

VENTAS INC
Form 424B2
January 08, 2015

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Filed pursuant to Rule 424(b)(2)
Registration Statement Nos. 333-180521 and 333-180521-01

CALCULATION OF REGISTRATION FEE

Title of each Class of Securities to be Registered	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee(1)
3.500% Senior Notes due 2025	\$597,978,000	\$69,485.04
4.375% Senior Notes due 2045	\$298,500,000	\$34,685.70

(1)

Calculated in accordance with Rule 456(b) and 457(r) of the Securities Act of 1933.

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(To prospectus dated April 2, 2012)

Ventas Realty, Limited Partnership
\$600,000,000 3.500% Senior Notes due 2025
\$300,000,000 4.375% Senior Notes due 2045
Fully and unconditionally guaranteed by Ventas, Inc.

Ventas Realty, Limited Partnership, a wholly owned subsidiary of Ventas, Inc., is offering \$600 million aggregate principal amount of its 3.500% senior notes due 2025 and \$300 million aggregate principal amount of its 4.375% senior notes due 2045. We collectively refer to both series of notes offered hereby as the notes.

The notes due 2025 will bear interest at a rate of 3.500% per annum, and the notes due 2045 will bear interest at a rate of 4.375% per annum. Interest on each series of notes will be payable semi-annually in arrears on February 1 and August 1 of each year, commencing on August 1, 2015. Interest on each series of notes will accrue from January 14, 2015. The notes due 2025 will mature on February 1, 2025, and the notes due 2045 will mature on February 1, 2045. The notes will be unconditionally guaranteed on a senior unsecured basis by Ventas, Inc.

The issuer may redeem the notes of a series, in whole, at any time, or from time to time in part, prior to their stated maturity. The redemption price for notes due 2025 that are redeemed before November 1, 2024 and for notes due 2045 that are redeemed before August 1, 2044 will be equal to (i) 100% of their principal amount, together with accrued and unpaid interest thereon, if any, to (but excluding) the date of redemption, plus (ii) a make-whole premium. The redemption price for notes due 2025 that are redeemed on or after November 1, 2024 and for notes due 2045 that are redeemed on or after August 1, 2044 will be equal to 100% of their principal amount, together with accrued and unpaid interest thereon, if any, to (but excluding) the date of redemption, and will not include a make-whole premium.

Each series of notes and the related guarantee will be part of the issuer's and Ventas, Inc.'s respective general unsecured obligations, ranking equal in right of payment with all of each such entity's existing and future senior unsecured indebtedness and ranking senior in right of payment to all of each such entity's existing and future subordinated indebtedness. However, the notes and the guarantees will be effectively subordinated to all of each such entity's secured borrowings to the extent of the assets securing those obligations and structurally subordinated to the indebtedness and other obligations of Ventas, Inc.'s subsidiaries (other than the issuer).

Investing in the notes involves risks. See "Risk Factors" beginning on page S-5 of this prospectus supplement.

	Per Note due 2025	Total	Per Note due 2045	Total
Public offering price(1)	99.663%	\$ 597,978,000	99.500%	\$ 298,500,000
Underwriting discounts	0.65%	\$ 3,900,000	0.875%	\$ 2,625,000
Proceeds, before expenses, to the issuer(1)	99.013%	\$ 594,078,000	98.625%	\$ 295,875,000

(1)

Plus accrued interest, if any, from January 14, 2015 if initial settlement occurs after that date.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

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We do not intend to apply for listing of the notes on any securities exchange or any automated dealer system.

The underwriters expect to deliver the notes to purchasers on or about January 14, 2015 only in book-entry form through the facilities of The Depository Trust Company.

Joint Book-Running Managers

BofA Merrill Lynch

J.P. Morgan

RBC Capital Markets

TD Securities

Senior Co-Managers

**Barclays BBVA Citigroup Credit Agricole CIB Credit Suisse Goldman, Sachs & Co.
Jefferies Morgan Stanley MUFG RBS UBS Investment Bank Wells Fargo Securities**

Co-Managers

BB&T Capital Markets

Fifth Third Securities

The date of this prospectus supplement is January 7, 2015.

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This document is in two parts. The first part is the prospectus supplement, which describes the specific terms of this offering and also adds to and updates information contained in the accompanying prospectus and the documents incorporated by reference. The second part is the accompanying prospectus, which gives more general information, some of which may not apply to this offering. To the extent there is a conflict between the information contained in this prospectus supplement, on the one hand, and the information contained in the accompanying prospectus, on the other hand, the information in this prospectus supplement shall control.

You should read this document together with additional information described under the heading "Where You Can Find More Information and Incorporation by Reference." You should rely only on the information contained or incorporated by reference in this document or any related free writing prospectus we file with the Securities and Exchange Commission (the "Commission"). Neither we nor the underwriters have authorized anyone to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. You should assume that the information in this prospectus supplement and the accompanying prospectus, as well as the information we have previously filed with the Commission and incorporated by reference in this document, is accurate only as of its date or the date which is specified in those documents.

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Unless the context otherwise requires, the following terms used in this prospectus supplement will have the meanings below:

the terms "we," "us," "our" or similar terms and "Ventas" refer to Ventas, Inc., a Delaware corporation, together with its subsidiaries;

the terms "Ventas Realty" and "issuer" refer to Ventas Realty, Limited Partnership, a Delaware limited partnership;

the term "Ventas Capital" refers to Ventas Capital Corporation, a Delaware corporation;

the term "Lillibridge" refers to Lillibridge Healthcare Services, Inc., an Illinois corporation;

the term "Sunrise" refers to Sunrise Senior Living, LLC, a Delaware limited liability company, together with its subsidiaries;

the term "Atria" refers to Atria Senior Living, Inc., a Delaware corporation;

the term "NHP LLC" refers to Nationwide Health Properties, LLC, a Delaware limited liability company, as successor to Nationwide Health Properties, Inc.; and

the term "HCT" refers to American Realty Capital Healthcare Trust, Inc., a Maryland corporation.

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PROSPECTUS SUPPLEMENT SUMMARY

This summary contains basic information about us, the notes and this offering. Because this is a summary, it does not contain all of the information you should consider before investing in the notes. You should carefully read this summary together with the more detailed information and financial statements and notes thereto contained elsewhere or incorporated by reference in this prospectus supplement and the accompanying prospectus. To fully understand this offering, you should read all of these documents.

Ventas

We are a real estate investment trust ("REIT") with a highly diversified portfolio of seniors housing and healthcare properties located throughout the United States, Canada and the United Kingdom. As of September 30, 2014, we owned more than 1,500 properties (including properties classified as held for sale), including seniors housing communities, medical office buildings ("MOBs"), skilled nursing and other facilities, and hospitals, and we had two new properties under development. We are an S&P 500 company and currently headquartered in Chicago, Illinois.

We primarily acquire and own seniors housing and healthcare properties and lease them to unaffiliated tenants or operate them through independent third-party managers. As of September 30, 2014, we leased a total of 907 properties (excluding MOBs and properties classified as held for sale) to various healthcare operating companies under "triple-net" or "absolute-net" leases that obligate the tenants to pay all property-related expenses, including maintenance, utilities, repairs, taxes, insurance and capital expenditures, and we engaged independent operators, such as Atria and Sunrise, to manage 270 of our seniors housing communities (excluding properties classified as held for sale) for us pursuant to long-term management agreements. Our two largest tenants, Brookdale Senior Living Inc. and Kindred Healthcare, Inc. leased from us 161 properties (excluding six properties included in investments in unconsolidated entities) and 86 properties, respectively, as of September 30, 2014.

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

We aim to enhance shareholder value by delivering consistent, superior total returns through a strategy of: (1) generating reliable and growing cash flows; (2) maintaining a balanced, diversified portfolio of high-quality assets; and (3) preserving our financial strength, flexibility and liquidity.

Our principal executive offices are located at 353 North Clark Street, Suite 3300, Chicago, Illinois, 60654, and our telephone number is (877) 483-6827. We maintain a website on the Internet at www.ventasreit.com. Information on our website is not incorporated by reference herein and our web address is included in this prospectus supplement as an inactive textual reference only.

Ventas Realty

Ventas Realty, the issuer of the notes, is a wholly owned operating partnership of Ventas, Inc. that was formed under the laws of the State of Delaware.

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THE OFFERING

The following summary contains basic information about the notes and is not intended to be complete. It does not contain all information that may be important to you. For a more detailed description of the notes, see "Description of Notes" in this prospectus supplement and "Description of Debt Securities" in the accompanying prospectus.

Issuer	Ventas Realty.
Securities	\$600 million aggregate principal amount of 3.500% senior notes due 2025. \$300 million aggregate principal amount of 4.375% senior notes due 2045.
Maturity	The notes due 2025 will mature on February 1, 2025. The notes due 2045 will mature on February 1, 2045.
Guarantee	The notes will be unconditionally guaranteed on a senior unsecured basis by Ventas, Inc. See "Description of Notes The Guarantee."
Interest	The notes due 2025 will bear interest at a rate of 3.500% per annum, and the notes due 2045 will bear interest at a rate of 4.375% per annum.
Interest Payment Dates	Interest on each series of notes will be payable semi-annually in arrears on February 1 and August 1 of each year, commencing on August 1, 2015. Interest on each series of notes will accrue from January 14, 2015.
Ranking	Each series of notes and the related guarantee will be part of the issuer's and Ventas, Inc.'s respective general unsecured obligations, ranking equal in right of payment with all of each such entity's existing and future senior unsecured indebtedness and ranking senior in right of payment to all of each such entity's existing and future subordinated indebtedness. However, the notes and the guarantees will be effectively subordinated to all of each such entity's secured borrowings to the extent of the assets securing those obligations and structurally subordinated to all indebtedness and other obligations of Ventas, Inc.'s subsidiaries (other than the issuer). As of September 30, 2014, Ventas, Inc. and its subsidiaries had outstanding secured debt of \$2.4 billion and Ventas, Inc.'s subsidiaries (other than the issuer and Ventas Capital) had \$1.0 billion of outstanding unsecured indebtedness, \$697.6 million of which was indebtedness of our wholly owned subsidiary, Ventas Canada Finance Limited, and \$309.8 million of which was indebtedness of our wholly owned subsidiary, NHP LLC. See "Capitalization" and "Risk Factors Risks Arising From Our Capital Structure We may become more leveraged." Unlike certain other series of senior notes issued by Ventas Realty (of which \$4.3 billion aggregate principal amount was outstanding as of September 30, 2014), the notes will not be co-issued with Ventas Realty's wholly owned subsidiary, Ventas Capital, which has no operations, assets or revenues. See "Description of Notes Restrictions on Activities of Ventas Capital."

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Optional Redemption

The issuer may redeem the notes of a series, in whole, at any time, or from time to time in part, prior to their stated maturity. The redemption price for notes due 2025 that are redeemed before November 1, 2024 and for notes due 2045 that are redeemed before August 1, 2044 will be equal to (i) 100% of their principal amount, together with accrued and unpaid interest thereon, if any, to (but excluding) the date of redemption, plus (ii) a make-whole premium. The redemption price for notes due 2025 that are redeemed on or after November 1, 2024 and for notes due 2045 that are redeemed on or after August 1, 2044 will be equal to 100% of their principal amount, together with accrued and unpaid interest thereon, if any, to (but excluding) the date of redemption, and will not include a make-whole premium. See "Description of Notes Optional Redemption."

Certain Covenants

The separate indentures governing the notes of the related series contain covenants that limit our ability to, among other things:

incur debt;

incur secured debt; and

merge, consolidate or transfer all or substantially all of our assets.

We are also required to maintain total unencumbered assets of at least 150% of our unsecured debt.

These covenants are subject to important exceptions and qualifications, which exceptions and qualifications are described under "Description of Notes Certain Covenants."

No Public Market

Each series of notes is a new series of securities for which there is currently no established trading market. The underwriters have advised us that they presently intend to make a market in each series of notes. However, you should be aware that they are not obligated to make a market and may discontinue their market-making activities at any time without notice. As a result, a liquid market for the applicable series of notes may not be available if you try to sell your notes. We do not intend to apply for a listing of either series of notes on any securities exchange or any automated dealer quotation system.

Use of Proceeds

We expect the net proceeds of this offering to be approximately \$889.0 million, after deducting the underwriting discounts and estimated expenses of this offering payable by us. We intend to use the net proceeds from this offering to repay indebtedness outstanding under our unsecured revolving credit facility and for working capital and other general corporate purposes, including to fund a portion of the cash consideration of our pending acquisition of HCT and other future acquisitions and investments. Certain affiliates of the underwriters are lenders or agents under our unsecured revolving credit facility and will receive a portion of the net proceeds from this offering. See "Use of Proceeds" and "Underwriting Conflicts of Interest" in this prospectus supplement.

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Risk Factors

See "Risk Factors" and other information included or incorporated by reference in this prospectus supplement and the accompanying prospectus for a discussion of factors you should carefully consider before deciding to invest in the notes.

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RISK FACTORS

Our business, operations and financial condition are subject to various risks. You should carefully consider the following factors as well as the risk factors and other information contained in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference herein before deciding to invest in the notes.

Risks Relating to the HCT Acquisition

There can be no assurance that future events, none of which are currently known, will not occur with respect to American Realty Capital Properties, Inc. ("ARCP"), an entity previously sponsored by the parent of American Realty Capital V, LLC (the "Sponsor"), regarding certain accounting errors previously disclosed by ARCP which may have an impact on HCT.

ARCP, which is a separate public, listed company, recently filed a Current Report on Form 8-K announcing that its audit committee had concluded that the previously issued financial statements and other financial information contained in certain public filings of ARCP should no longer be relied upon as a result of certain accounting errors. ARCP's former chief financial officer and its former chief accounting officer have resigned. ARCP has initiated an investigation into these matters that is ongoing. ARCP's former chief financial officer does not have a current role in the management of the Sponsor's or HCT's business, but served as HCT's chief financial officer from August 2010 to December 2013. This person, along with one of HCT's existing executive officers/director (who currently serves as a director of ARCP), was involved in the oversight of HCT's financial reporting in prior periods in 2013 and 2012.

HCT's historical financial statements have been timely filed and incorporated by reference in this document. Although there has been no suggestion that the events at ARCP are related to HCT's financial statements, the audit committee of HCT recently engaged a separate audit firm to perform certain forensic procedures related to HCT's historical financial statements. HCT and its audit committee believe that HCT's historical financial statements fairly present in all material respects the financial condition of HCT and its consolidated subsidiaries. However, there can be no assurance that future events, none of which are currently known, will not occur with respect to ARCP that could have an impact on HCT.

Risks Arising From Our Capital Structure

We may become more leveraged.

As of September 30, 2014, we had approximately \$10.5 billion of outstanding indebtedness (excluding unamortized fair value adjustment and unamortized discounts). On a pro forma as adjusted basis to give effect to the sale of the notes offered hereby and the application of the net proceeds therefrom, as if each had occurred on September 30, 2014, we would have had approximately \$11.1 billion of outstanding indebtedness (excluding unamortized fair value adjustment and unamortized discounts). The instruments governing our existing indebtedness permit us to incur substantial additional debt, including secured debt, and we may elect to meet our capital and liquidity needs through additional borrowings. A high level of indebtedness would require us to dedicate a substantial portion of our cash flow from operations to the payment of debt service, thereby reducing

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the funds available to implement our business strategy and make distributions to stockholders. A high level of indebtedness could also have the following consequences:

Potential limits on our ability to adjust rapidly to changing market conditions and vulnerability in the event of a downturn in general economic conditions or in the real estate or healthcare industries;

Potential impairment of our ability to obtain additional financing for our business strategy; and

Potential downgrade in the rating of our debt securities by one or more rating agencies, which could have the effect of, among other things, limiting our access to capital and increasing our cost of borrowing.

In addition, from time to time, we mortgage our properties to secure payment of indebtedness. If we are unable to meet our mortgage payments, then the encumbered properties could be foreclosed upon or transferred to the mortgagee with a consequent loss of income and asset value.

Limitations on our ability to access capital could have an adverse effect on our ability to meet our debt payments, make distributions to our stockholders or make future investments necessary to implement our business strategy.

We cannot provide any assurance that we will be able to raise the necessary capital to meet our debt service obligations, make distributions to our stockholders or make future investments necessary to implement our business strategy, and the failure to do so could have a material adverse effect on our business, financial condition, results of operations and liquidity, on our ability to service our indebtedness and other obligations and on our ability to make distributions to our stockholders, as required for us to continue to qualify as a REIT (a "Material Adverse Effect"). In recent years, the global capital and credit markets experienced a period of extraordinary turmoil and upheaval, characterized by the bankruptcy, failure or sale of various financial institutions and an unprecedented level of intervention from the U.S. federal government. The disruption in the credit markets, the repricing of credit risk and the deterioration of the financial and real estate markets created difficult conditions for REITs and other companies to access capital or other sources of funds. Although access to capital and other sources of funding has improved, we cannot provide any assurance that conditions will not deteriorate or that our access to capital and other sources of funding will not become constrained, which could adversely affect our results of operation and financial condition. In addition, the federal government's failure to increase the amount of debt that it is statutorily permitted to incur as needed to meet its future financial commitments or a downgrade in the debt rating on U.S. government securities could lead to a weakened U.S. dollar, rising interest rates and constrained access to capital, which could materially adversely affect the U.S. and global economies, increase our costs of borrowing and have a Material Adverse Effect.

To address constraints on our access to capital, we could, among other things, (i) obtain commitments from the banks in our lending group or from new banks to fund increased amounts under the terms of our unsecured revolving credit facility or our unsecured term loans, (ii) access the public capital markets, (iii) obtain secured loans from government-sponsored entities, pension funds or similar sources, (iv) decrease or eliminate our distributions to our stockholders or pay taxable stock dividends, (v) delay, reduce or cease our acquisition and investment activity, or (vi) dispose of assets. As with other public companies, our access to debt and equity capital depends, in part, on the trading prices of our senior notes and common stock, which, in turn, depend upon market conditions that change from time to time, such as the market's perception of our financial condition, our growth potential and our

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current and future earnings and cash distributions. Our failure to meet the market's expectation with regard to future earnings and cash distributions or a significant downgrade in the ratings assigned to our long-term debt could impact our ability to access capital or increase our borrowing costs. If we cannot access capital at an acceptable cost or at all, we may be required to liquidate one or more investments in properties at times that may not permit us to realize the maximum return on those investments, which could also result in adverse tax consequences to us. Restrictions on our uses of, and our right to transfer, properties under certain healthcare regulations, ground leases, mortgages and other agreements to which our properties may be subject could adversely impact our ability to timely liquidate those investments and impair their value.

If the financial institutions that are parties to our unsecured revolving credit facility become capital constrained, tighten their lending standards or become insolvent or if they experience excessive volumes of borrowing requests from other borrowers within a short period of time, they may be unable or unwilling to honor their funding commitments to us, which would adversely affect our ability to draw on our unsecured revolving credit facility and, over time, could negatively impact our ability to consummate acquisitions, repay indebtedness as it matures, fund capital expenditures or make distributions to our stockholders. Adverse conditions in the credit markets could also adversely affect the availability and terms of future borrowings, renewals or refinancings.

Covenants in the instruments governing our existing indebtedness limit our operational flexibility, and a covenant breach could materially adversely affect our operations.

The terms of the instruments governing our existing indebtedness require us to comply with a number of customary financial and other covenants, such as maintaining debt service coverage, leverage ratios and minimum net worth requirements. Our continued ability to incur additional debt and to conduct business in general is subject to our compliance with these covenants, which limit our operational flexibility. Breaches of these covenants could result in defaults under the applicable debt instruments and could trigger defaults under any other indebtedness that is cross-defaulted against such instruments, even if we satisfy our payment obligations. Financial and other covenants that limit our operational flexibility, as well as defaults resulting from our breach of any of these covenants, could have a Material Adverse Effect.

Risks Relating to the Notes

Because the notes that you hold are unsecured and will be structurally subordinated to the obligations of Ventas, Inc.'s subsidiaries (other than the issuer), you may not be fully repaid if we become insolvent.

Neither the notes nor the guarantees will be secured by any of our assets, and therefore the notes and the guarantees will be effectively subordinated to any secured indebtedness that we may incur to the extent of the assets securing such indebtedness. The separate indentures governing the notes of the related series permit us to incur debt that is secured by a certain percentage of our assets. As of September 30, 2014, we had outstanding secured debt of \$2.4 billion. If we were to become insolvent, the holders of any secured debt would receive payments from the assets pledged as security before you would receive payments on the notes.

Moreover, none of Ventas, Inc.'s subsidiaries (other than the issuer) will be directly obligated on the notes, and therefore the notes and the guarantees will also be structurally subordinated to the unsecured indebtedness and other obligations of those subsidiaries (other than the issuer). As of September 30, 2014, Ventas, Inc. and its subsidiaries had outstanding secured debt of \$2.4 billion and Ventas, Inc.'s subsidiaries (other than the issuer and Ventas Capital) had \$1.0 billion of outstanding unsecured indebtedness, \$697.6 million of which was indebtedness of our wholly owned subsidiary,

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Ventas Canada Finance Limited, and \$309.8 million of which was indebtedness of our wholly owned subsidiary, NHP LLC, and assets of \$20.1 billion, or 97% of our total assets. All obligations of Ventas, Inc.'s subsidiaries (other than the issuer), including indebtedness to trade creditors, would have to be paid in full before you would have any claims against the assets of those subsidiaries.

Federal and state statutes allow courts, under specific circumstances, to void guarantees and require noteholders to return payments received from the issuer or Ventas, Inc.

Ventas, Inc.'s guarantee of the notes of a series may be subject to review under U.S. federal bankruptcy law or relevant state fraudulent conveyance laws if a bankruptcy lawsuit is commenced by or on behalf of Ventas, Inc.'s unpaid creditors. Under these laws, if in such a lawsuit a court were to find that, at the time Ventas, Inc. incurred debt (including debt represented by the guarantee), Ventas, Inc.:

incurred this debt with the intent of hindering, delaying or defrauding its current or future creditors; or

received less than reasonably equivalent value or fair consideration for incurring this debt and Ventas, Inc.:

was insolvent or was rendered insolvent by reason of the related financing transactions;

was engaged, or about to engage, in a business or transaction for which its remaining assets constituted unreasonably small capital to carry on its business; or

intended to incur, or believed that it would incur, debts beyond its ability to pay these debts as they mature, as all of the foregoing terms are defined in or interpreted under the relevant fraudulent transfer or conveyance statutes;

then the court could void the guarantee or subordinate the amounts owing under the guarantee to Ventas, Inc.'s presently existing or future debt, including trade payables, or take other actions detrimental to the holders of the notes.

The guarantee will contain a provision intended to limit Ventas, Inc.'s liability to the maximum amount that it could incur without causing the incurrence of obligations under the guarantee to be a fraudulent transfer or conveyance. This provision may not be effective to protect the guarantee from being voided under fraudulent transfer law.

The guarantees provided by Ventas, Inc. are subject to certain defenses that may limit your right to receive payment on the notes.

Although each guarantee provides the holders of the related series of notes with a direct claim against Ventas, Inc.'s assets, enforcement of the guarantee against Ventas, Inc. would be subject to certain "suretyship" defenses available to guarantors generally. Enforcement could also be subject to other defenses available to Ventas, Inc. in certain circumstances. To the extent that the guarantee is not enforceable, you would not be able to assert a claim successfully against Ventas, Inc.

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An active trading market for the notes may not be established or maintained, so you may be unable to sell the notes.

Each series of notes offered hereby is a new series of securities for which there is currently no established trading market. Consequently, the notes may be relatively illiquid, and you may be unable to sell your notes, or if you are able to sell your notes, there can be no assurance as to the price at which you will be able to sell them. Future trading prices of the notes will depend on many factors, including, among other things, prevailing interest rates, economic conditions, our financial condition and the market for similar securities. We do not intend to apply for listing of the notes on any securities exchange or for the inclusion of the notes in any automated quotation system.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus supplement, the accompanying prospectus and the documents incorporated by reference herein include forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). All statements regarding our or our tenants', operators', borrowers' or managers' expected future financial condition, results of operations, cash flows, funds from operations, dividends and dividend plans, financing opportunities and plans, capital markets transactions, business strategy, budgets, projected costs, operating metrics, capital expenditures, competitive positions, acquisitions, investment opportunities, dispositions, merger integration, growth opportunities, expected lease income, continued qualification as a REIT, plans and objectives of management for future operations, and statements that include words such as "anticipate," "if," "believe," "plan," "estimate," "expect," "intend," "may," "could," "should," "will," and other similar expressions are forward-looking statements. These forward-looking statements are inherently uncertain, and actual results may differ from our expectations. We do not undertake a duty to update these forward-looking statements, which speak only as of the date on which they are made.

Our actual future results and trends may differ materially from expectations depending on a variety of factors discussed in our filings with the Commission. These factors include without limitation:

The ability and willingness of our tenants, operators, borrowers, managers and other third parties to satisfy their obligations under their respective contractual arrangements with us, including, in some cases, their obligations to indemnify, defend and hold us harmless from and against various claims, litigation and liabilities;

The ability of our tenants, operators, borrowers and managers to maintain the financial strength and liquidity necessary to satisfy their respective obligations and liabilities to third parties, including without limitation obligations under their existing credit facilities and other indebtedness;

Our success in implementing our business strategy and our ability to identify, underwrite, finance, consummate and integrate diversifying acquisitions and investments, including our pending acquisition of HCT and investments in different asset types and outside the United States;

Macroeconomic conditions such as a disruption of or lack of access to the capital markets, changes in the debt rating on U.S. government securities, default or delay in payment by the United States of its obligations, and changes in the federal or state budgets resulting in the reduction or nonpayment of Medicare or Medicaid reimbursement rates;

The nature and extent of future competition, including new construction in the markets in which our seniors housing communities and MOB's are located;

The extent of future or pending healthcare reform and regulation, including cost containment measures and changes in reimbursement policies, procedures and rates;

Increases in our borrowing costs as a result of changes in interest rates and other factors;

The ability of our operators and managers, as applicable, to comply with laws, rules and regulations in the operation of our properties, to deliver high-quality services, to attract and retain qualified personnel and to attract residents and patients;

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Changes in general economic conditions or economic conditions in the markets in which we may, from time to time, compete, and the effect of those changes on our revenues, earnings and funding sources;

Our ability to pay down, refinance, restructure or extend our indebtedness as it becomes due;

Our ability and willingness to maintain our qualification as a REIT in light of economic, market, legal, tax and other considerations;

Final determination of our taxable net income for the year ended December 31, 2014;

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

Risks associated with our senior living operating portfolio, such as factors that can cause volatility in our operating income and earnings generated by those properties, including without limitation national and regional economic conditions, costs of food, materials, energy, labor and services, employee benefit costs, insurance costs and professional and general liability claims, and the timely delivery of accurate property-level financial results for those properties;

Changes in exchange rates for any foreign currency in which we may, from time to time, conduct business;

Year-over-year changes in the Consumer Price Index or the UK Retail Price Index and the effect of those changes on the rent escalators contained in our leases and our earnings;

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

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

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

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

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

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

The impact of market or issuer events on the liquidity or value of our investments in marketable securities;

Merger and acquisition activity in the seniors housing and healthcare industries resulting in a change of control of, or a competitor's investment in, one or more of our tenants, operators, borrowers or managers or significant changes in the senior management of our tenants, operators, borrowers or managers;

The impact of litigation or any financial, accounting, legal or regulatory issues that may affect us or our tenants, operators, borrowers or managers;

Changes in accounting principles, or their application or interpretation, and our ability to make estimates and the assumptions underlying the estimates, which could have an effect on our earnings; and

The impact of expenses related to the re-audit and re-review of our historical financial statements and related matters.

Many of these factors are beyond our control and the control of our management.

We describe some of these risks and uncertainties in greater detail above under "Risk Factors." These risks could cause actual results of our industry, or our actual results for the year 2014 and beyond, to differ materially from those expressed in any forward-looking statement we make. Our future financial performance is dependent upon factors discussed elsewhere in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference herein. For a discussion of factors that could cause actual results to differ, see "Risk Factors" and the risk factors and other information contained in our filings with the Commission that are incorporated or deemed to be incorporated by reference in this prospectus supplement. These filings are described under "Where You Can Find More Information and Incorporation by Reference."

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USE OF PROCEEDS

We expect the net proceeds of this offering to be approximately \$889.0 million, after deducting the underwriting discounts and estimated expenses of this offering payable by us. We intend to use the net proceeds from this offering to repay indebtedness outstanding under our unsecured revolving credit facility and for working capital and other general corporate purposes, including to fund a portion of the cash consideration of our pending acquisition of HCT and other future acquisitions and investments.

As of January 5, 2015, we had \$816.7 million of indebtedness outstanding under our unsecured revolving credit facility (excluding outstanding letters of credit of \$13.3 million), and the weighted average interest rate applicable to that indebtedness was 1.39% per annum. We used the proceeds from outstanding borrowings under our unsecured revolving credit facility for working capital and other general corporate purposes, including acquisitions and investments. Our unsecured revolving credit facility matures on January 31, 2018, but may be extended, at our option subject to the satisfaction of certain conditions, for an additional period of one year.

Certain affiliates of the underwriters are lenders or agents under our unsecured revolving credit facility and will receive a portion of the net proceeds from this offering. See "Underwriting Conflicts of Interest."

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RATIO OF EARNINGS TO FIXED CHARGES

The following table shows our ratio of earnings to fixed charges for each of the periods indicated.

	For the Nine Months Ended September 30, 2014	2013	2012	2011	2010	2009
Ratio of earnings to fixed charges(1)	2.29x	2.45x	2.00x	2.48x	2.30x	2.09x

(1)

For this ratio, earnings consist of income before loss/income from unconsolidated entities, income taxes, discontinued operations and noncontrolling interest plus fixed charges (excluding capitalized interest) and distributions from unconsolidated entities. Fixed charges consist of interest expensed and capitalized, plus the portion of rent expense under operating leases deemed by us to be representative of the interest factor.

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Table of Contents**CAPITALIZATION**

The following table sets forth our cash and cash equivalents and capitalization as of September 30, 2014 on an actual basis and on a pro forma as adjusted basis to give effect to the sale of the notes offered hereby and the application of the net proceeds therefrom and the consummation of our pending acquisition of HCT. You should read this table in conjunction with the information set forth under "Use of Proceeds" in this prospectus supplement and the financial statements and notes thereto incorporated by reference in this prospectus supplement and the accompanying prospectus.

	As of September 30, 2014	
	Actual	Pro Forma As Adjusted
	(In thousands, except per share data)	
Cash and cash equivalents	\$64,595	\$728,189
Debt		
Unsecured revolving credit facility(1)	\$225,359	\$
Unsecured term loans(2)	1,111,703	1,111,703
Senior notes(3)	6,699,107	6,699,107
Notes due 2025 offered hereby(4)		600,000
Notes due 2045 offered hereby(5)		300,000
Other long-term debt(6)	2,414,695	2,414,695
Total debt	10,450,864	11,125,505
Equity		
Ventas stockholders' equity:		
Preferred stock, \$1.00 par value per share: 10,000 shares authorized, unissued		
Common stock, \$0.25 par value per share: 600,000 shares authorized; 294,359 shares issued	73,603	73,603
Capital in excess of par value	9,859,490	9,859,490
Accumulated other comprehensive income	16,156	16,156
Retained earnings (deficit)	(1,398,378)	(1,398,378)
Treasury stock: 32 shares	(2,075)	(2,075)
Total Ventas stockholders' equity	8,548,796	8,548,796
Noncontrolling interest	74,377	74,377

	1,185	4,431	3,547		
Total revenues	97,092	82,487	276,696	235,432	
OPERATING EXPENSES					
Property operating expenses	33,622	30,011	97,992	87,640	
Depreciation and amortization	31,622	28,448	90,224	85,824	
General and administrative	7,464	7,326	21,092	22,454	
Acquisition related costs	1,258	470	3,658	2,233	
Total operating expenses	73,966	66,255	212,966	198,151	
OPERATING INCOME	23,126	16,232	63,730	37,281	
OTHER INCOME (EXPENSE)					
Interest:					
Interest expense on loans	(11,772)	(9,968)	(35,670)	(30,828)	
Loan procurement amortization expense	(566)	(536)	(1,650)	(1,509)	
Equity in losses of real estate venture	(1,860)	-	(4,958)	-	

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Gain from sale of real estate	-	-	475	-
Other	(337)	(22)	(1,103)	(282)
Total other expense	(14,535)	(10,526)	(42,906)	(32,619)
INCOME FROM CONTINUING OPERATIONS	8,591	5,706	20,824	4,662
DISCONTINUED OPERATIONS				
Income from discontinued operations	-	1,585	336	4,541
Gain from disposition of discontinued operations	-	9,310	-	9,538
Total discontinued operations	-	10,895	336	14,079
NET INCOME	8,591	16,601	21,160	18,741
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS				
Noncontrolling interests in the Operating Partnership	(106)	(257)	(250)	(240)
Noncontrolling interests in subsidiaries	(5)	(2)	(14)	(1)
NET INCOME ATTRIBUTABLE TO THE COMPANY	8,480	16,342	20,896	18,500
Distribution to preferred shareholders	(1,502)	(1,502)	(4,506)	(4,506)
NET INCOME ATTRIBUTABLE TO THE COMPANY S COMMON SHAREHOLDERS	\$ 6,978	\$ 14,840	\$ 16,390	\$ 13,994
Basic earnings per share from continuing operations attributable to common shareholders	\$ 0.05	\$ 0.03	\$ 0.11	\$ -
Basic earnings per share from discontinued operations attributable to common shareholders	\$ -	\$ 0.08	\$ -	\$ 0.10
Basic earnings per share attributable to common shareholders	\$ 0.05	\$ 0.11	\$ 0.11	\$ 0.10
Diluted earnings per share from continuing operations attributable to common shareholders	\$ 0.05	\$ 0.03	\$ 0.11	\$ -
Diluted earnings per share from discontinued operations attributable to common shareholders	\$ -	\$ 0.08	\$ -	\$ 0.10
Diluted earnings per share attributable to common shareholders	\$ 0.05	\$ 0.11	\$ 0.11	\$ 0.10
Weighted-average basic shares outstanding	149,758	135,365	144,919	134,007
Weighted-average diluted shares outstanding	152,006	138,106	147,082	136,643
AMOUNTS ATTRIBUTABLE TO THE COMPANY S COMMON SHAREHOLDERS:				
Income from continuing operations	\$ 6,978	\$ 4,130	\$ 16,059	\$ 154
Total discontinued operations	-	10,710	331	13,840
Net income	\$ 6,978	\$ 14,840	\$ 16,390	\$ 13,994

See accompanying notes to the unaudited consolidated financial statements.

Table of Contents**CUBESMART AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME****(in thousands)****(unaudited)**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
NET INCOME	\$ 8,591	\$ 16,601	\$ 21,160	\$ 18,741
OTHER COMPREHENSIVE INCOME (LOSS)				
Unrealized gains (losses) on interest rate swap	982	(2,700)	(2,249)	2,586
Reclassification of realized losses on interest rate swaps	1,616	1,582	4,793	4,667
Unrealized (loss) gain on foreign currency translation	(483)	297	(55)	66
OTHER COMPREHENSIVE INCOME (LOSS)	2,115	(821)	2,489	7,319
COMPREHENSIVE INCOME	10,706	15,780	23,649	26,060
Comprehensive income attributable to noncontrolling interests in the Operating Partnership	(138)	(243)	(285)	(366)
Comprehensive loss (income) attributable to noncontrolling interests in subsidiaries	4	(27)	(12)	(24)
COMPREHENSIVE INCOME ATTRIBUTABLE TO THE COMPANY	\$ 10,572	\$ 15,510	\$ 23,352	\$ 25,670

See accompanying notes to the unaudited consolidated financial statements.

Table of Contents**CUBESMART AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF EQUITY**

(in thousands)

(unaudited)

	Common Shares		Preferred Shares		Additional	Accumulated Other		Total	Noncontrolling		Noncontrolling
	Number	Amount	Number	Amount	Paid in	Comprehensive	Accumulated	Shareholders	Interests in	Total	Interests in the
					Capital	(Loss) Income	Deficit	Equity	Subsidiaries	Equity	Operating Partnership
Balance at December 31, 2013	139,328	\$ 1,393	3,100	\$ 31	\$ 1,542,703	\$ (11,014)	\$ (440,837)	\$ 1,092,276	\$ 931	\$ 1,093,207	\$ 36,275
Contributions from noncontrolling interests in subsidiaries									\$ 595	595	
Issuance of common shares	13,181	132			235,829			235,961		235,961	
Issuance of restricted shares	424	4						4		4	
Conversion from units to shares	18	-			308			308		308	(308)
Exercise of stock options	283	3			2,263			2,266		2,266	
Amortization of restricted shares					(229)			(229)		(229)	
Share compensation expense					644			644		644	
Adjustment for noncontrolling interests in the Operating Partnership							(5,218)	(5,218)		(5,218)	5,218
Net income							20,896	20,896	14	20,910	250
Other comprehensive gain (loss):											
Unrealized gains on interest rate swaps						2,506		2,506		2,506	38
Unrealized loss on foreign currency translation						(50)		(50)	(2)	(52)	(3)
Preferred share distributions							(4,506)	(4,506)		(4,506)	
Common share distributions							(57,692)	(57,692)		(57,692)	(880)
Balance at September 30, 2014	153,234	\$ 1,532	3,100	\$ 31	\$ 1,781,518	\$ (8,558)	\$ (487,357)	\$ 1,287,166	\$ 1,538	\$ 1,288,704	\$ 40,590

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	Common Shares		Preferred Shares		Additional	Accumulated	Other	Total	Noncontrolling		Noncontrolling
	Number	Amount	Number	Amount	Paid in	Comprehensive	Accumulated	Shareholders	Interests in	Total	Interests in the
					Capital	(Loss) Income	Deficit	Equity	Subsidiaries	Equity	Operating Partnership
Balance at December 31, 2012	131,795	\$ 1,318	3,100	\$ 31	\$ 1,418,463	\$ (19,796)	\$ (410,225)	\$ 989,791	\$ 118	\$ 989,909	\$ 47,990
Issuance of common shares	3,099	31			52,467			52,498		52,498	
Issuance of restricted shares	222	2						2		2	
Conversion from units to shares	1,013	10			14,591			14,601		14,601	(14,601)
Exercise of stock options	357	4			2,483			2,487		2,487	
Amortization of restricted shares					3,397			3,397		3,397	
Share compensation expense					654			654		654	
Adjustment for noncontrolling interests in the Operating Partnership							(7,686)	(7,686)		(7,686)	7,686
Net income							18,500	18,500	1	18,501	240
Other comprehensive gain:											
Unrealized gains on interest rate swaps						7,128		7,128		7,128	125
Unrealized gain on foreign currency translation						42		42	23	65	1
Preferred share distributions							(4,506)	(4,506)		(4,506)	
Common share distributions							(44,602)	(44,602)		(44,602)	(753)
Balance at September 30, 2013	136,486	\$ 1,365	3,100	\$ 31	\$ 1,492,055	\$ (12,626)	\$ (448,519)	\$ 1,032,306	\$ 142	\$ 1,032,448	\$ 40,688

See accompanying notes to the unaudited consolidated financial statements.

Table of Contents**CUBESMART AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS****(in thousands)****(unaudited)**

	Nine Months Ended September 30,	
	2014	2013
Operating Activities		
Net income	\$ 21,160	\$ 18,741
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	91,874	89,813
Gain from sale of real estate	(475)	(9,538)
Equity compensation expense	415	4,051
Accretion of fair market value adjustment of debt	(1,247)	(752)
Equity in losses of real estate venture	4,958	-
Changes in other operating accounts:		
Other assets	(936)	(1,760)
Restricted cash	(293)	518
Accounts payable and accrued expenses	2,531	1,551
Other liabilities	945	1,267
Net cash provided by operating activities	\$ 118,932	\$ 103,891
Investing Activities		
Acquisitions of storage facilities	\$ (255,865)	\$ (133,043)
Additions and improvements to storage facilities	(12,870)	(13,697)
Development costs	(17,027)	(25,649)
Cash contributed to real estate venture	(2,350)	-
Cash distributed from real estate venture	55,381	-
Proceeds from sale of real estate, net	13,475	35,600
Proceeds from notes receivable	-	5,192
Change in restricted cash	283	1,324
Net cash used in investing activities	\$ (218,973)	\$ (130,273)
Financing Activities		
Proceeds from:		
Revolving credit facility	\$ 578,000	\$ 350,600
Principal payments on:		
Revolving credit facility	(616,600)	(307,300)
Mortgage loans and notes payable	(10,589)	(21,852)
Loan procurement costs	(274)	(2,141)
Proceeds from issuance of common shares	235,965	52,500
Exercise of stock options	2,266	2,487
Contributions from noncontrolling interests in subsidiaries	595	-
Distributions paid to common shareholders	(55,844)	(44,093)
Distributions paid to preferred shareholders	(4,506)	(4,506)
Distributions paid to noncontrolling interests in Operating Partnership	(884)	(868)
Net cash provided by financing activities	\$ 128,129	\$ 24,827
Change in cash and cash equivalents	28,088	(1,555)
Cash and cash equivalents at beginning of period	3,176	4,495
Cash and cash equivalents at end of period	\$ 31,264	\$ 2,940

Supplemental Cash Flow and Noncash Information

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Cash paid for interest, net of interest capitalized	\$	38,240	\$	36,150
Supplemental disclosure of noncash activities:				
Accretion of liability	\$	5,357	\$	-
Derivative valuation adjustment	\$	2,544	\$	7,253
Foreign currency translation adjustment	\$	(55)	\$	66
Mortgage loan assumption - acquisition of storage facilities	\$	27,467	\$	-

See accompanying notes to the unaudited consolidated financial statements.

Table of Contents**CUBESMART, L.P. AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS****(in thousands)****(unaudited)**

	September 30, 2014	December 31, 2013
ASSETS		
Storage facilities	\$ 2,823,186	\$ 2,553,706
Less: Accumulated depreciation	(466,516)	(398,536)
Storage facilities, net (including VIE assets of \$40,726 and \$34,559, respectively)	2,356,670	2,155,170
Cash and cash equivalents	31,264	3,176
Restricted cash	4,254	4,025
Loan procurement costs, net of amortization	11,194	12,687
Investment in real estate venture, at equity	98,321	156,310
Other assets, net	43,263	27,256
Total assets	\$ 2,544,966	\$ 2,358,624
LIABILITIES AND CAPITAL		
Unsecured senior notes	\$ 500,000	\$ 500,000
Revolving credit facility	-	38,600
Unsecured term loan	400,000	400,000
Mortgage loans and notes payable	215,849	200,218
Accounts payable, accrued expenses and other liabilities	63,139	57,599
Distributions payable	21,799	19,955
Deferred revenue	14,491	12,394
Security deposits	394	376
Total liabilities	1,215,672	1,229,142
Operating Partnership interests of third parties	40,590	36,275
Commitments and contingencies		
Capital		
Operating Partner	1,295,724	1,103,290
Accumulated other comprehensive loss	(8,558)	(11,014)
Total CubeSmart, L.P. capital	1,287,166	1,092,276
Noncontrolling interests in subsidiaries	1,538	931
Total capital	1,288,704	1,093,207
Total liabilities and capital	\$ 2,544,966	\$ 2,358,624

See accompanying notes to the unaudited consolidated financial statements.

Table of Contents**CUBESMART, L.P. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF OPERATIONS****(in thousands, except per common unit data)****(unaudited)**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
REVENUES				
Rental income	\$ 85,392	\$ 72,744	\$ 242,177	\$ 207,735
Other property related income	10,142	8,558	30,088	24,150
Property management fee income	1,558	1,185	4,431	3,547
Total revenues	97,092	82,487	276,696	235,432
OPERATING EXPENSES				
Property operating expenses	33,622	30,011	97,992	87,640
Depreciation and amortization	31,622	28,448	90,224	85,824
General and administrative	7,464	7,326	21,092	22,454
Acquisition related costs	1,258	470	3,658	2,233
Total operating expenses	73,966	66,255	212,966	198,151
OPERATING INCOME	23,126	16,232	63,730	37,281
OTHER INCOME (EXPENSE)				
Interest:				
Interest expense on loans	(11,772)	(9,968)	(35,670)	(30,828)
Loan procurement amortization expense	(566)	(536)	(1,650)	(1,509)
Equity in losses of real estate venture	(1,860)	-	(4,958)	-
Gain from sale of real estate	-	-	475	-
Other	(337)	(22)	(1,103)	(282)
Total other expense	(14,535)	(10,526)	(42,906)	(32,619)
INCOME FROM CONTINUING OPERATIONS	8,591	5,706	20,824	4,662
DISCONTINUED OPERATIONS				
Income from discontinued operations	-	1,585	336	4,541
Gain from disposition of discontinued operations	-	9,310	-	9,538
Total discontinued operations	-	10,895	336	14,079
NET INCOME	8,591	16,601	21,160	18,741
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS				
Noncontrolling interests in subsidiaries	(5)	(2)	(14)	(1)
NET INCOME ATTRIBUTABLE TO CUBESMART L.P.	8,586	16,599	21,146	18,740
Operating Partnership interests of third parties	(106)	(257)	(250)	(240)
NET INCOME ATTRIBUTABLE TO OPERATING PARTNER	8,480	16,342	20,896	18,500
Distribution to preferred unitholders	(1,502)	(1,502)	(4,506)	(4,506)
NET INCOME ATTRIBUTABLE TO COMMON UNITHOLDERS	\$ 6,978	\$ 14,840	\$ 16,390	\$ 13,994
Basic earnings per share from continuing operations attributable to common unitholders	\$ 0.05	\$ 0.03	\$ 0.11	\$ -
Basic earnings per share from discontinued operations attributable to common unitholders	\$ -	\$ 0.08	\$ -	\$ 0.10
Basic earnings per share attributable to common unitholders	\$ 0.05	\$ 0.11	\$ 0.11	\$ 0.10
	\$ 0.05	\$ 0.03	\$ 0.11	\$ -

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Diluted earnings per share from continuing operations attributable to common unitholders								
Diluted earnings per share from discontinued operations attributable to common unitholders	\$	-	\$	0.08	\$	-	\$	0.10
Diluted earnings per share attributable to common unitholders	\$	0.05	\$	0.11	\$	0.11	\$	0.10
Weighted-average basic units outstanding		149,758		135,365		144,919		134,007
Weighted-average diluted units outstanding		152,006		138,106		147,082		136,643

AMOUNTS ATTRIBUTABLE TO COMMON UNITHOLDERS

Income from continuing operations	\$	6,978	\$	4,130	\$	16,059	\$	154
Total discontinued operations		-		10,710		331		13,840
Net income	\$	6,978	\$	14,840	\$	16,390	\$	13,994

See accompanying notes to the unaudited consolidated financial statements.

Table of Contents**CUBESMART, L.P. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME****(in thousands)****(unaudited)**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
NET INCOME	\$ 8,591	\$ 16,601	\$ 21,160	\$ 18,741
OTHER COMPREHENSIVE INCOME (LOSS)				
Unrealized gains (losses) on interest rate swap	982	(2,700)	(2,249)	2,586
Reclassification of realized losses on interest rate swaps	1,616	1,582	4,793	4,667
Unrealized (loss) gain on foreign currency translation	(483)	297	(55)	66
OTHER COMPREHENSIVE INCOME (LOSS)	2,115	(821)	2,489	7,319
COMPREHENSIVE INCOME	10,706	15,780	23,649	26,060
Comprehensive income attributable to Operating Partnership interests of third parties	(138)	(243)	(285)	(366)
Comprehensive loss (income) attributable to noncontrolling interests in subsidiaries	4	(27)	(12)	(24)
COMPREHENSIVE INCOME ATTRIBUTABLE TO OPERATING PARTNER	\$ 10,572	\$ 15,510	\$ 23,352	\$ 25,670

See accompanying notes to the unaudited consolidated financial statements.

Table of Contents**CUBESMART, L.P. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CAPITAL****(in thousands)****(unaudited)**

	Number of OP Units Outstanding		Operating Partner	Accumulated Other Comprehensive (Loss) Income	CubeSmart L.P. Capital	Noncontrolling Interests in Subsidiaries	Total Capital	Operating Partnership Interests of Third Parties
	Common	Preferred						
Balance at December 31, 2013	139,328	3,100	\$ 1,103,290	\$ (11,014)	\$ 1,092,276	\$ 931	\$ 1,093,207	\$ 36,275
Contributions from noncontrolling interests in subsidiaries						\$ 595	595	
Issuance of common OP units	13,181		235,961		235,961		235,961	
Issuance of restricted OP units	424		4		4		4	
Conversion from units to shares	18		308		308		308	(308)
Exercise of OP unit options	283		2,266		2,266		2,266	
Amortization of restricted OP units			(229)		(229)		(229)	
OP unit compensation expense			644		644		644	
Adjustment for Operating Partnership interests of third parties			(5,218)		(5,218)		(5,218)	5,218
Net income			20,896		20,896	14	20,910	250
Other comprehensive gain (loss):								
Unrealized gains on interest rate swaps				2,506	2,506		2,506	38
Unrealized loss on foreign currency translation				(50)	(50)	(2)	(52)	(3)
Preferred OP unit distributions			(4,506)		(4,506)		(4,506)	
Common OP unit distributions			(57,692)		(57,692)		(57,692)	(880)
Balance at September 30, 2014	153,234	3,100	\$ 1,295,724	\$ (8,558)	\$ 1,287,166	\$ 1,538	\$ 1,288,704	\$ 40,590

	Number of OP Units Outstanding		Operating Partner	Accumulated Other Comprehensive (Loss) Income	CubeSmart L.P. Capital	Noncontrolling Interests in Subsidiaries	Total Capital	Operating Partnership Interests of Third Parties
	Common	Preferred						
Balance at December 31, 2012	131,795 3,099	3,100	\$ 1,009,587 52,498	\$ (19,796)	\$ 989,791 52,498	\$ 118	\$ 989,909 52,498	\$ 47,990

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Issuance of common OP units								
Issuance of restricted OP units	222		2		2		2	
Conversion from units to shares	1,013		14,601		14,601		14,601	(14,601)
Exercise of OP unit options	357		2,487		2,487		2,487	
Amortization of restricted OP units			3,397		3,397		3,397	
OP unit compensation expense			654		654		654	
Adjustment for Operating Partnership interests of third parties			(7,686)		(7,686)		(7,686)	7,686
Net income			18,500		18,500	1	18,501	240
Other comprehensive gain:								
Unrealized gains on interest rate swaps				7,128	7,128		7,128	125
Unrealized gain on foreign currency translation				42	42	23	65	1
Preferred OP unit distributions			(4,506)		(4,506)		(4,506)	
Common OP unit distributions			(44,602)		(44,602)		(44,602)	(753)
Balance at September 30, 2013	136,486	3,100	\$ 1,044,932	\$ (12,626)	\$ 1,032,306	\$ 142	\$ 1,032,448	\$ 40,688

See accompanying notes to the unaudited consolidated financial statements.

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CUBESMART, L.P. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

(unaudited)

	Nine Months Ended September 30,	
	2014	2013
Operating Activities		
Net income	\$ 21,160	\$ 18,741
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	91,874	89,813
Gain from sale of real estate	(475)	(9,538)
Equity compensation expense	415	4,051
Accretion of fair market value adjustment of debt	(1,247)	(752)
Equity in losses of real estate venture	4,958	-
Changes in other operating accounts:		
Other assets	(936)	(1,760)
Restricted cash	(293)	518
Accounts payable and accrued expenses	2,531	1,551
Other liabilities	945	1,267
Net cash provided by operating activities	\$ 118,932	\$ 103,891
Investing Activities		
Acquisitions of storage facilities	\$ (255,865)	\$ (133,043)
Additions and improvements to storage facilities	(12,870)	(13,697)
Development costs	(17,027)	(25,649)
Cash contributed to real estate venture	(2,350)	-
Cash distributed from real estate venture	55,381	-
Proceeds from sale of real estate, net	13,475	35,600
Proceeds from notes receivable	-	5,192

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Change in restricted cash		283		1,324
Net cash used in by investing activities	\$	(218,973)	\$	(130,273)

Financing Activities

Proceeds from:

Revolving credit facility	\$	578,000	\$	350,600
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Principal payments on:

Revolving credit facility		(616,600)		(307,300)
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Mortgage loans and notes payable		(10,589)		(21,852)
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Loan procurement costs		(274)		(2,141)
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Proceeds from issuance of common OP units		235,965		52,500
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Exercise of OP unit options		2,266		2,487
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Contributions from noncontrolling interests in subsidiaries		595		-
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Distributions paid to common unitholders		(56,728)		(44,961)
--	--	----------	--	----------

Distributions paid to preferred unitholders		(4,506)		(4,506)
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Net cash provided by financing activities	\$	128,129	\$	24,827
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Change in cash and cash equivalents		28,088		(1,555)
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Cash and cash equivalents at beginning of period		3,176		4,495
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Cash and cash equivalents at end of period	\$	31,264	\$	2,940
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Supplemental Cash Flow and Noncash Information

Cash paid for interest, net of interest capitalized	\$	38,240	\$	36,150
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Supplemental disclosure of noncash activities:

Accretion of liability	\$	5,357	\$	-
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Derivative valuation adjustment	\$	2,544	\$	7,253
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Foreign currency translation adjustment	\$	(55)	\$	66
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Mortgage loan assumption - acquisition of storage facilities	\$	27,467	\$	-
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See accompanying notes to the unaudited consolidated financial statements.

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CUBESMART AND CUBESMART, L.P.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION AND NATURE OF OPERATIONS

CubeSmart (the Parent Company) operates as a self-managed and self-administered real estate investment trust (REIT) with its operations conducted solely through CubeSmart, L.P. and its subsidiaries. CubeSmart, L.P., a Delaware limited partnership (the Operating Partnership), operates through an umbrella partnership structure, with the Parent Company, a Maryland REIT, as its sole general partner. In the notes to the consolidated financial statements, we use the terms the Company, we or our to refer to the Parent Company and the Operating Partnership together, unless the context indicates otherwise. As of September 30, 2014, the Company owned self-storage facilities located in 21 states throughout the United States and the District of Columbia which are presented under one reportable segment: the Company owns, operates, develops, manages and acquires self-storage facilities.

As of September 30, 2014, the Parent Company owned approximately 98.5% of the partnership interests (OP Units) of the Operating Partnership. The remaining OP Units, consisting exclusively of limited partner interests, are held by persons who contributed their interests in facilities to the Operating Partnership in exchange for OP Units. Under the partnership agreement, these persons have the right to tender their OP Units for redemption to the Operating Partnership at any time for cash equal to the fair value of an equivalent number of common shares of the Parent Company. In lieu of delivering cash, however, the Parent Company, as the Operating Partnership's general partner, may, at its option, choose to acquire any OP Units so tendered by issuing common shares in exchange for the tendered OP Units. If the Parent Company so chooses, its common shares will be exchanged for OP Units on a one-for-one basis. This one-for-one exchange ratio is subject to adjustment to prevent dilution. With each such exchange or redemption, the Parent Company's percentage ownership in the Operating Partnership will increase. In addition, whenever the Parent Company issues common or other classes of its shares, it contributes the net proceeds it receives from the issuance to the Operating Partnership and the Operating Partnership issues to the Parent Company an equal number of OP Units or other partnership interests having preferences and rights that mirror the preferences and rights of the shares issued. This structure is commonly referred to as an umbrella partnership REIT or UPREIT.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared pursuant to the rules and regulations of the SEC regarding interim financial reporting and, in the opinion of each of the Parent Company's and Operating Partnership's respective management, include all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation of financial position, results of operations and cash flows for each respective company for the interim periods presented in accordance with generally accepted accounting principles in the United States (GAAP). Accordingly, readers of this Quarterly Report on Form 10-Q should refer to the Parent Company's and the Operating Partnership's audited financial statements prepared in accordance with GAAP, and the related notes thereto, for the year ended December 31, 2013, which are included in the Parent Company's and the Operating Partnership's Annual Report on Form 10-K for the fiscal year ended December 31, 2013. The results of operations for the three and nine months ended September 30, 2014 and 2013 are not necessarily indicative of the results of operations to be expected for any future period or the full year.

For the three and nine months ended September 30, 2013, certain amounts have been reclassified to conform to current period presentation.

Recent Accounting Pronouncements

In April 2014, the Financial Accounting Standards Board (FASB) issued an update to the accounting standard for the reporting of discontinued operations. The update redefines discontinued operations, changing the criteria for determining which disposals can be presented as discontinued operations and modifies related disclosure requirements.

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This amendment becomes effective for annual periods beginning on or after December 15, 2014, and interim periods beginning on or after December 15, 2015; however, early adoption is permitted. The Company elected to adopt this guidance in 2014 and such adoption did not have a material impact on the Company's consolidated financial position or results of operations. The Company disposed of one asset during the nine months ended September 30, 2014, however the disposal did not meet the criteria for discontinued operations under the new guidance.

In May 2014, the FASB issued Accounting Standard Update (ASU) No. 2014-09, Revenue from Contracts with Customers, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. The new standard is effective for the Company on January 1, 2017. Early application is not permitted. The standard permits the use of either the retrospective or cumulative effect transition method. The Company is evaluating the effect that ASU 2014-09 will have on its consolidated financial statements and related disclosures. The Company has not yet selected a transition method nor has it determined the effect of the standard on its ongoing financial reporting.

3. STORAGE FACILITIES

The book value of the Company's real estate assets is summarized as follows:

	September 30, 2014	December 31, 2013
	(in thousands)	
Land	\$ 503,529	\$ 465,680
Buildings and improvements	2,095,930	1,888,823
Equipment	185,090	158,000
Construction in progress	38,637	41,203
Storage facilities	2,823,186	2,553,706
Less: Accumulated depreciation	(466,516)	(398,536)
Storage facilities, net	\$ 2,356,670	\$ 2,155,170

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The following table summarizes the Company's acquisition and disposition activity from the period beginning on January 1, 2013 through September 30, 2014:

Facility/Portfolio	Location	Transaction Date	Number of Facilities	Purchase / Sales Price (in thousands)
<i>2014 Acquisitions:</i>				
Manchester Asset	Manchester, CT	January 2014	1	\$ 4,950
Coconut Creek Asset	Coconut Creek, FL	January 2014	1	14,000
Palm Coast Assets	Palm Coast, FL	January 2014	2	14,450
Fremont Asset	Fremont, CA	January 2014	1	8,300
Temple Hills Asset	Temple Hills, MD	February 2014	1	15,800
Timonium Asset	Timonium, MD	February 2014	1	15,500
Phoenix Asset	Phoenix, AZ	March 2014	1	14,750
Philadelphia Asset	Philadelphia, PA	March 2014	1	7,350
Frisco Asset	Frisco, TX	March 2014	1	8,225
Austin Asset	Austin, TX	April 2014	1	6,450
New York Assets	Brooklyn, NY	April 2014	2	55,000
Lake Worth Asset	Lake Worth, FL	April 2014	1	11,406
Tewksbury Asset	Tewksbury, MA	April 2014	1	11,100
Schererville Asset	Schererville, IN	May 2014	1	8,400
Florida Assets	Multiple locations in FL	June 2014	3	35,000
Florida II Assets	Fort Myers, FL	July 2014	2	15,800
Boston Asset	Boston, MA	September 2014	1	23,100
			22	\$ 269,581
<i>2013 Acquisitions:</i>				
Gilbert Asset	Gilbert, AZ	March 2013	1	\$ 6,900
Evanston Asset	Evanston, IL	May 2013	1	8,300
Delray Beach Asset	Delray Beach, FL	May 2013	1	7,150
Miramar Asset	Miramar, FL	June 2013	1	9,000
Stoneham Asset	Stoneham, MA	June 2013	1	10,600
Maryland/New Jersey Assets	Multiple locations in MD and NJ	June 2013	5	52,400
Staten Island Asset	Staten Island, NY	July 2013	1	13,000
Lewisville Asset	Lewisville, TX	August 2013	1	10,975
Chandler Asset	Chandler, AZ	September 2013	1	10,500
Tempe Asset	Tempe, AZ	September 2013	1	4,300
Clinton Asset	Clinton, MD	November 2013	1	15,375
Katy Asset	Katy, TX	November 2013	1	9,700
Richmond Asset	Richmond, TX	December 2013	1	10,497
Dallas Asset	Dallas, TX	December 2013	1	6,925
Elkridge Asset	Elkridge, MD	December 2013	1	8,200
Fort Lauderdale Asset	Fort Lauderdale, FL	December 2013	1	6,000
			20	\$ 189,822

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Facility/Portfolio	Location	Transaction Date	Number of Facilities	Purchase / Sales Price (in thousands)
<i>2013 Dispositions:</i>				
Texas/Indiana Assets	Multiple locations in TX and IN	March 2013	5	\$ 11,400
Tennessee Assets	Multiple locations in TN	August 2013	8	25,000
California/Tennessee/Texas Assets	Multiple locations in CA, TN and TX	October/November 2013	22	90,000
			35	\$ 126,400

4. INVESTMENT ACTIVITY*2014 Acquisitions*

During the nine months ended September 30, 2014, the Company acquired 22 self-storage facilities located throughout the United States for an aggregate purchase price of approximately \$269.6 million. In connection with these acquisitions, the Company allocated a portion of the purchase price to the intangible value of in-place leases, which aggregated \$18.8 million at the time of such acquisitions and prior to any amortization of such amounts. The estimated life of these in-place leases was 12 months and the amortization expense that was recognized during the nine months ended September 30, 2014 was approximately \$8.0 million. In connection with four of the acquired facilities, the Company assumed mortgage debt, and recorded the debt at a fair value of \$27.5 million, which included an outstanding principal balance totaling \$26.0 million and a net premium of \$1.5 million to reflect the estimated fair value of the debt at the time of assumption.

As of September 30, 2014, the Company was under contract and had made deposits of \$9.0 million associated with five facilities under construction for a total purchase price of \$123.2 million. These deposits are reflected in Other assets, net on the Company's consolidated balance sheets. The purchase of these five properties is expected to occur by the fourth quarter of 2015 after the completion of construction and the issuance of a certificate of occupancy. These acquisitions are subject to due diligence and other customary closing conditions and no assurance can be provided that these acquisitions will be completed on the terms described, or at all.

On August 25, 2014, the Operating Partnership entered into an Agreement for Purchase and Sale with certain limited liability companies controlled by HSRE REIT I and HSRE REIT II, each Maryland real estate investment trusts, to acquire (the "HSRE Acquisition") 26 self-storage facilities for an aggregate purchase price of \$223.0 million plus customary closing costs. As of September 30, 2014, the Company had made a deposit of \$5.0 million with respect to the HSRE Acquisition, which deposit is reflected in Other assets, net on the Company's consolidated balance sheets. The HSRE Acquisition will close in two tranches. The Company completed its due diligence on all of the facilities and closed on the first tranche of 22 facilities for an aggregate purchase price of \$195.5 million on November 3, 2014. The Company expects to close on the remaining four facilities no later than March 31, 2015.

Development

During 2012, the Company commenced construction of 5 Old Lancaster Road located in Malvern, PA, a suburb of Philadelphia. The mixed-use facility is comprised of rentable storage space and office space for the Company's corporate headquarters. During the fourth quarter of 2013, the Company relocated its corporate headquarters to 5 Old Lancaster Road. Construction was completed on the portion of the building comprised of

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rentable storage space and the facility opened for operation during the first quarter of 2014. Total costs for this mixed-use project were \$25.1 million at September 30, 2014.

During 2013, the Company entered into contracts for the construction of a self-storage facility located in Bronx, NY. Construction of the facility was substantially completed and the facility opened for operation during the first quarter of 2014.

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Total costs for this project were \$17.2 million at September 30, 2014. These costs are capitalized to building and improvements as well as equipment and are reflected in Storage facilities on the Company's consolidated balance sheets.

During 2013, the Company entered into contracts under newly-formed joint ventures for the construction of three self-storage facilities located in New York and one self-storage facility located in Virginia (see note 12). Construction for all projects is expected to be completed during 2015. At September 30, 2014, development costs for these projects totaled \$30.3 million. These costs are capitalized to construction in progress while the projects are under development and are reflected in Storage facilities on the Company's consolidated balance sheets.

2014 Disposition

On June 30, 2014, the Company sold one asset in London, England owned by USIFB, LLP, a consolidated real estate joint venture in which the Company owns a 97% interest, for an aggregate sales price of £4.1 million (approximately \$7.0 million). The Company received net proceeds of \$7.0 million, a portion of which were used to repay the loan the Company made to the venture, and recorded a gain of \$0.5 million as a result of the transaction.

2013 Acquisitions

During 2013, the Company acquired 20 self-storage facilities located throughout the United States for an aggregate purchase price of approximately \$189.8 million. In connection with these acquisitions, the Company allocated a portion of the purchase price to the intangible value of in-place leases, which aggregated \$13.5 million at the time of such acquisitions and prior to any amortization of such amounts. The estimated life of these in-place leases was 12 months and the amortization expense that was recognized during the nine months ended September 30, 2014 was approximately \$7.4 million. In connection with one of the acquired facilities, the Company assumed mortgage debt, and recorded the debt at a fair value of \$8.9 million, which included an outstanding principal balance totaling \$8.5 million and a net premium of \$0.4 million in addition to the face value of the assumed debt to reflect the fair value of the debt at the time of assumption.

The following table summarizes the Company's revenue and earnings associated with the 2014 and 2013 acquisitions from the respective acquisition dates in the period they were acquired, included in the consolidated statements of operations for the three and nine months ended September 30, 2014 and 2013:

	Three months ended September 30,		Nine months ended September 30,	
	2014	2013	2014	2013
	(in thousands)		(in thousands)	
Total revenue	\$ 5,832	\$ 2,683	\$ 11,032	\$ 3,472
Net loss	(3,235)	(1,564)	(6,149)	(2,198)

5. INVESTMENT IN UNCONSOLIDATED REAL ESTATE VENTURE

On December 10, 2013, the Company acquired a 50% ownership interest in 35 self-storage facilities located in Texas (34) and North Carolina (1) through a newly-formed joint venture (HHF). HHF paid \$315.7 million for these facilities. The Company and the unaffiliated joint venture partner, collectively the HHF Partners, each contributed cash equal to 50% of the capital required to fund the acquisition. HHF was not consolidated as the entity was not determined to be a VIE and the HHF Partners have equal ownership and voting rights in the entity. The Company accounts for its unconsolidated interest in the real estate venture using the equity method. The Company's investment in HHF is included in Investment in real estate venture, at equity on the Company's consolidated balance sheets and losses attributed to HHF are presented in Equity in losses of real estate venture on the Company's consolidated statements of operations.

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On May 1, 2014, HHF obtained a \$100 million loan secured by the 34 self-storage facilities located in Texas that are owned by the venture. There is no recourse to the Company, subject to customary exceptions to non-recourse provisions. The loan bears interest at 3.59% per annum and matures on April 30, 2021. This financing completed the planned capital structure of HHF and proceeds (net of closing costs) of \$99.2 million were distributed proportionately to the partners.

The amounts reflected in the following table are based on the historical financial information of the real estate venture.

The following is a summary of the financial position of the HHF venture as of September 30, 2014 and December 31, 2013, respectively (in thousands):

	September 30, 2014	December 31, 2013
Assets		
Net property	\$ 294,329	\$ 302,557
Other assets	7,134	11,688
Total assets	\$ 301,463	\$ 314,245
Liabilities and equity		
Other liabilities	\$ 4,821	\$ 1,625
Debt	100,000	-
Equity:		
CubeSmart	98,321	156,310
Joint venture partner	98,321	156,310
Total liabilities and equity	\$ 301,463	\$ 314,245

The following is a summary of results of operations of the real estate venture for the three and nine months ended September 30, 2014 (in thousands):

	Three months ended September 30, 2014	Nine months ended September 30, 2014
Revenue	\$ 6,874	\$ 19,894
Operating expenses	3,108	8,729
Interest expense	941	1,552
Depreciation and amortization	6,544	19,529
Net loss	(3,719)	(9,916)
Company's share of net loss	(1,860)	(4,958)

6. UNSECURED SENIOR NOTES

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On December 17, 2013, the Operating Partnership issued \$250 million in aggregate principal amount of 4.375% unsecured senior notes due December 15, 2023 (the 2023 Senior Notes). On June 26, 2012, the Operating Partnership issued \$250 million in aggregate principal amount of unsecured senior notes due July 15, 2022 (the 2022 Senior Notes) which bear interest at a rate of 4.80%. The 2023 Senior Notes along with the 2022 Senior Notes are collectively referred to as the Senior Notes. The indenture under which the Senior Notes were issued restricts the ability of the Operating Partnership and its subsidiaries to incur debt unless the Operating Partnership and its consolidated subsidiaries comply with a leverage ratio not to exceed 60% and an interest coverage ratio of more than 1.5:1 after giving effect to the incurrence of the debt. The indenture also restricts the ability of the Operating Partnership and its subsidiaries to incur secured debt unless the Operating Partnership and its consolidated subsidiaries comply with a secured debt leverage ratio not to exceed 40% after giving effect to the incurrence of the debt.

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The indenture also contains other financial and customary covenants, including a covenant not to own unencumbered assets with a value less than 150% of the unsecured indebtedness of the Operating Partnership and its consolidated subsidiaries. As of September 30, 2014, the Operating Partnership was in compliance with all of the financial covenants under the Senior Notes.

7. REVOLVING CREDIT FACILITY AND UNSECURED TERM LOANS

On June 20, 2011, the Company entered into an unsecured term loan agreement (the "Term Loan Facility") which consisted of a \$100 million term loan with a five-year maturity ("Term Loan A") and a \$100 million term loan with a seven-year maturity ("Term Loan B"). The Company incurred costs of \$2.1 million in connection with executing the agreement and capitalized such costs as a component of loan procurement costs, net of amortization on the consolidated balance sheet.

On December 9, 2011, the Company entered into a credit facility (the "Credit Facility") comprised of a \$100 million unsecured term loan maturing in December 2014 ("Term Loan C"); a \$200 million unsecured term loan maturing in March 2017 ("Term Loan D"); and a \$300 million unsecured revolving facility maturing in December 2015 ("Revolver"). The Company incurred costs of \$3.4 million in connection with executing the agreement and capitalized such costs as a component of loan procurement costs, net of amortization on the consolidated balance sheet.

On June 18, 2013, the Company amended both the Term Loan Facility and Credit Facility. With respect to the Term Loan Facility, among other things, the amendment extended the maturity and decreased the pricing of Term Loan A, while Term Loan B remained unchanged by the amendment. On August 5, 2014, the Company further amended the Term Loan Facility (collectively with the amendment on June 18, 2013, the "Amendments") to extend the maturity and decrease the pricing of Term Loan B.

Pricing on the Term Loan Facility depends on the Company's unsecured debt credit ratings. At the Company's current Baa2/BBB level, amounts drawn under Term Loan A are priced at 1.30% over LIBOR, with no LIBOR floor, while amounts drawn under Term Loan B are priced at 1.15% over LIBOR, with no LIBOR floor.

	Amount	Term Loan Facility Prior to Amendments			Term Loan Facility As Amended		
		Maturity Date	Baa3/BBB-	Baa2/BBB	Maturity Date	Baa3/BBB-	Baa2/BBB
			LIBOR Spread	LIBOR Spread (1)			
Term Loan A	\$100 million	June 2016	1.85%	1.65%	June 2018	1.50%	1.30%
Term Loan B	\$100 million	June 2018	2.00%	1.80%	January 2020	1.40%	1.15%

(1) On September 25, 2014, the Company's unsecured debt credit rating was upgraded to Baa2 from Baa3 by Moody's Investors Service with a stable outlook. As a result, the LIBOR spreads were reduced, effective October 1, 2014.

With respect to the Credit Facility, among other things, the Amendments extended the maturities of the Revolver and Term Loan D and decreased the pricing of the Revolver, Term Loan C and Term Loan D. Pricing on the Credit Facility depends on the Company's unsecured debt

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credit ratings. At the Company's current Baa2/BBB level, amounts drawn under the Revolver are priced at 1.30% over LIBOR, inclusive of a facility fee of 0.20%, with no LIBOR floor, while amounts drawn under Term Loan C and Term Loan D are priced at 1.30% over LIBOR, with no LIBOR floor.

	Credit Facility Prior to Amendments				Credit Facility As Amended		
	Amount	Maturity Date	LIBOR Spread		Maturity Date	LIBOR Spread (2)	
			Baa3/BBB-	Baa2/BBB		Baa3/BBB-	Baa2/BBB
Revolver	\$300 million	December 2015	1.80%	1.50%	June 2017	1.60%	1.30%
Term Loan C	\$100 million	December 2014	1.75%	1.45%	December 2014	1.50%	1.30%
	(1)						
Term Loan D	\$200 million	March 2017	1.75%	1.45%	January 2019	1.50%	1.30%

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(1) On December 17, 2013, the Company repaid the \$100 million balance under Term Loan C that was scheduled to mature in December 2014.

(2) On September 25, 2014, the Company's unsecured debt credit rating was upgraded to Baa2 from Baa3 by Moody's Investors Service with a stable outlook. As a result, the LIBOR spreads were reduced, effective October 1, 2014.

The Company incurred costs of \$2.1 million in 2013 and \$0.2 million in 2014 in connection with the Amendments and capitalized such costs as a component of loan procurement costs, net of amortization on the consolidated balance sheet. Unamortized costs, along with costs incurred in connection with the amendments, are amortized as an adjustment to interest expense over the remaining term of the modified facilities. In connection with the repayment of Term Loan C, the Company recognized \$0.4 million related to the write-off of unamortized loan procurement costs associated with the term loan.

As of September 30, 2014, \$200 million of unsecured term loan borrowings were outstanding under the Term Loan Facility, \$200 million of unsecured term loan borrowings were outstanding under the Credit Facility, and \$300 million was available for borrowing on the unsecured revolving portion of the Credit Facility. The available balance under the unsecured revolving portion of the Credit Facility is reduced by an outstanding letter of credit of \$30 thousand. In connection with a portion of the unsecured borrowings, the Company had interest rate swaps as of September 30, 2014 that fix 30-day LIBOR (see note 10). As of September 30, 2014, borrowings under the Credit Facility and Term Loan Facility, as amended and after giving effect to the interest rate swaps, had an effective weighted average interest rate of 3.21%.

The Term Loan Facility and the term loan under the Credit Facility were fully drawn at September 30, 2014 and no further borrowings may be made under the term loans. The Company's ability to borrow under the revolving portion of the Credit Facility is subject to ongoing compliance with certain financial covenants which include:

- Maximum total indebtedness to total asset value of 60.0% at any time;
- Minimum fixed charge coverage ratio of 1.50:1.00; and
- Minimum tangible net worth of \$821,211,200 plus 75% of net proceeds from equity issuances after June 30, 2010.

Further, under the Credit Facility and Term Loan Facility, the Company is restricted from paying distributions on the Parent Company's common shares in excess of the greater of (i) 95% of funds from operations, and (ii) such amount as may be necessary to maintain the Parent Company's REIT status.

As of September 30, 2014, the Company was in compliance with all of its financial covenants and anticipates being in compliance with all of its financial covenants through the terms of the Credit Facility and Term Loan Facility.

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The Company's mortgage loans and notes payable are summarized as follows:

Mortgage Loans and Notes Payable	Carrying Value as of:		Effective Interest Rate	Maturity Date
	September 30, 2014	December 31, 2013		
	(dollars in thousands)			
YSI 10	3,770	3,839	5.87%	Jan-15
YSI 15	1,692	1,733	6.41%	Jan-15
YSI 52	4,413	4,548	5.63%	Jan-15
YSI 58	8,440	8,676	2.97%	Jan-15
YSI 29	12,691	12,853	3.69%	Aug-15
YSI 13	8,458	8,500	3.00%	Oct-15
YSI 20	54,674	56,373	5.97%	Nov-15
YSI 63	7,493	-	2.82%	Dec-15
YSI 59	9,272	9,418	4.82%	Mar-16
YSI 60	3,625	3,670	5.04%	Aug-16
YSI 51	7,135	7,219	5.15%	Sep-16
YSI 64	7,952	-	3.54%	Oct-16
YSI 62	7,993	-	3.54%	Dec-16
YSI 35	-	4,274	6.90%	Jul-19
YSI 33	10,495	10,688	6.42%	Jul-19
YSI 26	8,823	8,945	4.56%	Nov-20
YSI 57	3,097	3,140	4.61%	Nov-20
YSI 55	23,865	24,145	4.85%	Jun-21
YSI 24	28,039	28,523	4.64%	Jun-21
Unamortized fair value adjustment	3,922	3,674		
Total mortgage loans and notes payable	\$ 215,849	\$ 200,218		

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As of September 30, 2014 and December 31, 2013, the Company's mortgage loans payable were secured by certain of its self-storage facilities with net book values of approximately \$387 million and \$371 million, respectively. The following table represents the future principal payment requirements on the outstanding mortgage loans and notes payable at September 30, 2014 (in thousands):

2014	\$	1,411
2015		103,023
2016		36,837
2017		1,784
2018		1,886
2019 and thereafter		66,986
Total mortgage payments		211,927
Plus: Unamortized fair value adjustment		3,922
Total mortgage indebtedness	\$	215,849

9. ACCUMULATED OTHER COMPREHENSIVE LOSS

The following table summarizes the changes in accumulated other comprehensive loss by component for the nine months ended September 30, 2014 (dollars in thousands):

	Unrealized losses on interest rate swaps	Unrealized loss on foreign currency translation	Total
Balance at December 31, 2013	\$ (10,222)	\$ (792)	\$ (11,014)
Other comprehensive (loss) gain before reclassifications	(2,214)	(50)	(2,264)
Amounts reclassified from accumulated other comprehensive loss	4,720 (a)	-	4,720
Net current-period other comprehensive gain (loss)	2,506	(50)	2,456
Balance at September 30, 2014	\$ (7,716)	\$ (842)	\$ (8,558)

(a) See note 10 for additional information about the effects of the amounts reclassified.

10. RISK MANAGEMENT AND USE OF FINANCIAL INSTRUMENTS

The Company's use of derivative instruments is limited to the utilization of interest rate swap agreements or other instruments to manage interest rate risk exposures and not for speculative purposes. The principal objective of such arrangements is to minimize the risks and/or costs associated with the Company's operating and financial structure, as well as to hedge specific transactions. The counterparties to these arrangements are major financial institutions with which the Company and its subsidiaries may also have other financial relationships. The Company is potentially exposed to credit loss in the event of non-performance by these counterparties. However, because of the high credit ratings of the counterparties, the Company does not anticipate that any of the counterparties will fail to meet these obligations as they come due. The Company does not hedge credit or property value market risks.

The Company has entered into interest rate swap agreements that qualify and are designated as cash flow hedges designed to reduce the impact of interest rate changes on its variable rate debt. Therefore, the interest rate swaps are recorded in the consolidated balance sheet at fair value and the related gains or losses are deferred in shareholders' equity as accumulated other comprehensive loss. These deferred gains and losses are amortized into interest expense during the period or periods in which the related interest payments affect earnings.

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However, to the extent that the interest rate swaps are not perfectly effective in offsetting the change in value of the interest payments being hedged, the ineffective portion of these contracts is recognized in earnings immediately.

The Company formally assesses, both at inception of a hedge and on an on-going basis, whether each derivative is highly-effective in offsetting changes in cash flows of the hedged item. If management determines that a derivative is highly-effective as a hedge, then the Company accounts for the derivative using hedge accounting, pursuant to which gains or losses inherent in the derivative do not impact the Company's results of operations. If management determines that a derivative is not highly-effective as a hedge or if a derivative ceases to be a highly-effective hedge, the Company will discontinue hedge accounting prospectively and will reflect in its statement of operations realized and unrealized gains and losses in respect of the derivative.

The following table summarizes the terms and fair values of the Company's derivative financial instruments at September 30, 2014 and December 31, 2013, respectively (dollars in thousands):

Hedge Product	Hedge Type (a)	Notional Amount	Strike	Effective Date	Maturity	Fair Value	
						September 30, 2014	December 31, 2013
Swap	Cash flow	\$ 40,000	1.8025%	6/20/2011	6/20/2016	\$ (865)	\$ (1,265)
Swap	Cash flow	\$ 40,000	1.8025%	6/20/2011	6/20/2016	(865)	(1,265)
Swap	Cash flow	\$ 20,000	1.8025%	6/20/2011	6/20/2016	(432)	(632)
Swap	Cash flow	\$ 75,000	1.3360%	12/30/2011	3/31/2017	(800)	(1,132)
Swap	Cash flow	\$ 50,000	1.3360%	12/30/2011	3/31/2017	(533)	(752)
Swap	Cash flow	\$ 50,000	1.3360%	12/30/2011	3/31/2017	(533)	(754)
Swap	Cash flow	\$ 25,000	1.3375%	12/30/2011	3/31/2017	(268)	(380)
Swap	Cash flow	\$ 40,000	2.4590%	6/20/2011	6/20/2018	(1,557)	(1,820)
Swap	Cash flow	\$ 40,000	2.4725%	6/20/2011	6/20/2018	(1,576)	(1,842)
Swap	Cash flow	\$ 20,000	2.4750%	6/20/2011	6/20/2018	(790)	(921)
		\$ 400,000				\$ (8,219)	\$ (10,763)

(a) Hedging unsecured variable rate debt by fixing 30-day LIBOR.

The Company measures its derivative instruments at fair value and records them in the balance sheet as either an asset or liability. As of September 30, 2014 and December 31, 2013, all derivative instruments were included in accounts payable, accrued expenses and other liabilities in the accompanying consolidated balance sheets. The effective portions of changes in the fair value of the derivatives are reported in accumulated other comprehensive income (loss). Amounts reported in accumulated other comprehensive income (loss) related to derivatives will be reclassified to interest expense as interest payments are made on the Company's variable-rate debt. The change in unrealized loss on interest rate swap reflects a reclassification of \$4.8 million of unrealized losses from accumulated other comprehensive loss as an increase to interest expense during the nine months ended September 30, 2014.

11. FAIR VALUE MEASUREMENTS

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The Company applies the methods of determining fair value as described in authoritative guidance, to value its financial assets and liabilities. As defined in the guidance, fair value is based on the price that would be received from the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, the guidance establishes a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels, which are described below:

Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Observable prices that are based on inputs not quoted on active markets, but corroborated by market data.

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Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

In determining fair value, the Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible as well as considering counterparty credit risk in its assessment of fair value.

Financial assets and liabilities carried at fair value as of September 30, 2014 are classified in the table below in one of the three categories described above (dollars in thousands):

	Level 1	Level 2	Level 3
Interest Rate Swap Derivative Liabilities	\$ -	\$ 8,219	\$ -
Total liabilities at fair value	\$ -	\$ 8,219	\$ -

Financial assets and liabilities carried at fair value as of December 31, 2013 are classified in the table below in one of the three categories described above (dollars in thousands):

	Level 1	Level 2	Level 3
Interest Rate Swap Derivative Liabilities	\$ -	\$ 10,763	\$ -
Total liabilities at fair value	\$ -	\$ 10,763	\$ -

Financial assets and liabilities carried at fair value were classified as Level 2 inputs. For financial liabilities that utilize Level 2 inputs, the Company utilizes both direct and indirect observable price quotes, including LIBOR yield curves, bank price quotes for forward starting swaps, NYMEX futures pricing and common stock price quotes. Below is a summary of valuation techniques for Level 2 financial liabilities:

- Interest rate swap derivative assets and liabilities valued using LIBOR yield curves at the reporting date. Counterparties to these contracts are most often highly rated financial institutions, none of which experienced any significant downgrades in 2014 that would reduce the amount owed by the Company. Although the Company has determined that the majority of the inputs used to value its derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with the Company's derivatives utilize Level 3 inputs, such as estimates of current credit spreads, to evaluate the likelihood of default by the Company and the counterparties. However, as of September 30, 2014, the Company has assessed the significance of the effect of the credit valuation adjustments on the overall valuation of its derivative positions and has determined that the credit valuation adjustments are not significant to the overall valuation of its derivatives. As a result, the

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Company has determined that its derivative valuations in their entirety are classified in Level 2 of the fair value hierarchy.

The fair values of financial instruments, including cash and cash equivalents, accounts receivable and accounts payable approximate their respective carrying values at September 30, 2014 and December 31, 2013. The aggregate carrying value of the Company's debt was \$1.1 billion at September 30, 2014 and December 31, 2013, while the estimated fair value of the Company's debt was \$1.1 billion at September 30, 2014 and December 31, 2013. These estimates were based on a discounted cash flow analysis assuming market interest rates for comparable obligations at September 30, 2014 and December 31, 2013. The Company estimates the fair value of its fixed rate debt and the credit spreads over variable market rates on its variable rate debt by discounting the future cash flows of each instrument at estimated market rates or credit spreads consistent with the maturity of the debt obligation with similar credit policies, which is classified within level 2 of the fair value hierarchy.

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Rates and credit spreads take into consideration general market conditions and maturity.

12. NONCONTROLLING INTERESTS

Interests in Consolidated Real Estate Joint Ventures

251 Jamaica Ave, LLC (Jamaica Ave) was formed to own, operate, and develop a self-storage facility in New York, NY. The Company owns a 51% interest in Jamaica Ave and 49% is owned by another member (Jamaica Ave Member). The facility is expected to commence operations during 2015. The Jamaica Ave Member has an option to put its ownership interest in the venture to the Company for \$12.5 million within the one-year period after construction of the facility is substantially complete. Additionally, the Company has a one-year option to call the ownership interest of the Jamaica Ave Member for \$12.5 million beginning on the second anniversary of the facility's construction being substantially complete. The Company determined that Jamaica Ave is a variable interest entity, and that the Company is the primary beneficiary. Accordingly, the Company consolidates the assets, liabilities, and results of operations of Jamaica Ave. At September 30, 2014, Jamaica Ave had total assets of \$12.9 million and total liabilities of \$6.0 million.

CS SNL New York Ave, LLC and 186 Jamaica Avenue, LLC, collectively known as SNL , were formed with a partner to own, operate and develop two self-storage facilities in the boroughs of New York, NY. The Company owns 90% of SNL and the facilities are expected to commence operations during 2015. The Company consolidates the assets, liabilities, and results of operations of SNL. At September 30, 2014, SNL had total assets of \$10.7 million and total liabilities of \$1.1 million. The Company has provided \$0.6 million of a total \$20.1 million loan commitment to SNL which is secured by a mortgage on the real estate assets of SNL. The loan and related interest was eliminated during consolidation.

Shirlington Rd, LLC (SRLLC) was formed to own, operate, and develop a self-storage facility in Northern Virginia. The Company owns a 90% interest in SRLLC and the facility is expected to commence operations during 2015. The Company consolidates the assets, liabilities, and results of operations of SRLLC. During 2013, SRLLC acquired land for development for \$13.1 million. In 2014, SRLLC completed the planned subdivision of the land into two parcels and sold one parcel for \$6.5 million. No gain or loss was recorded as a result of this transaction. SRLLC retained the second parcel of land for the development of the storage facility. At September 30, 2014, SRLLC had total assets of \$11.7 million and total liabilities of \$7.6 million. The Company has provided \$6.4 million of a total \$14.6 million loan commitment to SRLLC, which loan is secured by a mortgage on the real estate assets of SRLLC. The loan and related interest was eliminated during consolidation.

USIFB, LLP (USIFB) was formed to own, operate, acquire and develop self-storage facilities in England. The Company owns a 97% interest in the USIFB through a wholly-owned subsidiary and USIFB commenced operations at two facilities in London, England during 2008. The Company determined that USIFB is a variable interest entity, and that the Company is the primary beneficiary. Accordingly, the Company consolidates the assets, liabilities and results of operations of USIFB. On December 31, 2013 the Company provided a \$6.8 million (£4.1 million) loan secured by a mortgage on real estate assets of USIFB. On June 30, 2014, one of the assets was sold and the loan was repaid with proceeds from the sale. The loan and any related interest was eliminated during consolidation. At September 30, 2014, USIFB had total assets of \$5.9 million and total liabilities of \$0.3 million.

Operating Partnership Ownership

The Company follows guidance regarding the classification and measurement of redeemable securities. Under this guidance, securities that are redeemable for cash or other assets, at the option of the holder and not solely within the control of the issuer, must be classified outside of permanent equity/capital. This classification results in certain outside ownership interests being included as redeemable noncontrolling interests outside of permanent equity/capital in the consolidated balance sheets. The Company makes this determination based on terms in applicable agreements, specifically in relation to redemption provisions.

Additionally, with respect to redeemable ownership interests in the Operating Partnership held by third parties for which CubeSmart has a choice to settle the redemption by delivery of its own shares, the Operating Partnership considered the guidance regarding accounting for derivative financial instruments indexed to, and potentially settled in, a company's own shares, to evaluate whether CubeSmart controls the actions or events necessary to presume share settlement.

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The guidance also requires that noncontrolling interests classified outside of permanent capital be adjusted each period to the greater of the carrying value based on the accumulation of historical cost or the redemption value.

Approximately 1.5% and 1.6% of the outstanding OP Units as of September 30, 2014 and December 31, 2013, respectively, were not owned by CubeSmart, the sole general partner. The interests in the Operating Partnership represented by these OP Units were a component of the consideration that the Operating Partnership paid to acquire certain self-storage facilities. The holders of the OP Units are limited partners in the Operating Partnership and have the right to require CubeSmart to redeem all or part of their OP Units for, at the general partner's option, an equivalent number of common shares of CubeSmart or cash based upon the fair value of an equivalent number of common shares of CubeSmart. However, the partnership agreement contains certain provisions that could result in a settlement outside the control of CubeSmart and the Operating Partnership, as CubeSmart does not have the ability to settle in unregistered shares. Accordingly, consistent with the guidance, the Operating Partnership will record the OP Units owned by third parties outside of permanent capital in the consolidated balance sheets. Net income or loss related to the OP Units owned by third parties is excluded from net income or loss attributable to Operating Partner in the consolidated statements of operations.

At September 30, 2014 and December 31, 2013, 2,257,486 and 2,275,730 OP units, respectively, were outstanding. The per unit cash redemption amount of the outstanding OP units was calculated based upon the average of the closing prices of the common shares of CubeSmart on the New York Stock Exchange for the final 10 trading days of the quarter. Based on the Company's evaluation of the redemption value of the redeemable noncontrolling interests, the Company has reflected these interests at their redemption value at September 30, 2014 and December 31, 2013, as the estimated redemption value exceeded their carrying value. The Operating Partnership recorded an increase to OP Units owned by third parties and a corresponding decrease to capital of \$5.2 million and \$3.3 million at September 30, 2014 and December 31, 2013, respectively.

13. RELATED PARTY TRANSACTIONS

Affiliated Real Estate Investments

The Company provides management services to certain joint ventures and other related party facilities. Management agreements provide generally for management fees of between 5-6% of cash collections at the managed facilities. Management fees for unconsolidated joint ventures or other entities in which the Company held an ownership interest for the three and nine months ended September 30, 2014 totaled \$0.2 million and \$0.6 million, respectively. The Company had no ownership interests in unconsolidated joint ventures or other entities at September 30, 2013.

The management agreements for certain joint ventures, other related parties and third-party facilities provide for the reimbursement to the Company for certain expenses incurred to manage the facilities. These amounts consist of amounts due for management fees, payroll, and other expenses incurred on behalf of the facilities. The amounts due to the Company were \$1.4 million and \$2.1 million as of September 30, 2014 and December 31, 2013, respectively. Additionally, as discussed in note 12 the Company has outstanding mortgage loans receivable from consolidated joint ventures of \$7.0 million and \$15.8 million as of September 30, 2014 and December 31, 2013, respectively, that are eliminated for consolidation purposes. The Company believes that all of these related-party receivables are fully collectible.

Corporate Office Leases

Subsequent to its entry into lease agreements with related parties for office space, the Operating Partnership entered into sublease agreements with various unrelated tenants for the related office space. Each of these properties is part of Airport Executive Park, a 50-acre office and flex development located in Cleveland, Ohio, which is owned by former executives. Our independent Trustees approved the terms of, and entry into, each of the office lease agreements by the Operating Partnership. The table below shows the office space subject to these lease agreements and certain key provisions, including the term of each lease agreement, the period for which the Operating Partnership may extend the term of each lease agreement, and the minimum and maximum rents payable per month during the term.

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Office Space	Approximate Square Footage	Maturity Date	Period of Extension Option (1)	Fixed Minimum Rent Per Month	Fixed Maximum Rent Per Month
The Parkview Building 6745 Engle Road; and 6751 Engle Road	21,900	12/31/2014	Five-year	\$ 25,673	\$ 31,205
6745 Engle Road Suite 100	2,212	12/31/2014	Five-year	\$ 3,051	\$ 3,709
6745 Engle Road Suite 110	1,731	12/31/2014	Five-year	\$ 2,387	\$ 2,901
6751 Engle Road Suites C and D	3,000	12/31/2014	Five-year	\$ 3,137	\$ 3,771

(1) Our Operating Partnership may extend the lease agreement beyond the termination date by the period set forth in this column at prevailing market rates upon the same terms and conditions contained in each of the lease agreements.

In addition to monthly rent, the office lease agreements provide that our Operating Partnership reimburse for certain maintenance and improvements to the leased office space. The aggregate amount of payments incurred under these lease agreements for each of the nine months ended September 30, 2014 and 2013, was approximately \$0.4 million.

Total future minimum rental payments due in accordance with the related party lease agreements are \$0.1 million and total future cash receipts due from our subtenants are \$0.1 million as of September 30, 2014.

14. DISCONTINUED OPERATIONS

For the three and nine months ended September 30, 2014, discontinued operations relates to real estate tax refunds received as a result of appeals of previous tax assessments on six self-storage facilities that the Company sold in prior years. For the three and nine months ended September 30, 2013, discontinued operations relates to 35 facilities sold during 2013.

The following table summarizes the revenue and expense information for the facilities classified as discontinued operations during the three and nine months ended September 30, 2014 and 2013 (in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2014	2013	2014	2013
REVENUES				
Rental income	\$ -	\$ 3,025	\$ -	\$ 10,271
Other property related income	-	427	-	1,445
Total revenues	-	3,452	-	11,716
OPERATING EXPENSES				
Property operating expenses	-	1,113	(336)	4,478
Depreciation and amortization	-	727	-	2,480
Total operating expenses	-	1,840	(336)	6,958
OPERATING INCOME	-	1,612	336	4,758

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OTHER (EXPENSE) INCOME

Interest expense on loans	-	(27)	-	(217)
Gain on disposition of discontinued operations	-	9,310	-	9,538
Total discontinued operations	\$ -	\$ 10,895	\$ 336	\$ 14,079

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During the nine months ended September 30, 2014 and the year ended December 31, 2013, the Company acquired 22 self-storage facilities for an aggregate purchase price of approximately \$269.6 million (see note 4) and 20 self-storage facilities for an aggregate purchase price of approximately \$189.8 million, respectively.

The condensed consolidated pro forma financial information set forth below reflects adjustments to the Company's historical financial data to give effect to each of the acquisitions and related financing activity (including the issuance of common shares) that occurred during 2014 and 2013 as if each had occurred as of January 1, 2013 and 2012, respectively. The pro forma information presented below does not purport to represent what the Company's actual results of operations would have been for the periods indicated, nor does it purport to represent the Company's future results of operations.

The following table summarizes, on a pro forma basis, the Company's consolidated results of operations for the nine months ended September 30, 2014 and 2013 based on the assumptions described above:

	Nine Months Ended September 30,	
	2014	2013
	(in thousands, except per share data)	
Pro forma revenues	\$ 284,267	\$ 264,388
Pro forma net income attributable to the Company's common shareholders	\$ 36,657	\$ 11,567
Earnings per share from continuing operations attributable to common shareholders		
Basic - as reported	\$ 0.11	\$ 0.00
Diluted - as reported	\$ 0.11	\$ 0.00
Basic - as pro forma	\$ 0.25	\$ 0.09
Diluted - as pro forma	\$ 0.25	\$ 0.08

16. SUBSEQUENT EVENTS

Subsequent to September 30, 2014, the Company acquired three self-storage facilities in Texas for an aggregate purchase price of \$23.9 million.

On October 2, 2014, the Company amended its equity distribution agreements with various sales agents to increase the number of common shares of beneficial interest authorized for sale through its at-the-market equity program from 20.0 million to 30.0 million.

On October 20, 2014, the Parent Company completed its public offering of 7,475,000 common shares at a public offering price of \$19.33, which reflects the full exercise by the underwriters of their option to purchase 975,000 shares to cover over-allotments. We received approximately

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\$143.0 million in net proceeds from the offering after deducting the underwriting discount and other estimated offering expenses.

On November 3, 2014, the Company acquired the first tranche of 22 self-storage facilities as part of the HSRE Acquisition. The facilities are located in California, Florida, Illinois, Nevada, New York, Ohio and Rhode Island. The aggregate purchase price for the 22 facilities was approximately \$195.5 million. The remaining four facilities are expected to close during the first quarter of 2015.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the financial statements and notes thereto appearing elsewhere in this report. The Company makes certain statements in this section that are forward-looking statements within the meaning of the federal securities laws. For a discussion of forward-looking statements, see the section in this report entitled "Forward-Looking Statements." Certain risk factors may cause actual results, performance or achievements to differ materially from those expressed or implied by the following discussion. For a discussion of such risk factors, see the section entitled "Risk Factors" in the Parent Company's and Operating Partnership's combined Annual Report on Form 10-K for the year ended December 31, 2013.

Overview

We are an integrated self-storage real estate company, and as such we have in-house capabilities in the operation, design, development, leasing, management and acquisition of self-storage facilities. The Parent Company's operations are conducted solely through the Operating Partnership and its subsidiaries. The Parent Company has elected to be taxed as a REIT for U.S. federal income tax purposes. As of September 30, 2014 and December 31, 2013, we owned 390 and 366 self-storage facilities, respectively, totaling approximately 26.4 million and 24.7 million rentable square feet, respectively. As of September 30, 2014, we owned facilities in the District of Columbia and the following 21 states: Arizona, California, Colorado, Connecticut, Florida, Georgia, Illinois, Indiana, Maryland, Massachusetts, Nevada, New Jersey, New Mexico, New York, North Carolina, Ohio, Pennsylvania, Tennessee, Texas, Utah and Virginia. In addition, as of September 30, 2014, we managed 172 facilities for third parties (including 35 facilities as part of an unconsolidated real estate venture) bringing the total number of facilities which we owned and/or managed to 562. As of September 30, 2014, the Company managed facilities in the following 22 states: Alabama, Arizona, California, Colorado, Florida, Georgia, Illinois, Louisiana, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, New Jersey, New York, North Carolina, Pennsylvania, Rhode Island, South Carolina, Tennessee, Texas, and Virginia.

We derive revenues principally from rents received from our customers who rent cubes at our self-storage facilities under month-to-month leases. Therefore, our operating results depend materially on our ability to retain our existing customers and lease our available self-storage cubes to new customers while maintaining and, where possible, increasing our pricing levels. In addition, our operating results depend on the ability of our customers to make required rental payments to us. Our approach to the management and operation of our facilities combines centralized marketing, revenue management and other operational support with local operations teams that provide market-level oversight and control. We believe this approach allows us to respond quickly and effectively to changes in local market conditions, and to maximize revenues by managing rental rates and occupancy levels.

We typically experience seasonal fluctuations in the occupancy levels of our facilities, which are generally slightly higher during the summer months due to increased moving activity.

Our results of operations may be sensitive to changes in overall economic conditions that impact consumer spending, including discretionary spending, as well as to increased bad debts due to recessionary pressures. A slow recovery from ongoing adverse economic conditions affecting disposable consumer income, such as employment levels, business conditions, interest rates, tax rates, fuel and energy costs, and other matters could reduce consumer spending or cause consumers to shift their spending to other products and services. A general reduction in the level of discretionary spending or shifts in consumer discretionary spending could adversely affect our growth and profitability.

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We continue our focus on maximizing internal growth opportunities and selectively pursuing targeted acquisitions and developments of self-storage facilities.

We have one reportable segment: we own, operate, develop, manage and acquire self-storage facilities.

Our self-storage facilities are located in major metropolitan and suburban areas and have numerous customers per facility. No single customer represents a significant concentration of our revenues. The facilities in New York, Florida, Texas and California provided approximately 17%, 17%, 10% and 8%, respectively, of total revenues for the nine months ended September 30, 2014.

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Summary of Critical Accounting Policies and Estimates

Set forth below is a summary of the accounting policies and estimates that management believes are critical to an understanding of the unaudited consolidated financial statements included in this report. Certain of the accounting policies used in the preparation of these consolidated financial statements are particularly important for an understanding of the financial position and results of operations presented in the historical consolidated financial statements included in this report. A summary of significant accounting policies is also provided in the aforementioned notes to our consolidated financial statements (See note 2 to the unaudited consolidated financial statements). These policies require the application of judgment and assumptions by management and, as a result, are subject to a degree of uncertainty. Due to this uncertainty, actual results could differ from estimates calculated and utilized by management.

Basis of Presentation

The accompanying consolidated financial statements include all of the accounts of the Company, and its majority-owned and/or controlled subsidiaries. The portion of these entities not owned by the Company is presented as noncontrolling interests as of and during the periods presented. All significant intercompany accounts and transactions have been eliminated in consolidation.

When the Company obtains an economic interest in an entity, the Company evaluates the entity to determine if the entity is deemed a variable interest entity (VIE), and if the Company is deemed to be the primary beneficiary, in accordance with authoritative guidance issued by the Financial Accounting Standards Board (FASB) on the consolidation of VIEs. When an entity is not deemed to be a VIE, the Company considers the provisions of additional FASB guidance to determine whether a general partner, or the general partners as a group, controls a limited partnership or similar entity when the limited partners have certain rights. The Company consolidates (i) entities that are VIEs and of which the Company is deemed to be the primary beneficiary and (ii) entities that are non-VIEs which the Company controls and in which the limited partners do not have substantive participating rights, or the ability to dissolve the entity or remove the Company without cause.

Self-Storage Facilities

The Company records self-storage facilities at cost less accumulated depreciation. Depreciation on the buildings and equipment is recorded on a straight-line basis over their estimated useful lives, which range from five to 39 years. Expenditures for significant renovations or improvements that extend the useful life of assets are capitalized. Repairs and maintenance costs are expensed as incurred.

When facilities are acquired, the purchase price is allocated to the tangible and intangible assets acquired and liabilities assumed based on estimated fair values. When a portfolio of facilities is acquired, the purchase price is allocated to the individual facilities based upon an income approach or a cash flow analysis using appropriate risk adjusted capitalization rates, which take into account the relative size, age and location of the individual facility along with current and projected occupancy and rental rate levels or appraised values, if available. Allocations to the individual assets and liabilities are based upon comparable market sales information for land, buildings and improvements and estimates of depreciated replacement cost of equipment.

In allocating the purchase price for an acquisition, the Company determines whether the acquisition includes intangible assets or liabilities. The Company allocates a portion of the purchase price to an intangible asset attributable to the value of in-place leases. This intangible asset is generally amortized to expense over the expected remaining term of the in-place leases. Substantially all of the leases in place at acquired facilities are at market rates, as the majority of the leases are month-to-month contracts. Accordingly, to date no portion of the purchase price for an acquired property has been allocated to above- or below-market lease intangibles. To date, no intangible asset has been recorded for the value of customer relationships, because the Company does not have any concentrations of significant customers and the average customer turnover is fairly frequent.

Long-lived assets classified as held for use are reviewed for impairment when events and circumstances such as declines in occupancy and operating results indicate that there may be an impairment. The carrying value of these long-lived assets is compared to the undiscounted future net operating cash flows, plus a terminal value, attributable to the assets to determine if the property's basis is recoverable. If a property's basis is not considered recoverable, an impairment loss is recorded to the extent the net carrying value of the asset exceeds the fair value.

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The impairment loss recognized equals the excess of net carrying value over the related fair value of the asset. There were no impairment losses recognized in accordance with these procedures during 2014 and 2013.

The Company considers long-lived assets to be held for sale upon satisfaction of the following criteria: (a) management commits to a plan to sell a facility (or group of facilities), (b) the facility is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such facilities, (c) an active program to locate a buyer and other actions required to complete the plan to sell the facility have been initiated, (d) the sale of the facility is probable and transfer of the asset is expected to be completed within one year, (e) the facility is being actively marketed for sale at a price that is reasonable in relation to its current fair value, and (f) actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

Typically these criteria are all met when the relevant asset is under contract, significant non-refundable deposits have been made by the potential buyer, the assets are immediately available for transfer and there are no contingencies related to the sale that may prevent the transaction from closing. However, each potential transaction is evaluated based on its separate facts and circumstances. Facilities classified as held for sale are reported at the lesser of carrying value or fair value less estimated costs to sell.

Revenue Recognition

Management has determined that all of our leases with customers are operating leases. Rental income is recognized in accordance with the terms of the lease agreements or contracts, which generally are month to month.

The Company recognizes gains on disposition of facilities only upon closing in accordance with the guidance on sales of real estate. Payments received from purchasers prior to closing are recorded as deposits. Profit on real estate sold is recognized using the full accrual method upon closing when the collectability of the sales price is reasonably assured and the Company is not obligated to perform significant activities after the sale. Profit may be deferred in whole or part until the sale meets the requirements of profit recognition on sales under this guidance.

Share-Based Payments

We apply the fair value method of accounting for contingently issued shares and share options issued under our equity incentive plans. Accordingly, share compensation expense is recorded ratably over the vesting period relating to such contingently issued shares and options. The Company has elected to recognize compensation expense on a straight-line method over the requisite service period.

Noncontrolling Interests

Noncontrolling interests are the portion of equity (net assets) in a subsidiary not attributable, directly or indirectly, to a parent. The ownership interests in the subsidiary that are held by owners other than the parent are noncontrolling interests. In accordance with authoritative guidance issued on noncontrolling interests in consolidated financial statements, such noncontrolling interests are reported on the consolidated balance sheets within equity/capital, separately from the Parent Company's equity/capital. The guidance also requires that noncontrolling interests are adjusted each period so that the carrying value equals the greater of its carrying value based on the accumulation of historical cost or its redemption value. On the consolidated statements of operations, revenues, expenses and net income or loss from less-than-wholly-owned subsidiaries are reported at the consolidated amounts, including both the amounts attributable to the Parent Company and noncontrolling interests. Presentation of consolidated equity/capital activity is included for both quarterly and annual financial statements, including beginning balances, activity for the period and ending balances for shareholders' equity/capital, noncontrolling interests and total equity/capital.

Investments in Unconsolidated Real Estate Ventures

The Company accounts for its investments in unconsolidated real estate ventures under the equity method of accounting. Under the equity method, investments in unconsolidated joint ventures are recorded initially at cost, as investments in real estate entities, and subsequently adjusted for equity in earnings (losses), cash contributions, less distributions and impairments.

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On a periodic basis, management also assesses whether there are any indicators that the carrying value of the Company's investments in unconsolidated real estate entities may be other than temporarily impaired. An investment is impaired only if the fair value of the investment, as estimated by management, is less than the carrying value of the investment and the decline is other than temporary. To the extent impairment has occurred, the loss shall be measured as the excess of the carrying amount of the investment over the fair value of the investment, as estimated by management. The determination as to whether impairment exists requires significant management judgment about the fair value of its ownership interest. Fair value is determined through various valuation techniques, including but not limited to, discounted cash flow models, quoted market values and third party appraisals.

Recent Accounting Pronouncements

In April 2014, the Financial Accounting Standards Board (FASB) issued an update to the accounting standard for the reporting of discontinued operations. The update redefines discontinued operations, changing the criteria for determining which disposals can be presented as discontinued operations and modifies related disclosure requirements. This amendment becomes effective for annual periods beginning on or after December 15, 2014, and interim periods beginning on or after December 15, 2015; however early adoption is permitted. The Company elected to adopt this guidance in 2014 and such adoption did not have a material impact on the Company's consolidated financial position or results of operations. The Company disposed of one asset during the nine months ended September 30, 2014, however the disposal did not meet the criteria for discontinued operations under the new guidance.

In May 2014, the FASB issued Accounting Standard Update (ASU) No. 2014-09, Revenue from Contracts with Customers, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. The new standard is effective for the Company on January 1, 2017. Early application is not permitted. The standard permits the use of either the retrospective or cumulative effect transition method. The Company is evaluating the effect that ASU 2014-09 will have on its consolidated financial statements and related disclosures. The Company has not yet selected a transition method nor has it determined the effect of the standard on its ongoing financial reporting.

Results of Operations

The following discussion of our results of operations should be read in conjunction with the consolidated financial statements and the accompanying notes thereto. Historical results set forth in the consolidated statements of operations reflect only the existing facilities and should not be taken as indicative of future operations. The Company considers its same-store portfolio to consist of only those facilities owned and operated on a stabilized basis at the beginning and at the end of the applicable periods presented. We consider a property to be stabilized once it has achieved an occupancy rate representative of similar self-storage assets in the respective markets for a full year measured as of the most recent January 1 or has otherwise been placed in-service and has not been significantly damaged by natural disaster or undergone significant renovation. We believe that same-store results are useful to investors in evaluating our performance because they provide information relating to changes in facility-level operating performance without taking into account the effects of acquisitions, developments or dispositions. At September 30, 2014, there were 346 same-store facilities and 44 non-same-store facilities. All of the non-same-store facilities were 2013 and 2014 acquisitions or developed facilities.

Table of Contents*Acquisition and Development Activities*

The comparability of the Company's results of operations is affected by the timing of acquisition and disposition activities during the periods reported. At September 30, 2014 and 2013, the Company owned 390 and 382 self-storage facilities and related assets, respectively. The following table summarizes the change in number of owned self-storage facilities from January 1, 2013 through September 30, 2014:

	2014	2013
Balance - January 1	366	381
Facilities acquired	10	1
Facilities developed	2	-
Facilities sold	-	(5)
Balance - March 31	378	377
Facilities acquired	9	9
Balance - June 30	387	386
Facilities acquired	3	4
Facilities sold	-	(8)
Balance - September 30	390	382
Facilities acquired		6
Facilities sold		(22)
Balance - December 31		366

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Comparison of the three months ended September 30, 2014 to the three months ended September 30, 2013 (in thousands)

	Same-Store Property Portfolio				Non Same-Store Properties		Other/ Eliminations		Total Portfolio			
	2014	2013	Increase/ (Decrease)	% Change	2014	2013	2014	2013	2014	2013	Increase/ (Decrease)	% Change
REVENUES												
Rental income	\$ 75,101	\$ 69,918	\$ 5,183	7.4%	\$ 10,291	\$ 2,826	\$ -	\$ -	\$ 85,392	\$ 72,744	\$ 12,648	17.4%
Other property related income	8,321	7,562	759	10.0%	1,112	310	709	686	10,142	8,558	1,584	18.5%
Property management fee income	-	-	-	-	-	-	1,558	1,185	1,558	1,185	373	31.5%
Total revenues	83,422	77,480	5,942	7.7%	11,403	3,136	2,267	1,871	97,092	82,487	14,605	17.7%
OPERATING EXPENSES												
Property operating expenses	25,563	25,273	290	1.1%	3,928	1,200	4,131	3,538	33,622	30,011	3,611	12.0%
NET OPERATING INCOME	\$ 57,859	\$ 52,207	\$ 5,652	10.8%	\$ 7,475	\$ 1,936	\$ (1,864)	\$ (1,667)	\$ 63,470	\$ 52,476	\$ 10,994	21.0%
Property count	346	346			44	14			390	360		
Total square footage	23,164	23,164			3,220	1,024			26,384	24,188		
Period End Occupancy (1)	91.7%	90.0%			90.0%	79.5%			91.5%	89.6%		
Period Average Occupancy (2)	92.3%	90.5%										
Realized annual rent per occupied square foot (3)	\$ 14.05	\$ 13.35										
Depreciation and amortization									31,622	28,448	3,174	11.2%
General and administrative									7,464	7,326	138	1.9%
Acquisition related costs									1,258	470	788	167.7%
Subtotal									40,344	36,244	4,100	11.3%
OPERATING INCOME									23,126	16,232	6,894	42.5%
OTHER INCOME (EXPENSE)												
Interest:												
Interest expense on loans									(11,772)	(9,968)	(1,804)	-18.1%
Loan procurement amortization expense									(566)	(536)	(30)	-5.6%
Equity in losses of real estate venture									(1,860)	-	(1,860)	-100.0%
Other									(337)	(22)	(315)	-1431.8%
Total other expense									(14,535)	(10,526)	(4,009)	-38.1%
INCOME FROM CONTINUING OPERATIONS									8,591	5,706	2,885	50.6%

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DISCONTINUED OPERATIONS				
Income from discontinued operations	-	1,585	(1,585)	-100.0%
Gain on disposition of discontinued operations	-	9,310	(9,310)	-100.0%
Total discontinued operations	-	10,895	(10,895)	-100.0%
NET INCOME	8,591	16,601	(8,010)	-48.3%
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS				
Noncontrolling interests in the Operating Partnership	(106)	(257)	151	58.8%
Noncontrolling interests in subsidiaries	(5)	(2)	(3)	-150.0%
NET INCOME ATTRIBUTABLE TO THE COMPANY	8,480	16,342	(7,862)	-48.1%

(1) Represents occupancy at September 30 of the respective year.

(2) Represents the weighted average occupancy for the period.

(3) Realized annual rent per occupied square foot is computed by dividing rental income by the weighted average occupied square feet for the period.

Revenues

Rental income increased from \$72.7 million during the three months ended September 30, 2013 to \$85.4 million during the three months ended September 30, 2014, an increase of \$12.7 million, or 17.4%. This increase is primarily attributable to \$7.5 million of additional income from the facilities acquired in 2013 and 2014 and increases in net rental rates and average occupancy on the same-store portfolio which contributed to the \$5.2 million increase in rental income during the three months ended September 30, 2014 as compared to the three months ended September 30, 2013.

Other property related income increased from \$8.6 million during the three months ended September 30, 2013 to \$10.1 million during the three months ended September 30, 2014, an increase of \$1.5 million, or 18.5%. This increase is primarily attributable to increased tenant insurance commissions on the same-store and non-same-store portfolios of \$0.7 million and \$0.4 million, respectively, during the three months ended September 30, 2014 as compared to the three months ended September 30, 2013.

Operating Expenses

Property operating expenses increased from \$30.0 million during the three months ended September 30, 2013 to \$33.6 million during the three months ended September 30, 2014, an increase of \$3.6 million, or 12.0%.

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This increase is attributable to \$2.7 million of increased expenses associated with newly acquired facilities, \$0.3 million of increased expenses attributable to real estate taxes associated with the same-store portfolio and \$0.6 million of increased expenses associated with the management of third-party facilities.

Acquisition-related costs increased from \$0.5 million during the three months ended September 30, 2013 to \$1.3 million during the three months ended September 30, 2014. Acquisition-related costs are non-recurring and fluctuate based on quarterly investment activity.

Other Income (Expense)

Interest expense increased from \$10.0 million during the three months ended September 30, 2013 to \$11.8 million during the three months ended September 30, 2014, an increase of \$1.8 million, or 18.1%. The increase is attributable to a higher amount of outstanding debt in the 2014 period. To fund a portion of the Company's growth, the average debt balance during the three months ended September 30, 2014 increased approximately \$85 million from the same period in 2013, from \$1,065 million to \$1,150 million. In addition, the weighted average effective interest rate on our outstanding debt increased from 3.75% for the three months ended September 30, 2013 to 4.09% for the three months ended September 30, 2014.

Equity in losses of real estate venture was \$1.9 million for the three months ended September 30, 2014 with no comparable amount during the 2013 period. This expense is related to the Company's share of the losses attributable to HHF, a partnership in which the Company acquired a 50% ownership interest during the fourth quarter of 2013.

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Comparison of the nine months ended September 30, 2014 to the nine months ended September 30, 2013 (in thousands)

	Same-Store Property Portfolio				Non Same-Store Properties		Other/ Eliminations		Total Portfolio			
	2014	2013	Increase/ (Decrease)	% Change	2014	2013	2014	2013	2014	2013	Increase/ (Decrease)	% Change
REVENUES												
Rental income	\$ 217,574	\$ 203,288	\$ 14,286	7.0%	\$ 24,603	\$ 4,447	\$ -	\$ -	\$ 242,177	\$ 207,735	\$ 34,442	16.6%
Other property related income	24,177	21,763	2,414	11.1%	3,693	450	2,218	1,937	30,088	24,150	5,938	24.6%
Property management fee income	-	-	-	-	-	-	4,431	3,547	4,431	3,547	884	24.9%
Total revenues	241,751	225,051	16,700	7.4%	28,296	4,897	6,649	5,484	276,696	235,432	41,264	17.5%
OPERATING EXPENSES												
Property operating expenses	76,947	75,060	1,887	2.5%	9,993	1,842	11,052	10,738	97,992	87,640	10,352	11.8%
NET OPERATING INCOME	\$ 164,804	\$ 149,991	\$ 14,813	9.9%	\$ 18,303	\$ 3,055	\$ (4,403)	\$ (5,254)	\$ 178,704	\$ 147,792	\$ 30,912	20.9%
Property count	346	346			44	14			390	360		
Total square footage	23,164	23,164			3,220	1,024			26,384	24,188		
Period End												
Occupancy (1)	91.7%	90.0%			90.0%	79.5%			91.5%	89.6%		
Period Average												
Occupancy (2)	90.9%	87.9%										
Realized annual rent per occupied square foot (3)	\$ 13.78	\$ 13.31										
Depreciation and amortization									90,224	85,824	4,400	5.1%
General and administrative									21,092	22,454	(1,362)	-6.1%
Acquisition related costs									3,658	2,233	1,425	63.8%
Subtotal									114,974	110,511	4,463	4.0%
OPERATING INCOME									63,730	37,281	26,449	70.9%
OTHER INCOME (EXPENSE)												
Interest:												
Interest expense on loans									(35,670)	(30,828)	(4,842)	-15.7%
Loan procurement amortization expense									(1,650)	(1,509)	(141)	-9.3%
Equity in losses of real estate venture									(4,958)	-	(4,958)	-100.0%
Gain from sale of real estate									475	-	475	100.0%
Other									(1,103)	(282)	(821)	-291.1%
Total other expense									(42,906)	(32,619)	(10,287)	-31.5%
INCOME FROM CONTINUING OPERATIONS									20,824	4,662	16,162	346.7%

DISCONTINUED OPERATIONS				
Income from discontinued operations	336	4,541	(4,205)	-92.6%
Gain on disposition of discontinued operations	-	9,538	(9,538)	-100.0%
Total discontinued operations	336	14,079	(13,743)	-97.6%
NET INCOME	21,160	18,741	2,419	12.9%
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS				
Noncontrolling interests in the Operating Partnership	(250)	(240)	(10)	-4.2%
Noncontrolling interests in subsidiaries	(14)	(1)	(13)	-1300.0%
NET INCOME ATTRIBUTABLE TO THE COMPANY	20,896	18,500	2,396	13.0%

- (1) Represents occupancy at September 30 of the respective year.
- (2) Represents the weighted average occupancy for the period.
- (3) Realized annual rent per occupied square foot is computed by dividing rental income by the weighted average occupied square feet for the period.

Revenues

Rental income increased from \$207.7 million during the nine months ended September 30, 2013 to \$242.2 million during the nine months ended September 30, 2014, an increase of \$34.5 million, or 16.6%. This increase is primarily attributable to \$20.2 million of additional income from the facilities acquired in 2013 and 2014 and increases in net rental rates and average occupancy on the same-store portfolio which contributed to the \$14.3 million increase in rental income during the nine months ended September 30, 2014 as compared to the nine months ended September 30, 2013.

Other property related income increased from \$24.2 million during the nine months ended September 30, 2013 to \$30.1 million during the nine months ended September 30, 2014, an increase of \$5.9 million, or 24.6%. This increase is primarily attributable to increased tenant insurance commissions of \$2.4 million on the same-store portfolio and \$2.1 million on the non-same-store portfolio during the nine months ended September 30, 2014 as compared to the nine months ended September 30, 2013.

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Operating Expenses

Property operating expenses increased from \$87.6 million during the nine months ended September 30, 2013 to \$98.0 million during the nine months ended September 30, 2014, an increase of \$10.4 million, or 11.8%. This increase is primarily attributable to \$8.2 million of increased expenses associated with newly acquired facilities as well as increased expenses on the same-store portfolio. The increases in same-store expenses were associated with snow removal and utilities, due to a relatively colder winter in 2014 than in the prior year, as well as increases in real estate taxes.

General and administrative expenses decreased from \$22.5 million for the nine months ended September 30, 2013 to \$21.1 million for the nine months ended September 30, 2014, a decrease of \$1.4 million, or 6.1%. The decrease is primarily attributable to lower share based compensation expense and payroll expenses of \$1.7 million.

Acquisition-related costs increased from \$2.2 million during the nine months ended September 30, 2013 to \$3.7 million during the nine months ended September 30, 2014. Acquisition-related costs are non-recurring and fluctuate based on quarterly investment activity. The increase was the result of the acquisition of 22 facilities in the 2014 period compared to only 14 facilities during the 2013 period.

Other Income (Expense)

Interest expense increased from \$30.8 million during the nine months ended September 30, 2013 to \$35.7 million during the nine months ended September 30, 2014, an increase of \$4.9 million, or 15.7%. The increase is attributable to a higher amount of outstanding debt in the 2014 period. To fund a portion of the Company's growth, the average debt balance during the nine months ended September 30, 2014 increased approximately \$142 million from the same period in 2013, from \$1,038 million to \$1,180 million. In addition, the weighted average effective interest rate on our outstanding debt increased from 3.99% for the nine months ended September 30, 2013 to 4.03% for the nine months ended September 30, 2014.

Equity in losses of real estate venture was \$5.0 million for the nine months ended September 30, 2014 with no comparable amount during the 2013 period. This expense is related to the Company's share of the losses attributable to HHF, a partnership in which the Company acquired a 50% ownership interest during the fourth quarter of 2013.

Cash Flows

Comparison of the nine months ended September 30, 2014 to the nine months ended September 30, 2013

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A comparison of cash flow from operating, investing and financing activities for the nine months ended September 30, 2014 and 2013 is as follows (in thousands):

	Nine Months Ended September 30,		
	2014	2013	Change
<u>Net cash flow provided by (used in):</u>			
Operating activities	\$ 118,932	\$ 103,891	\$ 15,041
Investing activities	\$ (218,973)	\$ (130,273)	\$ (88,700)
Financing activities	\$ 128,129	\$ 24,827	\$ 103,302

Cash flows provided by operating activities for the nine months ended September 30, 2014 and 2013 were \$118.9 million and \$103.9 million, respectively, reflecting an increase of \$15.0 million. Our principal source of cash flow is from the operation of our facilities. During the nine months ended September 30, 2014, our increased cash flow from operating activities was primarily attributable to our 2013 acquisitions and increased net operating income levels on the same-store portfolio in the 2014 period as compared to the 2013 period.

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Cash flows used in investing activities increased from \$130.3 million for the nine months ended September 30, 2013 to \$219.0 million for the nine months ended September 30, 2014, reflecting an increase of \$88.7 million. The change was driven by more acquisition activity in 2014 as we acquired 14 facilities in the 2013 period for an aggregate purchase price of \$133.1 million compared to 22 facilities in the 2014 period for an aggregate purchase price of \$269.6 million, inclusive of \$27.5 million of assumed debt. This increase in cash flows used to acquire storage facilities was offset by \$55.4 million in cash distributed from our unconsolidated joint venture, \$50.6 million of which was the result of obtaining venture-level financing.

For the nine months ended September 30, 2014 and 2013, cash flows provided by financing activities were \$128.1 million and \$24.8 million, respectively, reflecting an increase of \$103.3 million. This change was driven by net proceeds of \$236.0 million received from the issuance of common shares under our at-the-market equity program during the nine months ended September 30, 2014 compared to net proceeds of \$52.5 million during the nine months ended September 30, 2013. This increase in cash flows provided by the at-the-market equity program was offset by a \$81.9 million net decrease in revolving credit facility borrowings during the nine months ended September 30, 2014, compared to the same period in 2013 as proceeds from our at-the-market equity program and cash distributed from our unconsolidated joint venture were used to repay a portion of the revolving credit facility borrowings and to fund acquisitions.

Liquidity and Capital Resources

Liquidity Overview

Our cash flow from operations has historically been one of our primary sources of liquidity used to fund debt service, distributions and capital expenditures. We derive the majority of our revenue from customers who lease space from us at our facilities. Therefore, our ability to generate cash from operations is dependent on the rents that we are able to charge and collect from our customers. We believe that the facilities in which we invest, self-storage facilities, are less sensitive than other real estate product types to near-term economic downturns. However, prolonged economic downturns will adversely affect our cash flows from operations.

In order to qualify as a REIT for federal income tax purposes, the Parent Company is required to distribute at least 90% of its REIT taxable income, excluding capital gains, to its shareholders on an annual basis or pay federal income tax. The nature of our business, coupled with the requirement that we distribute a substantial portion of our income on an annual basis, will cause us to have substantial liquidity needs over both the short term and the long term.

Our short-term liquidity needs consist primarily of funds necessary to pay operating expenses associated with our facilities, refinancing of certain mortgage indebtedness, interest expense and scheduled principal payments on debt, expected distributions to limited partners and shareholders, capital expenditures and the development of new facilities. These funding requirements will vary from year to year, in some cases significantly. In the 2014 fiscal year, we expect remaining capital expenditures to be approximately \$3.0 million to \$7.0 million and remaining costs associated with the development of new facilities to be approximately \$12.0 million to \$16.0 million. Our currently scheduled principal payments on debt, including debt maturities and borrowings outstanding on the Credit Facility and Term Loan Facility, are approximately \$1.4 million for the remainder of 2014.

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Our most restrictive debt covenants limit the amount of additional leverage we can add; however, we believe cash flow from operations, access to equity financing, including through our at the market equity program, and available borrowings under our Credit Facility provide adequate sources of liquidity to enable us to execute our current business plan and remain in compliance with our covenants.

Our liquidity needs beyond 2014 consist primarily of contractual obligations which include repayments of indebtedness at maturity, as well as potential discretionary expenditures such as (i) non-recurring capital expenditures; (ii) redevelopment of operating facilities; (iii) acquisitions of additional facilities; and (iv) development of new facilities. We will have to satisfy the portion of our needs not covered by cash flow from operations through additional borrowings, including borrowings under our Credit Facility, sales of common or preferred shares of the Parent Company and common or preferred units of the Operating Partnership and/or cash generated through facility dispositions and joint venture transactions.

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We believe that, as a publicly traded REIT, we will have access to multiple sources of capital to fund our long-term liquidity requirements, including the incurrence of additional debt and the issuance of additional equity. However, we cannot provide any assurance that this will be the case. Our ability to incur additional debt will be dependent on a number of factors, including our degree of leverage, the value of our unencumbered assets and borrowing restrictions that may be imposed by lenders. In addition, dislocation in the United States debt markets may significantly reduce the availability and increase the cost of long-term debt capital, including conventional mortgage financing and commercial mortgage-backed securities financing. There can be no assurance that such capital will be readily available in the future. Our ability to access the equity capital markets will be dependent on a number of factors as well, including general market conditions for REITs and market perceptions about us.

As of September 30, 2014, we had approximately \$31.3 million in available cash and cash equivalents. In addition, we had approximately \$300.0 million of availability for borrowings under our Credit Facility.

Unsecured Senior Notes

On December 17, 2013, the Operating Partnership issued \$250 million in aggregate principal amount of unsecured senior notes due December 15, 2023 (the 2023 Senior Notes) which bear interest at a rate of 4.375%. On June 26, 2012, the Operating Partnership issued \$250 million in aggregate principal amount of unsecured senior notes due July 15, 2022 (the 2022 Senior Notes) which bear interest at a rate of 4.80%. The 2023 Senior Notes along with the 2022 Senior Notes are collectively referred to as the Senior Notes. The indenture under which the Senior Notes were issued restricts the ability of the Operating Partnership and its subsidiaries to incur debt unless the Operating Partnership and its consolidated subsidiaries comply with a leverage ratio not to exceed 60% and an interest coverage ratio of more than 1.5:1 after giving effect to the incurrence of the debt. The indenture also restricts the ability of the Operating Partnership and its subsidiaries to incur secured debt unless the Operating Partnership and its consolidated subsidiaries comply with a secured debt leverage ratio not to exceed 40% after giving effect to the incurrence of the debt. The indenture also contains other financial and customary covenants, including a covenant not to own unencumbered assets with a value less than 150% of the unsecured indebtedness of the Operating Partnership and its consolidated subsidiaries. As of September 30, 2014, the Operating Partnership was in compliance with all of the financial covenants under the Senior Notes.

Bank Credit Facilities

On June 20, 2011, we entered into an unsecured term loan agreement (the Term Loan Facility) which consisted of a \$100 million term loan with a five-year maturity (Term Loan A) and a \$100 million term loan with a seven-year maturity (Term Loan B). We incurred costs of \$2.1 million in connection with executing the agreement and capitalized such costs as a component of loan procurement costs, net of amortization on the consolidated balance sheet.

On December 9, 2011, we entered into a credit facility (the Credit Facility) comprised of a \$100 million unsecured term loan maturing in December 2014 (Term Loan C); a \$200 million unsecured term loan maturing in March 2017 (Term Loan D); and a \$300 million unsecured revolving facility maturing in December 2015 (Revolver). We incurred costs of \$3.4 million in connection with executing the agreement and capitalized such costs as a component of loan procurement costs, net of amortization on the consolidated balance sheet.

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On June 18, 2013, we amended both the Term Loan Facility and Credit Facility. With respect to the Term Loan Facility, among other things, the amendment extended the maturity and decreased the pricing of Term Loan A, while Term Loan B remained unchanged by the amendment. On August 5, 2014, we further amended the Term Loan Facility (collectively with the amendment on June 18, 2013, the Amendments), to extend the maturity and decrease the pricing of Term Loan B.

Pricing on the Term Loan Facility depends on our unsecured debt credit ratings. At our current Baa2/BBB level, amounts drawn under Term Loan A are priced at 1.30% over LIBOR, with no LIBOR floor, while amounts drawn under Term Loan B are priced at 1.15% over LIBOR, with no LIBOR floor.

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	Amount	Term Loan Facility Prior to Amendments			Term Loan Facility As Amended		
		Maturity Date	LIBOR Spread		Maturity Date	LIBOR Spread (1)	
			Baa3/BBB-	Baa2/BBB		Baa3/BBB-	Baa2/BBB
Term Loan A	\$100 million	June 2016	1.85%	1.65%	June 2018	1.50%	1.30%
Term Loan B	\$100 million	June 2018	2.00%	1.80%	January 2020	1.40%	1.15%

- (1) On September 25, 2014, our unsecured debt credit rating was upgraded to Baa2 from Baa3 by Moody's Investors Service with a stable outlook. As a result, the LIBOR spreads were reduced, effective October 1, 2014.

With respect to the Credit Facility, among other things, the Amendments extended the maturities of the Revolver and Term Loan D and decreased the pricing of the Revolver, Term Loan C and Term Loan D. Pricing on the Credit Facility depends on our unsecured debt credit ratings. At our current Baa2/BBB level, amounts drawn under the Revolver are priced at 1.30% over LIBOR, inclusive of a facility fee of 0.20%, with no LIBOR floor, while amounts drawn under Term Loan C and Term Loan D are priced at 1.30% over LIBOR, with no LIBOR floor.

	Amount	Credit Facility Prior to Amendments			Credit Facility As Amended		
		Maturity Date	LIBOR Spread		Maturity Date	LIBOR Spread (2)	
			Baa3/BBB-	Baa2/BBB		Baa3/BBB-	Baa2/BBB
Revolver	\$300 million	December 2015	1.80%	1.50%	June 2017	1.60%	1.30%
	Term Loan C	\$100 million	December 2014	1.75%	1.45%	December 2014	1.50%
(1)	\$200 million	March 2017	1.75%	1.45%	January 2019	1.50%	1.30%
Term Loan D							

- (1) On December 17, 2013, we repaid the \$100 million balance under Term Loan C that was scheduled to mature in December 2014.
- (2) On September 25, 2014, our unsecured debt credit rating was upgraded to Baa2 from Baa3 by Moody's Investors Service with a stable outlook. As a result, the LIBOR spreads were reduced, effective October 1, 2014.

We incurred costs of \$2.1 million in 2013 and \$0.2 million in 2014 in connection with the Amendments and capitalized such costs as a component of loan procurement costs, net of amortization on the consolidated balance sheet. Unamortized costs, along with costs incurred in connection with the amendments, are amortized as an adjustment to interest expense over the remaining term of the modified facilities. In connection with the repayment of Term Loan C, we recognized \$0.4 million related to the write-off of unamortized loan procurement costs associated with the term loan.

As of September 30, 2014, \$200 million of unsecured term loan borrowings were outstanding under the Term Loan Facility, \$200 million of unsecured term loan borrowings were outstanding under the Credit Facility and \$300 million was available for borrowing on the unsecured revolving portion of the Credit Facility. The available balance under the unsecured revolving portion of the Credit Facility is reduced by an outstanding letter of credit of \$30 thousand. In connection with a portion of the unsecured borrowings, we maintained interest rate swaps as of September 30, 2014 that fixed 30-day LIBOR (see note 10). As of September 30, 2014, borrowings under the Credit Facility and Term Loan Facility, as amended and after giving effect to the interest rate swaps, had an effective weighted average interest rate of 3.21%.

The Term Loan Facility and the term loan under our Credit Facility were fully drawn at September 30, 2014 and no further borrowings may be made under the term loans. Our ability to borrow under the revolving portion of the Credit Facility is subject to ongoing compliance with certain financial covenants which include:

Maximum total indebtedness to total asset value of 60.0% at any time;

Minimum fixed charge coverage ratio of 1.50:1.00; and

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Minimum tangible net worth of \$821,211,200 plus 75% of net proceeds from equity issuances after June 30, 2010.

In addition, under the Credit Facility and Term Loan Facility, we are restricted from paying distributions on the Parent Company's common shares in excess of the greater of (i) 95% of funds from operations, and (ii) such amount as may be necessary to maintain the Parent Company's REIT status.

As of September 30, 2014, we were in compliance with all of our financial covenants and we anticipate remaining in compliance with all of our financial covenants.

At The Market Equity Program

Pursuant to our previous sales agreement with Cantor Fitzgerald & Co. (the "Previous Sales Agent"), dated April 3, 2009, as amended on January 26, 2011 and September 16, 2011 (as amended, the "Previous Sales Agreement"), we had a program to enable us to sell up to 20 million common shares in "at the market" offerings. On May 7, 2013, we terminated the Previous Sales Agreement with the Previous Sales Agent and entered into separate Equity Distribution Agreements (the "Equity Distribution Agreements") with each of Wells Fargo Securities LLC; BMO Capital Markets Corp.; Jefferies LLC; Merrill Lynch, Pierce, Fenner & Smith Incorporated; and RBC Capital Markets, LLC (collectively, the "Sales Agents") which enabled us to sell up to 12 million common shares in "at the market" offerings. On May 5, 2014, the Company amended each of the Equity Distribution Agreements to increase the number of common shares the Company may sell through the Sales Agents to up to 20 million.

During the nine months ended September 30, 2014, we sold a total of 13.2 million common shares under the Equity Distribution Agreements at an average sales price of \$18.19 per share, resulting in gross proceeds of \$239.8 million under the program. We incurred \$3.8 million of offering costs in conjunction with the 2014 sales. We used proceeds from the sales conducted during the nine months ended September 30, 2014 to fund acquisitions of storage facilities, repay outstanding debt and for general corporate purposes. As of September 30, 2014, 1.2 million common shares remained available for issuance under the Equity Distribution Agreements.

Recent Developments

On August 25, 2014, the Operating Partnership entered into an Agreement for Purchase and Sale with certain limited liability companies controlled by HSRE REIT I and HSRE REIT II, each Maryland real estate investment trusts, to acquire (the "HSRE Acquisition") 26 self-storage facilities for an aggregate purchase price of \$223.0 million plus customary closing costs. As of September 30, 2014, the Company had made a deposit of \$5.0 million with respect to the HSRE Acquisition, which deposit is reflected in Other assets, net on the Company's consolidated balance sheets. The HSRE Acquisition will close in two tranches. The Company completed its due diligence on all of the facilities and closed on the first tranche of 22 facilities on November 3, 2014. The Company expects to close on the remaining four facilities no later than March 31, 2015.

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On October 2, 2014, we amended each of the Equity Distribution Agreements to increase the number of common shares the Company may sell through the Sales Agents to up to 30 million. We intend to use the net proceeds from the offering of the common shares pursuant to the Equity Distribution Agreements for general business purposes, including, without limitation, facility acquisitions, developments, joint ventures, capital expenditures, working capital and other general corporate purposes.

On October 20, 2014, the Parent Company completed its public offering of 7,475,000 common shares at a public offering price of \$19.33, which reflects the full exercise by the underwriters of their option to purchase 975,000 shares to cover over-allotments. We received approximately \$143.0 million in net proceeds from the offering after deducting the underwriting discount and other estimated offering expenses. We expect to use the net proceeds from the offering for general business purposes, including, without limitation, facility acquisitions, developments, joint ventures, capital expenditures, working capital and other general corporate purposes.

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Non-GAAP Financial Measures

NOI

We define net operating income, which we refer to as NOI, as total continuing revenues less continuing property operating expenses. NOI also can be calculated by adding back to net income (loss): interest expense on loans, loan procurement amortization expense, loan procurement amortization expense, early repayment of debt, acquisition related costs, equity in losses of real estate ventures, amounts attributable to noncontrolling interests, other expense, depreciation and amortization expense, general and administrative expense, and deducting from net income: income from discontinued operations, gains from disposition of discontinued operations, other income, gains from remeasurement of investments in real estate ventures and interest income. NOI is not a measure of performance calculated in accordance with GAAP.

We use NOI as a measure of operating performance at each of our facilities, and for all of our facilities in the aggregate. NOI should not be considered as a substitute for operating income, net income, cash flows provided by operating, investing and financing activities, or other income statement or cash flow statement data prepared in accordance with GAAP.

We believe NOI is useful to investors in evaluating our operating performance because:

- it is one of the primary measures used by our management and our facility managers to evaluate the economic productivity of our facilities, including our ability to lease our facilities, increase pricing and occupancy and control our property operating expenses;
- it is widely used in the real estate industry and the self-storage industry to measure the performance and value of real estate assets without regard to various items included in net income that do not relate to or are not indicative of operating performance, such as depreciation and amortization, which can vary depending upon accounting methods and the book value of assets; and
- we believe it helps our investors to meaningfully compare the results of our operating performance from period to period by removing the impact of our capital structure (primarily interest expense on our outstanding indebtedness) and depreciation of our basis in our assets from our operating results.

There are material limitations to using a measure such as NOI, including the difficulty associated with comparing results among more than one company and the inability to analyze certain significant items, including depreciation and interest expense, that directly affect our net income. We compensate for these limitations by considering the economic effect of the excluded expense items independently as well as in connection with our analysis of net income. NOI should be considered in addition to, but not as a substitute for, other measures of financial performance reported in accordance with GAAP, such as total revenues, operating income and net income.

FFO

Funds from operations (FFO) is a widely used performance measure for real estate companies and is provided here as a supplemental measure of operating performance. The April 2002 National Policy Bulletin of the National Association of Real Estate Investment Trusts (the White Paper), as amended, defines FFO as net income (computed in accordance with GAAP), excluding gains (or losses) from sales of real estate and related impairment charges, plus real estate depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures.

Management uses FFO as a key performance indicator in evaluating the operations of our facilities. Given the nature of our business as a real estate owner and operator, we consider FFO a key measure of our operating performance that is not specifically defined by accounting principles generally accepted in the United States. We believe that FFO is useful to management and investors as a starting point in measuring our operational performance because FFO excludes various items included in net income that do not relate to or are not indicative of our operating performance such as gains (or losses) from sales of real estate, gains from remeasurement of investments in real estate ventures, impairments of depreciable assets, and depreciation, which can make periodic and peer analyses of operating performance more difficult.

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Our computation of FFO may not be comparable to FFO reported by other REITs or real estate companies.

FFO should not be considered as an alternative to net income (determined in accordance with GAAP) as an indication of our performance. FFO does not represent cash generated from operating activities determined in accordance with GAAP and is not a measure of liquidity or an indicator of our ability to make cash distributions. We believe that to further understand our performance, FFO should be compared with our reported net income and considered in addition to cash flows computed in accordance with GAAP, as presented in our Consolidated Financial Statements.

FFO, as adjusted

FFO, as adjusted represents FFO as defined above, excluding the effects of acquisition related costs, gains or losses from early extinguishment of debt, and non-recurring items, which we believe are not indicative of the Company's operating results. We present FFO, as adjusted because we believe it is a helpful measure in understanding our results of operations insofar as we believe that the items noted above that are included in FFO, but excluded from FFO, as adjusted are not indicative of our ongoing operating results. We also believe that the analyst community considers our FFO, as adjusted (or similar measures using different terminology) when evaluating us. Because other REITs or real estate companies may not compute FFO, as adjusted in the same manner as we do, and may use different terminology, our computation of FFO, as adjusted may not be comparable to FFO, as adjusted reported by other REITs or real estate companies.

The following table presents a reconciliation of net income to FFO and FFO, as adjusted, for the three and nine months ended September 30, 2014 and 2013 (in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2014	2013	2014	2013
<i>Net income attributable to the Company's common shareholders</i>	\$ 6,978	\$ 14,840	\$ 16,390	\$ 13,994
Add (deduct):				
Real estate depreciation and amortization				
Real property - continuing operations	31,196	28,069	88,973	84,789
Real property - discontinued operations	-	727	-	2,386
Company's share of unconsolidated real estate venture	3,272	-	9,765	-
Gains from sales of real estate	-	(9,310)	(475)	(9,538)
Noncontrolling interests in the Operating Partnership	106	257	250	240
<i>FFO</i>	\$ 41,552	\$ 34,583	\$ 114,903	\$ 91,871
Add:				
Acquisition related costs	1,258	470	3,658	2,233
<i>FFO, as adjusted</i>	\$ 42,810	\$ 35,053	\$ 118,561	\$ 94,104

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Weighted-average diluted shares and units outstanding	154,265	140,387	149,345	138,962
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Off-Balance Sheet Arrangements

We do not currently have any off-balance sheet arrangements, financings, or other relationships with other unconsolidated entities (other than our co-investment partnerships) or other persons, also known as variable interest entities not previously discussed.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our future income, cash flows and fair values relevant to financial instruments depend upon prevailing interest rates.

Market Risk

Our investment policy relating to cash and cash equivalents is to preserve principal and liquidity while maximizing the return through investment of available funds.

Effect of Changes in Interest Rates on our Outstanding Debt

Our interest rate risk objectives are to limit the impact of interest rate fluctuations on earnings and cash flows and to lower our overall borrowing costs. To achieve these objectives, we manage our exposure to fluctuations in market interest rates for a portion of our borrowings through the use of derivative financial instruments such as interest rate swaps or caps to mitigate our interest rate risk on a related financial instrument or to effectively lock the interest rate on a portion of our variable rate debt. The analysis below presents the sensitivity of the market value of our financial instruments to selected changes in market rates. The range of changes chosen reflects our view of changes which are reasonably possible over a one-year period. Market values are the present value of projected future cash flows based on the market rates chosen.

As of September 30, 2014, our consolidated debt consisted of \$1.1 billion of outstanding mortgages, unsecured senior notes and unsecured term loans that are subject to fixed rates, including variable rate debt that is effectively fixed through our use of interest rate swaps. As of September 30, 2014 there were no amounts of outstanding Credit Facility borrowings subject to floating rates. However, to the extent that we borrow on the revolving portion of the Credit Facility, we will then have debt subject to variable rates. Changes in interest rates have different impacts on the fixed and variable rate portions of our debt portfolio. A change in interest rates on the fixed portion of the debt portfolio impacts the net financial instrument position, but has no impact on interest incurred or cash flows. A change in interest rates on the variable portion of the debt portfolio impacts the interest incurred and cash flows, but does not impact the net financial instrument position.

If market rates of interest increase by 100 basis points, the fair value of our outstanding fixed-rate mortgage debt, unsecured senior notes and unsecured term loans would decrease by approximately \$57.1 million. If market rates of interest decrease by 100 basis points, the fair value of our outstanding fixed-rate mortgage debt, unsecured senior notes and unsecured term loans would increase by approximately \$62.1 million.

ITEM 4. CONTROLS AND PROCEDURES

Controls and Procedures (Parent Company)

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this report, the Parent Company carried out an evaluation, under the supervision and with the participation of its management, including its chief executive officer and chief financial officer, of the effectiveness of the design and operation of its disclosure controls and procedures (as defined in Rules 13a-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act)).

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Based on that evaluation, the Parent Company's chief executive officer and chief financial officer have concluded that the Parent Company's disclosure controls and procedures are designed at a reasonable assurance level and are effective to provide reasonable assurance that information required to be disclosed by the Parent Company in reports that it files or submits under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms and that such information is accumulated and communicated to the Parent Company's management, including its chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

There has been no change in the Parent Company's internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) during its most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, its internal control over financial reporting.

Controls and Procedures (Operating Partnership)

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this report, the Operating Partnership carried out an evaluation, under the supervision and with the participation of its management, including the Operating Partnership's chief executive officer and chief financial officer, of the effectiveness of the design and operation of the Operating Partnership's disclosure controls and procedures (as defined in Rules 13a-15(e) under the Exchange Act).

Based on that evaluation, the Operating Partnership's chief executive officer and chief financial officer have concluded that the Operating Partnership's disclosure controls and procedures are designed at a reasonable assurance level and are effective to provide reasonable assurance that information required to be disclosed by the Operating Partnership in reports that it files or submits under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms and that such information is accumulated and communicated to the Operating Partnership's management, including the Operating Partnership's chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

There has been no change in the Operating Partnership's internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) during its most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Operating Partnership's internal control over financial reporting.

Table of Contents**PART II. OTHER INFORMATION****ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

The following table provides information about repurchases of the Parent Company's common shares during the three months ended September 30, 2014:	Total Number of Shares Purchased (1)	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs (2)
July 1- July 31	62	\$ 18.55	N/A	3,000,000
August 1- August 31	3,250	18.74	N/A	3,000,000
September 1- September 30	-	-	N/A	3,000,000
Total	3,312	\$ 18.74	N/A	3,000,000

(1) Represents common shares withheld by the Parent Company upon the vesting of restricted shares to cover employee tax obligations.

(2) On September 27, 2007, the Parent Company announced that the Board of Trustees approved a share repurchase program for up to 3.0 million of the Parent Company's outstanding common shares. Unless terminated earlier by resolution of the Board of Trustees, the program will expire when the number of authorized shares has been repurchased. The Parent Company has made no repurchases under this program to date.

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ITEM 6. EXHIBITS

<u>Exhibit No.</u>	<u>Exhibit Description</u>
10.1	Agreement for Purchase and Sale, dated August 25, 2014, by and among CubeSmart, L.P. and certain limited liability companies controlled by HSRE REIT I and HSRE REIT II (the "HSRE Purchase Agreement"). (filed herewith)
10.2*	Form of Amendment No. 2 to Equity Distribution Agreement, dated October 2, 2014, by and among CubeSmart, CubeSmart, L.P. and each of the Sales Agents, incorporated by reference to Exhibit 1.1. to CubeSmart's Current Report on Form 8-K, filed on October 2, 2014.
10.3	Amendment no. 1 to the HSRE Purchase Agreement, dated October 2, 2014, by and among CubeSmart, L.P. and certain limited liability companies controlled by HSRE REIT I and HSRE REIT II. (filed herewith)
10.4	Amendment no. 2 to the HSRE Purchase Agreement, dated October 7, 2014, by and among CubeSmart, L.P. and certain limited liability companies controlled by HSRE REIT I and HSRE REIT II. (filed herewith)
10.5	Amendment no. 3 to the HSRE Purchase Agreement, dated October 9, 2014, by and among CubeSmart, L.P. and certain limited liability companies controlled by HSRE REIT I and HSRE REIT II. (filed herewith)
10.6	Amendment no. 4 to the HSRE Purchase Agreement, dated October 13, 2014, by and among CubeSmart, L.P. and certain limited liability companies controlled by HSRE REIT I and HSRE REIT II. (filed herewith)
12.1	Statement regarding Computation of Ratios of Earnings to Fixed Charges of CubeSmart. (filed herewith)
12.2	Statement regarding Computation of Ratios of Earnings to Fixed Charges of CubeSmart L.P. (filed herewith)
31.1	Certification of Chief Executive Officer of CubeSmart as required by Rule 13a-14(a)/15d-14(a) under the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. (filed herewith)
31.2	Certification of Chief Financial Officer of CubeSmart as required by Rule 13a-14(a)/15d-14(a) under the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. (filed herewith)
31.3	Certification of Chief Executive Officer of CubeSmart, L.P., as required by Rule 13a-14(a)/15d-14(a) under the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. (filed herewith)
31.4	Certification of Chief Financial Officer of CubeSmart, L.P., as required by Rule 13a-14(a)/15d-14(a) under the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. (filed herewith)
32.1	Certification of Chief Executive Officer and Chief Financial Officer of CubeSmart pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (furnished herewith)
32.2	Certification of Chief Executive Officer and Chief Financial Officer of CubeSmart, L.P., pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith)

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<u>Exhibit No.</u>	<u>Exhibit Description</u>
101	The following CubeSmart and CubeSmart, L.P. financial information for the nine months ended September 30, 2014, formatted in XBRL (eXtensible Business Reporting Language): (i) the Condensed Consolidated Balance Sheets, (ii) the Condensed Consolidated Statements of Operations, (iii) the Condensed Consolidated Statements of Cash Flows, and (iv) the Notes to Condensed Consolidated Financial Statements, tagged as blocks of text. (filed herewith)
*	Incorporated herein by reference as above indicated.

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SIGNATURES OF REGISTRANT

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 thereunto duly authorized.

CUBESMART
(Registrant)

Date: November 5, 2014

By: /s/ Christopher P. Marr
Christopher P. Marr, Chief Executive Officer
(Principal Executive Officer)

Date: November 5, 2014

By: /s/ Timothy M. Martin
Timothy M. Martin, Chief Financial Officer
(Principal Financial Officer)

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SIGNATURES OF REGISTRANT

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 thereunto duly authorized.

CUBESMART, L.P.
(Registrant)

Date: November 5, 2014

By: /s/ Christopher P. Marr
Christopher P. Marr, Chief Executive Officer
(Principal Executive Officer)

Date: November 5, 2014

By: /s/ Timothy M. Martin
Timothy M. Martin, Chief Financial Officer
(Principal Financial Officer)

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EXHIBIT LIST

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