foreign currency to U.S. Dollar exchange rate. We elected to manage this risk through the use of a forward exchange contracts.

Derivatives are recorded at fair value on the balance sheet as assets or liabilities. The valuation of derivative instruments requires us to make estimates and judgments that the fair value of the instruments. Fair values of our interest rate swap agreements are estimated by pricing models that consider the forward yield curves and discount rates. Fair value of our forward exchange contracts are estimated by pricing models that consider foreign currency spot rates, forward trade rates and discount rates. Such amounts recognition of such amounts are subject to significant estimates that may change in the future.

##### *Interest Rate Swap Contracts Designated as 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 represent either hedge ineffectiveness or hedge components excluded from the assessment of effectiveness are recognized in earnings. As of September 30, 2012, we had five interest swaps for a total aggregate notional amount of \$101,040,000. The swaps hedge interest payments associated with long-term LIBOR based borrowings and mature between December 31, 2012 and December 31, 2013. Approximately \$1,974,000 of losses,

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

which are included in accumulated other comprehensive income ("AOCI"), are expected to be reclassified into earnings in the next 12 months.

*Foreign Currency Hedges*

On February 15, 2012, we entered into a forward exchange contract to purchase \$250,000,000 Canadian Dollars at a fixed rate in the future. The forward contract was used to limit exposure to fluctuations in the Canadian Dollar to U.S. Dollar exchange rate associated with our initial cash investment funded for the Chartwell transaction. On May 3, 2012, this forward exchange contract was settled for a gain of \$2,772,000 and the proceeds were used to fund our investment. On May 3, 2012, we also entered into a forward contract to sell \$250,000,000 Canadian dollars at a fixed rate on July 31, 2012. We settled the forward contract on July 31, 2012 with the net loss reflected in OCI. Upon settlement of the forward contract we entered into a \$250,000,000 Canadian Dollar term loan which has been designated as a net investment hedge of our Chartwell investment and changes in value are reported in OCI as no ineffectiveness is anticipated.

On August 30, 2012, we entered into two cross currency swaps to purchase \$125,000,000 Pound Sterling. The swaps were used to limit exposure to fluctuations in the Pound Sterling to U.S. Dollar exchange rate associated with our initial cash investment funded for the Sunrise transaction discussed in Note 12. The cross currency swaps have been designated as a net investment hedge, and changes in fair value are reported in OCI as no ineffectiveness is anticipated.

On September 17, 2012, we entered into two forward exchange contracts to purchase \$14,000,000 Canadian Dollars and \$23,000,000 Pound Sterling at a fixed rate in the future. The forward contracts were used to limit exposure to fluctuations in foreign currency associated with the Sunrise transaction discussed in Note 12.

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

	Location	Three Months Ended		Nine Months Ended
		September 30,		September 30,
		2012	2011	2012
Gain (loss) on interest rate swap recognized in OCI (effective portion)	n/a	\$ 797	\$ 658	\$ 2,342
Gain (loss) on interest rate swaps reclassified from AOCI into income (effective portion)	Interest expense	383	467	1,204
Gain (loss) on interest rate swaps recognized in income	Realized loss	-	-	(96)
Gain (loss) on forward exchange contracts recognized in income (ineffective portion and amount excluded from effectiveness testing)	Unrealized loss	-	-	(555)
Gain (loss) on forward exchange contracts recognized in income	Realized gain (loss)	(409)	-	2,363
Gain (loss) on forward exchange contracts designated as net investment hedge recognized in OCI	n/a	(12,663)	-	(5,747)

**12. Commitments and Contingencies**

At September 30, 2012, we had nine outstanding letter of credit obligations totaling \$7,172,000 and expiring between 2013 and 2014.

At September 30, 2012, we had outstanding construction in process of \$219,705,000 for leased properties and were committed to providing additional funds of approximately \$217,015,000 to complete construction. At September 30, 2012, we had contingent purchase obligations totaling \$76,933,000. These contingent purchase obligations relate to unfunded capital improvement obligations and contingent obligations on acquisitions. Rents due from the tenant are increased to reflect the additional investment in the property.

We evaluate our leases for operating versus capital lease treatment in accordance with Accounting Standards Codification ("ASC") Topic 840 "Leases." A lease is classified as a capital lease if it provides for transfer of ownership of the leased asset at the end of the lease term, contains a bargain purchase option, has a lease term greater than 75% of the economic life of the leased asset, or if the net present value of the future minimum lease payments are in excess of 90% of the fair value of the leased asset. Certain leases contain bargain purchase options and have been classified as capital leases. At September 30, 2012, we had operating lease obligations of

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

\$528,685,000 relating to certain ground leases and company office space and capital lease obligations of \$88,143,000 relating to certain investment properties. We incurred an expense relating to company office space of \$330,000 and \$931,000 for the three months and nine months ended September 30, 2012, respectively, as compared to \$341,000 and \$1,472,000 for the same periods in 2011. Regarding 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, 2012, aggregate future minimum rentals to be received under these noncancelable subleases totaled \$48,514,000.

**Sunrise Merger**

In August 2012, we entered into an Agreement and Plan of Merger (the "Merger Agreement") with Sunrise Senior Living, Inc. ("Sunrise"), pursuant to which we agreed to acquire Sunrise in an all-cash merger (the "Merger") in which Sunrise stockholders would receive \$14.50 in cash for each share of Sunrise common stock. The total estimated purchase price of approximately \$1,920,000,000 is comprised of the \$950,000,000 cash consideration and \$970,000,000 of assumed debt and excludes fair value and other purchase price accounting adjustments. The closing of the Merger, which is expected to occur in early 2013, is subject to the satisfaction or waiver of certain conditions, including approval of the Merger Agreement by Sunrise's stockholders, expiration or termination of applicable waiting periods under the Hart-Scott-Rodino Act and the completion in all material respects of certain reorganization transactions being undertaken in connection with the Management Business Sale (described below).

Subsequent to the original announcement, we, in collaboration with Sunrise, have acquired or reached agreement to acquire majority interests in certain joint venture properties which has increased the expected purchase price to approximately \$3,170,200,000, which is comprised of \$664,100,000 of incremental cash consideration and \$586,100,000 of incremental assumed debt. We completed the acquisition of several joint venture properties in the United Kingdom for approximately \$243,474,000 of cash consideration during the three months ended September 30, 2012. Sunrise has acquired majority interests in certain other joint venture properties using proceeds from a \$462,500,000 loan provided to us that funded subsequent to September 30, 2012 and will be converted to ownership by us upon completion of the Merger.

In connection with the Merger Agreement, Sunrise has agreed to sell its management business and certain additional assets and liabilities (the "Management Business Sale") to Red Fox Management, LP (the "Management Business Buyer"). Under the Merger Agreement, the Management Business Sale is to take place immediately prior to the Merger. We will invest approximately \$26,000,000 for a 20% interest in the Management Business Buyer.

All amounts relating to the Merger that have not yet closed are preliminary estimates, are subject to downward or upward adjustment, and are subject to change. Furthermore, certain of the estimated incremental Sunrise investments, including the acquisition of properties in the United Kingdom, are based on exchange rates in effect as of the time of the estimate. Our anticipated Merger may not be completed on currently anticipated terms, or within currently anticipated timeframes, or at all.

**13. Stockholders' Equity**

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

	September 30, 2012	December 31, 2011
Preferred Stock:		
Authorized shares	50,000,000	50,000,000
Issued shares	26,224,854	25,936,105
Outstanding shares	26,224,854	25,936,105
Common Stock, \$1.00 par value:		
Authorized shares	400,000,000	400,000,000
Issued shares	259,936,105	192,539,955
Outstanding shares	259,539,955	192,539,955

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

*Preferred Stock.* The following is a summary of our preferred stock activity during the periods indicated (dollars in thousands, except per share amounts):

	Nine Months Ended			
	September 30, 2012		September 30, 2011	
	Shares	Weighted Avg. Dividend Rate	Shares	Weighted Avg. Dividend Rate
Beginning balance	25,724,854	7.013%	11,349,854	7.663%
Shares issued	11,500,000	6.500%	14,375,000	6.500%
Shares redeemed	(11,000,000)	7.716%	-	0.000%
Ending balance	<u>26,224,854</u>	<u>6.493%</u>	<u>25,724,854</u>	<u>7.013%</u>

During the three months ended June 30, 2012, we recognized a charge of \$6,242,000 in connection with the preferred stock redemptions.

*Common Stock.* The following is a summary of our common stock issuances during the nine months ended September 30, 2012 and 2011 (dollars in thousands, except per amounts):

	Shares Issued	Average Price	Gross Proceeds	Net Proceeds
March 2011 public issuance	28,750,000	\$ 49.25	\$ 1,415,938	\$ 1,415,938
2011 Equity shelf plan issuances	743,099	50.59	37,595	37,595
2011 Dividend reinvestment plan issuances	1,869,796	48.39	90,476	90,476
2011 Option exercises	151,927	37.78	5,740	5,740
2011 Totals	<u>31,514,822</u>		<u>\$ 1,549,749</u>	<u>\$ 1,549,749</u>
February 2012 public issuance	20,700,000	\$ 53.50	\$ 1,107,450	\$ 1,107,450
August 2012 public issuance	13,800,000	58.75	810,750	810,750
September 2012 public issuance	29,900,000	56.00	1,674,400	1,674,400
2012 Dividend reinvestment plan issuances	1,485,598	55.65	82,678	82,678
2012 Option exercises	155,195	39.61	6,147	6,147
2012 Senior note conversions	1,039,721		-	-
2012 Totals	<u>67,080,514</u>		<u>\$ 3,681,425</u>	<u>\$ 3,681,425</u>

*Comprehensive Income*

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

	September 30, 2012	December 31, 2011
Unrecognized losses on cash flow hedges	\$ (7,423)	\$ (7,423)
Unrecognized losses on equity investments	(427)	(427)
Unrecognized gains on foreign currency translation	166	166
Unrecognized actuarial losses	(2,748)	(2,748)
Totals	<u>\$ (10,432)</u>	<u>\$ (10,432)</u>

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

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,	
	2012	2011	2012	2011
Unrecognized gains on cash flow hedges	\$ 414	\$ 191	\$ 1,138	\$
Unrecognized gains (losses) on equity investments	230	(400)	192	
Unrecognized gains on foreign currency translation	2,514	-	166	
Total other comprehensive income (loss)	3,158	(209)	1,496	
Net income attributable to controlling interests	53,871	53,841	190,077	
Comprehensive income (loss) attributable to controlling interests	57,029	53,632	191,573	
Net and comprehensive income (loss) attributable to noncontrolling interests <sup>(1)</sup>	(365)	(1,488)	(2,241)	
Total comprehensive income (loss) attributable to stockholders	<u>\$ 56,664</u>	<u>\$ 52,144</u>	<u>\$ 189,332</u>	<u>\$</u>

(1) Includes amounts attributable to redeemable noncontrolling interests.

#### 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 continued 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 five years from the date of grant. Stock-based compensation expense totaled \$2,592,000 and \$ 16,229,000 for the three and nine months ended September 30, 2012 and \$1,767,000 and \$ 9,041,000 for the three and nine months ended in September 30, 2011. The increase is primarily attributable to the impact of special non-cash retention and performance based stock awards for executive officers.

#### 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,	
	2012	2011	2012	2011
Numerator for basic and diluted earnings per share - net income (loss) attributable to common stockholders	<u>\$ 37,269</u>	<u>\$ 36,607</u>	<u>\$ 131,308</u>	<u>\$</u>
Denominator for basic earnings per share - weighted average shares	224,391	177,272	212,592	
Effect of dilutive securities:				
Employee stock options	238	172	240	
Non-vested restricted shares	301	258	293	
Convertible senior unsecured notes	1,328	147	950	
Dilutive potential common shares	1,867	577	1,483	
Denominator for diluted earnings per share - adjusted weighted average shares	<u>226,258</u>	<u>177,849</u>	<u>214,075</u>	
Basic earnings per share	<u>\$ 0.17</u>	<u>\$ 0.21</u>	<u>\$ 0.62</u>	<u>\$</u>
Diluted earnings per share	<u>\$ 0.16</u>	<u>\$ 0.21</u>	<u>\$ 0.61</u>	<u>\$</u>

The diluted earnings per share calculations exclude the dilutive effect of 237,000 and 227,000 stock options for the three months ended September 30, 2012 and 2011, respectively and 0 and 381,000 for the nine months ended because the exercise prices were



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

more than the average market price. The Series H Cumulative Convertible and Redeemable Preferred Stock and Series I Cumulative Convertible Perpetual Preferred Stock not included in the calculations as the effect of conversions into common stock was anti-dilutive.

**16. Disclosure about Fair Value of Financial Instruments**

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

*Mortgage Loans and Other Real Estate Loans Receivable* — The fair value of mortgage loans and other real estate loans receivable is generally estimated by using level two and three inputs such as 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 remaining maturities.

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

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

*Borrowings Under Unsecured Line of Credit Arrangements* — The carrying amount of the unsecured line of credit arrangements approximates fair value because the borrowing interest rate is adjustable.

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

*Secured Debt* — The fair value of fixed rate secured debt is estimated using level two inputs 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 borrowing interest rate is 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 using level two inputs by utilizing pricing models that consider forward yield curves and discount rates.

*Foreign Currency Forward Contracts* — Foreign currency forward contracts are recorded as assets or liabilities on the balance sheet at fair market value. Fair market value is determined using level two inputs by estimating the future value of the currency pair based on existing exchange rates, comprised of current spot and traded forward points, and valuing the net amount using a discount factor based on observable traded interest rates.

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

	September 30, 2012		December 31, 2011	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>Financial assets:</b>				
Mortgage loans receivable	\$ 61,591	\$ 63,647	\$ 63,934	\$ -
Other real estate loans receivable	223,317	231,388	228,573	-
Available-for-sale equity investments	1,172	1,172	980	-
Cash and cash equivalents	1,382,252	1,382,252	163,482	-
<b>Financial liabilities:</b>				
Borrowings under unsecured line of credit arrangements	\$ -	\$ -	\$ 610,000	\$ -
Senior unsecured notes	4,921,712	5,568,956	4,434,107	4,000
Secured debt	2,314,717	2,486,885	2,112,649	2,000
Interest rate swap agreements	740	740	2,854	-
Foreign currency forward contract	4,595	4,595	-	-

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

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

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

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.

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

**Items Measured at Fair Value on a Recurring Basis**

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

	Fair Value Measurements as of September 30, 2012			
	Total	Level 1	Level 2	Level 3
Available-for-sale equity investments <sup>(1)</sup>	\$ 1,172	\$ 1,172	\$ -	\$ -
Interest rate swap agreements <sup>(2)</sup>	(740)	-	(740)	-
Foreign currency forward contract <sup>(2)</sup>	(4,595)	-	(4,595)	-
Totals	<u>\$ (4,163)</u>	<u>\$ 1,172</u>	<u>\$ (5,335)</u>	<u>\$ -</u>

(1) Unrealized gains or losses on equity investments are recorded in accumulated other comprehensive income (loss) at each measurement date.

(2) Please see Note 11 for additional information.

**Items Measured at Fair Value on a Nonrecurring Basis**

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

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

**17. Segment Reporting**

We invest in seniors housing and health care real estate. We evaluate our business and make resource allocations within our three business segments: seniors housing triple-net, seniors housing operating and medical facilities.

Our seniors housing triple-net properties include skilled nursing/post-acute facilities, assisted living facilities, independent living/continuing care retirement communities combinations thereof. Under the seniors housing triple-net segment, we invest in seniors housing and health care real estate through acquisition and financing of primarily single-tenant properties. Properties acquired are primarily leased under triple-net leases and we are not involved in the management of the property. Our seniors housing operating properties include assisted living facilities and independent living/continuing care retirement communities that are owned and operated through RIDEA (see Note 3) partnership structures.

Our primary medical facility properties include medical office buildings, hospitals and life science buildings. Our medical office buildings are typically leased to multiple tenants and generally require a certain level of property management. Our hospital investments are structured similar to our seniors housing triple-net investments. Our life science investments represent investments in an unconsolidated entity (see Note 7 for additional information).

The accounting policies of the segments are the same as those described in the summary of significant accounting policies (see Note 2 to the financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2011, as updated by our Current Report on Form 8-K filed on August 6, 2012.) The results of operations for acquisitions described in Note 3 are included in our consolidated results of operations from the acquisition dates and are components of the appropriate segments. There are no intersegment sales or transfers.

We evaluate performance based upon net operating income from continuing operations ("NOI") of each segment. We define NOI as total revenues, including tenant reimbursements, less property level operating expenses, which exclude depreciation and amortization, general and administrative expenses, transaction costs, 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.

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 operating income.

Summary information for the reportable segments for the three and nine months ended September 30, 2012 and 2011 is as follows (in thousands):

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

<u>Three Months Ended September 30, 2012:</u>	Seniors Housing Triple-net	Seniors Housing Operating	Medical Facilities	Non-segment / Corporate	Total
Rental income	\$ 185,384	\$ -	\$ 104,841	\$ -	\$ 2
Resident fees and services	-	174,464	-	-	1
Interest income	6,116	-	1,995	-	
Other income	662	-	400	277	
Total revenues	<u>192,162</u>	<u>174,464</u>	<u>107,236</u>	<u>277</u>	<u>4</u>
Property operating expenses	<u>-</u>	<u>(118,369)</u>	<u>(26,110)</u>	<u>-</u>	<u>(1)</u>
Net operating income from continuing operations	192,162	56,095	81,126	277	3
Reconciling items:					
Interest expense	(1,547)	(17,474)	(9,405)	(66,154)	(9)
(Loss) gain on derivatives, net	-	(409)	-	-	(1)
Depreciation and amortization	(54,189)	(39,591)	(38,370)	-	(1)
General and administrative	-	-	-	(23,679)	(2)
Transaction costs	(5,590)	(1,966)	(708)	-	(1)
(Loss) gain on extinguishment of debt, net	(126)	(89)	-	-	-
Provision for loan losses	<u>(27,008)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2)</u>
Income (loss) from continuing operations before income taxes and income from unconsolidated entities	<u>\$ 103,702</u>	<u>\$ (3,434)</u>	<u>\$ 32,643</u>	<u>\$ (89,556)</u>	<u>\$ -</u>
Total assets	<u>\$ 8,744,455</u>	<u>\$ 3,705,861</u>	<u>\$ 4,347,505</u>	<u>\$ 1,484,454</u>	<u>\$ 18,2</u>
<u>Three Months Ended September 30, 2011:</u>	Seniors Housing Triple-net	Seniors Housing Operating	Medical Facilities	Non-segment / Corporate	Total
Rental income	\$ 158,356	\$ -	\$ 77,582	\$ -	\$ 2
Resident fees and services	-	125,125	-	-	1
Interest income	6,810	-	1,048	-	
Other income	454	-	1,048	307	
Total revenues	<u>165,620</u>	<u>125,125</u>	<u>79,678</u>	<u>307</u>	<u>3</u>
Property operating expenses	<u>-</u>	<u>(86,218)</u>	<u>(16,909)</u>	<u>-</u>	<u>(1)</u>
Net operating income from continuing operations	165,620	38,907	62,769	307	2
Reconciling items:					
Interest expense	(1,690)	(13,945)	(7,394)	(61,400)	(8)
Depreciation and amortization	(45,726)	(39,019)	(26,837)	-	(1)
General and administrative	-	-	-	(19,735)	(1)
Transaction costs	(6,080)	305	(964)	-	(1)
Provision for loan losses	<u>(90)</u>	<u>-</u>	<u>(42)</u>	<u>-</u>	<u>-</u>
Income (loss) from continuing operations before income taxes and income from unconsolidated entities	<u>\$ 112,034</u>	<u>\$ (13,752)</u>	<u>\$ 27,532</u>	<u>\$ (80,828)</u>	<u>\$ -</u>

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

<u>Nine Months Ended September 30, 2012:</u>	Seniors Housing Triple-net	Seniors Housing Operating	Medical Facilities	Non-segment / Corporate	Total
Rental income	\$ 529,553	\$ -	\$ 297,074	\$ -	\$ 8
Resident fees and services	-	498,295	-	-	4
Interest income	17,977	-	6,154	-	-
Other income	2,268	-	1,482	755	-
Total revenues	<u>549,798</u>	<u>498,295</u>	<u>304,710</u>	<u>755</u>	<u>1,3</u>
Property operating expenses	<u>-</u>	<u>(336,952)</u>	<u>(72,654)</u>	<u>-</u>	<u>(4)</u>
Net operating income from continuing operations	549,798	161,343	232,056	755	9
Reconciling items:					
Interest expense	(4,587)	(49,537)	(27,188)	(198,746)	(2)
(Loss) gain on derivatives, net	(96)	1,808	-	-	(3)
Depreciation and amortization	(152,702)	(123,820)	(110,531)	-	(3)
General and administrative	-	-	-	(77,302)	(7)
Transaction costs	(30,796)	(6,365)	(5,374)	-	(4)
(Loss) gain on extinguishment of debt, net	(2,363)	1,089	483	-	(2)
Provision for loan losses	<u>(27,008)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2)</u>
Income (loss) from continuing operations before income taxes and income from unconsolidated entities	<u>\$ 332,246</u>	<u>\$ (15,482)</u>	<u>\$ 89,446</u>	<u>\$ (275,293)</u>	<u>\$ 1</u>
<u>Nine Months Ended September 30, 2011:</u>	Seniors Housing Triple-net	Seniors Housing Operating	Medical Facilities	Non-segment / Corporate	Total
Rental income	\$ 404,097	\$ -	\$ 211,122	\$ -	\$ 6
Resident fees and services	-	319,559	-	-	3
Interest income	27,224	-	5,209	-	-
Other income	4,878	-	3,879	1,217	-
Total revenues	<u>436,199</u>	<u>319,559</u>	<u>220,210</u>	<u>1,217</u>	<u>9</u>
Property operating expenses	<u>-</u>	<u>(219,824)</u>	<u>(46,257)</u>	<u>-</u>	<u>(2)</u>
Net operating income from continuing operations	436,199	99,735	173,953	1,217	7
Reconciling items:					
Interest expense	(1,531)	(33,446)	(20,215)	(165,335)	(2)
Depreciation and amortization	(116,227)	(97,326)	(73,070)	-	(2)
General and administrative	-	-	-	(57,009)	(5)
Transaction costs	(22,872)	(32,159)	(1,511)	-	(5)
Provision for loan losses	<u>(90)</u>	<u>-</u>	<u>(457)</u>	<u>-</u>	<u>(5)</u>
Income (loss) from continuing operations before income taxes and income from unconsolidated entities	<u>\$ 295,479</u>	<u>\$ (63,196)</u>	<u>\$ 78,700</u>	<u>\$ (221,127)</u>	<u>\$</u>

Our portfolio of properties and other investments are located in the United States, the United Kingdom and Canada. Revenues and assets are attributed to the country in which the property is physically located. For the three and nine months ended September 30, 2012, \$7,091,000, or 1.5%, and \$9,146,000, or 0.7%, respectively, of our revenues and \$544,833,000, or 3.0% of our assets at September 30, 2012, were located outside the United States.

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

**18. Income Taxes and Distributions**

To qualify as a real estate investment trust for federal income tax purposes, at least 90% of taxable income (excluding 100% of net capital gains) must be distributed to stockholders. Real estate investment trusts that do not distribute a certain amount of current year taxable income in the current year are also subject to a 4% federal excise tax. The main differences between undistributed net income for federal income tax purposes and financial statement purposes are the recognition of straight-line rent for reporting purposes, basis differences in acquisitions, differing useful lives and depreciation and amortization methods for real property and the provision for loan losses for reporting purposes versus bad debt expense for tax purposes. At September 30, 2012, we continued to qualify as a real estate investment trust, and no federal provision has been reflected due to distributions made to stockholders of at least 100% of taxable income for the nine months ended September 30, 2012.

At September 30, 2012, we had \$5,789,000 of U.S. federal and foreign tax losses from our taxable REIT subsidiaries ("TRS"), and no apportioned state tax losses available to carry-forward. Income tax expense reflected in the financial statements primarily represents state and local income taxes as well as amounts related to uncertain tax positions discussed below and non-U.S. income taxes on certain investments located in jurisdictions outside the U.S.

As a result of certain acquisitions, we are subject to corporate level taxes for related asset dispositions for the period September 30, 2012 through June 30, 2021 ("built-in tax"). The amount of income potentially subject to this special corporate level tax is generally equal to the lesser of (a) the excess of the fair value of the asset over its adjusted basis as of the date it became a REIT asset, or (b) the actual amount of gain. Some but not all gains recognized during this period of time could be offset by available net operating losses and capital loss carry-forwards. We have not recorded a deferred tax liability as a result of the potential built-in gains tax based on our intentions with respect to such properties and available tax planning strategies.

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

The balance of our unrecognized tax benefits as of September 30, 2012 was \$6,468,000 (exclusive of accrued interest and penalties). A significant portion of this balance of unrecognized tax benefits as of September 30, 2012, \$6,141,000 (exclusive of accrued interest and penalties), relates to the April 1, 2011 Genesis transaction and is included in accrued expenses and other liabilities on the consolidated balance sheet. As part of the Genesis acquisition, we received full indemnification from FC-GEN Operations Investment, LLC covering income taxes or other taxes as well as interest and penalties relating to tax positions taken by FC-GEN Operations Investment, LLC prior to the acquisition. As of September 30, 2012, we had \$8,530,000 reserved for uncertain tax positions related to the Genesis transaction pursuant to ASC 740-10 inclusive of interest and penalties, and recorded an offsetting indemnification asset for the same amount in receivables and other assets on the consolidated balance sheets. Such indemnification asset is reviewed for collectability periodically. We have estimated that an additional \$8,952,000 could be subject to collection under the indemnification agreement provided an unfavorable assessment is made relating to income tax positions that we currently believe are more likely than not to be sustained.

There was \$206,000 of uncertain tax positions as of September 30, 2012 for which it is reasonably possible that the amount of unrecognized tax benefits would decrease during 2013. Interest and penalties totaled \$229,000 and \$731,000 in expense for the three and nine months ended September 30, 2012, respectively, and were recorded as income tax expense in the consolidated statements of comprehensive income with an offsetting amount recorded in other income relating to the increase in the indemnification asset. As of September 30, 2012, \$2,378,000 of interest and penalties were accrued related to income taxes.

## 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 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, 2011, as updated by our Current Report on Form 8-K filed on August 6, 2012, including factors identified under the headings "Business," "Risk Factors," and "Management Discussion and Analysis of Financial Condition and Results of Operations."

### Executive Summary

#### Company Overview

Health Care REIT, Inc. is a real estate investment trust ("REIT") that has been at the forefront of seniors housing and health care real estate since the company was founded in 1970. We are an S&P 500 company headquartered in Toledo, Ohio and our portfolio spans the full spectrum of seniors housing and health care real estate, including seniors housing communities, skilled nursing/post-acute facilities, medical office buildings, inpatient and outpatient medical centers and life science facilities. Our capital programs, combined with comprehensive planning, development and property management services, make us a single-source solution for acquiring, planning, developing, managing, repositioning and monetizing real estate assets. The following table summarizes our portfolio as of September 30, 2012:

Type of Property	Investments (in thousands)	Percentage of Investments	Number of Properties	# Beds/Units or Sq. Ft.	Investment per metric <sup>(1)</sup>
Seniors housing triple-net	\$ 4,920,743	29.6%	321	29,858 units	\$ 167,907 per unit
Skilled nursing/post-acute	3,511,126	21.2%	294	38,209 beds	92,752 per bed
Seniors housing operating <sup>(2)</sup>	3,657,103	22.0%	165	21,818 units	187,500 per unit
Hospitals	906,558	5.5%	36	2,137 beds	424,220 per bed
Medical office buildings <sup>(2)</sup>	3,268,519	19.7%	207	13,002,517 sq. ft.	263 per sq. ft.
Life science buildings <sup>(2)</sup>	333,212	2.0%	7		n/a
Totals	<u>\$ 16,597,261</u>	<u>100.0%</u>	<u>1,030</u>		

(1) Investment per metric was computed by using the total committed investment amount of \$16,814,276,000, which includes net real estate investments, our share of investments in unconsolidated entities and unfunded construction commitments for which initial funding has commenced which amounted to \$15,785,857,000, \$811,404,000 and \$217,015,000, respectively.

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

#### Health Care Industry

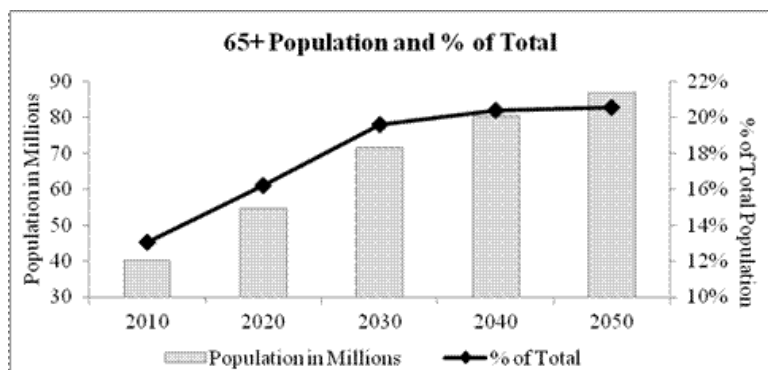
The demand for health care services, and consequently health care properties, is projected to reach unprecedented levels in the near future. The Centers for Medicare and Medicaid Services ("CMS") projects that national health expenditures will rise to \$3.3 trillion in 2015 or 18.2% of gross domestic product ("GDP"). The average annual growth rate of national health expenditures for 2011 through 2021 is expected to be 5.9%.

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 private-pay senior living and medical office buildings. 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 18.6% through 2030. The elderly population aged 65 and over is projected to increase by 78.3% through 2030. The elderly population is an important component of health care utilization, especially independent living services, assisted living services, skilled nursing services, inpatient and outpatient hospital services and physician ambulatory care. Most health care services are provided within a health care facility such as a hospital, a physician's office or a seniors housing community. Therefore, we believe there will be continued demand for companies, such as ours, with expertise in health care real estate.

estate.

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



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 with 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, President Obama signed into law the Patient Protection and Affordable Care Act of 2010 (the “PPACA”) and the Health Care and Education Reconciliation Act of 2010, which amends the PPACA (collectively, the “Health Reform Laws”). The Health Reform Laws contain various provisions that may directly impact our 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 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. On June 28, 2012, The United States Supreme Court upheld the individual mandate of the Health Reform Laws but partially invalidated the expansion of Medicaid. The ruling on Medicaid expansion will allow States not to participate in the expansion – and to forego funding for the Medicaid expansion – without losing their existing Medicaid funding. Given that the federal government substantially funds Medicaid expansion, it is unclear whether any state will pursue this option, although at least some appear to be considering this option at this time. Despite the Supreme Court decision to uphold the Health Reform Laws, the House of Representatives voted to repeal the Health Reform Laws in full. We cannot predict whether any of these or future attempts to repeal or amend the Health Reform Laws will be successful, nor can we predict the impact that such a repeal or amendment would have on our operators and tenants. Future repeal efforts will likely be dependent on the outcome of the November elections.

*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, health agencies, psychiatric hospitals, hospice care and outpatient hospitals. Since 2010, the otherwise applicable percentage increase to the market basket for inpatient acute hospitals has decreased. Beginning in 2012, inpatient acute hospitals will also face a downward adjustment of the annual



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

percentage increase to the market basket rate by a "productivity adjustment." The productivity adjustment may cause the annual percentage increase to be less than zero, which would mean that inpatient acute hospitals could face payment rates for a fiscal year that are less than the payment rates for the preceding year.

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

The Middle Class Tax Relief and Job Creation Act of 2012 made a number of changes, including, effective on October 1, 2012, applying the therapy caps to outpatient hospitals, creating two new threshold amounts of \$3,700 (one for each therapy cap amount), and requiring a manual medical review process of claims over these new thresholds. The Middle Class Tax Relief and Job Creation Act of 2012 also extended the waiver program related to therapy caps through the end of 2012. These therapy caps may negatively impact payments to skilled nursing facilities. However, members of MedPAC recently stated that they would prefer not to have hard caps, which indicates that the waiver program for therapy caps will likely continue.

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

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

The Health Reform Laws additionally call for the creation of the Independent Payment Advisory Board (the "Board"), which will be responsible for establishing payment policies, 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, 2018. On March 22, 2012, the House of Representatives approved legislation that would repeal the Board. While this legislation was not passed by the Senate, if such a repeal were signed into law in the future, reimbursement to our tenants and operators may be impacted. The ultimate success of the repeal effort is likely to depend on the outcome of the November elections.

The Health Reform Laws also create other mechanisms that could permit significant changes to payment. For example, the Health Reform Laws establish 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 curtail or waive existing reimbursement methodologies. As another example, on November 2, 2011, CMS published the final rule implementing section 3022 of the Health Reform Law, which contains provisions relating to Medicare payment to providers and suppliers participating in Accountable Care Organizations ("ACOs") under the Medicare Shared Savings Program. Under the program, Medicare will share a percentage of savings with ACOs that meet certain quality and saving requirements, thereby allowing providers to receive incentive payments in addition to their traditional fee-for-service payments. Under the program, more experienced providers may assume the risk of losses in exchange for potential rewards: ACOs may share up to 50% of the savings under the one-sided model and up to 60% of the savings under the two-sided model, depending on their quality performance. The amount of shared losses for which an ACO is liable in the two-sided model may not exceed the following percentages of its updated benchmark: 5% in the first performance year, 7.5% in the second year, and 10% in the third year. These shared losses could affect the ability of ACO operators or tenants to meet their financial obligations to us. The Health Reform Laws also provide additional Medicaid funding to allow states to carry out the expansion of Medicaid coverage to certain financially-eligible individuals beginning in 2014, and also permit states to expand their Medicaid coverage to these individuals as early as April 1, 2010, if certain conditions are met. The Health Reform Laws also extend certain payment rules related to long-term acute care hospitals found in the Medicare, Medicaid, and SCHIP Extension Act of 2007 ("MMSEA").

Additionally, although the Health Reform Laws delayed implementation of the Resource Utilization Group, Version Four ("RUG-IV"), which revises the payment classification system for skilled nursing facilities, the Medicare and Medicaid Extenders Act of 2010 repealed this delay retroactively to October 1, 2010. The implementation of RUG-IV classification may impact our tenants.

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

and operators by revising the classifications of certain patients. The federal reimbursement for certain facilities, such as skilled nursing facilities, incorporates adjustments to account for facility case-mix. The Health Reform Laws also extend certain payment rules related to long-term acute care hospitals found in the MMSEA. The MMSEA delays the implementation of a policy referred to as the "25% threshold rule" that would limit the proportion of patients who can be admitted from a co-located or host hospital during the cost reporting period and be paid under the long-term care hospital prospective payment system. The Health Reform Laws further extended the delay, which is scheduled to end at various points in calendar year 2012 depending on the start of the provider's cost reporting period.

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, the Health Reform Laws allow 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 OIG inspections, with penalties of up to \$15,000 per day for failure to grant timely access and up to \$50,000 for a knowing violation. Additionally, the Health Reform Laws require certain entities – including providers, suppliers, Medicaid managed care organizations, Medicare Advantage organizations, and prescription drug program sponsors – to report and return overpayments to the appropriate payer by the later of (a) sixty (60) days after the date the overpayment was "identified," or (b) the date that the "corresponding cost report is due. The entity also must notify the payer in writing of the reason for the overpayment. A violation of these requirements may result in criminal liability, civil liability under the FCA, and/or exclusion from the federal health care programs. On February 14, 2012, CMS published a proposed rule implementing the Health Reform Laws requirement that health care providers and suppliers report and return self-identified overpayments by the later of 60 days after the date the overpayment was identified, or the date any corresponding cost report is due, if applicable. The Health Reform Laws also amend the Federal Anti-Kickback Statute to state that any items or services "resulting from" a violation of the Anti-Kickback Statute constitutes a "false or fraudulent claim" under the Federal False Claims Act. The Health Reform Laws also provide for additional funding to investigate and prosecute health care fraud and abuse. Accordingly, the increased penalties under the Health Reform Laws 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, CMS published final rulemaking to implement the enhanced provider and supplier screening provisions called for in the Health Reform Laws. Under the final rule beginning March 25, 2011, all enrolling and participating providers and suppliers are assessed an annual administrative fee and are placed in one of three risk levels (limited, moderate, and high) based on an assessment of the individual's or entity's overall risk of fraud, waste and abuse. This rule also allows for the temporary suspension of Medicare payments to providers or suppliers in the event CMS receives credible information that an overpayment, fraud, or willful misrepresentation has occurred. The Health Reform Laws granted the Secretary of the Department of Health and Human Services significant discretionary authority to suspend, exclude, or impose fines on providers and suppliers based on the agency's determination that such a provider or supplier is "high-risk," and, as a result, this final rulemaking has the potential to materially adversely affect our operators and tenants who may be evaluated under the enhanced screening process.

On November 2, 2011, CMS and OIG jointly published the final rule establishing waivers of certain fraud and abuse laws to ACOs. These waivers include automatic ACO Stark, and CMP waivers that may be applied in certain situations and that will apply uniformly to each ACO, ACO participant, and ACO provider/supplier. Notably, the final rule states that CMS and OIG intend to closely monitor ACOs through June 2013 to ensure that these waivers are not causing "undesirable effects" and need to be narrowed to prevent fraud and abuse.

Additionally, provisions of Title VI of the Health Care Reform Laws 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, the Health Reform Laws make it easier for consumers to file complaints against nursing homes by mandating that states establish complaint websites. The provisions calling for enhanced transparency will increase the administrative burden and costs on these providers.

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

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

### Medicare Program Reimbursement Changes

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

On August 1, 2011, CMS issued a final rule updating the long-term acute care hospital prospective payment system for fiscal year 2012. Among other things, the final rule increased payment rates for acute care hospitals by 1% and long-term care hospitals by 1.8%. In the rule, CMS included a negative 2%, rather than the proposed negative 3%, documentation and coding adjustment for long-term care hospitals. On August 8, 2011, CMS released a final rulemaking for the prospective payment system and consolidated billing for skilled nursing facilities for fiscal year 2012, which included the 11.1%, or \$3.87 billion, decrease in RUG payments made to skilled nursing facilities previously discussed. CMS announced that the reasons for this rate reduction were to correct for the unintended spike in payment levels, particularly those associated with higher paying RUGs, and to align reimbursement with cost. As part of these changes, effective October 1, 2011, all rate categories were updated for the full market basket increase of 2.7% and 1% productivity adjustment required by Section 3401(b) of the Health Reform Laws. On August 1, 2012, CMS published a final rule for the inpatient prospective payment system which sets forth acute care and long-term care hospital payment rate changes for the 2013 fiscal year. Specifically, CMS estimates that, for fiscal year 2013, the Medicare rate for inpatient stays at acute care hospitals will increase by 2.8% for those hospitals that successfully participate in the Hospital Inpatient Quality Reporting Program, while those that do not successfully participate in that program would receive a payment rate increase of 0.8%. CMS also implemented a 3.75% one-time budget neutrality adjustment to the long-term care hospital rate that would be phased in over three years. The first year phase in of that adjustment will be 1.3%, which would apply to payments or discharges on or after December 29, 2012. CMS adopted a one-year extension of the existing moratorium on the 25% threshold policy, through fiscal year 2013, beginning on or after October 1, 2012 and before October 1, 2013. CMS clarified its regulations to reflect an existing policy that the Inpatient Prospective Payment System comparable per diem amount is capped at an amount comparable to what would have been a full payment under the Inpatient Prospective Payment System and that cap applies to short stay cases in long-term care hospitals with discharges occurring on or after December 29, 2012. The legislative moratorium on new long-term hospitals and satellite facilities is set to expire at the end of 2012. Additionally, on July 30, 2012, CMS released notices updating the payment rates for inpatient rehabilitation facilities ("IRFs") and for skilled nursing facilities ("SNFs"). For discharges occurring on or after October 1, 2012 and on or before September 30, 2013, CMS is implementing a net 1.9% rate increase. Effective October 1, 2012, CMS implemented a net 1.8% rate increase for SNFs.

CMS annually adjusts the Medicare Physician Fee Schedule payment rates based on an update formula that includes application of the Sustainable Growth Rate ("SGR") formula. On November 1, 2011, CMS published the calendar year 2012 Physician Fee Schedule final rule for a negative 27.4% update under the statutory SGR formula. In February 2012, Congress passed the Middle Class Tax Relief and Job Creation Act of 2012, which blocks the cut through the end of 2012. On November 1, 2012, CMS published the calendar year 2013 Physician Fee Schedule final rule with comment period. The final rule calls for a negative 26.5% update under the statutory SGR formula. Congress has overridden the required reduction every year from 2003 through the end of 2012. The final rule continues implementation of quality and cost measures that will be used in establishing a new value-based modifier that would adjust physician payments based on whether they are providing higher quality and more efficient care. The Health Reform Laws require CMS to begin making payment adjustments to certain physicians and physician groups on January 1, 2015, and to apply the modifier to all physicians by January 1, 2017. Calendar year 2013 is the initial performance year for purposes of adjusting payments in calendar year 2015.

On November 1, 2011, CMS published a final rule with comment period for outpatient care hospitals and ambulatory surgical centers. CMS estimated that the rates and policies would increase 2012 calendar year payment rates by 1.9% for hospital outpatient departments and 1.6% for ambulatory surgery centers. On November 1, 2012, CMS published the calendar year 2013 final rule with comment period for outpatient care hospitals and ambulatory surgery centers. CMS estimates that the rates and policies in that rule will increase payment rates for hospital outpatient departments by 1.8% and increase payment rates for ambulatory surgery centers by 0.6%.

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

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

### Capital Market Outlook

The capital markets remain supportive of our investment strategy. Year to date as of September 30, 2012 we have raised \$4.8 billion in aggregate gross proceeds through issuance of common and preferred stock, unsecured debt and a Canadian denominated term loan. The capital raised, in combination with cash on hand and borrowing capacity under our revolving credit facility, supported \$2.9 billion in gross new investments year-to-date. We expect attractive investment opportunities to remain available through the balance of 2012 as we continue to leverage the benefits of our relationship investment strategy.

### 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 fees/services, rent and interest income and portfolio growth. To meet these objectives, we invest in the full spectrum of seniors housing and health care real estate and diversify our investment portfolio by property type, customer and geographic location.

Substantially all of our revenues and sources of cash flows from operations are derived from operating lease rentals, resident fees and services, and interest earned on outstanding loans receivable. These items represent our primary source of liquidity to fund distributions and are dependent upon our obligors' continued ability to make contract 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 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 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, 2012, rental income, resident fees and services and interest income represented 62%, 36% and 2%, 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) and 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 arrangements, internally generated cash and the proceeds from sales of real property. Our investments generate internal cash from fees/services, rent and interest receipts and principal payments on loans receivable. Permanent capital for future investments, which replaces funds drawn under the unsecured line of credit arrangements, has historically been provided through a combination of public and private offerings of debt and equity securities and the incurrence or assumption of secured debt.

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

Depending upon market conditions, we believe that new investments will be available in the future with spreads over our cost of capital that will generate appropriate returns for our stockholders. We also anticipate the sale of real property and the repayment of loans receivable. 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 arrangements. At

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

September 30, 2012, we had \$1,382,252,000 of cash and cash equivalents, \$140,404,000 of restricted cash and \$2,005,000,000 of available borrowing capacity under our unsecured line of credit arrangements.

### Key Transactions in 2012

We have completed the following key transactions to date in 2012:

- our Board of Directors increased the quarterly cash dividend to \$0.74 per common share for 2012, as compared to the previous \$0.715 per common share rate, beginning with the February 2012 dividend payment;
- we completed the following capital transactions:
  - o issued 20,700,000 shares of common stock, generating approximately \$1,062,256,000 of proceeds in February;
  - o issued 11,500,000 shares of 6.5% Series J Cumulative Redeemable Preferred Stock, generating approximately \$277,687,000 of proceeds in March;
  - o redeemed \$100,000,000 of 7.875% Series D and \$175,000,000 of 7.625% Series F Cumulative Redeemable Preferred Stock in April;
  - o issued \$600,000,000 of 4.125% 7-year senior unsecured notes, generating approximately \$593,319,000 of proceeds in April;
  - o completed the redemption/conversion of \$125,585,000 of 4.75% convertible senior unsecured notes due 2026 in April and May;
  - o completed redemptions/conversions of \$168,000,000 of 4.75% convertible senior unsecured notes due 2027 in August;
  - o funded \$250,000,000 Canadian denominated unsecured term loan (approximately \$249,004,000 USD) in July;
  - o issued 43,700,000 shares of common stock, generating approximately \$2,385,151,000 of proceeds in August and September;
  - o extinguished \$237,259,000 of secured debt bearing a weighted-average interest rate of 4.87% through September;
- we completed \$2,888,403,000 of gross investments during the nine months ended September 30, 2012;
- we received \$302,377,000 in proceeds on property sales and loan payoffs, generating \$46,046,000 in net gains during the nine months ended September 30, 2012;
- we completed our Canadian investment with Chartwell Seniors Housing REIT on May 1, 2012; and
- we declassified our Board of Directors in May.

### 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 from continuing operations ("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 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):

	March 31, 2011	Three Months Ended					
		June 30, 2011	September 30, 2011	December 31, 2011	March 31, 2012	June 30, 2012	September 30, 2012
Net income (loss) attributable to common stockholders	\$ 23,372	\$ 69,847	\$ 36,607	\$ 27,282	\$ 39,307	\$ 54,735	\$ 10,000
Funds from operations	71,053	149,553	150,376	154,398	163,857	157,931	157,931
Net operating income from continuing operations	175,834	267,667	267,603	282,630	299,779	314,513	314,513
<b>Per share data (fully diluted):</b>							
Net income (loss) attributable to common stockholders	\$ 0.15	\$ 0.39	\$ 0.21	\$ 0.15	\$ 0.19	\$ 0.25	\$ 0.10
Funds from operations	0.46	0.84	0.85	0.83	0.81	0.73	0.73

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

*Concentration Risk.* We evaluate our concentration risk in terms of asset mix, investment mix, relationship mix and geographic mix. Concentration risk is a valuable means of 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. Investment mix measures the portion of our investments that relate to our various property types. Relationship mix measures the portion of our investments that relate to our top five relationships. 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 (including unconsolidated entities) for the periods presented:

	March 31, 2011	June 30, 2011	September 30, 2011	December 31, 2011	March 31, 2012	June 30, 2012	September 30, 2012
<b>Asset mix:</b>							
Real property	92%	94%	95%	95%	95%	93%	93%
Real estate loans receivable	4%	3%	2%	2%	2%	2%	2%
Investments in unconsolidated entities	4%	3%	3%	3%	3%	5%	5%
<b>Investment mix:</b>							
Seniors housing triple-net	45%	56%	57%	53%	51%	49%	51%
Seniors housing operating	22%	17%	16%	20%	20%	22%	22%
Medical facilities	33%	27%	27%	27%	29%	29%	27%
<b>Relationship mix:</b>							
Genesis HealthCare, LLC		19%	19%	17%	16%	16%	15%
Merrill Gardens, LLC	7%	6%	5%	8%	8%	7%	7%
Benchmark Senior Living	9%	7%	7%	6%	6%	5%	5%
Brandywine Senior Living, LLC	6%	5%	5%	5%	5%	5%	4%
Senior Living Communities, LLC	6%	5%	5%	4%	4%	4%	4%
Senior Star Living	5%						
Remaining relationships	67%	58%	59%	60%	61%	63%	65%
<b>Geographic mix:</b>							
New Jersey		8%	9%	10%	9%	9%	9%
Texas	8%	7%	7%	7%	9%	9%	9%
California	10%	8%	8%	10%	10%	9%	8%
Florida	9%	7%	8%	7%	7%	7%	8%
Massachusetts	10%	9%	9%	8%	8%	7%	7%
Washington	6%						
Remaining states	57%	61%	59%	58%	57%	59%	59%

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

**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 charges (interest, secured debt principal amortization and preferred dividends). We expect to maintain capitalization ratios and coverage ratios sufficient to maintain compliance with our debt covenants. The coverage ratios are based on adjusted earnings before interest, taxes, depreciation and amortization ("Adjusted EBITDA"), which is discussed in further detail, and reconciled to net income, below in "Non-GAAP Financial Measures." Leverage ratios and coverage ratios are widely used by investors, analysts and rating agencies in the valuation, comparison, investment recommendations and rating of companies. The following table reflects the recent historical trends for our credit strength measures for the periods presented:

	Three Months Ended						
	March 31, 2011	June 30, 2011	September 30, 2011	December 31, 2011	March 31, 2012	June 30, 2012	September 30, 2012
Debt to book capitalization ratio	48%	49%	50%	50%	45%	48%	41%
Debt to undepreciated book capitalization ratio	45%	45%	47%	46%	41%	45%	38%
Debt to market capitalization ratio	37%	38%	42%	38%	34%	36%	31%
Interest coverage ratio	2.75x	3.34x	2.94x	2.86x	3.03x	3.21x	2.94x
Fixed charge coverage ratio	2.22x	2.60x	2.29x	2.23x	2.33x	2.52x	2.30x

**Lease Expirations.** The following table sets forth information regarding lease expirations for certain portions of our portfolio as of September 30, 2012 (dollars in thousands):

	Expiration Year										
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Thereafter
<b>Seniors housing triple-net:</b>											
Properties	26	26	15	2	-	37	51	8	46	55	-
Base rent <sup>(1)</sup>	\$ 19,992	53,643	25,879	2,061	-	17,137	37,194	9,463	41,366	60,927	-
% of base rent	2.5%	6.8%	3.3%	0.3%	0.0%	2.2%	4.7%	1.2%	5.3%	7.8%	-
<b>Hospitals:</b>											
Properties	-	-	-	-	-	3	-	-	5	-	-
Base rent <sup>(1)</sup>	\$ -	-	-	-	-	2,350	-	-	6,036	-	-
% of base rent	0.0%	0.0%	0.0%	0.0%	0.0%	2.7%	0.0%	0.0%	7.0%	0.0%	-
<b>Medical office buildings:</b>											
Square feet	196,776	591,144	620,196	670,892	752,237	993,802	569,113	598,831	581,540	750,879	4,111
Base rent <sup>(1)</sup>	\$ 4,433	13,507	13,267	14,938	16,775	24,162	13,154	14,783	14,613	19,066	-
% of base rent	1.7%	5.1%	5.0%	5.7%	6.4%	9.2%	5.0%	5.6%	5.5%	7.2%	-

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

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, 2011, as updated by our Current Report on Form 8-K filed on August 6, 2012, 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.

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

### Portfolio Update

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

	Three Months Ended						
	March 31, 2011	June 30, 2011	September 30, 2011	December 31, 2011	March 31, 2012	June 30, 2012	September 30, 2012
Net operating income from continuing operations:							
Seniors housing triple-net	\$ 100,861	\$ 169,718	\$ 165,620	\$ 174,436	\$ 174,799	\$ 182,837	\$ 182,837
Seniors housing operating	22,014	38,814	38,907	42,350	50,933	54,315	54,315
Medical facilities	52,427	58,757	62,769	65,791	73,812	77,118	77,118
Non-segment/corporate	532	378	307	53	235	243	243
Total	\$ 175,834	\$ 267,667	\$ 267,603	\$ 282,630	\$ 299,779	\$ 314,513	\$ 314,513

**Payment coverage.** Payment coverage of our triple-net customers continues to remain strong. The table below reflects our recent historical trends of payment coverage. 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.

	Twelve Months Ended					
	June 30, 2010		June 30, 2011		June 30, 2012	
	CBMF	CAMF	CBMF	CAMF	CBMF	CAMF
Seniors housing	1.47x	1.26x	1.43x	1.23x	1.33x	1.15x
Skilled nursing/post-acute	2.37x	1.75x	2.28x	1.73x	1.84x	1.40x
Hospitals	2.65x	2.32x	2.67x	2.31x	2.35x	2.01x
Weighted averages	2.05x	1.62x	1.96x	1.57x	1.69x	1.36x

### Corporate Governance

Maintaining investor confidence and trust is 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 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](http://www.hcreit.com).

### Liquidity and Capital Resources

#### Sources and Uses of Cash

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

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

	Nine Months Ended		Change
	September 30, 2012	September 30, 2011	\$
Cash and cash equivalents at beginning of period	\$ 163,482	\$ 131,570	\$ 31,912
Cash provided from operating activities	563,470	417,633	145,837
Cash used in investing activities	(2,097,614)	(3,672,635)	1,575,021
Cash provided from financing activities	2,752,914	3,260,108	(507,194)
Cash and cash equivalents at end of period	\$ 1,382,252	\$ 136,676	\$ 1,245,576



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

*Operating Activities.* The change in net cash provided from operating activities is primarily attributable to an increase in NOI. The following is a summary of our straight rent and above/below market lease amortization (dollars in thousands):

	Nine Months Ended		Change	
	September 30, 2012	September 30, 2011	\$	
Gross straight-line rental income	\$ 37,162	\$ 27,909	\$	9,253
Cash receipts due to real property sales	(1,318)	(815)		(503)
Prepaid rent receipts	(3,775)	(7,498)		3,723
Amortization related to below (above) market leases, net	(767)	1,588		(2,355)
	<u>\$ 31,302</u>	<u>\$ 21,184</u>	<u>\$</u>	<u>10,118</u>

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 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 is negative in the second half of a lease term. The fluctuation is primarily attributable to the Genesis master lease which began April 1, 2011.

*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, 2012		September 30, 2011	
	Properties	Amount	Properties	Amount
Assets acquired:				
Seniors housing triple-net	49	\$ 1,014,051	179	\$ 3,411,000
Seniors housing operating	14	538,768	46	1,100,000
Medical office buildings	24	639,426	23	400,000
Total assets acquired	87	2,192,245	248	4,911,000
Less: Assumed debt		(333,459)		(700,000)
Assumed other items, net		(45,631)		(1,000,000)
Cash disbursed for acquisitions		1,813,155		3,611,000
Construction in progress cash additions		214,361		1,000,000
Capital improvements to existing properties		92,280		1,000,000
Total cash invested in real property		2,119,796		4,611,000
Real property dispositions:				
Seniors housing triple-net	18	149,984	37	1,000,000
Medical facilities	5	106,347	4	1,000,000
Total dispositions	23	256,331	41	2,000,000
Add: Gains (losses) on sales of real property, net		46,046		1,000,000
Proceeds from real property sales		302,377		1,000,000
Net cash investments in real property	64	\$ 1,817,419	207	\$ 3,611,000

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

	Nine Months Ended					
	September 30, 2012			September 30, 2011		
	Seniors Housing Triple-net	Medical Facilities	Totals	Seniors Housing Triple-net	Medical Facilities	Totals
Advances:						
Investments in new loans	\$ 1,154	\$ -	\$ 1,154	\$ 13,129	\$ -	\$ 13,129
Draws on existing loans	33,710	1,030	34,740	15,308	8,067	23,315
Net cash advances on real estate loans	34,864	1,030	35,894	28,437	8,067	20,370
Receipts:						
Loan payoffs	450	-	450	129,860	2,943	132,803
Principal payments on loans	14,204	1,923	16,127	11,618	4,598	16,216
Total receipts on real estate loans	14,654	1,923	16,577	141,478	7,541	149,019
Net advances (receipts) on real estate loans	\$ 20,210	\$ (893)	\$ 19,317	\$ (113,041)	\$ 526	\$ (111,724)

Capitalization rates for acquisitions represent annualized contractual income or projected income to be received in cash divided by investment amounts. Capitalization rates for dispositions represent annualized contractual income that was being received in cash at date of disposition divided by cash proceeds. For the three months ended September 2012, weighted-average capitalization rates for acquisitions and dispositions were as follows:

	Acquisitions	Dispositions
Seniors housing triple-net	7.0%	
Seniors housing operating	7.2%	
Medical facilities	7.0%	

The contributions to unconsolidated entities for the nine months ended September 30, 2012 primarily represent cash invested by us in the joint venture with Chartwell Ser Housing REIT. The distributions by unconsolidated entities for the nine months ended September 30, 2012 primarily represent cash received for return of capital from the joint venture. Please see Note 7 to our consolidated financial statements for additional information.

Restricted cash increased \$69,809,000 during the nine months ended September 30, 2012 primarily due to disposition proceeds deposited into Internal Revenue Code Section 1031 exchange escrow accounts. Restricted cash decreased \$27,844,000 for the nine months ended September 30, 2011 due primarily to the funding of acquisitions from ear money deposit accounts.

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

For the nine months ended September 30, 2012, we had a net decrease of \$610,000,000 on our unsecured line of credit arrangement as compared to a net increase of \$90,000,000 for the same period in 2011.

For the nine months ended September 30, 2012 and 2011, we received proceeds from issuance of senior unsecured notes of \$842,323,000 and \$1,381,086,000, respectively. For the nine months ended September 30, 2012, we made payments to extinguish senior unsecured notes of \$370,524,000. We did not extinguish any senior notes during the nine months ended September 30, 2011. See Note 10 for additional information.

For the nine months ended September 30, 2012 and 2011, we received proceeds from the issuance of secured debt of \$145,713,000 and \$60,470,000, respectively, offset by payments on secured debt of \$272,399,000 and \$20,285,000, respectively. See Note 10 for additional information.

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

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

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. Redemption repurchases of debt, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors.

Net proceeds from the issuance of preferred stock during the nine months ended September 30, 2012 and 2011 were \$277,687,000 and \$696,437,000, respectively. Net cash used to redeem preferred stock was \$275,000,000 for the nine months ended September 30, 2012. We did not redeem any preferred stock during the nine months ended September 30, 2011. See Note 13 for additional information.

The following is a summary of our common stock issuances for the nine months ended September 30, 2012 and 2011 (dollars in thousands, except average price amount)

	Shares Issued	Average Price	Gross Proceeds	Net Proceeds
March 2011 public issuance	28,750,000	\$ 49.25	\$ 1,415,938	\$ 1,415,938
2011 Equity shelf plan issuances	743,099	50.59	37,595	37,595
2011 Dividend reinvestment plan issuances	1,869,796	48.39	90,476	90,476
2011 Option exercises	151,927	37.78	5,740	5,740
2011 Totals	<u>31,514,822</u>		<u>\$ 1,549,749</u>	<u>\$ 1,549,749</u>
February 2012 public issuance	20,700,000	\$ 53.50	\$ 1,107,450	\$ 1,107,450
August 2012 public issuance	13,800,000	58.75	810,750	810,750
September 2012 public issuance	29,900,000	56.00	1,674,400	1,674,400
2012 Dividend reinvestment plan issuances	1,485,598	55.65	82,678	82,678
2012 Option exercises	155,195	39.61	6,147	6,147
2012 Senior note conversions	1,039,721	-	-	-
2012 Totals	<u>67,080,514</u>		<u>\$ 3,681,425</u>	<u>\$ 3,681,425</u>

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. An 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, 2012		September 30, 2011	
	Per Share	Amount	Per Share	Amount
Common Stock	\$ 2.2200	\$ 460,936	\$ 2.1200	\$ 450,000
Series D Preferred Stock	0.5030	2,012	1.4766	5,900
Series F Preferred Stock	0.4872	3,410	1.4297	5,500
Series H Preferred Stock	2.1438	750	2.1438	750
Series I Preferred Stock	2.4375	35,039	1.8507	72,825
Series J Preferred Stock	0.9841	11,316	-	-
Totals		<u>\$ 513,463</u>		<u>\$ 125,975</u>

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

### Off-Balance Sheet Arrangements

During the year ended December 31, 2010, we entered into a joint venture investment with Forest City Enterprises (NYSE:FCE.A and FCE.B). We acquired a 49% interest in a seven-building life science campus located at University Park in Cambridge, Massachusetts, which is immediately adjacent to the campus of the Massachusetts Institute of Technology. At September 30, 2012, our investment of \$176,579,000 is recorded as an investment in unconsolidated entities on the balance sheet. During the quarter ended September 30, 2012, we entered into a joint venture with Chartwell Seniors Housing REIT (TSX:CSH.UN). We acquired a 50% interest in 39 seniors housing properties. In connection with this transaction, we invested \$223,134,000 of cash which was recorded as an investment in unconsolidated entities on the balance sheet. In addition, at September 30, 2012, we have other investments in unconsolidated entities with our ownership ranging from 10% to 50%. Finally, upon completion of the Sunrise Merger and Management Business Sale, we expect to own interests in certain unconsolidated entities, including property-owning joint ventures and the Management Business Buyer. Please see Notes 7 and 12 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 and movements in foreign currency exchange rates. We may not elect to use financial derivative instruments to hedge these risks. These decisions are principally based on the general trends in these rates at the applicable dates, our perception of the future volatility of these rates and our relative levels of variable rate debt and foreign currency denominated investments. Please see Note 11 to our unaudited consolidated financial statements for additional information.

At September 30, 2012, we had nine outstanding letters of credit obligations totaling \$7,172,000 and expiring between 2013 and 2014. 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, 2012 (in thousands):

Contractual Obligations	Payments Due by Period				
	Total	2012	2013-2014	2015-2016	Thereafter
Unsecured line of credit arrangements	\$ -	\$ -	\$ -	\$ -	\$ -
Senior unsecured notes <sup>(1)</sup>	4,948,546	-	300,000	1,204,143	3,444,403
Secured debt <sup>(1)</sup>	2,712,699	51,303	575,233	669,979	1,416,184
Contractual interest obligations	3,001,553	95,851	708,985	587,320	1,609,497
Capital lease obligations	88,143	2,258	75,095	9,567	-
Operating lease obligations	528,685	2,055	16,790	11,230	-
Purchase obligations	1,690,574	42,569	1,613,645	34,360	-
Other long-term liabilities	5,935	-	475	1,900	-
Total contractual obligations	<u>\$ 12,976,135</u>	<u>\$ 194,036</u>	<u>\$ 3,290,223</u>	<u>\$ 2,518,499</u>	<u>\$ 6,068,477</u>

(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, 2012, we had an unsecured line of credit arrangement with a consortium of 31 banks in the amount of \$2.0 billion, which is scheduled to expire on July 2015. Borrowings under the agreement are subject to interest payable in periods no longer than three months at either the agent bank's prime rate of interest or the applicable margin over LIBOR interest rate, at our option (1.57% at September 30, 2012). The applicable margin is based on certain of our debt ratings and was 1.35% at September 30, 2012. In addition, we pay a facility fee annually to each bank based on the bank's commitment amount. The facility fee depends on certain of our debt ratings and was 0.25% at September 30, 2012. Principal is due upon expiration of the agreement.

We have \$4,694,403,000 of senior unsecured notes principal outstanding with annual fixed interest rates ranging from 3.0% to 6.5%, payable semi-annually. A total of \$494,403,000 of our senior unsecured notes are convertible notes that also contain put features. In addition, we have a \$250,000,000 Canadian denominated unsecured term loan (approximately \$254,143,000 USD at exchange rates on September 30, 2012.) The loan is coterminous with the unsecured revolving credit facility and matures July 27, 2015, with an option to extend for an additional year at our discretion. Total contractual interest obligations on senior unsecured notes and the Canadian term loan totaled \$2,204,370,000 at September 30, 2012.

We have consolidated secured debt with total outstanding principal of \$2,300,521,000, collateralized by owned properties, with fixed annual interest rates ranging from 1.0% to 8.0%, payable monthly. The carrying values of the properties securing the debt totaled \$5,083,684,000 at September 30, 2012. Total contractual interest obligations on consolidated secured debt totaled \$736,398,000 at September 30, 2012.

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

September 30, 2012. Additionally, our share of non-recourse debt associated with unconsolidated joint ventures (as reflected in the contractual obligations table above) is \$412,178,000 at September 30, 2012. Our share of contractual interest obligations on our unconsolidated joint venture (as reflected in the contractual obligations table above) secured debt is \$60,785,000 at September 30, 2012.

At September 30, 2012, we had operating lease obligations of \$528,685,000 relating primarily to ground leases at certain of our properties and office space leases and cap lease obligations of \$88,143,000 relating to certain leased investment properties that contain bargain purchase options.

Purchase obligations include \$1,396,626,000 representing the anticipated cash portion of the Sunrise Merger and Management Business Sale commitments as discussed in Item 12 to our unaudited consolidated financial statements. Purchase obligations also include unfunded construction commitments and contingent purchase obligations. At September 30, 2012, we had outstanding construction financings of \$219,705,000 for leased properties and were committed to providing additional financing of approximately \$217,010,000 to complete construction. At September 30, 2012, we had contingent purchase obligations totaling \$76,933,000. These contingent purchase obligations relate to unfunded capital improvement obligations and contingent obligations on acquisitions. Upon funding, rents 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"). We have a SERP, a non-qualified defined benefit pension plan, which provides certain executive officers with supplemental deferred retirement benefits. The SERP provides an opportunity for participants to receive retirement benefits that cannot be paid under our tax-qualified plans because of the restrictions imposed by ERISA and the Internal Revenue Code of 1986, as amended. Benefits are based on compensation and length of service and the SERP is unfunded. Benefit payments are expected to total \$2,375,000 during the next five fiscal years and \$3,560,000 thereafter. We use a December 31 measurement date for the SERP. The accrued liability on our balance sheet for the SERP was \$6,235,000 and \$5,623,000 at September 30, 2012 and December 31, 2011, respectively.

### Capital Structure

As of September 30, 2012, we had total equity of \$10,522,405,000 and a total debt balance of \$7,236,429,000, which represents a debt to total book capitalization ratio of 31%. Our ratio of debt to market capitalization was 31% at September 30, 2012. For the three months ended September 30, 2012, our interest coverage ratio was 2.94x and our fixed charge coverage ratio was 2.30x. Also, at September 30, 2012, we had \$1,382,252,000 of cash and cash equivalents, \$140,404,000 of restricted cash and \$2,005,000,000 of available borrowing capacity under our unsecured lines of credit arrangements.

Our debt agreements contain various covenants, restrictions and events of default. Certain agreements require us to maintain certain financial ratios and minimum net worth. We impose certain limits on our ability to incur indebtedness, create liens and make investments or acquisitions. As of September 30, 2012, 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 4, 2012, 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, depository shares, warrants and units. As of October 31, 2012, we had an effective registration statement on file in connection with our enhanced dividend reinvestment plan under which we may issue up to 10,000,000 shares of common stock. As of October 31, 2012, 4,391,934 shares of common stock remained available for issuance under this registration statement. We have entered into separate Equity Distribution Agreements with UBS Securities LLC, RBC Securities Inc., KeyBanc Capital Markets Inc. and Credit Agricole Securities (USA) Inc. relating to the offer and sale from time to time of up to \$630,015,000 aggregate amount of our common stock ("Equity Shelf Program"). As of October 31, 2012, we had \$457,112,000 of remaining capacity under the Equity Shelf Program. Depending upon market conditions, we anticipate issuing securities under our registration statements to invest in additional properties and to repay borrowings under our unsecured lines of credit arrangements.

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

**Results of Operations**

Our primary sources of revenue include rent, interest income and resident fees and services. Our primary expenses include interest expense, depreciation and amortization, property operating expenses, transaction costs and general and administrative expenses. These revenues and expenses are reflected in our Consolidated Statements of Comprehensive 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, 2012	September 30, 2011	Amount	%	September 30, 2012	September 30, 2011	Amount	
Net income (loss) attributable to common stockholders	\$ 37,269	\$ 36,607	\$ 662	2%	\$ 131,308	\$ 129,826	\$ 1,482	
Funds from operations	170,725	150,376	20,349	14%	492,511	370,982	121,529	
EBITDA	283,443	256,027	27,416	11%	871,560	704,311	167,249	
Net operating income from continuing operations	329,660	267,603	62,057	23%	943,952	711,104	232,848	
Same store cash NOI	158,802	154,987	3,816	2%	471,160	458,067	13,092	
Per share data (fully diluted):								
Net income (loss) attributable to common stockholders	\$ 0.16	\$ 0.21	\$ (0.05)	-24%	\$ 0.61	\$ 0.76	\$ (0.15)	
Funds from operations	0.75	0.85	(0.10)	-12%	2.30	2.18	0.12	
Interest coverage ratio	2.94x	2.94x	0.00x	0%	3.06x	3.04x	0.02x	
Fixed charge coverage ratio	2.30x	2.29x	0.01x	0%	2.38x	2.39x	-0.01x	

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

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

*Seniors Housing Triple-net*

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

	Three Months Ended		Change		Nine Months Ended		Change	
	September 30, 2012	September 30, 2011	\$	%	September 30, 2012	September 30, 2011	\$	%
<b>Revenues:</b>								
Rental income	\$ 185,384	\$ 158,356	\$ 27,028	17%	\$ 529,553	\$ 404,097	\$ 125,456	
Interest income	6,116	6,810	(694)	-10%	17,977	27,224	(9,247)	
Other income	662	454	208	46%	2,268	4,878	(2,610)	
Net operating income from continuing operations	192,162	165,620	26,542	16%	549,798	436,199	113,599	
<b>Other expenses:</b>								
Interest expense	1,547	1,690	(143)	-8%	4,587	1,531	3,056	
Loss (gain) on derivatives, net	-	-	-	n/a	96	-	96	
Depreciation and amortization	54,189	45,726	8,463	19%	152,702	116,227	36,475	
Transaction costs	5,590	6,080	(490)	-8%	30,796	22,872	7,924	
Loss (gain) on extinguishment of debt, net	126	-	126	n/a	2,363	-	2,363	
Provision for loan losses	27,008	90	26,918	29909%	27,008	90	26,918	
	88,460	53,586	34,874	65%	217,552	140,720	76,832	
Income from continuing operations before income taxes and income (loss) from unconsolidated entities	103,702	112,034	(8,332)	-7%	332,246	295,479	36,767	
Income tax expense	(735)	-	(735)	n/a	(1,505)	-	(1,505)	
Income (loss) from unconsolidated entities	28	(24)	52	n/a	26	(9)	35	
Income from continuing operations	102,995	112,010	(9,015)	-8%	330,767	295,470	35,297	
<b>Discontinued operations:</b>								
Gain (loss) on sales of properties, net	25,348	172	25,176	14637%	57,710	54,514	3,196	
Impairment of assets	(6,952)	-	(6,952)	n/a	(6,952)	(202)	(6,750)	
Income from discontinued operations, net	5,587	5,928	(341)	-6%	18,647	21,417	(2,770)	
Discontinued operations, net	23,983	6,100	17,883	293%	69,405	75,729	(6,324)	
Net income	126,978	118,110	8,868	8%	400,172	371,199	28,973	
Less: Net income attributable to noncontrolling interests	(101)	(99)	(2)	2%	(108)	(214)	106	
Net income attributable to common stockholders	\$ 126,877	\$ 118,011	\$ 8,866	8%	\$ 400,064	\$ 370,985	\$ 29,079	

The increase in rental income is primarily attributable to acquisitions and the conversion of newly constructed seniors housing triple-net properties subsequent to September 2011 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 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

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

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 continue to increase. Sales of real property would offset revenue increases and, to the extent that they exceed new acquisitions, could result in decreased revenues. Our leases could renew above or below current rent rates, resulting in an increase or decrease in rental income. For the three months ended September 30, 2012, we had no lease renewals. We had 13 leases with rental rate increasers ranging from 0.13% to 0.43% in our seniors housing triple-net portfolio. Interest income declined primarily due to non-recurring interest earned in connection with loan payoffs in the prior year.

Interest expense for the nine months ended September 30, 2012 and 2011 represents 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 secured debt housing triple-net property secured debt principal activity (dollars in thousands):

	Three Months Ended				Nine Months Ended			
	September 30, 2012		September 30, 2011		September 30, 2012		September 30, 2011	
	Amount	Wtd. Avg. Interest Rate	Amount	Wtd. Avg. Interest Rate	Amount	Wtd. Avg. Interest Rate	Amount	Wtd. Avg. Interest Rate
Beginning balance	\$ 201,901	5.278%	\$ 261,199	5.109%	\$ 259,000	5.105%	\$ 172,862	5.105%
Debt assumed	26,665	6.064%	-	0.000%	83,002	5.304%	90,120	5.304%
Debt extinguished	(8,052)	6.055%	-	0.000%	(119,647)	4.889%	-	4.889%
Principal payments	(887)	5.422%	(1,198)	5.571%	(2,728)	5.573%	(2,981)	5.573%
Ending balance	<u>\$ 219,627</u>	<u>5.344%</u>	<u>\$ 260,001</u>	<u>5.107%</u>	<u>\$ 219,627</u>	<u>5.344%</u>	<u>\$ 260,001</u>	<u>5.344%</u>
Monthly averages	\$ 202,097	5.281%	\$ 260,619	5.108%	\$ 215,500	5.217%	\$ 212,561	5.217%

In connection with the secured debt extinguishments, we recognized losses of \$126,000 for the three months ended September 30, 2012 and losses of \$2,363,000 for the nine months ended September 30, 2012. In addition, we recognized a \$96,000 loss on derivatives due to certain interest rate swap agreements during the nine months ended September 30, 2012, with \$0 being related to the three months ended September 30, 2012.

We recorded \$27,008,000 of provision for loan losses during the three and nine months ended September 30, 2012. Depreciation and amortization increased as a result of acquisitions and the conversion of newly constructed investment properties subsequent to September 30, 2011. 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 were incurred in connection with acquisitions that occurred during the relevant periods. Transaction costs generally include due diligence costs and fees for legal and valuation services.

During the nine months ended September 30, 2012, we sold 29 seniors housing triple-net properties and recognized net gains of \$57,710,000. Also, at September 30, 2012, we had 31 seniors housing triple-net properties that satisfied the requirements for held for sale treatment. During the three and nine months ended September 30, 2012 we recorded impairment of \$6,952,000 related to properties that are considered held for sale. The following illustrates the reclassification impact as a result of classifying the properties as held for sale subsequent to January 1, 2011 or held for sale at September 30, 2012 as discontinued operations for the periods presented. Please refer to Note 5 to our unaudited consolidated financial statements for further discussion.

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2012	2011	2012	2011
Rental income	\$ 7,027	\$ 11,312	\$ 28,064	\$ 28,064
Expenses:				
Interest expense	1,173	2,420	5,058	5,058
Provision for depreciation	267	2,964	4,359	4,359
Income from discontinued operations, net	<u>\$ 5,587</u>	<u>\$ 5,928</u>	<u>\$ 18,647</u>	<u>\$ 18,647</u>



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

*Seniors Housing Operating*

As discussed in Note 3 to our unaudited consolidated financial statements, we completed additional acquisitions within our seniors housing operating partnerships during nine months ended September 30, 2012. The results of operations for these partnerships have been included in our consolidated results of operations from the dates of acquisition. The seniors housing operating partnerships were formed using the structure authorized by the REIT Investment Diversification and Empowerment Act of 2007 ("RIDEA"). Considering new partnerships utilizing the RIDEA structure, we look for opportunities with best-in-class operators with a strong seasoned leadership team, high-quality real estate in attractive markets, growth potential above the rent escalators in our triple-net lease seniors housing portfolio, and alignment of economic interests with our operating partnerships. Our seniors housing operating partnerships offer us the opportunity for external growth because we have the right to fund future seniors housing investment opportunities sought by our operating partners. The following is a summary of our seniors housing operating results of operations (dollars in thousands):

	Three Months Ended		Change		Nine Months Ended		Change
	September 30, 2012	September 30, 2011	\$	%	September 30, 2012	September 30, 2011	\$
Resident fees and services	\$ 174,464	\$ 125,125	\$ 49,339	39%	\$ 498,295	\$ 319,559	\$ 178,736
Property operating expenses	118,369	86,218	32,151	37%	336,952	219,824	117,128
Net operating income from continuing operations	56,095	38,907	17,188	44%	161,343	99,735	61,608
Other expenses:							
Interest expense	17,474	13,945	3,529	25%	49,537	33,446	16,091
Loss (gain) on derivatives, net	409	-	409	n/a	(1,808)	-	(1,808)
Depreciation and amortization	39,591	39,019	572	1%	123,820	97,326	26,494
Transaction costs	1,966	(305)	2,271	n/a	6,365	32,159	(25,794)
Loss (gain) on extinguishment of debt, net	89	-	89	n/a	(1,089)	-	(1,089)
	59,529	52,659	6,870	13%	176,825	162,931	13,894
Income (loss) from continuing operations before income taxes and income (loss) from unconsolidated entities	(3,434)	(13,752)	10,318	-75%	(15,482)	(63,196)	47,714
Income tax expense	265	-	265	n/a	(486)	-	(486)
Income (loss) from unconsolidated entities	(3,162)	155	(3,317)	n/a	(4,090)	1,305	(5,395)
Net income (loss)	(6,331)	(13,597)	7,266	-53%	(20,058)	(61,891)	41,833
Less: Net income (loss) attributable to noncontrolling interests	(478)	(1,451)	973	-67%	(2,489)	(4,136)	1,647
Net income (loss) attributable to common stockholders	\$ (5,853)	\$ (12,146)	\$ 6,293	-52%	\$ (17,569)	\$ (57,755)	\$ 40,186

Fluctuations in revenues and property operating expenses are primarily a result of acquisitions subsequent to September 30, 2011. The fluctuations in depreciation and amortization are due to acquisitions offset by variations in amortization of short-lived intangible assets. To the extent that we acquire or dispose of additional properties in the future, these amounts will change accordingly. Loss from unconsolidated entities is primarily attributable to depreciation and amortization of short-lived intangible assets related to our joint venture with Chartwell.

Interest expense represents secured debt interest expense. The following is a summary of our seniors housing operating property secured debt principal activity (dollars in thousands):

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

	Three Months Ended				Nine Months Ended			
	September 30, 2012		September 30, 2011		September 30, 2012		September 30, 2011	
	Amount	Weighted Avg. Interest Rate	Amount	Weighted Avg. Interest Rate	Amount	Weighted Avg. Interest Rate	Amount	Weighted Avg. Interest Rate
Beginning balance	\$ 1,377,933	5.203%	\$ 1,099,119	5.394%	\$ 1,318,647	5.125%	\$ 487,705	5.323%
Debt issued	6,318	2.506%	-	0.000%	145,713	4.131%	58,470	5.780%
Debt assumed	-	0.000%	-	0.000%	8,316	5.624%	557,217	5.420%
Debt extinguished	-	0.000%	-	0.000%	(79,990)	2.644%	-	0.000%
Foreign currency	288	5.624%	-	0.000%	288	5.624%	-	0.000%
Principal payments	(5,445)	4.667%	(2,985)	4.980%	(13,880)	4.701%	(7,258)	5.540%
Ending balance	<u>\$ 1,379,094</u>	<u>4.832%</u>	<u>\$ 1,096,134</u>	<u>5.384%</u>	<u>\$ 1,379,094</u>	<u>4.832%</u>	<u>\$ 1,096,134</u>	<u>5.384%</u>
Monthly averages	\$ 1,378,980	4.835%	\$ 1,096,836	5.382%	\$ 1,394,989	4.760%	\$ 1,078,482	5.382%

On July 30, 2012, we completed funding on a \$250,000,000 Canadian denominated unsecured term loan (approximately \$254,143,000 USD at exchange rates on September 30, 2012.) The loan is coterminous with the unsecured revolving credit facility and matures July 27, 2015 with an option to extend for an additional year at our discretion.

In connection with secured debt extinguishments, we recognized gains of \$1,089,000 during the nine months ended September 30, 2012.

During the three months ended September 30, 2012, we recognized \$409,000 of unrealized loss associated with forward contracts in connection with the anticipated Sun merger discussed in Note 12 to our unaudited consolidated financial statements. The forward contracts were used to limit exposure to fluctuations in foreign currency rates. In addition, during the nine months ended September 30, 2012 we recognized a gain of \$2,217,000 associated with our Chartwell transaction discussed in Note 7 to our unaudited consolidated financial statements.

Transaction costs were incurred in connection with acquisitions that occurred during the relevant periods. Transaction costs generally include due diligence costs and fee legal and valuation services, charges associated with the termination of pre-existing relationships computed based on the fair value of the assets acquired and lease terminations.

**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**
**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, 2012	September 30, 2011	\$	%	September 30, 2012	September 30, 2011	
<b>Revenues:</b>							
Rental income	\$ 104,841	\$ 77,582	\$ 27,259	35%	\$ 297,074	\$ 211,122	\$ 85,952
Interest income	1,995	1,048	947	90%	6,154	5,209	945
Other income	400	1,048	(648)	-62%	1,482	3,879	(2,397)
	<u>107,236</u>	<u>79,678</u>	<u>27,558</u>	<u>35%</u>	<u>304,710</u>	<u>220,210</u>	<u>84,500</u>
Property operating expenses	26,110	16,909	9,201	54%	72,654	46,257	26,397
Net operating income from continuing operations	81,126	62,769	18,357	29%	232,056	173,953	58,103
<b>Other expenses:</b>							
Interest expense	9,405	7,394	2,011	27%	27,188	20,215	6,973
Depreciation and amortization	38,370	26,837	11,533	43%	110,531	73,070	37,461
Transaction costs	708	964	(256)	-27%	5,374	1,511	3,863
Provision for loan losses	-	42	(42)	-100%	-	457	(457)
Loss (gain) on extinguishment of debt, net	-	-	-	n/a	(483)	-	(483)
	<u>48,483</u>	<u>35,237</u>	<u>13,246</u>	<u>38%</u>	<u>142,610</u>	<u>95,253</u>	<u>47,357</u>
Income from continuing operations before income taxes and income from unconsolidated entities	32,643	27,532	5,111	19%	89,446	78,700	10,746
Income tax expense	(143)	(110)	(33)	30%	(316)	(262)	(54)
Income from unconsolidated entities	2,395	1,511	884	59%	6,314	2,860	3,454
Income from continuing operations	34,895	28,933	5,962	21%	95,444	81,298	14,146
<b>Discontinued operations:</b>							
Gain (loss) on sales of properties, net	(12,521)	13	(12,534)	n/a	(11,664)	2,051	(13,715)
Income (loss) from discontinued operations, net	264	(165)	429	n/a	682	(856)	1,538
Discontinued operations, net	<u>(12,257)</u>	<u>(152)</u>	<u>(12,105)</u>	<u>7964%</u>	<u>(10,982)</u>	<u>1,195</u>	<u>(12,177)</u>
Net income (loss)	22,638	28,781	(6,143)	-21%	84,462	82,493	1,969
Less: Net income (loss) attributable to noncontrolling interests	12	(136)	148	n/a	140	1,201	(1,061)
Net income (loss) attributable to common stockholders	<u>\$ 22,626</u>	<u>\$ 28,917</u>	<u>\$ (6,291)</u>	<u>-22%</u>	<u>\$ 84,322</u>	<u>\$ 81,292</u>	<u>\$ 3,030</u>

The increases in rental income, property operating expenses and depreciation and amortization are primarily attributable to the acquisitions and construction conversions of medical facilities subsequent to September 30, 2011 from which we receive rent.

Certain of our leases contain annual rental escalators that are contingent upon changes in the Consumer Price Index (CPI). These escalators are not fixed, so no straight-line is recorded; however, rental income is recorded based on the contractual cash rental payments due for the period. If the CPI does not increase, a portion of our revenues may continue to increase. Sales of real property would offset revenue increases and, to the extent that they exceed new acquisitions, could result in decreased revenues. Our leases could renew above or below current rent rates, resulting in an increase or decrease in rental income.

For the three months ended September 30, 2012, our consolidated medical office building portfolio signed 67,397 square feet of new leases and 145,199 square feet of renewals. The weighted average term of these leases was seven years, with a rate of \$20.99 per square foot and tenant improvement and lease commission costs of \$11.75 per square foot. Substantially all of these leases contain an

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

annual fixed rent escalation structure ranging from 1.5% to 3.0%. For the three months ended September 30, 2012, we had no lease renewals and two leases with rent increases ranging from 1.6% to 2.3% in our hospital portfolio.

Other income is attributable to third party management fee income and the decrease from the three and nine months ended September 30, 2011 is primarily attributable to received associated with the settlement of certain third party property management contracts in the prior year.

Interest expense for the three and nine months ended September 30, 2012 and 2011 represents secured debt interest expense offset by interest allocated to discontinued operations. The change in secured debt interest expense is primarily due to the net effect and timing of assumptions, extinguishments and principal amortizations. The following is a summary of our medical facilities secured debt principal activity (dollars in thousands):

	Three Months Ended				Nine Months Ended			
	September 30, 2012		September 30, 2011		September 30, 2012		September 30, 2011	
	Amount	Weighted Avg. Interest Rate	Amount	Weighted Avg. Interest Rate	Amount	Weighted Avg. Interest Rate	Amount	Weighted Avg. Interest Rate
Beginning balance	\$ 695,454	5.947%	\$ 499,640	6.008%	\$ 520,026	5.981%	\$ 463,477	6.005%
Debt assumed	-	0.000%	3,909	7.000%	220,335	5.861%	46,460	6.236%
Debt extinguished	-	0.000%	-	0.000%	(37,622)	5.858%	-	0.000%
Principal payments	(3,513)	6.021%	(3,031)	6.036%	(10,798)	6.130%	(9,419)	6.160%
Ending balance	<u>\$ 691,941</u>	<u>5.947%</u>	<u>\$ 500,518</u>	<u>6.015%</u>	<u>\$ 691,941</u>	<u>5.947%</u>	<u>\$ 500,518</u>	<u>6.015%</u>
Monthly averages	\$ 693,684	5.947%	\$ 499,093	6.014%	\$ 661,406	5.953%	\$ 482,020	6.014%

In connection with secured debt extinguishments, we recognized gains of \$483,000 during the nine months ended September 30, 2012. Transaction costs generally include diligence costs and fees for legal and valuation services. Income from unconsolidated entities represents our share of net income related to our joint venture investments with Forest City Enterprises (effective February 2010) and a strategic medical office partnership (effective January 2011).

During the nine months ended September 30, 2012, we sold thirteen medical facilities for net losses of \$11,664,000. During the three months ended September 30, 2012, we sold our intent regarding the hold period for eight operating medical facilities and agreed to sell the properties resulting in a loss on sale during that period. The following illustrates the reclassification impact as a result of classifying the properties sold subsequent to January 1, 2011 as discontinued operations for the periods presented. Please refer to Note 5 to our unaudited consolidated financial statements for further discussion.

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2012	2011	2012	2011
Rental income	\$ 1,414	\$ 2,835	\$ 5,223	\$
Expenses:				
Interest expense	490	962	1,611	
Property operating expenses	219	944	1,099	
Provision for depreciation	441	1,094	1,831	
Income (loss) from discontinued operations, net	<u>\$ 264</u>	<u>\$ (165)</u>	<u>\$ 682</u>	<u>\$</u>

Net income attributable to noncontrolling interests primarily relates to certain properties that are consolidated in our operating results but where we have less than a 100% ownership interest. The decrease in net income attributable to noncontrolling interests for the nine months ended September 30, 2012 is primarily due to the buyout of a joint partnership during the three months ended March 31, 2011.

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

*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		Change		Nine Months Ended		Change
	September 30, 2012	September 30, 2011	\$	%	September 30, 2012	September 30, 2011	\$
Revenues:							
Other income	\$ 277	\$ 307	\$ (30)	-10%	\$ 755	\$ 1,217	\$ (462)
Expenses:							
Interest expense	66,154	61,400	4,754	8%	198,746	165,335	33,411
General and administrative	23,679	19,735	3,944	20%	77,302	57,009	20,293
	<u>89,833</u>	<u>81,135</u>	<u>8,698</u>	<u>11%</u>	<u>276,048</u>	<u>222,344</u>	<u>53,704</u>
Loss from continuing operations before income taxes	(89,556)	(80,828)	(8,728)	11%	(275,293)	(221,127)	(54,166)
Income tax expense	(223)	(113)	(110)	97%	(1,447)	(301)	(1,146)
Income from continuing operations	(89,779)	(80,941)	(8,838)	11%	(276,740)	(221,428)	(55,312)
Net loss	(89,779)	(80,941)	(8,838)	11%	(276,740)	(221,428)	(55,312)
Less: Preferred stock dividends	16,602	17,234	(632)	-4%	52,527	43,268	9,259
Less: Preferred stock redemption charge	-	-	-	n/a	6,242	-	6,242
Net loss attributable to common stockholders	<u>\$ (106,381)</u>	<u>\$ (98,175)</u>	<u>\$ (8,206)</u>	<u>8%</u>	<u>\$ (335,509)</u>	<u>\$ (264,696)</u>	<u>\$ (70,813)</u>

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		Change		Nine Months Ended		Change
	September 30, 2012	September 30, 2011	\$	%	September 30, 2012	September 30, 2011	\$
Senior unsecured notes	\$ 62,172	\$ 59,340	\$ 2,832	5%	\$ 186,277	\$ 163,241	\$ 23,036
Secured debt	138	155	(17)	-11%	402	431	(29)
Unsecured lines of credit	3,078	1,906	1,172	62%	9,717	3,867	5,850
Capitalized interest	(2,555)	(3,111)	556	-18%	(7,113)	(10,090)	2,977
SWAP savings	(12)	(41)	29	-70%	(92)	(121)	29
Loan expense	3,333	3,151	182	6%	9,555	8,007	1,548
Totals	<u>\$ 66,154</u>	<u>\$ 61,400</u>	<u>\$ 4,754</u>	<u>8%</u>	<u>\$ 198,746</u>	<u>\$ 165,335</u>	<u>\$ 33,411</u>

The change in interest expense on senior unsecured notes is due to the net effect of issuances and extinguishments.

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

The following is a summary of our senior unsecured note principal activity, excluding the \$250,000,000 Canadian denominated unsecured loan which is discussed in the results of operations for the senior housing operating segment (dollars in thousands):

	Three Months Ended				Nine Months Ended			
	September 30, 2012		September 30, 2011		September 30, 2012		September 30, 2011	
	Amount	Weighted Avg. Interest Rate	Amount	Weighted Avg. Interest Rate	Amount	Weighted Avg. Interest Rate	Amount	Weighted Avg. Interest Rate
Beginning balance	\$ 4,939,342	5.133%	\$ 4,464,930	5.133%	\$ 4,464,927	5.133%	\$ 3,064,930	5.129%
Debt issued	-	0.000%	-	0.000%	600,000	4.125%	1,400,000	5.143%
Debt extinguished	(76,853)	8.000%	-	0.000%	(76,853)	8.000%	-	0.000%
Debt redeemed	(168,086)	4.750%	-	0.000%	(293,671)	4.750%	-	0.000%
Ending balance	<u>\$ 4,694,403</u>	<u>5.030%</u>	<u>\$ 4,464,930</u>	<u>5.133%</u>	<u>\$ 4,694,403</u>	<u>5.030%</u>	<u>\$ 4,464,930</u>	<u>5.133%</u>
Monthly averages	\$ 4,855,159	5.025%	\$ 4,464,930	5.133%	\$ 4,968,436	5.017%	\$ 3,864,930	5.133%

The change in interest expense on the unsecured line of credit arrangements is due primarily to the net effect and timing of draws, paydowns and variable interest rate changes. The following is a summary of our unsecured line of credit arrangements (dollars in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Balance outstanding at quarter end	\$ -	\$ 390,000	\$ -	\$ 390,000
Maximum amount outstanding at any month end	\$ 145,000	\$ 390,000	\$ 897,000	\$ 390,000
Average amount outstanding (total of daily principal balances divided by days in period)	\$ 165,000	\$ 140,978	\$ 255,639	\$ 140,978
Weighted average interest rate (actual interest expense divided by average borrowings outstanding)	2.30%	1.61%	1.79%	1.61%

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 balance 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.

General and administrative expenses as a percentage of consolidated revenues (including revenues from discontinued operations) for the three months ended September 30, 2012 and 2011 were 4.99% and 5.13%, respectively. The change from prior year is primarily related to the increasing revenue base as a result of our seniors housing operating partnerships.

The following is a summary of our preferred stock activity (dollars in thousands):

	Three Months Ended				Nine Months Ended			
	September 30, 2012		September 30, 2011		September 30, 2012		September 30, 2011	
	Shares	Weighted Avg. Dividend Rate	Shares	Weighted Avg. Dividend Rate	Shares	Weighted Avg. Dividend Rate	Shares	Weighted Avg. Dividend Rate
Beginning balance	26,224,854	6.493%	25,724,854	7.013%	25,724,854	7.013%	11,349,854	7.663%
Shares issued	-	0.000%	-	0.000%	11,500,000	6.500%	14,375,000	6.500%
Shares redeemed	-	0.000%	-	0.000%	(11,000,000)	7.716%	-	0.000%
Ending balance	<u>26,224,854</u>	<u>6.493%</u>	<u>25,724,854</u>	<u>7.013%</u>	<u>26,224,854</u>	<u>6.493%</u>	<u>25,724,854</u>	<u>7.013%</u>
Monthly averages	26,224,854	6.493%	25,724,854	7.013%	27,174,854	6.829%	19,564,140	7.175%

In connection with the preferred stock redemptions, we recognized charges of \$6,242,000 for the nine months ended September 30, 2012.

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

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

Net operating income from continuing operations ("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. Property operating expenses represent costs associated with managing, maintaining and servicing tenants for our seniors housing operating and medical facility properties. These expenses include, but are not limited to, property-related payroll and benefits, property management fees, marketing, housekeeping, food service, maintenance, utilities, property taxes and insurance. General and administrative expenses represent costs unrelated to property operations or transaction costs. These expenses include, but are not limited to, payroll and benefits, professional services, office expenses and depreciation of corporate fixed assets. Same store cash NOI ("SSCNOI") is used to evaluate the cash-based operating performance of our properties under a consistent population which eliminates changes in the composition of our portfolio. As used herein, same store is defined as revenue-generating properties in the portfolio for the reporting period January 1, 2011 to September 30, 2012. Properties acquired, developed or classified in discontinued operations during that period are excluded from the same store amounts. We believe NOI and SSCNOI provide investors relevant and useful information because they measure operating performance of our properties at the property level on an unleveraged basis. We use NOI and SSCNOI 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 primary unsecured line of credit arrangement and Canadian denominated term loan contains a financial ratio based on a definition of EBITDA that is superior to that agreement. Failure to satisfy these covenants could result in an event of default that could have a material adverse impact on our cost and availability of capital, which in turn have a material adverse impact on our consolidated results of operations, liquidity and/or financial condition. Due to the materiality of these debt agreements and the financial covenants, we have disclosed Adjusted EBITDA, which represents EBITDA as defined above and adjusted for stock-based compensation expense, provision for losses and gain/loss on extinguishment of debt. We use Adjusted EBITDA to measure our adjusted fixed charge coverage ratio, which represents Adjusted EBITDA divided by fixed charges on a trailing twelve months basis. Fixed charges include total interest (excluding capitalized interest and non-cash interest expenses), secured debt principal amortization and preferred dividends. Effective July 27, 2011, our covenant requires an adjusted fixed charge ratio of at least 1.50 times.

Other than Adjusted EBITDA, our supplemental reporting measures and similarly entitled financial measures are widely used by investors, equity and debt analysts and rating agencies in the valuation, comparison, rating and investment recommendations of companies. Management uses these financial measures to facilitate internal and external comparisons to our historical operating results and in making operating decisions. Additionally, these measures are utilized by the Board of Directors to evaluate management. Adjusted EBITDA is used solely to determine our compliance with a financial covenant in our primary line of credit arrangement and Canadian denominated term loan and is 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.

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

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 entity amounts represent our share of unconsolidated entity depreciation and amortization. Amounts are in thousands except for per share data.

	Three Months Ended						
	March 31, 2011	June 30, 2011	September 30, 2011	December 31, 2011	March 31, 2012	June 30, 2012	September 30, 2012
<b>FFO Reconciliation:</b>							
Net income (loss) attributable to common stockholders	\$ 23,372	\$ 69,847	\$ 36,607	\$ 27,282	\$ 39,307	\$ 54,735	\$
Depreciation and amortization	74,768	111,053	115,640	122,144	127,422	132,963	
Impairment of assets	202	-	-	11,992	-	-	
Loss (gain) on sales of properties, net	(26,156)	(30,224)	(185)	(4,594)	(769)	(32,450)	
Noncontrolling interests	(4,160)	(4,487)	(4,706)	(5,318)	(4,990)	(5,190)	
Unconsolidated entities	3,027	3,364	3,020	2,892	2,887	7,873	
Funds from operations	\$ 71,053	\$ 149,553	\$ 150,376	\$ 154,398	\$ 163,857	\$ 157,931	\$
<b>Average common shares outstanding:</b>							
Basic	154,945	176,445	177,272	185,913	199,661	213,498	
Diluted	155,485	177,487	177,849	186,529	201,658	215,138	
<b>Per share data:</b>							
Net income attributable to common stockholders							
Basic	\$ 0.15	\$ 0.40	\$ 0.21	\$ 0.15	\$ 0.20	\$ 0.26	\$
Diluted	0.15	0.39	0.21	0.15	0.19	0.25	
<b>Funds from operations</b>							
Basic	\$ 0.46	\$ 0.85	\$ 0.85	\$ 0.83	\$ 0.82	\$ 0.74	\$
Diluted	0.46	0.84	0.85	0.83	0.81	0.73	

	September 30,	
	2011	2012
<b>FFO Reconciliation:</b>		
Net income attributable to common stockholders	\$	129,826
Depreciation and amortization		301,461
Impairment of assets		202
Loss (gain) on sales of properties, net		(56,565)
Noncontrolling interests		(13,353)
Unconsolidated entities		9,411
Funds from operations	\$	370,982
<b>Average common shares outstanding:</b>		
Basic		169,636
Diluted		170,301
<b>Per share data:</b>		
Net income attributable to common stockholders		
Basic	\$	0.77
Diluted		0.76
<b>Funds from operations</b>		
Basic	\$	2.19
Diluted		2.18



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

The table below reflects 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, 2011	June 30, 2011	September 30, 2011	December 31, 2011	March 31, 2012	June 30, 2012	September 30, 2012
<b>EBITDA Reconciliation:</b>							
Net income	\$ 31,810	\$ 86,208	\$ 52,353	\$ 42,343	\$ 57,458	\$ 76,875	\$ 96,762
Interest expense	59,330	84,773	87,811	90,084	93,722	96,762	96,762
Income tax expense	129	211	223	825	1,470	1,447	1,447
Depreciation and amortization	74,768	111,053	115,640	122,144	127,422	132,963	132,963
<b>EBITDA</b>	<b>\$ 166,037</b>	<b>\$ 282,245</b>	<b>\$ 256,027</b>	<b>\$ 255,396</b>	<b>\$ 280,072</b>	<b>\$ 308,047</b>	<b>\$ 308,047</b>
<b>Interest Coverage Ratio:</b>							
Interest expense	\$ 59,330	\$ 84,773	\$ 87,811	\$ 90,084	\$ 93,722	\$ 96,762	\$ 96,762
Non-cash interest expense	(3,716)	(2,698)	(3,714)	(3,777)	(3,693)	(2,849)	(2,849)
Capitalized interest	4,665	2,313	3,111	3,074	2,420	2,140	2,140
Total interest	60,279	84,388	87,208	89,381	92,449	96,053	96,053
<b>EBITDA</b>	<b>\$ 166,037</b>	<b>\$ 282,245</b>	<b>\$ 256,027</b>	<b>\$ 255,396</b>	<b>\$ 280,072</b>	<b>\$ 308,047</b>	<b>\$ 308,047</b>
Interest coverage ratio	2.75x	3.34x	2.94x	2.86x	3.03x	3.21x	3.21x
<b>Fixed Charge Coverage Ratio:</b>							
Total interest	\$ 60,279	\$ 84,388	\$ 87,208	\$ 89,381	\$ 92,449	\$ 96,053	\$ 96,053
Secured debt principal payments	5,906	7,011	7,204	7,683	8,529	9,567	9,567
Preferred dividends	8,680	17,353	17,234	17,234	19,207	16,719	16,719
Total fixed charges	74,865	108,752	111,646	114,298	120,185	122,339	122,339
<b>EBITDA</b>	<b>\$ 166,037</b>	<b>\$ 282,245</b>	<b>\$ 256,027</b>	<b>\$ 255,396</b>	<b>\$ 280,072</b>	<b>\$ 308,047</b>	<b>\$ 308,047</b>
Fixed charge coverage ratio	2.22x	2.60x	2.29x	2.23x	2.33x	2.52x	2.52x

	Nine Months Ended	
	September 30, 2011	September 30, 2012
<b>EBITDA Reconciliation:</b>		
Net income	\$ 170,373	\$ 231,914
Interest expense	231,914	231,914
Income tax expense	563	563
Depreciation and amortization	301,461	301,461
<b>EBITDA</b>	<b>\$ 704,311</b>	<b>\$ 704,311</b>
<b>Interest Coverage Ratio:</b>		
Interest expense	\$ 231,914	\$ 231,914
Non-cash interest expense	(10,128)	(10,128)
Capitalized interest	10,090	10,090
Total interest	231,876	231,876
<b>EBITDA</b>	<b>\$ 704,311</b>	<b>\$ 704,311</b>
Interest coverage ratio	3.04x	3.04x
<b>Fixed Charge Coverage Ratio:</b>		
Total interest	\$ 231,876	\$ 231,876
Secured debt principal payments	20,121	20,121
Preferred dividends	43,268	43,268
Total fixed charges	295,265	295,265
<b>EBITDA</b>	<b>\$ 704,311</b>	<b>\$ 704,311</b>
Fixed charge coverage ratio	2.39x	2.39x

**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, 2011	June 30, 2011	September 30, 2011	December 31, 2011	March 31, 2012	June 30, 2012	September 30, 2012
<b>Adjusted EBITDA Reconciliation:</b>							
Net income	\$ 129,001	\$ 164,146	\$ 216,407	\$ 212,716	\$ 238,363	\$ 229,029	\$ 199,000
Interest expense	190,305	237,528	280,354	321,998	356,390	368,379	368,379
Income tax expense	407	430	601	1,388	2,729	3,965	3,965
Depreciation and amortization	233,731	297,333	360,580	423,605	476,259	498,169	498,169
Stock-based compensation expense	9,866	10,350	11,106	10,786	16,552	16,177	16,177
Provision for loan losses	29,932	30,100	1,314	2,010	1,762	1,595	1,595
Loss (gain) on extinguishment of debt, net	16,134	9,099	-	(979)	(979)	(403)	(403)
<b>Adjusted EBITDA</b>	<b>\$ 609,376</b>	<b>\$ 748,986</b>	<b>\$ 870,362</b>	<b>\$ 971,524</b>	<b>\$ 1,091,076</b>	<b>\$ 1,116,911</b>	<b>\$ 1,116,911</b>
<b>Adjusted Fixed Charge Coverage Ratio:</b>							
Interest expense	\$ 190,305	\$ 237,528	\$ 280,354	\$ 321,998	\$ 356,390	\$ 368,379	\$ 368,379
Capitalized interest	18,381	15,418	14,873	13,164	10,919	10,745	10,745
Non-cash interest expense	(14,820)	(13,859)	(13,315)	(13,905)	(13,882)	(14,033)	(14,033)
Secured debt principal payments	19,180	21,866	25,051	27,804	30,427	32,983	32,983
Preferred dividends	24,816	36,685	48,572	60,501	71,028	70,394	70,394
Total fixed charges	237,862	297,638	355,535	409,562	454,882	468,468	468,468
<b>Adjusted EBITDA</b>	<b>\$ 609,376</b>	<b>\$ 748,986</b>	<b>\$ 870,362</b>	<b>\$ 971,524</b>	<b>\$ 1,091,076</b>	<b>\$ 1,116,911</b>	<b>\$ 1,116,911</b>
Adjusted fixed charge coverage ratio	2.56x	2.52x	2.45x	2.37x	2.40x	2.38x	2.38x

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

The following tables reflect the reconciliation of NOI and SSCNOI to net income attributable to common stockholders, the most directly comparable U.S. GAAP measure of the periods presented. Amounts are in thousands.

	Three Months Ended						
	March 31, 2011	June 30, 2011	September 30, 2011	December 31, 2011	March 31, 2012	June 30, 2012	September 30, 2012
<b>NOI Reconciliation:</b>							
Total revenues:							
Seniors housing triple-net	\$ 100,861	\$ 169,718	\$ 165,620	\$ 174,436	\$ 174,799	\$ 182,837	\$ 182,837
Seniors housing operating	71,286	123,148	125,125	136,668	158,176	165,655	165,655
Medical facilities	66,544	73,988	79,678	83,971	95,619	101,855	101,855
Non-segment/corporate	532	378	307	53	235	243	243
Total revenues	239,223	367,232	370,730	395,128	428,829	450,590	450,590
Property operating expenses:							
Seniors housing operating	49,272	84,334	86,218	94,318	107,243	111,340	111,340
Medical facilities	14,117	15,231	16,909	18,180	21,807	24,737	24,737
Total property operating expenses	63,389	99,565	103,127	112,498	129,050	136,077	136,077
Net operating income:							
Seniors housing triple-net	100,861	169,718	165,620	174,436	174,799	182,837	182,837
Seniors housing operating	22,014	38,814	38,907	42,350	50,933	54,315	54,315
Medical facilities	52,427	58,757	62,769	65,791	73,812	77,118	77,118
Non-segment/corporate	532	378	307	53	235	243	243
Net operating income from continuing operations	175,834	267,667	267,603	282,630	299,779	314,513	314,513
Reconciling items:							
Interest expense	(55,410)	(80,688)	(84,429)	(87,001)	(91,260)	(94,218)	(94,218)
Loss (gain) on derivatives, net	-	-	-	-	(555)	2,676	2,676
Depreciation and amortization	(68,727)	(106,314)	(111,582)	(117,929)	(123,972)	(130,931)	(130,931)
General and administrative	(17,714)	(19,562)	(19,735)	(20,190)	(27,751)	(25,870)	(25,870)
Transaction costs	(36,065)	(13,738)	(6,739)	(13,682)	(5,579)	(28,691)	(28,691)
Loss (gain) on extinguishment of debt, net	-	-	-	979	-	(576)	(576)
Provision for loan losses	(248)	(168)	(132)	(1,463)	-	-	-
Income tax benefit (expense)	(129)	(211)	(223)	(825)	(1,470)	(1,447)	(1,447)
Income from unconsolidated entities	1,543	971	1,642	1,616	1,532	1,456	1,456
Income (loss) from discontinued operations, net	32,726	38,251	5,948	(1,792)	6,735	39,963	39,963
Preferred dividends	(8,680)	(17,353)	(17,234)	(17,234)	(19,207)	(16,719)	(16,719)
Preferred stock redemption charge	-	-	-	-	-	(6,242)	(6,242)
Loss (income) attributable to noncontrolling interests	242	992	1,488	2,173	1,055	821	821
	(152,462)	(197,820)	(230,996)	(255,348)	(260,472)	(259,778)	(259,778)
Net income (loss) attributable to common stockholders	\$ 23,372	\$ 69,847	\$ 36,607	\$ 27,282	\$ 39,307	\$ 54,735	\$ 54,735

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

	Three Months Ended					
	March 31,	June 30,	September 30,	March 31,	June 30,	September
	2011	2011	2011	2012	2012	2012
<b>Same Store Cash NOI Reconciliation:</b>						
Net operating income from continuing operations:						
Seniors housing triple-net	\$ 100,861	\$ 169,718	\$ 165,620	\$ 174,799	\$ 182,837	\$
Seniors housing operating	22,014	38,814	38,907	50,933	54,315	
Medical facilities	52,427	58,757	62,769	73,812	77,118	
Total	<u>175,302</u>	<u>267,289</u>	<u>267,296</u>	<u>299,544</u>	<u>314,270</u>	
Adjustments:						
Seniors housing triple-net:						
Non-cash NOI on same store properties	(3,480)	(2,673)	(2,148)	(1,837)	(1,392)	
NOI attributable to non same store properties	(13,547)	(83,726)	(77,535)	(86,451)	(95,328)	
Subtotal	<u>(17,027)</u>	<u>(86,399)</u>	<u>(79,683)</u>	<u>(88,288)</u>	<u>(96,720)</u>	
Seniors housing operating:						
NOI attributable to non same store properties	(736)	(16,669)	(16,714)	(28,022)	(31,172)	
Subtotal	<u>(736)</u>	<u>(16,669)</u>	<u>(16,714)</u>	<u>(28,022)</u>	<u>(31,172)</u>	
Medical facilities:						
Non-cash NOI on same store properties	(2,352)	(2,358)	(2,254)	(1,968)	(1,843)	
NOI attributable to non same store properties	(3,510)	(10,460)	(13,658)	(24,834)	(28,610)	
Subtotal	<u>(5,862)</u>	<u>(12,818)</u>	<u>(15,912)</u>	<u>(26,802)</u>	<u>(30,453)</u>	
Same store cash net operating income:						
Properties	320	83,834	83,319	85,937	86,511	86,117
Seniors housing triple-net	65	21,278	22,145	22,911	23,143	
Seniors housing operating	153	46,565	45,939	47,010	46,665	
Medical facilities	538	151,677	151,403	156,432	155,925	\$
Total	<u>\$ 151,677</u>	<u>\$ 151,403</u>	<u>\$ 154,987</u>	<u>\$ 156,432</u>	<u>\$ 155,925</u>	<u>\$</u>

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

	Nine Months Ended	
	September 30, 2011	September 30, 2012
<b>NOI Reconciliation:</b>		
Total revenues:		
Seniors housing triple-net	\$ 436,199	\$
Seniors housing operating	319,559	
Medical facilities	220,210	
Non-segment/corporate	1,217	
Total revenues	<u>977,185</u>	<u>1,</u>
Property operating expenses:		
Seniors housing operating	219,824	
Medical facilities	46,257	
Total property operating expenses	<u>266,081</u>	
Net operating income:		
Seniors housing triple-net	436,199	
Seniors housing operating	99,735	
Medical facilities	173,953	
Non-segment/corporate	1,217	
Net operating income from continuing operations	<u>711,104</u>	
Reconciling items:		
Interest expense	(220,527)	(2
Loss (gain) on derivatives, net	-	(3
Depreciation and amortization	(286,623)	(
General and administrative	(57,009)	(
Transaction costs	(56,542)	(
Loss (gain) on extinguishment of debt, net	-	(
Provision for loan losses	(547)	(
Income tax benefit (expense)	(563)	(
Income from unconsolidated entities	4,156	(
Income (loss) from discontinued operations, net	76,924	(
Preferred dividends	(43,268)	(
Preferred stock redemption charge	-	(
Loss (income) attributable to noncontrolling interests	2,721	(E
	<u>(581,278)</u>	<u>(E</u>
Net income (loss) attributable to common stockholders	<u>\$ 129,826</u>	<u>\$</u>

## 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. Management believes its 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 2 to the financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2011, as updated by our Current Report on Form 8-K filed on August 6, 2012, for further information regarding significant accounting policies that impact us. There have been no material changes to these policies in 2012.

### 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 facilities; the performance of its operators/tenants at facilities; its ability to enter into agreements with viable new tenants for vacant space or for facilities that the company takes back from financially troubled tenants, if any; its occupancy rates; its ability to acquire, develop and/or manage facilities; its ability to make distributions to stockholders; its policies and plans regarding investments, financing and other matters; its ability to manage the risks associated with international expansion and operations; its tax status as a real estate investment trust; its critical accounting policies; its ability to appropriately balance the use of debt and equity; its ability to access capital markets or other sources of funds; 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, seniors housing and life science industries; negative developments in the operating results or financial condition of operators/tenants, including, but not limited to, their ability to pay rent and repay loans; 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 facilities; 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 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 facilities; changes in rules or practices governing the company's financial reporting; the movement of foreign currency exchange rates; 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, 2011, as updated by our Current Report on Form 8-K filed on August 6, 2012, 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 its forward-looking statements.

### 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 and foreign currency exchange rates. We seek to mitigate underlying foreign currency exposures with gains and losses on derivative contracts hedging these exposures. We seek to mitigate the effects of fluctuations in interest rates 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 primary unsecured line of credit arrangement to acquire, construct or make loans relating to health care and seniors housing properties. The market conditions dictate, we will issue equity or long-term fixed rate debt to repay the borrowings under the unsecured line of credit arrangements.

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 repaid 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, 2012		December 31, 2011	
	Principal balance	Change in fair value	Principal balance	Change in fair value
Senior unsecured notes	\$ 4,948,546	\$ (360,939)	\$ 4,464,927	\$ (360,939)
Secured debt	1,976,913	(89,150)	1,693,283	(89,150)
Totals	\$ 6,925,459	\$ (450,089)	\$ 6,158,210	\$ (450,089)

As of September 30, 2012, we had five interest rate swaps for a total aggregate notional amount of \$101,040,000. The swaps hedge interest payments associated with long-term LIBOR based borrowings and mature between December 31, 2012 and December 31, 2013.

Our variable rate debt, including our unsecured line of credit arrangements, is reflected at cost which approximates fair value. At September 30, 2012, we had \$0 outstanding related to our variable rate lines of credit and \$223,270,000 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 \$2,233,000. At December 31, 2011, we had \$610,000,000 outstanding related to our variable rate lines of credit and \$415,101,000 outstanding related to our variable rate secured debt. Assuming no changes in outstanding balances, a 1% increase in interest rates would have resulted in increased annual interest expense of \$10,251,000.

On July 31, 2012, we entered into a \$250,000,000 Canadian Dollar term loan which has been designated as a net investment hedge of our Chartwell investment. At September 30, 2012, we had \$254,143,000 outstanding related to this loan. Assuming no changes in outstanding balances, a 1% increase in interest rates would have resulted in increased annual interest expense of \$2,541,000.

On August 30, 2012, we entered into two cross currency swaps to purchase \$125,000,000 Pound Sterling. The swaps were used to limit exposure to fluctuations in the Pound Sterling to U.S. Dollar exchange rate associated with our initial cash investment funded for the Sunrise transaction discussed in Note 12 to our unaudited consolidated financial statements.

On September 17, 2012, we entered into two forward exchange contracts to purchase \$14,000,000 Canadian Dollars and \$23,000,000 Pound Sterling at a fixed rate in the future. The forward contracts were used to limit exposure to fluctuations in foreign currency associated with the Sunrise transaction discussed in Note 12 to our unaudited consolidated financial statements.

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

For additional information regarding fair values of financial instruments, see "Item 2 — Management's Discussion and Analysis of

**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 were 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 materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**PART II. OTHER INFORMATION**

**Item 1. Legal Proceedings**

In August 2012, we entered into the Merger Agreement with Sunrise. Please see Note 12 to our unaudited consolidated financial statements for additional information. Following the announcement of the Merger Agreement, complaints were filed in the U.S. District Court for the Eastern District of Virginia and the Chancery Court for the State of Delaware challenging the Merger.

The complaints challenge the Merger on behalf of a putative class of Sunrise public stockholders, and name as defendants Sunrise, its directors and the company. The complaints generally allege that the individual defendants breached their fiduciary duties in connection with the Merger and that the entity defendants aided and abetted that breach. The complaint filed in the U.S. District Court for the Eastern District of Virginia additionally alleges that the preliminary proxy statement filed with the SEC by Sunrise fails to provide material information in violation of Sections 14(a) and 20(a) of the Exchange Act and Rule 14a-9 promulgated thereunder. The complaints seek, among other things, injunctive relief against the Merger, unspecified damages and an award of plaintiffs’ expenses, including attorneys’ fees.

The outcomes of these lawsuits are uncertain and cannot be predicted with any certainty. A preliminary injunction could delay or jeopardize the completion of the Merger and an adverse judgment granting permanent injunctive relief could indefinitely enjoin completion of the Merger. The defendants believe that the claims asserted against them in these lawsuits are without merit, and they intend to defend themselves vigorously against the claims.

**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, 2011, as updated by our Current Report on Form 8-K filed on August 6, 2012.

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

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased <sup>(1)</sup>	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs <sup>(2)</sup>	Maximum Number of Shares That May Yet Be Purchased Under the Plans or Programs
July 1, 2012 through July 31, 2012	4,028	\$ 60.67		
August 1, 2012 through August 31, 2012	-	-		
September 1, 2012 through September 30, 2012	240	58.27		
Totals	4,268	\$ 60.54		

(1) During the three months ended September 30, 2012, the company acquired shares of common stock held by employees who tendered owned shares to satisfy tax withholding obligations.

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



**Item 6. Exhibits**

- 2.1 Agreement and Plan of Merger, dated as of August 21, 2012, by and among Sunrise Senior Living, Inc., Brewer Holdco, Inc., Brewer Holdco Sub, Inc., the company and Red Fox, Inc. (the exhibits and schedules to the Agreement and Plan of Merger have been omitted pursuant to Item 601(b)(2) of Regulation S-K) (filed with the SEC as Exhibit 2.1 to the company's Form 8-K filed August 22, 2012 (File No. 001-08923), and incorporated herein by reference thereto).
- 10.1 Summary of Director Compensation
- 12 Statement Regarding Computation of Ratio of Earnings to Fixed Charges and Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends (Unaudited)
- 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\*

\* 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, 2012 and December 31, 2011, (ii) the Consolidated Statements of Comprehensive Income for the three and nine months ended September 30, 2012 and 2011, (iii) the Consolidated Statements of Equity for the nine months ended September 30, 2012 and 2011, (iv) the Consolidated Statements of Cash Flows for the nine months ended September 30, 2012 and 2011 and (v) the Notes to Unaudited Consolidated Financial Statements.

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 7, 2012

By: /s/ GEORGE L. CHAPMAN  
George L. Chapman,  
Chairman, Chief Executive Officer and President  
(Principal Executive Officer)

Date: November 7, 2012

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

Date: November 7, 2012

By: /s/ PAUL D. NUNGESTER, JR.  
Paul D. Nungester, Jr.,  
Senior Vice President and Controller  
(Principal Accounting Officer)



**HEALTH CARE REIT, INC.**

**Summary of Director Compensation**

For each calendar year, each non-employee member of the Board of Directors of Health Care REIT, Inc. (the "Company") will receive an annual retainer of \$80,000 in three equal quarterly installments. Additionally, the chairs of the Audit Committee, the Compensation Committee and the Nominating/Corporate Governance Committee will receive an additional retainer of \$15,000. If the Board of Directors holds more than four meetings in a year, each non-employee member of the Board will receive \$1,000 for each meeting attended in excess of four meetings. With respect to the Audit, Compensation, Executive and Nominating/Corporate Governance Committees, if any of them holds more than four meetings in a year, each non-employee member of these committees will receive \$1,000 for each meeting attended in excess of four meetings. With respect to strategic planning sessions of the Executive Committee, each non-employee member of the Executive Committee will receive \$7,500 as a one-time fee for each meeting attended that is held at a separate location from a meeting of the Board of Directors and \$750 for each meeting attended that is held telephonically or by video conference as a meeting of the Board of Directors.

Each of the non-employee directors will receive, in each calendar year, a grant of deferred stock units with a value of \$95,000, pursuant to the Company's Restated 2005 Long-Term Incentive Plan. The deferred stock units will be convertible into shares of common stock of the Company in three equal installments on the third, sixth and ninth anniversaries of the date of the grant. Recipients of the deferred stock units also will be entitled to dividend equivalent rights.

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**STATEMENT REGARDING COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES AND RATIO OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS (UNAUDITED)**

	Year Ended December 31,					Nine Months Ended
	2007	2008	2009	2010	2011	2011
	(dollars in thousands)					
<b>Earnings:</b>						
Pretax income from continuing operations before adjustment for income or loss from equity investees <sup>(1)</sup>	\$ 76,934	\$ 109,176	\$ 123,952	\$ 51,789	\$ 133,199	\$ 89,856
Fixed charges	112,192	122,423	115,904	147,995	306,788	220,489
Capitalized interest	(12,526)	(25,029)	(41,170)	(20,792)	(13,164)	(10,090)
Amortized premiums, discounts and capitalized expenses related to indebtedness	8,413	11,231	11,898	13,945	13,905	10,128
Noncontrolling interest in pre-tax income of subsidiaries that have not incurred fixed charges	(238)	(126)	342	(357)	4,894	2,721
<b>Earnings</b>	<b>\$ 184,775</b>	<b>\$ 217,675</b>	<b>\$ 210,926</b>	<b>\$ 192,580</b>	<b>\$ 445,622</b>	<b>\$ 313,104</b>
<b>Fixed charges:</b>						
Interest expense <sup>(1)</sup>	\$ 108,079	\$ 108,625	\$ 86,632	\$ 141,148	\$ 307,529	\$ 220,527
Capitalized interest	12,526	25,029	41,170	20,792	13,164	10,090
Amortized premiums, discounts and capitalized expenses related to indebtedness	(8,413)	(11,231)	(11,898)	(13,945)	(13,905)	(10,128)
<b>Fixed charges</b>	<b>\$ 112,192</b>	<b>\$ 122,423</b>	<b>\$ 115,904</b>	<b>\$ 147,995</b>	<b>\$ 306,788</b>	<b>\$ 220,489</b>
<b>Consolidated ratio of earnings to fixed charges</b>	<b>1.65</b>	<b>1.78</b>	<b>1.82</b>	<b>1.30</b>	<b>1.45</b>	<b>1.42</b>
<b>Earnings:</b>						
Pretax income from continuing operations before adjustment for income or loss from equity investees <sup>(1)</sup>	\$ 76,934	\$ 109,176	\$ 123,952	\$ 51,789	\$ 133,199	\$ 89,856
Fixed charges	112,192	122,423	115,904	147,995	306,788	220,489
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<b>Fixed charges</b>	<b>112,192</b>	<b>122,423</b>	<b>115,904</b>	<b>147,995</b>	<b>306,788</b>	<b>220,489</b>
Preferred stock dividends	25,130	23,201	22,079	21,645	60,502	43,268
<b>Combined fixed charges and preferred stock dividends</b>	<b>\$ 137,322</b>	<b>\$ 145,624</b>	<b>\$ 137,983</b>	<b>\$ 169,640</b>	<b>\$ 367,290</b>	<b>\$ 263,757</b>
<b>Consolidated ratio of earnings to combined fixed charges and preferred stock dividends</b>	<b>1.35</b>	<b>1.49</b>	<b>1.53</b>	<b>1.14</b>	<b>1.21</b>	<b>1.19</b>

(1) We have reclassified the income and expenses attributable to the properties sold prior to or held for sale at September 30, 2012 to discontinued operations.



## 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 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 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 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, such that the material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities 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 board of directors 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 7, 2012

/s/ GEORGE L. CHAPMAN

George L. Chapman,  
Chief Executive Officer

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**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 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 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, such that the material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities 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 board of directors 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 7, 2012

/s/ SCOTT A. ESTES

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Scott A. Estes,  
Chief Financial Officer



**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 U.S.C. Section 1350), that (i) the Quarterly Report on Form 10-Q for the Company for the quarter ended September 30, 2012 (the "Report"), fully complies with the 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 results of operations of the Company.

/s/ GEORGE L. CHAPMAN

George L. Chapman,  
Chief Executive Officer  
Date: November 7, 2012

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 Exchange Commission or its staff upon request.

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**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 (Section 1350), that (i) the Quarterly Report on Form 10-Q for the Company for the quarter ended September 30, 2012 (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

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Scott A. Estes,

Chief Financial Officer

Date: November 7, 2012

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.

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