

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2014

or

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

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

Commission File number 1-8923

**HEALTH CARE REIT, INC.**

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

34-1096634

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

4500 Dorr Street, Toledo, Ohio

(Address of principal executive office)

43615

(Zip Code)

(419) 247-2800

(Registrant's telephone number, including area code)

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

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

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer   
(Do not check if a smaller reporting company)

Smaller reporting company

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

As of April 30, 2014, the registrant had 291,458,048 shares of common stock outstanding.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

CONSOLIDATED BALANCE SHEETS  
HEALTH CARE REIT, INC. AND SUBSIDIARIES

(In thousands)

	March 31, 2014 (Unaudited)	December 31, 2013 (Note)
Assets:		
Real estate investments:		
Real property owned:		
Land and land improvements	\$ 1,883,866	\$ 1,878,877
Buildings and improvements	20,769,414	20,625,515
Acquired lease intangibles	1,066,626	1,070,754
Real property held for sale, net of accumulated depreciation	18,502	18,502
Construction in progress	144,516	141,085
Gross real property owned	23,882,924	23,734,733
Less accumulated depreciation and amortization	(2,617,026)	(2,386,658)
Net real property owned	21,265,898	21,348,075
Real estate loans receivable	351,401	332,146
Net real estate investments	21,617,299	21,680,221
Other assets:		
Investments in unconsolidated entities	668,171	479,629
Goodwill	68,321	68,321
Deferred loan expenses	68,842	70,875
Cash and cash equivalents	185,928	158,780
Restricted cash	67,797	72,821
Receivables and other assets	534,684	553,310
Total other assets	1,593,743	1,403,736
Total assets	\$ 23,211,042	\$ 23,083,957
Liabilities and equity		
Liabilities:		
Borrowings under unsecured line of credit arrangement	\$ 562,000	\$ 130,000
Senior unsecured notes	7,377,789	7,379,308
Secured debt	2,917,314	3,058,248
Capital lease obligations	84,371	84,458
Accrued expenses and other liabilities	612,671	640,573
Total liabilities	11,554,145	11,292,587
Redeemable noncontrolling interests	34,171	35,039
Equity:		
Preferred stock	1,006,250	1,017,361
Common stock	291,091	289,461
Capital in excess of par value	12,494,410	12,418,520
Treasury stock	(26,454)	(21,263)
Cumulative net income	2,396,244	2,329,869
Cumulative dividends	(4,848,008)	(4,600,854)
Accumulated other comprehensive income (loss)	(25,419)	(24,531)
Other equity	6,241	6,020
Total Health Care REIT, Inc. stockholders' equity	11,294,355	11,414,583
Noncontrolling interests	328,371	341,748
Total equity	11,622,726	11,756,331
Total liabilities and equity	\$ 23,211,042	\$ 23,083,957

NOTE: The consolidated balance sheet at December 31, 2013 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by U.S. generally accepted accounting principles for complete financial statements.

See notes to unaudited consolidated financial statements

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

(In thousands, except per share data)

	Three Months Ended	
	March 31,	
	2014	2013
<b>Revenues:</b>		
Rental income	\$ 336,455	\$ 292,643
Resident fees and services	456,265	327,324
Interest income	8,594	9,057
Other income	493	700
Total revenues	<u>801,807</u>	<u>629,724</u>
<b>Expenses:</b>		
Interest expense	120,833	108,838
Property operating expenses	341,431	252,823
Depreciation and amortization	233,318	184,688
General and administrative	32,865	27,179
Transaction costs	952	65,980
Loss (gain) on derivatives, net	-	2,309
Loss (gain) on extinguishment of debt, net	(148)	(308)
Total expenses	<u>729,251</u>	<u>641,509</u>
Income (loss) from continuing operations before income taxes and income from unconsolidated entities	72,556	(11,785)
Income tax (expense) benefit	(2,260)	(2,763)
Income (loss) from unconsolidated entities	(5,556)	2,262
Income (loss) from continuing operations	<u>64,740</u>	<u>(12,286)</u>
<b>Discontinued operations:</b>		
Gain (loss) on sales of properties, net	-	82,492
Income (loss) from discontinued operations, net	460	1,593
Discontinued operations, net	<u>460</u>	<u>84,085</u>
Net income	65,200	71,799
Less: Preferred stock dividends	16,353	16,602
Less: Net income (loss) attributable to noncontrolling interests <sup>(1)</sup>	(1,175)	139
Net income (loss) attributable to common stockholders	<u>\$ 50,022</u>	<u>\$ 55,058</u>
<b>Average number of common shares outstanding:</b>		
Basic	289,606	260,036
Diluted	290,917	260,036
<b>Earnings per share:</b>		
<b>Basic:</b>		
Income (loss) from continuing operations attributable to common stockholders	\$ 0.17	\$ (0.11)
Discontinued operations, net	-	0.32
Net income (loss) attributable to common stockholders*	<u>\$ 0.17</u>	<u>\$ 0.21</u>
<b>Diluted:</b>		
Income (loss) from continuing operations attributable to common stockholders	\$ 0.17	\$ (0.11)
Discontinued operations, net	-	0.32
Net income (loss) attributable to common stockholders*	<u>\$ 0.17</u>	<u>\$ 0.21</u>
Dividends declared and paid per common share	\$ 0.795	\$ 0.765

\* Amounts may not sum due to rounding

(1) Includes amounts attributable to redeemable noncontrolling interests.

See notes to unaudited consolidated financial statements

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (CONTINUED)****HEALTH CARE REIT, INC. AND SUBSIDIARIES**

(In thousands)

	Three Months Ended March 31,	
	2014	2013
Net income	\$ 65,200	\$ 71,799
Other comprehensive income (loss):		
Unrecognized gain (loss) on equity investments	549	172
Unrealized gains (losses) on cash flow hedges	440	471
Foreign currency translation gain (loss)	(9,889)	(22,706)
Total other comprehensive income (loss)	(8,900)	(22,063)
Total comprehensive income (loss)	56,300	49,736
Less: Total comprehensive income (loss) attributable to noncontrolling interests <sup>(1)</sup>	(9,187)	139
Total comprehensive income (loss) attributable to common stockholders	\$ 65,487	\$ 49,875

(1) Includes amounts attributable to redeemable noncontrolling interests.

See notes to unaudited consolidated financial statements

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

Three Months Ended March 31, 2014											
	Preferred Stock	Common Stock	Capital in Excess of Par Value	Treasury Stock	Cumulative Net Income	Cumulative Dividends	Accumulated Other Comprehensive Income (Loss)	Other Equity	Noncontrolling Interests	Total	
Balances at beginning of period	\$ 1,017,361	\$ 289,461	\$ 12,418,520	\$ (21,263)	\$ 2,329,869	\$ (4,600,854)	\$ (24,531)	\$ 6,020	\$ 341,748	\$ 11,756,331	
Comprehensive income:											
Net income (loss)					66,375				(982)	65,393	
Other comprehensive income							(888)		(8,012)	(8,900)	
Total comprehensive income										56,493	
Net change in noncontrolling interests			(2,713)						(4,383)	(7,096)	
Amounts related to issuance of common stock											
from dividend reinvestment and stock incentive plans, net of forfeitures		1,397	67,725	(5,191)				(12)		63,919	
Conversion of preferred stock	(11,111)	233	10,878							-	
Option compensation expense								233		233	
Cash dividends paid:											
Common stock cash dividends						(230,801)				(230,801)	
Preferred stock cash dividends						(16,353)				(16,353)	
Balances at end of period	\$ 1,006,250	\$ 291,091	\$ 12,494,410	\$ (26,454)	\$ 2,396,244	\$ (4,848,008)	\$ (25,419)	\$ 6,241	\$ 328,371	\$ 11,622,726	

  

Three Months Ended March 31, 2013											
	Preferred Stock	Common Stock	Capital in Excess of Par Value	Treasury Stock	Cumulative Net Income	Cumulative Dividends	Accumulated Other Comprehensive Income (Loss)	Other Equity	Noncontrolling Interests	Total	
Balances at beginning of period	\$ 1,022,917	\$ 260,396	\$ 10,543,690	\$ (17,875)	\$ 2,184,819	\$ (3,694,579)	\$ (11,028)	\$ 6,461	\$ 225,718	\$ 10,520,519	
Comprehensive income:											
Net income (loss)					71,660				560	72,220	
Other comprehensive income							(22,063)			(22,063)	
Total comprehensive income										50,157	
Net change in noncontrolling interests									(23,903)	(23,903)	
Amounts related to issuance of common stock											
from dividend reinvestment and stock incentive plans, net of forfeitures		853	55,600	(3,363)				(862)		52,228	
Proceeds from issuance of common stock								294		294	
Cash dividends paid:											
Common stock cash dividends						(199,546)				(199,546)	
Preferred stock cash dividends						(16,602)				(16,602)	
Balances at end of period	\$ 1,022,917	\$ 261,249	\$ 10,599,290	\$ (21,238)	\$ 2,256,479	\$ (3,910,727)	\$ (33,091)	\$ 5,893	\$ 202,375	\$ 10,383,147	

See notes to unaudited consolidated financial statements

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

(In thousands)

	Three Months Ended	
	March 31,	
	2014	2013
Operating activities:		
Net income	\$ 65,200	\$ 71,799
Adjustments to reconcile net income to net cash provided from (used in) operating activities:		
Depreciation and amortization	233,318	187,122
Other amortization expenses	1,672	4,194
Stock-based compensation expense	7,667	10,508
Loss (gain) on derivatives, net	-	2,309
Loss (gain) on extinguishment of debt, net	(148)	(308)
Loss (income) from unconsolidated entities	5,556	(2,262)
Rental income in excess of cash received	(15,323)	(2,538)
Amortization related to above (below) market leases, net	266	172
Loss (gain) on sales of properties, net	-	(82,492)
Distributions by unconsolidated entities	4,560	-
Increase (decrease) in accrued expenses and other liabilities	(25,532)	18,276
Decrease (increase) in receivables and other assets	(18,575)	(6,972)
Net cash provided from (used in) operating activities	<u>258,661</u>	<u>199,808</u>
Investing activities:		
Cash disbursed for acquisitions	(55,041)	(1,786,396)
Cash disbursed for capital improvements to existing properties	(27,406)	(24,129)
Cash disbursed for construction in progress	(52,717)	(40,053)
Capitalized interest	(1,605)	(1,606)
Investment in real estate loans receivable	(29,709)	(11,971)
Other investments, net of payments	1,787	(1,978)
Principal collected on real estate loans receivable	10,646	49,926
Contributions to unconsolidated entities	(214,832)	(359,575)
Distributions by unconsolidated entities	12,462	9,916
Proceeds from (payments on) derivatives	-	(2,604)
Decrease (increase) in restricted cash	5,024	(94,840)
Proceeds from sales of real property	-	294,607
Net cash provided from (used in) investing activities	<u>(351,391)</u>	<u>(1,968,703)</u>
Financing activities:		
Net increase (decrease) under unsecured lines of credit arrangements	432,000	710,000
Proceeds from issuance of senior unsecured notes	-	497,862
Payments to extinguish senior unsecured notes	(1)	-
Net proceeds from the issuance of secured debt	10,690	-
Payments on secured debt	(129,539)	(18,931)
Net proceeds from the issuance of common stock	63,755	45,377
Decrease (increase) in deferred loan expenses	(2,284)	(9,650)
Contributions by noncontrolling interests <sup>(1)</sup>	778	1,420
Distributions to noncontrolling interests <sup>(1)</sup>	(7,386)	(4,522)
Acquisitions of noncontrolling interests	(1,175)	-
Cash distributions to stockholders	(247,154)	(216,148)
Other financing activities	(87)	(992)
Net cash provided from (used in) financing activities	<u>119,597</u>	<u>1,004,416</u>
Effect of foreign currency translation on cash and cash equivalents	<u>281</u>	<u>557</u>
Increase (decrease) in cash and cash equivalents	<u>27,148</u>	<u>(763,922)</u>
Cash and cash equivalents at beginning of period	<u>158,780</u>	<u>1,033,764</u>
Cash and cash equivalents at end of period	<u>\$ 185,928</u>	<u>\$ 269,842</u>
Supplemental cash flow information:		
Interest paid	\$ 126,302	\$ 99,202
Income taxes paid	10,064	920

(1) Includes amounts attributable to redeemable noncontrolling interests.

See notes to unaudited consolidated financial statements





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

## **1. Business**

Health Care REIT, Inc., an S&P 500 company with headquarters in Toledo, Ohio, is an equity real estate investment trust (“REIT”) that invests in seniors housing and health care real estate. Our full service platform offers property management and development services to our customers. As of March 31, 2014, our diversified portfolio consisted of 1,212 properties in 46 states, the United Kingdom, and Canada. Founded in 1970, we were the first real estate investment trust to invest exclusively in health care facilities.

## **2. Accounting Policies and Related Matters**

### *Basis of Presentation*

The accompanying unaudited consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”) for interim financial information and with instructions to Quarterly Report on Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three months ended March 31, 2014 are not necessarily an indication of the results that may be expected for the year ending December 31, 2014. For further information, refer to the financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2013.

### *New Accounting Standards*

In April 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update No. 2014-08, “Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity” (“ASU 2014-08”), which amends U.S. GAAP to require reporting of discontinued operations only if the disposal represents a strategic shift that has (or will have) a major effect on an entity’s operations and financial results. This pronouncement will be effective for the first annual reporting period beginning after December 15, 2014 with early adoption permitted. We adopted ASU 2014-08 on January 1, 2014 on a prospective basis. The adoption of this guidance did not have a material impact on our consolidated financial position or results of operations.

## **3. Real Property Acquisitions and Development**

The total purchase price for all properties acquired has been allocated to the tangible and identifiable intangible assets, liabilities and noncontrolling interests based upon their respective fair values in accordance with our accounting policies. The results of operations for these acquisitions have been included in our consolidated results of operations since the date of acquisition and are a component of the appropriate segments. Transaction costs primarily represent costs incurred with property acquisitions, including due diligence costs, fees for legal and valuation services and termination of pre-existing relationships computed based on the fair value of the assets acquired, lease termination fees and other acquisition-related costs.

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

*Seniors Housing Triple-net Activity*

(In thousands)	Three Months Ended	
	March 31, 2014 <sup>(1)</sup>	March 31, 2013
Land and land improvements	\$ 2,750	\$ 8,533
Buildings and improvements	30,693	47,993
Total assets acquired	<u>33,443</u>	<u>56,526</u>
Non-cash acquisition related activity	(657)	-
Cash disbursed for acquisitions	32,786	56,526
Construction in progress additions	24,657	23,946
Less: Capitalized interest	(1,170)	(1,227)
Foreign currency translation	(14)	-
Cash disbursed for construction in progress	23,473	22,719
Capital improvements to existing properties	5,877	8,336
Total cash invested in real property, net of cash acquired	<u>\$ 62,136</u>	<u>\$ 87,581</u>

(1) Includes acquisitions with an aggregate purchase price of \$3,402,000 for which the allocation of the purchase price consideration is preliminary and subject to change.

*Seniors Housing Operating Activity*

Acquisitions of seniors housing operating properties are structured under RIDEA, which is described in Note 18. This structure results in the inclusion of all resident revenues and related property operating expenses from the operation of these qualified health care properties in our consolidated statements of comprehensive income. Certain of our subsidiaries' functional currencies are the local currencies of their respective countries. See Note 2 to the financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2013 for information regarding our foreign currency policies.

(In thousands)	Three Months Ended	
	March 31, 2014	March 31, 2013
Land and land improvements	\$ 2,100	\$ 216,949
Building and improvements	19,069	2,074,770
Acquired lease intangibles	1,331	142,054
Restricted cash	-	22,863
Receivables and other assets	-	3,225
Total assets acquired <sup>(1)</sup>	<u>22,500</u>	<u>2,459,861</u>
Secured debt	-	(138,259)
Accrued expenses and other liabilities	(245)	(31,302)
Total liabilities assumed	<u>(245)</u>	<u>(169,561)</u>
Noncontrolling interests	-	(4,868)
Non-cash acquisition related activity <sup>(2)</sup>	-	(555,562)
Cash disbursed for acquisitions	22,255	1,729,870
Construction in progress additions	1,026	235
Less: Capitalized interest	(50)	(2)
Cash disbursed for construction in progress	976	233
Capital improvements to existing properties	13,998	10,604
Total cash invested in real property, net of cash acquired	<u>\$ 37,229</u>	<u>\$ 1,740,707</u>

(1) Excludes \$245,000 and \$51,083,000 of cash acquired during the three months ended March 31, 2014 and 2013, respectively.

(2) Represents Sunrise loan and noncontrolling interests acquisitions.



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

## Medical Facilities Activity

(In thousands)	Three Months Ended	
	March 31, 2014	March 31, 2013
Construction in progress additions	\$ 38,237	\$ 35,139
Less: Capitalized interest	(385)	(377)
Accruals <sup>(1)</sup>	(9,584)	(17,661)
Cash disbursed for construction in progress	28,268	17,101
Capital improvements to existing properties	7,531	5,189
Total cash invested in real property	\$ 35,799	\$ 22,290

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

## Construction Activity

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

	Three Months Ended	
	March 31, 2014	March 31, 2013
Development projects:		
Seniors housing triple-net	\$ 8,481	\$ 67,317
Medical facilities	42,799	60,536
Total development projects	51,280	127,853
Expansion projects	9,209	7,631
Total construction in progress conversions	\$ 60,489	\$ 135,484

## 4. Real Estate Intangibles

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

Assets:	March 31, 2014	December 31, 2013
	In place lease intangibles	\$ 930,687
Above market tenant leases	57,910	55,939
Below market ground leases	59,165	59,165
Lease commissions	18,864	18,293
Gross historical cost	1,066,626	1,070,754
Accumulated amortization	(649,362)	(571,008)
Net book value	\$ 417,264	\$ 499,746
Weighted-average amortization period in years	17.3	16.7
Liabilities:		
Below market tenant leases	\$ 76,340	\$ 76,381
Above market ground leases	9,490	9,490
Gross historical cost	85,830	85,871
Accumulated amortization	(36,086)	(34,434)
Net book value	\$ 49,744	\$ 51,437
Weighted-average amortization period in years	14.3	14.3

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

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

	Three Months Ended March 31,	
	2014	2013
Rental income related to above/below market tenant leases, net	\$ (45)	\$ 148
Property operating expenses related to above/below market ground leases, net	(311)	(320)
Depreciation and amortization related to in place lease intangibles and lease commissions	(79,393)	(50,576)

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

	Assets		Liabilities
2014	\$ 131,571	\$	3,319
2015	60,803		6,144
2016	27,796		5,230
2017	21,181		4,936
2018	18,396		4,609
Thereafter	157,517		25,506
Totals	\$ 417,264	\$	49,744

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

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

	Three Months Ended	
	March 31, 2014	March 31, 2013
Real property dispositions:		
Seniors housing triple-net	\$ -	\$ 76,331
Medical facilities	-	135,784
Total dispositions	-	212,115
Gain (loss) on sales of real property, net	-	82,492
Proceeds from real property sales	\$ -	\$ 294,607

We have reclassified the income and expenses attributable to all properties sold prior to or held for sale at January 1, 2014 to discontinued operations in accordance with ASU 2014-08. See Note 2 for additional information. Expenses include an allocation of interest expense based on property carrying values and our weighted-average cost of debt. The following illustrates the reclassification impact as a result of classifying properties as discontinued operations for the periods presented (in thousands):

	Three Months Ended March 31,	
	2014	2013
Revenues:		
Rental income	\$ 583	\$ 6,788
Expenses:		
Interest expense	123	1,896
Property operating expenses	-	865
Provision for depreciation	-	2,434
Total expenses	123	5,195
Income (loss) from discontinued operations, net	\$ 460	\$ 1,593





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

## 6. Real Estate Loans Receivable

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

	March 31, 2014			Three Months Ended March 31, 2013		
	Seniors Housing Triple-net	Medical Facilities	Totals	Seniors Housing Triple-net	Medical Facilities	Totals
	Advances on real estate loans receivable:					
Investments in new loans	\$ 1,203	\$ -	\$ 1,203	\$ 416	\$ -	\$ 416
Draws on existing loans	21,823	6,683	28,506	10,271	1,284	11,555
Net cash advances on real estate loans	23,026	6,683	29,709	10,687	1,284	11,971
Receipts on real estate loans receivable:						
Loan payoffs	500	-	500	42,865	-	42,865
Principal payments on loans	9,996	150	10,146	6,343	718	7,061
Total receipts on real estate loans	10,496	150	10,646	49,208	718	49,926
Net cash advances (receipts) on real estate loans	12,530	6,533	19,063	(38,521)	566	(37,955)
Change in balance due to foreign currency translation	192	-	192	-	-	-
Net change in real estate loans receivable	\$ 12,722	\$ 6,533	\$ 19,255	\$ (38,521)	\$ 566	\$ (37,955)

We recorded no provision for loan losses during the three months ended March 31, 2014. At March 31, 2014, there were no real estate loans with outstanding balances on non-accrual status and no allowances for loan losses were recorded.

## 7. Investments in Unconsolidated Entities

During the year ended December 31, 2010, we entered into a joint venture investment with Forest City Enterprises Inc. (NYSE:FCE.A and FCE.B). We acquired a 49% interest in a seven-building life science campus located at University Park in Cambridge, Massachusetts, which is immediately adjacent to the campus of the Massachusetts Institute of Technology. This investment is recorded as an investment in unconsolidated entities on the balance sheet.

During the three months ended June 30, 2012, we entered into a joint venture with Chartwell Retirement Residences (TSX:CSH.UN). The portfolio contains 42 properties in Canada, 39 of which are owned 50% by us and Chartwell, and three of which we wholly own. All properties are managed by Chartwell. Our investment in the 39 properties is recorded as an investment in unconsolidated entities on the balance sheet. The aggregate remaining unamortized basis difference of our investment in this joint venture of \$8,613,000 at March 31, 2014 is primarily attributable to transaction costs that will be amortized over the weighted-average useful life of the related properties and included in the reported amount of income from unconsolidated entities.

In conjunction with the Sunrise merger (see Note 3 to the financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2013), we acquired joint venture interests in 54 properties and a 20% interest in a newly formed Sunrise management company, which manages the entire property portfolio. On July 1, 2013, we acquired the remaining interests in 49 of the properties. Our original investment of \$49,759,000 relating to the five remaining unconsolidated properties and the management company is recorded as an investment in unconsolidated entities on the balance sheet.

During the three months ended March 31, 2014, we invested \$214,832,000 for a 46.79% interest in a joint venture with Senior Resource Group ("SRG") and the Public Sector Pension Investment Board. The joint venture owns 10 properties located in major metropolitan markets in Arizona, California and Colorado. The properties owned by the joint venture are operated by SRG. Our investment in the 10 properties is recorded as an investment in unconsolidated entities on the balance sheet. The aggregate remaining unamortized basis difference of our investment in this joint venture of \$178,356,000 at March 31, 2014 is primarily attributable to appreciation of the underlying properties as well as transaction costs, and will be amortized over the weighted-average useful life of the related properties and included in the reported amount of income from unconsolidated entities.

The results of operations for those investments accounted for under the equity method have been included in our consolidated results of operations from the date of acquisition by the joint ventures and are reflected in our statements of comprehensive income as income or loss from unconsolidated entities.

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**8. Credit Concentration**

The following table summarizes certain information about our credit concentration as of March 31, 2014 (dollars in thousands):

Concentration by investment: <sup>(1)</sup>	Number of Properties <sup>(2)</sup>	Total Investment <sup>(2)</sup>	Percent of Investment <sup>(3)</sup>
Sunrise Senior Living	121	\$ 4,013,200	19%
Genesis HealthCare	178	2,673,389	12%
Revera	47	1,115,858	5%
Benchmark	39	933,823	4%
Belmont Village	19	841,800	4%
Remaining portfolio	741	12,039,229	56%
<b>Totals</b>	<b>1,145</b>	<b>\$ 21,617,299</b>	<b>100%</b>

(1) Genesis is in our seniors housing triple-net segment. Sunrise, Revera, and Belmont Village are in our seniors housing operating segment. Benchmark is in both our seniors housing triple-net and seniors housing operating segments.

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

(3) Investments with our top five relationships comprised 44% of total investments at December 31, 2013.

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

At March 31, 2014, we had a \$2,250,000,000 unsecured line of credit arrangement with a consortium of 30 banks. We have an option to upsize the facility by up to an additional \$1,000,000,000 through an accordion feature, allowing for the aggregate commitment of up to \$3,250,000,000. The arrangement also allows us to borrow up to \$500,000,000 in alternate currencies (none outstanding at March 31, 2014). The revolving credit facility is scheduled to expire March 31, 2017, but can be extended for an additional year at our option. Borrowings under the revolver are subject to interest payable in periods no longer than three months at either the agent bank's prime rate of interest or the applicable margin over LIBOR interest rate, at our option (1.33% at March 31, 2014). The applicable margin is based on certain of our debt ratings and was 1.175% at March 31, 2014. In addition, we pay a facility fee annually to each bank based on the bank's commitment amount. The facility fee depends on certain of our debt ratings and was 0.225% at March 31, 2014. Principal is due upon expiration of the agreement.

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

	Three Months Ended March 31,	
	2014	2013
Balance outstanding at quarter end	\$ 562,000	\$ 710,000
Maximum amount outstanding at any month end	\$ 562,000	\$ 780,000
Average amount outstanding (total of daily principal balances divided by days in period)	\$ 286,889	\$ 723,444
Weighted average interest rate (actual interest expense divided by average borrowings outstanding)	1.34%	1.38%

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

We may repurchase, redeem or refinance convertible and non-convertible senior unsecured notes from time to time, taking advantage of favorable market conditions when available. We may purchase senior notes for cash through open market purchases, privately negotiated transactions, a tender offer or, in some cases, through the early redemption of such securities pursuant to their terms. The non-convertible senior unsecured notes are redeemable at our option, at any time in whole or from time to time in part, at a redemption price equal to the sum of (1) the principal amount of the notes (or portion of such notes) being redeemed plus accrued and unpaid interest thereon up to the redemption date and (2) any "make-whole" amount due under the terms of the notes in connection with early redemptions. Redemptions and repurchases of debt, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. At March 31, 2014, the annual principal payments due on these debt obligations were as follows (in thousands):

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	Senior Unsecured Notes <sup>(1,2)</sup>	Secured Debt <sup>(1,3)</sup>	Totals
2014	\$ -	\$ 190,986	\$ 190,986
2015	476,142 <sup>(4)</sup>	403,141	879,283
2016	1,200,000 <sup>(5)</sup>	381,659	1,581,659
2017	450,000	324,102	774,102
2018	450,000	429,473	879,473
Thereafter	4,842,232 <sup>(6)</sup>	1,146,596	5,988,828
<b>Totals</b>	<b>\$ 7,418,374</b>	<b>\$ 2,875,957</b>	<b>\$ 10,294,331</b>

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

(2) Annual interest rates range from 1.5% to 6.5%.

(3) Annual interest rates range from 1.0% to 8.0%. Carrying value of the properties securing the debt totaled \$5,976,759,000 at March 31, 2014.

(4) On July 30, 2012, we completed funding on a \$250,000,000 Canadian denominated unsecured term loan (approximately \$226,142,000 based on the Canadian/U.S. Dollar exchange rate on March 31, 2014). The loan matures on July 27, 2015 (with an option to extend for an additional year at our discretion) and bears interest at the Canadian Dealer Offered Rate plus 145 basis points (2.7% at March 31, 2014).

(5) On January 8, 2013, we completed funding on a \$500,000,000 unsecured term loan. The loan matures on March 31, 2016 (with an option to extend for two additional years at our discretion) and bears interest at LIBOR plus 135 basis points (1.5% at March 31, 2014).

(6) On November 20, 2013, we completed the sale of £550,000,000 (approximately \$917,125,000 based on the Sterling/U.S. Dollar exchange rate on March 31, 2014) of 4.8% senior unsecured notes due 2028.

The following is a summary of our senior unsecured notes principal activity during the periods presented (dollars in thousands):

	Three Months Ended			
	March 31, 2014		March 31, 2013	
	Amount	Weighted Avg. Interest Rate	Amount	Weighted Avg. Interest Rate
Beginning balance	\$ 7,421,707	4.400%	\$ 6,145,457	4.600%
Debt issued	-	0.000%	500,000	1.552%
Debt redeemed	(1)	3.000%	-	0.000%
Foreign currency	(3,332)	3.486%	(5,330)	2.670%
<b>Ending balance</b>	<b>\$ 7,418,374</b>	<b>4.400%</b>	<b>\$ 6,640,127</b>	<b>4.400%</b>

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

	Three Months Ended			
	March 31, 2014		March 31, 2013	
	Amount	Weighted Avg. Interest Rate	Amount	Weighted Avg. Interest Rate
Beginning balance	\$ 3,010,711	5.10%	\$ 2,311,586	5.14%
Debt issued	10,690	3.54%	-	0.00%
Debt assumed	-	0.00%	132,680	5.49%
Debt extinguished	(114,084)	5.73%	(7,807)	7.43%
Principal payments	(15,455)	5.12%	(11,432)	5.44%
Foreign currency	(15,905)	3.86%	6	5.62%
<b>Ending balance</b>	<b>\$ 2,875,957</b>	<b>5.08%</b>	<b>\$ 2,425,033</b>	<b>5.17%</b>

Our debt agreements contain various covenants, restrictions and events of default. Certain agreements require us to maintain certain financial ratios and minimum net worth and impose certain limits on our ability to incur indebtedness, create liens and make investments or acquisitions. As of March 31, 2014, we were in compliance with all of the covenants under our debt agreements.

## 11. Derivative Instruments

We are exposed to various market risks, including the potential loss arising from adverse changes in interest rates. We may elect to use financial derivative instruments to hedge interest rate exposure. These decisions are principally based on our policy to manage the

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general trend in interest rates at the applicable dates and our perception of the future volatility of interest rates. In addition, non-U.S. investments expose us to the potential losses associated with adverse changes in foreign currency to U.S. Dollar exchange rates. We may elect to manage this risk through the use of forward contracts and issuing debt in foreign currencies.

*Interest Rate Swap Contracts Designated as Cash Flow Hedges*

For instruments that are designated and qualify as a cash flow hedge, the effective portion of the gain or loss on the derivative is reported as a component of other comprehensive income ("OCI"), and reclassified into earnings in the same period, or periods, during which the hedged transaction affects earnings. Gains and losses on the derivative representing either hedge ineffectiveness or hedge components excluded from the assessment of effectiveness are recognized in earnings. Approximately \$1,887,000 of losses, which are included in accumulated other comprehensive income ("AOCI"), are expected to be reclassified into earnings in the next 12 months.

*Foreign Currency Hedges*

For instruments that are designated and qualify as net investment hedges, the variability in the foreign currency to U.S. dollar of the instrument is recorded as a cumulative translation adjustment component of OCI. The balance of the cumulative translation adjustment will be reclassified to earnings when the hedged investment is sold or substantially liquidated.

The following presents the notional amount of derivatives and other financial instruments as of the dates indicated (in thousands):

	March 31, 2014		December 31, 2013	
Derivatives designated as net investment hedges:				
Denominated in Canadian Dollars	\$	600,000	\$	600,000
Denominated in Pounds Sterling	£	350,000	£	350,000
Financial instruments designated as net investment hedges:				
Denominated in Canadian Dollars	\$	250,000	\$	250,000
Denominated in Pounds Sterling	£	550,000	£	550,000
Derivatives designated as cash flow hedges	\$	57,000	\$	57,000

The following presents the impact of derivative instruments on the statements of comprehensive income for the periods presented (in thousands):

	Location	Three Months Ended	
		March 31,	
		2014	2013
Gain (loss) on interest rate swap recognized in OCI (effective portion)	OCI	\$ (3)	\$ 946
Gain (loss) on interest rate swaps reclassified from AOCI into income (effective portion)	Interest expense	(443)	(475)
Gain (loss) on forward exchange contracts recognized in income	Gain (loss) on derivatives, net	0	(2,309)
Gain (loss) on foreign exchange contracts and term loans designated as net investment hedge recognized in OCI	OCI	18,489	75,857



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## 12. Commitments and Contingencies

At March 31, 2014, we had five outstanding letter of credit obligations totaling \$5,301,000 and expiring between 2014 and 2015. At March 31, 2014, we had outstanding construction in process of \$144,516,000 and were committed to providing additional funds of approximately \$224,139,000 to complete construction. At March 31, 2014, we had contingent purchase obligations totaling \$66,640,000. These contingent purchase obligations relate to unfunded capital improvement obligations and contingent obligations on acquisitions. Rents due from the tenant are increased to reflect the additional investment in the property.

We evaluate our leases for operating versus capital lease treatment in accordance with Accounting Standards Codification (“ASC”) Topic 840 “Leases.” A lease is classified as a capital lease if it provides for transfer of ownership of the leased asset at the end of the lease term, contains a bargain purchase option, has a lease term greater than 75% of the economic life of the leased asset, or if the net present value of the future minimum lease payments are in excess of 90% of the fair value of the leased asset. Certain leases contain bargain purchase options and have been classified as capital leases. At March 31, 2014, we had operating lease obligations of \$878,401,000 relating to certain ground leases and company office space and capital lease obligations of \$115,770,000 relating to certain investment properties. Regarding ground leases, we have sublease agreements with certain of our operators that require the operators to reimburse us for our monthly operating lease obligations. At March 31, 2014, aggregate future minimum rentals to be received under these noncancelable subleases totaled \$43,214,000.

## 13. Stockholders’ Equity

The following is a summary of our stockholders’ equity capital accounts as of the dates indicated:

	March 31, 2014	December 31, 2013
Preferred Stock:		
Authorized shares	50,000,000	50,000,000
Issued shares	25,875,000	26,108,236
Outstanding shares	25,875,000	26,108,236
Common Stock, \$1.00 par value:		
Authorized shares	400,000,000	400,000,000
Issued shares	291,638,492	290,024,789
Outstanding shares	291,084,415	289,563,651



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*Preferred Stock.* The following is a summary of our preferred stock activity during the periods indicated:

	Three Months Ended			
	March 31, 2014		March 31, 2013	
	Shares	Weighted Avg. Dividend Rate	Shares	Weighted Avg. Dividend Rate
Beginning balance	26,108,236	6.496%	26,224,854	6.493%
Shares converted	(233,236)	6.000%	-	0.000%
Ending balance	<u>25,875,000</u>	<u>6.500%</u>	<u>26,224,854</u>	<u>6.493%</u>

*Common Stock.* The following is a summary of our common stock issuances during the three months ended March 31, 2014 and 2013 (dollars in thousands, except per share amounts):

	Shares Issued	Average Price	Gross Proceeds	Net Proceeds
2013 Dividend reinvestment plan issuances	652,724	\$ 61.59	\$ 40,199	\$ 40,199
2013 Option exercises	119,999	43.15	5,178	5,178
2013 Totals	<u>772,723</u>		<u>\$ 45,377</u>	<u>\$ 45,377</u>
2014 Dividend reinvestment plan issuances	1,143,397	\$ 55.71	\$ 63,703	\$ 63,703
2014 Option exercises	1,155	45.02	52	52
2014 Preferred stock conversions	233,236		-	-
2014 Senior note conversions	1		-	-
2014 Totals	<u>1,377,788</u>		<u>\$ 63,755</u>	<u>\$ 63,755</u>

*Dividends.* The increase in dividends is primarily attributable to increases in our common shares outstanding as described above and an increase in common dividends per share. Please refer to Note 18 for information related to federal income tax of dividends. The following is a summary of our dividend payments (in thousands, except per share amounts):

	Three Months Ended			
	March 31, 2014		March 31, 2013	
	Per Share	Amount	Per Share	Amount
Common Stock	\$ 0.7950	\$ 230,801	\$ 0.7650	\$ 199,546
Series H Preferred Stock	0.0079	1	0.7146	250
Series I Preferred Stock	0.8125	11,680	0.8125	11,680
Series J Preferred Stock	0.4064	4,672	0.4064	4,672
Totals		<u>\$ 247,154</u>		<u>\$ 216,148</u>

*Accumulated Other Comprehensive Income.* The following is a summary of accumulated other comprehensive income (loss) for the periods presented (in thousands):

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	Unrecognized gains (losses) related to:				Total
	Foreign Currency Translation	Equity Investments	Actuarial losses	Cash Flow Hedges	
Balance at December 31, 2013	\$ (17,631)	\$ (389)	\$ (1,452)	\$ (5,059)	\$ (24,531)
Other comprehensive income before reclassification adjustments	(1,877)	549	-	(3)	(1,331)
Reclassification amount to net income	-	-	-	443 <sup>(1)</sup>	443
Net current-period other comprehensive income	(1,877)	549	-	440	(888)
Balance at March 31, 2014	<u>\$ (19,508)</u>	<u>\$ 160</u>	<u>\$ (1,452)</u>	<u>\$ (4,619)</u>	<u>\$ (25,419)</u>
Balance at December 31, 2012	\$ (881)	\$ (216)	\$ (2,974)	\$ (6,957)	\$ (11,028)
Other comprehensive income before reclassification adjustments	(22,706)	172	-	(4)	(22,538)
Reclassification amount to net income	-	-	-	475 <sup>(1)</sup>	475
Net current-period other comprehensive income	(22,706)	172	-	471	(22,063)
Balance at March 31, 2013	<u>\$ (23,587)</u>	<u>\$ (44)</u>	<u>\$ (2,974)</u>	<u>\$ (6,486)</u>	<u>\$ (33,091)</u>

(1) Please see Note 11 for additional information.

**14. Stock Incentive Plans**

Our Amended and Restated 2005 Long-Term Incentive Plan ("2005 Plan") authorizes up to 6,200,000 shares of common stock to be issued at the discretion of the Compensation Committee of the Board of Directors. The 2005 Plan replaced the 1995 Stock Incentive Plan ("1995 Plan") and the Stock Plan for Non-Employee Directors. The options granted to officers and key employees under the 1995 Plan vested through 2010 and expire ten years from the date of grant. Our non-employee directors, officers and key employees are eligible to participate in the 2005 Plan. The 2005 Plan allows for the issuance of, among other things, stock options, restricted stock, deferred stock units and dividend equivalent rights. Vesting periods for options, deferred stock units and restricted shares generally range from three to five years. Options expire ten years from the date of grant. Stock-based compensation expense totaled \$7,667,000 for the three months ended March 31, 2014 and \$10,508,000 for the same period in 2013.



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## 15. Earnings Per Share

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

	Three Months Ended	
	March 31,	
	2014	2013
Numerator for basic and diluted earnings per share - net income (loss) attributable to common stockholders	\$ 50,022	\$ 55,058
Denominator for basic earnings per share - weighted average shares	289,606	260,036
Effect of dilutive securities:		
Employee stock options	148	-
Non-vested restricted shares	540	-
Convertible senior unsecured notes	623	-
Dilutive potential common shares	1,311	-
Denominator for diluted earnings per share - adjusted weighted average shares	290,917	260,036
Basic earnings per share	\$ 0.17	\$ 0.21
Diluted earnings per share	\$ 0.17	\$ 0.21

The diluted earnings per share calculations exclude the dilutive effect of 215,000 stock options for the three months ended March 31, 2014 because the exercise prices were higher than the average market price. The diluted earnings per share calculation for the three months ended 2013 excludes the dilutive effect of all common stock equivalents as they are anti-dilutive due to the loss from continuing operations. The Series I Cumulative Convertible Perpetual Preferred Stock was not included in the calculations as the effect of conversions into common stock was anti-dilutive.

## 16. Disclosure about Fair Value of Financial Instruments

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

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

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Please see Note 2 to the financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2013 for additional information.

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

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

*Mortgage Loans and Other Real Estate Loans Receivable* — The fair value of mortgage loans and other real estate loans receivable is generally estimated by using Level 2 and Level 3 inputs such as discounting the estimated future cash flows using the current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities.

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



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*Available-for-sale Equity Investments* — Available-for-sale equity investments are recorded at their fair value based on Level 1 publicly available trading prices.

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

*Senior Unsecured Notes* — The fair value of the fixed rate senior unsecured notes payable was estimated based on Level 1 publicly available trading prices. The carrying amount of variable rate senior unsecured notes payable approximates fair value because the borrowings are interest rate adjustable.

*Secured Debt* — The fair value of fixed rate secured debt is estimated using Level 2 inputs by discounting the estimated future cash flows using the current rates at which similar loans would be made with similar credit ratings and for the same remaining maturities. The carrying amount of variable rate secured debt approximates fair value because the borrowings are interest rate adjustable.

*Interest Rate Swap Agreements* — Interest rate swap agreements are recorded in other assets or other liabilities on the balance sheet at fair market value. Fair market value is estimated using Level 2 inputs by utilizing pricing models that consider forward yield curves and discount rates.

*Foreign Currency Forward Contracts* — Foreign currency forward contracts are recorded in other assets or other liabilities on the balance sheet at fair market value. Fair market value is determined using Level 2 inputs by estimating the future value of the currency pair based on existing exchange rates, comprised of current spot and traded forward points, and calculating a present value of the net amount using a discount factor based on observable traded interest rates.

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

	March 31, 2014		December 31, 2013	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>Financial assets:</b>				
Mortgage loans receivable	\$ 154,320	\$ 157,006	\$ 146,987	\$ 148,088
Other real estate loans receivable	197,081	201,123	185,159	188,920
Available-for-sale equity investments	1,760	1,760	1,211	1,211
Cash and cash equivalents	185,928	185,928	158,780	158,780
Foreign currency forward contracts	17,130	17,130	-	-
Interest rate swap agreements	25	25	38	38
<b>Financial liabilities:</b>				
Borrowings under unsecured line of credit arrangements	\$ 562,000	\$ 562,000	\$ 130,000	\$ 130,000
Senior unsecured notes	7,377,789	7,987,921	7,379,308	7,743,730
Secured debt	2,917,314	3,030,057	3,058,248	3,168,775
Foreign currency forward contracts	13,440	13,440	11,637	11,637

*Items Measured at Fair Value on a Recurring Basis*

The market approach is utilized to measure fair value for our financial assets and liabilities reported at fair value on a recurring basis. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. The following summarizes items measured at fair value on a recurring basis (in thousands):

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	Fair Value Measurements as of March 31, 2014			
	Total	Level 1	Level 2	Level 3
Available-for-sale equity investments <sup>(1)</sup>	\$ 1,760	\$ 1,760	\$ -	\$ -
Interest rate swap agreements, net <sup>(2)</sup>	25	-	25	-
Foreign currency forward contracts, net <sup>(2)</sup>	3,690	-	3,690	-
Totals	<u>\$ 5,475</u>	<u>\$ 1,760</u>	<u>\$ 3,715</u>	<u>\$ -</u>

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

(2) Please see Note 11 for additional information.

*Items Measured at Fair Value on a Nonrecurring Basis*

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

**17. Segment Reporting**

We invest in seniors housing and health care real estate. We evaluate our business and make resource allocations on our five operating segments: seniors housing triple-net, seniors housing operating, medical office buildings, hospitals and life science. Our seniors housing triple-net properties include skilled nursing/post-acute facilities, assisted living facilities, independent living/continuing care retirement communities, care homes (United Kingdom), care homes with nursing (United Kingdom) and combinations thereof. Under the seniors housing triple-net segment, we invest in seniors housing and health care real estate through acquisition and financing of primarily single tenant properties. Properties acquired are primarily leased under triple-net leases and we are not involved in the management of the property. Our seniors housing operating properties include the seniors housing communities referenced above and independent supportive living facilities (Canada) that are owned and/or operated through RIDEA structures (see Notes 3 and 18).

Our medical facility properties include medical office buildings, hospitals and life science buildings which are aggregated into our medical facilities reportable segment. Our medical office buildings are typically leased to multiple tenants and generally require a certain level of property management. Our hospital investments are leased and we are not involved in the management of the property. Our life science investment represents an investment in an unconsolidated entity (see Note 7).

The accounting policies of the segments are the same as those described in the summary of significant accounting policies (see Note 2 to the financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2013). The results of operations for all acquisitions described in Note 3 are included in our consolidated results of operations from the acquisition dates and are components of the appropriate segments. There are no intersegment sales or transfers.

We evaluate performance based upon net operating income from continuing operations (“NOI”) of each segment. We define NOI as total revenues, including tenant reimbursements, less property level operating expenses. We believe NOI provides investors relevant and useful information because it measures the operating performance of our properties at the property level on an unleveraged basis. We use NOI to make decisions about resource allocations and to assess the property level performance of our properties.

Non-segment revenue consists mainly of interest income on non-real estate investments and other income. Non-segment assets

**HEALTH CARE REIT, INC.**  
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consist of corporate assets including cash, deferred loan expenses and corporate offices and equipment among others. Non-property specific revenues and expenses are not allocated to individual segments in determining NOI.

Summary information for the reportable segments for the three months ended March 31, 2014 and 2013 is as follows (in thousands):

<u>Three Months Ended March 31, 2014:</u>	Seniors Housing Triple-net	Seniors Housing Operating	Medical Facilities	Non-segment / Corporate	Total
Rental income	\$ 214,828	\$ -	\$ 121,627	\$ -	\$ 336,455
Resident fees and services	-	456,265	-	-	456,265
Interest income	5,439	-	3,155	-	8,594
Other income	<u>121</u>	<u>54</u>	<u>303</u>	<u>15</u>	<u>493</u>
Total revenues	220,388	456,319	125,085	15	801,807
Property operating expenses	<u>-</u>	<u>(308,184)</u>	<u>(33,247)</u>	<u>-</u>	<u>(341,431)</u>
Net operating income from continuing operations	220,388	148,135	91,838	15	460,376
Reconciling items:					
Interest expense	(8,890)	(27,479)	(9,608)	(74,856)	(120,833)
Depreciation and amortization	(61,404)	(129,162)	(42,752)	-	(233,318)
General and administrative	-	-	-	(32,865)	(32,865)
Transaction costs	(275)	(630)	(47)	-	(952)
(Loss) gain on extinguishment of debt, net	<u>-</u>	<u>148</u>	<u>-</u>	<u>-</u>	<u>148</u>
Income (loss) from continuing operations before income taxes and income from unconsolidated entities	\$ <u>149,819</u>	\$ <u>(8,988)</u>	\$ <u>39,431</u>	\$ <u>(107,706)</u>	\$ <u>72,556</u>
Total assets	\$ <u>9,407,112</u>	\$ <u>9,081,864</u>	\$ <u>4,670,775</u>	\$ <u>51,291</u>	\$ <u>23,211,042</u>

**HEALTH CARE REIT, INC.**  
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<u>Three Months Ended March 31, 2013:</u>	Seniors Housing Triple-net	Seniors Housing Operating	Medical Facilities	Non-segment / Corporate	Total
Rental income	\$ 183,296	\$ -	\$ 109,347	\$ -	\$ 292,643
Resident fees and services	-	327,324	-	-	327,324
Interest income	5,844	757	2,456	-	9,057
Other income	209	-	410	81	700
Total revenues	<u>189,349</u>	<u>328,081</u>	<u>112,213</u>	<u>81</u>	<u>629,724</u>
Property operating expenses	<u>-</u>	<u>(224,503)</u>	<u>(28,320)</u>	<u>-</u>	<u>(252,823)</u>
Net operating income from continuing operations	189,349	103,578	83,893	81	376,901
Reconciling items:					
Interest expense	(5,805)	(19,070)	(8,861)	(75,102)	(108,838)
(Loss) gain on derivatives, net	-	(2,309)	-	-	(2,309)
Depreciation and amortization	(54,950)	(89,875)	(39,863)	-	(184,688)
General and administrative	-	-	-	(27,179)	(27,179)
Transaction costs	(494)	(65,325)	(161)	-	(65,980)
(Loss) gain on extinguishment of debt, net	<u>-</u>	<u>308</u>	<u>-</u>	<u>-</u>	<u>308</u>
Income (loss) from continuing operations before income taxes and income from unconsolidated entities	<u>\$ 128,100</u>	<u>\$ (72,693)</u>	<u>\$ 35,008</u>	<u>\$ (102,200)</u>	<u>\$ (11,785)</u>

Our portfolio of properties and other investments are located in the United States, the United Kingdom and Canada. Revenues and assets are attributed to the country in which the property is physically located. The following is a summary of geographic information for our operations for the periods presented (dollars in thousands):

		Three Months Ended			
		March 31, 2014		March 31, 2013	
		Amount	%	Amount	%
Revenues:					
United States	\$	675,099	84.2%	\$ 569,321	90.4%
International		126,708	15.8%	60,403	9.6%
Total	\$	<u>801,807</u>	<u>100.0%</u>	<u>\$ 629,724</u>	<u>100.0%</u>
		As of			
		March 31, 2014		December 31, 2013	
		Amount	%	Amount	%
Assets:					
United States	\$	20,113,340	86.7%	\$ 19,759,945	85.6%
International		3,097,702	13.3%	3,324,012	14.4%
Total	\$	<u>23,211,042</u>	<u>100.0%</u>	<u>\$ 23,083,957</u>	<u>100.0%</u>

**18. Income Taxes and Distributions**

We elected to be taxed as a REIT commencing with our first taxable year. To qualify as a REIT for federal income tax purposes, at least 90% of taxable income (excluding 100% of net capital gains) must be distributed to stockholders. REITs that do not distribute a certain amount of current year taxable income in the current year are also subject to a 4% federal excise tax. The main differences between undistributed net income for federal income tax purposes and financial statement purposes are the recognition of straight-line rent for reporting purposes, basis differences in acquisitions, recording of impairments, differing useful lives and depreciation and amortization methods for real property and the provision for loan losses for reporting purposes versus bad debt expense for tax purposes.

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

Under the provisions of the REIT Investment Diversification and Empowerment Act of 2007 (“RIDEA”), for taxable years beginning after July 30, 2008, the REIT may lease “qualified health care properties” on an arm’s-length basis to a taxable REIT subsidiary (“TRS”) if the property is operated on behalf of such subsidiary by a person who qualifies as an “eligible independent contractor.” Generally, the rent received from the TRS will meet the related party rent exception and will be treated as “rents from real property.” A “qualified health care property” includes real property and any personal property that is, or is necessary or incidental to the use of, a hospital, nursing facility, assisted living facility, congregate care facility, qualified continuing care facility, or other licensed facility which extends medical or nursing or ancillary services to patients. We have entered into various joint ventures that were structured under RIDEA. Resident level rents and related operating expenses for these facilities are reported in the unaudited consolidated financial statements and are subject to federal and state income taxes as the operations of such facilities are included in TRS entities. Certain net operating loss carryforwards could be utilized to offset taxable income in future years.

Our consolidated provision for income taxes for the three months ended March 31, 2014 and 2013 was \$2,260,000 and \$2,763,000, respectively. Income tax expense reflected in the financial statements primarily represents U.S. federal and state and local income taxes as well as non-U.S. income taxes on certain investments located in jurisdictions outside the U.S. Net deferred tax liabilities with respect to our TRS entities totaled \$19,808,000 and \$19,748,000 as of March 31, 2014 and December 31, 2013, respectively, and related primarily to differences between the financial reporting and tax bases of fixed and intangible assets.

Generally, given current statutes of limitations, we are subject to audit by the Internal Revenue Service (“IRS”) for the year ended December 31, 2010 and subsequent years and by state taxing authorities for the year ended December 31, 2009 and subsequent years. We are also subject to audit by the Canada Revenue Agency and provincial authorities generally for periods subsequent to our Chartwell investment in May 2012 related to entities acquired or formed in connection with the investments, and by HM Revenue & Customs for periods subsequent to our Sunrise-related United Kingdom acquisitions beginning in August 2012 related to entities acquired or formed in connection with the acquisitions.

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

The balance of our unrecognized tax benefits as of March 31, 2014 and December 31, 2013 was \$6,413,000. As of March 31, 2014, \$5,896,000 (exclusive of accrued interest and penalties) relates to the April 1, 2011 Genesis HealthCare Corporation transaction (“Genesis Acquisition”) and is included in accrued expenses and other liabilities on the consolidated balance sheet. As a part of the Genesis Acquisition, we received a full indemnification from FC-GEN Operations Investment, LLC covering income taxes or other taxes as well as interest and penalties relating to tax positions taken by FC-GEN Operations Investment, LLC prior to the acquisition. Accordingly, an offsetting indemnification asset is recorded in receivables and other assets on the consolidated balance sheet. Such indemnification asset is reviewed for collectability periodically. Unrecognized tax benefits, as currently accrued for, have an immaterial impact on the effective tax rate to the extent that they would be recognized. The uncertain tax positions associated with the Genesis Acquisition are expected to expire given the current statute of limitations for those positions during 2014. Interest and penalties totaled \$40,000 and \$100,000, respectively, for the three months ended March 31, 2014, and are included in income tax expense.

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The following discussion and analysis is based primarily on the unaudited consolidated financial statements of Health Care REIT, Inc. for the periods presented and should be read together with the notes thereto contained in this Quarterly Report on Form 10-Q. Other important factors are identified in our Annual Report on Form 10-K for the year ended December 31, 2013, including factors identified under the headings “Business,” “Risk Factors,” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” References herein to “we,” “us,” “our,” or the “company” refer to Health Care REIT, Inc. and its subsidiaries unless specifically noted otherwise.

## Executive Summary

### Company Overview

Health Care REIT, Inc. is a real estate investment trust (“REIT”) that has been at the forefront of seniors housing and health care real estate since the company was founded in 1970. We are an S&P 500 company headquartered in Toledo, Ohio. Our portfolio spans the full spectrum of seniors housing and health care real estate, including seniors housing communities, skilled nursing/post-acute facilities, medical office buildings, inpatient and outpatient medical centers and life science facilities. Our capital programs, when combined with comprehensive planning, development and property management services, make us a single-source solution for acquiring, planning, developing, managing, repositioning and monetizing real estate assets. The following table summarizes our consolidated portfolio as of March 31, 2014 (dollars in thousands):

Type of Property	Investments <sup>(1)</sup>	Percentage of Investments	Number of Properties
Seniors housing triple-net	\$ 8,933,423	41.4%	622
Seniors housing operating	8,333,226	38.5%	280
Medical facilities	4,350,650	20.1%	243
Totals	<u>\$ 21,617,299</u>	<u>100.0%</u>	<u>1,145</u>

(1) Excludes our share of investments in unconsolidated entities. Entities in which we have a joint venture with a minority partner are shown at 100% of the amount.

### Business Strategy

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

Substantially all of our revenues are derived from operating lease rentals, resident fees and services, and interest earned on outstanding loans receivable. These items represent our primary sources of liquidity to fund distributions and depend upon the continued ability of our obligors to make contractual rent and interest payments to us and the profitability of our operating properties. To the extent that our customers/partners experience operating difficulties and become unable to generate sufficient cash to make payments to us, there could be a material adverse impact on our consolidated results of operations, liquidity and/or financial condition. To mitigate this risk, we monitor our investments through a variety of methods determined by the type of property. Our proactive and comprehensive asset management process for seniors housing properties generally includes review of monthly financial statements and other operating data for each property, review of obligor/partner creditworthiness, property inspections, and review of covenant compliance relating to licensure, real estate taxes, letters of credit and other collateral. Our internal property management division actively manages and monitors the medical office building portfolio with a comprehensive process including tenant relations, lease expirations, the mix of health service providers, hospital/health system relationships, property performance, capital improvement needs, and market conditions among other things. In monitoring our portfolio, our personnel use a proprietary database to collect and analyze property-specific data. Additionally, we conduct extensive research to ascertain industry trends. We evaluate the operating environment in each property’s market to determine the likely trend in operating performance of the facility. When we identify unacceptable trends, we seek to mitigate, eliminate or transfer the risk. Through these efforts, we are generally able to intervene at an early stage to address any negative trends, and in so doing, support both the collectability of revenue and the value of our investment.

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

For the three months ended March 31, 2014, rental income and resident fees and services represented 42% and 57%, respectively,



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of total revenues (including discontinued operations). Substantially all of our operating leases are designed with escalating rent structures. Leases with fixed annual rental escalators are generally recognized on a straight-line basis over the initial lease period, subject to a collectability assessment. Rental income related to leases with contingent rental escalators is generally recorded based on the contractual cash rental payments due for the period. Our yield on loans receivable depends upon a number of factors, including the stated interest rate, the average principal amount outstanding during the term of the loan and any interest rate adjustments.

Our primary sources of cash include rent and interest receipts, resident fees and services, borrowings under our primary unsecured line of credit arrangement, public issuances of debt and equity securities, proceeds from investment dispositions and principal payments on loans receivable. Our primary uses of cash include dividend distributions, debt service payments (including principal and interest), real property investments (including acquisitions, capital expenditures, construction advances and transaction costs), loan advances, property operating expenses and general and administrative expenses. Depending upon the availability and cost of external capital, we believe our liquidity is sufficient to fund these uses of cash.

We also continuously evaluate opportunities to finance future investments. New investments are generally funded from temporary borrowings under our primary unsecured line of credit arrangement, internally generated cash and the proceeds from investment dispositions. Our investments generate cash from net operating income and principal payments on loans receivable. Permanent financing for future investments, which replaces funds drawn under our primary unsecured line of credit arrangement, has historically been provided through a combination of the issuance of public debt and equity securities and the incurrence or assumption of secured debt.

Depending upon market conditions, we believe that new investments will be available in the future with spreads over our cost of capital that will generate appropriate returns to our stockholders. It is also possible that investment dispositions may occur in the future. To the extent that investment dispositions exceed new investments, our revenues and cash flows from operations could be adversely affected. We expect to reinvest the proceeds from any investment dispositions in new investments. To the extent that new investment requirements exceed our available cash on-hand, we expect to borrow under our primary unsecured line of credit arrangement. At March 31, 2014, we had \$185,928,000 of cash and cash equivalents, \$67,797,000 of restricted cash and \$1,688,000,000 of available borrowing capacity under our primary unsecured line of credit arrangement.

### Capital Market Outlook

We believe the capital markets remain supportive of our investment strategy. For the year ended December 31, 2013, we raised over \$3.7 billion in aggregate gross proceeds through the issuance of common stock and unsecured debt. The capital raised, in combination with available cash and borrowing capacity under our line of credit, supported \$5.7 billion in gross new investments during 2013 and \$542 million during the three months ended March 31, 2014. We expect attractive investment opportunities to remain available in the future as we continue to leverage the benefits of our relationship investment strategy.

### Key Transactions in 2014

*Capital.* For the three months ended March 31, 2014, we raised \$63,703,000 through our dividend reinvestment program.

*Investments.* We completed \$542,206,000 of gross investments, including 29% from existing relationships, during the three months ended March 31, 2014. The following summarizes our acquisitions and joint venture investments during that period (dollars in thousands):

	Properties	Investment Amount <sup>(1)</sup>	Capitalization Rates <sup>(2)</sup>	Book Amount <sup>(3)</sup>
Seniors housing triple-net	2	\$ 34,650	8.7%	\$ 33,443
Seniors housing operating	11	408,050	6.0%	237,332
Total acquisitions/JVs	13	\$ 442,700	6.2%	\$ 270,775

(1) Represents stated purchase price including cash and any assumed debt but excludes fair value adjustments pursuant to U.S. GAAP.

(2) Represents annualized contractual or projected income to be received in cash divided by investment amounts.

(3) Represents amounts recorded on our books including fair value adjustments pursuant to U.S. GAAP. See Notes 3, 6 and 7 to our unaudited consolidated financial statements for additional information.

*Dispositions.* We completed \$500,000 of dispositions related to one loan payoff during the three months ended March 31, 2014.

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*Dividends.* Our Board of Directors increased the annual cash dividend to \$3.18 per common share (\$0.795 per share quarterly), as compared to \$3.06 per common share for 2013, beginning in February 2014. The dividend declared for the quarter ended March 31, 2014 represents the 172<sup>nd</sup> consecutive quarterly dividend payment.

### Key Performance Indicators, Trends and Uncertainties

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

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

	Three Months Ended				
	March 31, 2013	June 30, 2013	September 30, 2013	December 31, 2013	March 31, 2014
Net income (loss) attributable to common stockholders	\$ 55,058	\$ (8,508)	\$ 20,691	\$ 11,473	\$ 50,022
Funds from operations	170,878	230,666	258,263	265,077	288,803
Net operating income from continuing operations	376,901	400,569	441,792	454,468	460,376
Same store cash net operating income	310,390	314,234	316,266	319,323	322,669
Per share data (fully diluted):					
Net income (loss) attributable to common stockholders	\$ 0.21	\$ (0.03)	\$ 0.07	\$ 0.04	\$ 0.17
Funds from operations	0.65	0.83	0.90	0.92	0.99

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

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

	March 31, 2013	June 30, 2013	September 30, 2013	December 31, 2013	March 31, 2014
<b>Asset mix:</b>					
Real property	91%	92%	95%	95%	95%
Real estate loans receivable	1%	1%	1%	1%	2%
Investments in unconsolidated entities	8%	7%	4%	4%	3%
<b>Investment mix:<sup>(1)</sup></b>					
Seniors housing triple-net	43%	40%	41%	41%	41%
Seniors housing operating	35%	39%	39%	39%	39%
Medical facilities	22%	21%	20%	20%	20%
<b>Relationship mix:<sup>(1)</sup></b>					
Sunrise Senior Living	14%	13%	19%	19%	19%
Genesis HealthCare	14%	13%	12%	12%	12%
Revera		6%	6%	5%	5%
Benchmark Senior Living	4%		4%	4%	4%
Belmont Village	5%	4%	4%	4%	4%
Merrill Gardens	6%	5%			
Remaining relationships	57%	59%	55%	56%	56%
<b>Geographic mix:<sup>(1)</sup></b>					
California	9%	8%	10%	10%	10%
New Jersey	8%	8%	8%	8%	8%
England	8%	7%	8%	8%	8%
Texas	8%	8%	7%	7%	7%
Florida	6%	5%	5%	5%	5%
Remaining geographic areas	61%	64%	62%	62%	62%

(1) Excludes our share of investments in unconsolidated entities. Entities in which the company has a joint venture with a minority partner are shown at 100% of the amount.

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

	Three Months Ended				
	March 31, 2013	June 30, 2013	September 30, 2013	December 31, 2013	March 31, 2014
Debt to book capitalization ratio	49%	44%	47%	48%	48%
Debt to undepreciated book capitalization ratio	45%	41%	43%	43%	43%
Debt to market capitalization ratio	34%	32%	35%	39%	37%
Interest coverage ratio	3.42x	2.88x	3.32x	3.23x	3.24x
Fixed charge coverage ratio	2.72x	2.27x	2.62x	2.56x	2.56x

**Lease Expirations.** The following table sets forth information regarding lease expirations for certain portions of our portfolio as of March 31, 2014 (dollars in thousands):

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	Expiration Year										
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Thereafter
<b>Seniors housing triple-net:</b>											
Properties	8	-	-	34	51	-	10	23	42	2	428
Base rent <sup>(1)</sup>	\$ 7,116	\$ -	\$ -	\$ 15,743	\$ 37,398	\$ -	\$ 13,356	\$ 35,376	\$ 40,695	\$ 5,760	\$ 707,542
% of base rent	0.8%	0.0%	0.0%	1.8%	4.3%	0.0%	1.5%	4.1%	4.7%	0.7%	82.0%
Units	1,060	-	-	1,603	3,151	-	912	3,587	5,463	383	48,025
% of Units	1.7%	0.0%	0.0%	2.5%	4.9%	0.0%	1.4%	5.6%	8.5%	0.6%	74.8%
<b>Hospitals:</b>											
Properties	-	-	-	-	-	-	-	-	-	1	30
Base rent <sup>(1)</sup>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,979	\$ 88,690
% of base rent	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	2.2%	97.8%
Beds	-	-	-	-	-	-	-	-	-	60	1,072
% of Beds	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	5.3%	94.7%
<b>Medical office buildings:</b>											
Square feet	465,971	632,337	776,593	1,151,313	849,075	874,693	855,930	925,023	1,967,271	902,572	3,096,184
Base rent <sup>(1)</sup>	\$ 9,127	\$ 14,713	\$ 16,690	\$ 27,419	\$ 20,021	\$ 20,469	\$ 20,551	\$ 22,546	\$ 40,148	\$ 22,119	\$ 80,174
% of base rent	3.1%	5.0%	5.7%	9.3%	6.8%	7.0%	7.0%	7.7%	13.7%	7.5%	27.3%
Leases	147	185	177	218	176	139	91	105	135	58	143
% of Leases	9.3%	11.8%	11.2%	13.9%	11.2%	8.8%	5.8%	6.7%	8.6%	3.7%	9.1%

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

We evaluate our key performance indicators in conjunction with current expectations to determine if historical trends are indicative of future results. Our expected results may not be achieved and actual results may differ materially from our expectations. Factors that may cause actual results to differ from expected results are described in more detail in "Cautionary Statement Regarding Forward-Looking Statements" and other sections of this Quarterly Report on Form 10-Q. Management regularly monitors economic and other factors to develop strategic and tactical plans designed to improve performance and maximize our competitive position. Our ability to achieve our financial objectives is dependent upon our ability to effectively execute these plans and to appropriately respond to emerging economic and company-specific trends. Please refer to our Annual Report on Form 10-K for the year ended December 31, 2013, under the headings "Business," "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" for further discussion of these risk factors.

### Corporate Governance

Maintaining investor confidence and trust is important in today's business environment. Our Board of Directors and management are strongly committed to policies and procedures that reflect the highest level of ethical business practices. Our corporate governance guidelines provide the framework for our business operations and emphasize our commitment to increase stockholder value while meeting all applicable legal requirements. These guidelines meet the listing standards adopted by the New York Stock Exchange and are available on the Internet at [www.hcreit.com](http://www.hcreit.com).

### Liquidity and Capital Resources

#### Sources and Uses of Cash

Our primary sources of cash include rent and interest receipts, resident fees and services, borrowings under our primary unsecured line of credit arrangement, public issuances of debt and equity securities, proceeds from investment dispositions and principal payments on loans receivable. Our primary uses of cash include dividend distributions, debt service payments (including principal and interest), real property investments (including acquisitions, capital expenditures, construction advances and transaction costs), loan advances, property operating expenses, and general and administrative expenses. These sources and uses of cash are reflected in our Consolidated Statements of Cash Flows and are discussed in further detail below. The following is a summary of our sources and uses of cash flows (dollars in thousands):

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	Three Months Ended		Change	
	March 31, 2014	March 31, 2013	\$	%
Cash and cash equivalents at beginning of period	\$ 158,780	\$ 1,033,764	\$ (874,984)	-85%
Cash provided from (used in):				
Operating activities	258,661	199,808	58,853	29%
Investing activities	(351,391)	(1,968,703)	1,617,312	-82%
Financing activities	119,597	1,004,416	(884,819)	-88%
Effect of foreign currency translation on cash and cash equivalents	281	557	(276)	-50%
Cash and cash equivalents at end of period	\$ 185,928	\$ 269,842	\$ (83,914)	-31%

*Operating Activities.* The change in net cash provided from operating activities is primarily attributable to increases in NOI, which is primarily due to acquisitions. Please see "Results of Operations" for further discussion. For the three months ended March 31, 2014, cash flow provided from operations exceeded cash distributions to stockholders. For the three months ended March 31, 2013, cash distributions to stockholders exceeded cash flow provided from operations. The source of funds for these excess distributions was available cash on-hand, which was \$1,033,764,000 at December 31, 2012 and \$269,842,000 at March 31, 2013.

*Investing Activities.* The changes in net cash used in investing activities are primarily attributable to net changes in real property investments, real estate loans receivable and investments in unconsolidated entities, which are summarized above in "Key Transactions in 2014" and Notes 3, 6 and 7 of our unaudited consolidated financial statements. The following is a summary of cash used in non-acquisition capital improvement activities (dollars in thousands):

	Three Months Ended		Change	
	March 31, 2014	March 31, 2013	\$	%
New development	\$ 52,717	\$ 40,053	\$ 12,664	32%
Recurring capital expenditures, tenant improvements and lease commissions	12,392	11,885	508	4%
Renovations, redevelopments and other capital improvements	15,014	12,244	2,769	23%
Total	\$ 80,123	\$ 64,182	\$ 15,941	25%

The change in new development is primarily due to new construction starts. Renovations, redevelopments and other capital improvements include expenditures to maximize property value, increase net operating income, maintain a market-competitive position and/or achieve property stabilization. Generally, these expenditures have increased as a result of acquisitions, primarily in our seniors housing operating segment.

*Financing Activities.* The changes in net cash provided from financing activities are primarily attributable to changes related to our long-term debt arrangements, the issuance/conversion of common and preferred stock and dividend payments. Please refer to Notes 9, 10 and 13 of our unaudited consolidated financial statements for additional information.

**Off-Balance Sheet Arrangements**

At March 31, 2014, we had investments in unconsolidated entities with our ownership ranging from 10% to 50%. Please see Note 7 to our unaudited consolidated financial statements for additional information. We use financial derivative instruments to hedge interest rate and foreign currency exchange rate exposure. Please see Note 11 to our unaudited consolidated financial statements for additional information. At March 31, 2014, we had five outstanding letter of credit obligations. Please see Note 12 to our unaudited consolidated financial statements for additional information.

**Contractual Obligations**

The following table summarizes our payment requirements under contractual obligations as of March 31, 2014 (in thousands):

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Contractual Obligations	Total	Payments Due by Period			
		2014	2015-2016	2017-2018	Thereafter
Unsecured line of credit arrangements	\$ 562,000	\$ -	\$ -	\$ 562,000	\$ -
Senior unsecured notes <sup>(1)</sup>	7,418,374	-	1,676,142	900,000	4,842,232
Secured debt <sup>(1)</sup>	3,455,857	234,507	1,101,468	846,540	1,273,342
Contractual interest obligations	4,114,651	374,586	898,849	677,466	2,163,750
Capital lease obligations	115,770	4,044	17,889	9,411	84,426
Operating lease obligations	878,401	10,824	28,227	28,510	810,840
Purchase obligations	290,779	14,193	276,586	-	-
Other long-term liabilities	7,673	-	-	3,069	4,604
Total contractual obligations	\$ 16,843,505	\$ 638,154	\$ 3,999,161	\$ 3,026,996	\$ 9,179,194

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

At March 31, 2014, we had an unsecured line of credit arrangement with an aggregate commitment amount of \$2,250,000,000. See Note 9 to our unaudited consolidated financial statements for additional information. Total contractual interest obligations on this arrangement totaled \$22,424,000 at March 31, 2014, using interest rates in place at that date.

We have \$5,775,107,000 of senior unsecured notes principal outstanding with annual fixed interest rates ranging from 2.25% to 6.5%, payable semi-annually. A total of \$275,107,000 of our senior unsecured notes are convertible notes that also contain put features. In addition, we have \$550,000,000 (approximately \$917,125,000 based on the Sterling/U.S. Dollar exchange rate on March 31, 2014) of 4.8% senior unsecured notes due 2028. We have a \$250,000,000 Canadian denominated unsecured term loan (approximately \$226,142,000 based on the Canadian/U.S. Dollar exchange rate on March 31, 2014). The loan matures on July 27, 2015 with an option to extend for an additional year at our discretion. We also have a \$500,000,000 unsecured term loan that matures on March 16, 2016 and can be extended for two additional years at our option. See Note 10 to our unaudited consolidated financial statements for more information. Total contractual interest obligations on all senior unsecured notes and term loans totaled \$3,181,367,000 at March 31, 2014, using interest rates and foreign currency translation rates in place at that date.

We have consolidated secured debt with total outstanding principal of \$2,875,957,000, collateralized by owned properties, with fixed annual interest rates ranging from 1.0% to 8.0%, payable monthly. The carrying values of the properties securing the debt totaled \$5,976,759,000 at March 31, 2014. Total contractual interest obligations on consolidated secured debt totaled \$822,498,000 at March 31, 2014. Additionally, our share of non-recourse debt associated with unconsolidated entities (as reflected in the contractual obligations table above) is \$579,900,000 at March 31, 2014. Our share of contractual interest obligations on our unconsolidated entities' secured debt is \$88,362,000 at March 31, 2014, using interest rates and foreign currency translation rates in place at that date.

At March 31, 2014, we had operating lease obligations of \$878,401,000 relating primarily to ground leases at certain of our properties and office space leases and capital lease obligations of \$115,770,000 relating to certain leased investment properties that contain bargain purchase options.

Purchase obligations include unfunded construction commitments and contingent purchase obligations. At March 31, 2014, we had outstanding construction financings of \$144,516,000 for leased properties and were committed to providing additional financing of approximately \$224,139,000 to complete construction. At March 31, 2014, we had contingent purchase obligations totaling \$66,640,000. These contingent purchase obligations relate to unfunded capital improvement obligations and contingent obligations on acquisitions. Upon funding, amounts due from the tenant are increased to reflect the additional investment in the property.

Other long-term liabilities relate to our Supplemental Executive Retirement Plan, which is discussed in Note 19 to the financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2013.

**Capital Structure**

Please refer to "Credit Strength" above for a discussion of our leverage and coverage ratio trends. Our debt agreements contain various covenants, restrictions and events of default. Certain agreements require us to maintain certain financial ratios and minimum net worth and impose certain limits on our ability to incur indebtedness, create liens and make investments or acquisitions. As of March 31, 2014, we were in compliance with all of the covenants under our debt agreements. Please refer to the section entitled "Non-GAAP Financial Measures" for further discussion. None of our debt agreements contain provisions for acceleration which could be triggered by our debt ratings. However, under our primary unsecured line of credit arrangement, the ratings on our senior unsecured notes are used to determine the fees and interest charged. A summary of certain covenants and our results as of March 31, 2014 is as follows:

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Covenant	Per Agreement		Actual at March 31, 2014
	Unsecured Line of Credit <sup>(1)</sup>	Senior Unsecured Notes	
Total Indebtedness to Book Capitalization Ratio maximum	60%	n/a	48%
Secured Indebtedness to Total Assets Ratio maximum	30%	40%	13%
Total Indebtedness to Total Assets maximum	n/a	60%	47%
Unsecured Debt to Unencumbered Assets maximum	60%	n/a	43%
Adjusted Interest Coverage Ratio minimum	n/a	1.50x	3.24x
Adjusted Fixed Charge Coverage minimum	1.50x	n/a	2.56x

(1) Canadian denominated term loan covenants are the same as those contained in our primary unsecured line of credit agreement.

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

On May 4, 2012, we filed an open-ended automatic or "universal" shelf registration statement with the Securities and Exchange Commission covering an indeterminate amount of future offerings of debt securities, common stock, preferred stock, depositary shares, warrants and units. As of April 30, 2014, we had an effective registration statement on file in connection with our enhanced dividend reinvestment plan under which we may issue up to 10,000,000 shares of common stock. As of April 30, 2014, 5,962,348 shares of common stock remained available for issuance under this registration statement. We have entered into separate Equity Distribution Agreements with each of UBS Securities LLC, RBS Securities Inc., KeyBanc Capital Markets Inc. and Credit Agricole Securities (USA) Inc. relating to the offer and sale from time to time of up to \$630,015,000 aggregate amount of our common stock ("Equity Shelf Program"). As of April 30, 2014, we had \$457,112,000 of remaining capacity under the Equity Shelf Program. Depending upon market conditions, we anticipate issuing securities under our registration statements to invest in additional properties and to repay borrowings under our unsecured line of credit arrangements.

**Results of Operations**

*Summary*

Our primary sources of revenue include rent and resident fees and services. Our primary expenses include interest expense, depreciation and amortization, property operating expenses, transaction costs and general and administrative expenses. We evaluate our business and make resource allocations on our three business segments: seniors housing triple-net, seniors housing operating and medical facilities. The primary performance measures for our properties are NOI and SSCNOI, which are discussed below. Please see Note 17 to our unaudited consolidated financial statements for additional information. The following is a summary of our results of operations (dollars in thousands, except per share amounts):

	Three Months Ended		Change	
	March 31, 2014	March 31, 2013	Amount	%
Net income (loss) attributable to common stockholders	\$ 50,022	\$ 55,058	\$ (5,036)	-9%
Funds from operations	288,803	170,878	117,925	69%
EBITDA	421,734	372,418	49,316	13%
Net operating income from continuing operations (NOI)	460,376	376,901	83,475	22%
Same store cash NOI	322,669	310,390	12,279	4%
Per share data (fully diluted):				
Net income (loss) attributable to common stockholders	\$ 0.17	\$ 0.21	\$ (0.04)	-19%
Funds from operations	0.99	\$ 0.65	\$ 0.34	52%
Interest coverage ratio	3.24x	3.42x	-0.18x	-5%
Fixed charge coverage ratio	2.56x	2.72x	-0.16x	-6%





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

	Three Months Ended		Change	
	March 31, 2014	March 31, 2013	\$	%
SSCNOI <sup>(1)</sup>	\$ 178,156	172,689	\$ 5,467	3%
Non-cash NOI attributable to same store properties <sup>(1)</sup>	9,408	10,836	(1,428)	-13%
NOI attributable to non same store properties <sup>(2)</sup>	32,824	5,824	27,000	464%
NOI	<u>\$ 220,388</u>	<u>\$ 189,349</u>	<u>\$ 31,039</u>	<u>16%</u>

(1) Change is due to increases in cash and non-cash revenues (described below) related to 530 same store properties.

(2) Change is primarily due to the acquisition of 34 properties, the conversion of 13 construction projects into revenue-generating properties subsequent to January 1, 2013 and the transition of 38 properties from our seniors housing operating segment on September 1, 2013.

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

	Three Months Ended		Change	
	March 31, 2014	March 31, 2013	\$	%
<b>Revenues:</b>				
Rental income	\$ 214,828	\$ 183,296	\$ 31,532	17%
Interest income	5,439	5,844	(405)	-7%
Other income	121	209	(88)	-42%
Net operating income from continuing operations (NOI)	<u>220,388</u>	<u>189,349</u>	<u>31,039</u>	<u>16%</u>
<b>Expenses:</b>				
Interest expense	8,890	5,805	3,085	53%
Depreciation and amortization	61,404	54,950	6,454	12%
Transaction costs	275	494	(219)	-44%
	<u>70,569</u>	<u>61,249</u>	<u>9,320</u>	<u>15%</u>
Income from continuing operations before income taxes and income (loss) from unconsolidated entities	149,819	128,100	21,719	17%
Income tax benefit (expense)	(355)	(762)	407	-53%
Income (loss) from unconsolidated entities	1,382	1,290	92	7%
Income from continuing operations	<u>150,846</u>	<u>128,628</u>	<u>22,218</u>	<u>17%</u>
<b>Discontinued operations:</b>				
Gain (loss) on sales of properties, net	-	80,701	(80,701)	-100%
Income (loss) from discontinued operations, net	460	535	(75)	-14%
Discontinued operations, net	<u>460</u>	<u>81,236</u>	<u>(80,776)</u>	<u>-99%</u>
Net income	151,306	209,864	(58,558)	-28%
Less: Net income (loss) attributable to noncontrolling interests	488	369	119	32%
Net income attributable to common stockholders	<u>\$ 150,818</u>	<u>\$ 209,495</u>	<u>\$ (58,677)</u>	<u>-28%</u>

The increase in rental income is primarily attributable to the acquisitions of new properties, 38 properties transitioned from the seniors housing operating segment and the conversion of newly constructed seniors housing triple-net properties from which we receive rent. Certain of our leases contain annual rental escalators that are contingent upon changes in the Consumer Price Index and/or changes in the gross operating revenues of the tenant's properties. These escalators are not fixed, so no straight-line rent is recorded; however, rental income is recorded based on the contractual cash rental payments due for the period. If gross operating revenues at our facilities and/or the Consumer Price Index do not increase, a portion of our revenues may not continue to increase. Sales of real property would offset revenue increases and, to the extent that they exceed new acquisitions, could result in decreased revenues. Our leases could renew above or below current rent rates, resulting in an increase or decrease in rental income. For the

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three months ended March 31, 2014, we had no lease renewals but we had 18 leases with rental rate increasers ranging from 0.11% to 0.76% in our seniors housing triple-net portfolio.

During the quarter ended March 31, 2014, we completed one seniors housing triple-net construction project representing \$8,481,000 or \$188,466 per bed/unit plus expansion projects totaling \$921,000. The following is a summary of our seniors housing triple-net construction projects, excluding expansions, pending as of March 31, 2014 (dollars in thousands):

Location	Units/Beds	Commitment	Balance	Est. Completion
Moorestown, NJ	124	\$ 31,500	\$ 27,054	3Q14
Gambrills, MD	110	19,700	17,889	3Q14
Burleson, TX	106	13,900	9,013	3Q14
Upper Providence, PA	96	29,030	8,542	4Q14
Mahwah, NJ	96	29,045	4,253	1Q15
Frederick, MD	130	19,000	8,837	1Q15
Piscataway, NJ	124	30,600	12,273	2Q15
Haddonfield, NJ	52	18,815	4,289	2Q15
Derby, England	74	12,311	2,664	3Q15
Total	912	\$ 203,901	\$ 94,814	

Interest expense for the three months ended March 31, 2014 and 2013 represents \$9,013,000 and \$6,827,000, respectively, of secured debt interest expense, which is offset by interest allocated to discontinued operations. The change in secured debt interest expense is due to the net effect and timing of assumptions, segment transitions, extinguishments and principal amortizations. The following is a summary of our seniors housing triple-net secured debt principal activity (dollars in thousands):

	Three Months Ended			
	March 31, 2014		March 31, 2013	
	Amount	Wtd. Avg. Interest Rate	Amount	Wtd. Avg. Interest Rate
Beginning balance	\$ 587,136	5.394%	\$ 218,741	5.393%
Principal payments	(2,773)	5.897%	(1,149)	5.536%
Ending balance	\$ 584,363	5.391%	\$ 217,592	5.392%
Monthly averages	\$ 585,355	5.391%	\$ 217,994	5.392%

Depreciation and amortization increased primarily as a result of new property acquisitions, the conversions of newly constructed investment properties and the transition of 38 properties from the seniors housing operating segment on September 1, 2013. To the extent that we acquire or dispose of additional properties in the future, our provision for depreciation and amortization will change accordingly.

Transaction costs represent costs incurred with property acquisitions including due diligence costs, fees for legal and valuation services, the termination of pre-existing relationships and lease termination expenses and other similar costs. The change in transaction costs is primarily due to lower transaction volume.

Changes in gains on sales of properties are related to property sales, which totaled zero and 11 for the three months ended March 31, 2014 and 2013, respectively. The table below illustrates the reclassification impact as a result of classifying the properties sold prior to or held for sale at January 1, 2014 as discontinued operations for the periods presented (in thousands).

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	Three Months Ended	
	March 31,	
	2014	2013
Rental income	\$ 583	\$ 2,884
Expenses:		
Interest expense	123	1,022
Provision for depreciation	-	1,327
Income from discontinued operations, net	\$ 460	\$ 535

*Seniors Housing Operating*

The following is a summary of our NOI for the seniors housing operating segment (dollars in thousands):

	Three Months Ended		Change	
	March 31, 2014	March 31, 2013	\$	%
SSCNOI <sup>(1)</sup>	\$ 65,858	\$ 60,065	\$ 5,793	10%
NOI attributable to non same store properties <sup>(2)</sup>	82,277	43,513	38,764	89%
NOI	\$ 148,135	\$ 103,578	\$ 44,557	43%

(1) Change is due to increases in revenues (described below) related to 116 same store properties.

(2) Change is primarily due to the acquisition of 164 properties subsequent to January 1, 2013 and the transition of 38 properties to our seniors housing triple-net segment on September 1, 2013.

The following is a summary of our seniors housing operating results of operations (dollars in thousands):

	Three Months Ended		Change	
	March 31, 2014	March 31, 2013	\$	%
Revenues:				
Resident fees and services	\$ 456,265	\$ 327,324	\$ 128,941	39%
Interest income	-	757	(757)	n/a
Other income	54	-	54	n/a
	456,319	328,081	128,238	39%
Property operating expenses	308,184	224,503	83,681	37%
Net operating income from continuing operations (NOI)	148,135	103,578	44,557	43%
Other expenses:				
Interest expense	27,479	19,070	8,409	44%
Loss (gain) on derivatives, net	0	2,309	(2,309)	-100%
Depreciation and amortization	129,162	89,875	39,287	44%
Transaction costs	630	65,325	(64,695)	-99%
Loss (gain) on extinguishment of debt, net	(148)	(308)	160	-52%
	157,123	176,271	(19,148)	-11%
Income (loss) from continuing operations before income taxes and income (loss) from unconsolidated entities	(8,988)	(72,693)	63,705	-88%
Income tax expense	(1,643)	(1,729)	86	-5%
Income (loss) from unconsolidated entities	(7,961)	(1,548)	(6,413)	414%
Net income (loss)	(18,592)	(75,970)	57,378	-76%
Less: Net income (loss) attributable to noncontrolling interests	(1,821)	(274)	(1,547)	565%
Net income (loss) attributable to common stockholders	\$ (16,771)	\$ (75,696)	\$ 58,925	-78%

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Fluctuations in revenues and property operating expenses are primarily a result of acquisitions subsequent to March 31, 2013, offset by the transition of 38 properties to seniors housing triple-net on September 1, 2013. The fluctuations in depreciation and amortization are due to acquisitions and variations in amortization of short-lived intangible assets. To the extent that we acquire or dispose of additional properties in the future, these amounts will change accordingly. Loss from unconsolidated entities during the three month periods ended March 31, 2014 and 2013 is primarily attributable to depreciation and amortization of short-lived intangible assets related to our joint ventures described in Note 7 to our unaudited consolidated financial statements. Interest income relates to the Sunrise loan that was acquired upon merger consummation on January 9, 2013.

Interest expense represents secured debt interest expense as well as interest expense related to our \$250,000,000 Canadian-denominated unsecured term loan and our £550,000,000 Sterling-denominated senior unsecured notes. Please refer to Note 10 to our unaudited consolidated financial statements for additional information. The following is a summary of our seniors housing operating property secured debt principal activity (dollars in thousands):

	Three Months Ended			
	March 31, 2014		March 31, 2013	
	Amount	Weighted Avg. Interest Rate	Amount	Weighted Avg. Interest Rate
Beginning balance	\$ 1,714,714	4.622%	1,369,526	4.874%
Debt issued	10,690	3.544%	-	0.000%
Debt assumed	-	0.000%	132,680	5.492%
Debt extinguished	(73,218)	5.883%	(7,807)	7.430%
Foreign currency	(15,905)	3.862%	6	5.624%
Principal payments	(8,513)	4.454%	(5,986)	5.034%
Ending balance	\$ 1,627,768	4.529%	\$ 1,488,419	4.925%
Monthly averages	\$ 1,687,910	4.596%	1,460,933	4.921%

The change in net derivative gains is due to foreign currency hedges relating to our international investments which are described in Note 11 to our unaudited consolidated financial statements.

The decrease in transaction costs is primarily due to costs associated with the Sunrise merger transaction in the prior year. The majority of our seniors housing operating properties are formed through partnership interests. Net income attributable to noncontrolling interests for the three month periods ended March 31, 2014 and 2013 represents our partners' share of net income (loss) related to those properties.

### Medical Facilities

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

	Three Months Ended		Change	
	March 31, 2014	March 31, 2013	\$	%
SSCNOI <sup>(1)</sup>	\$ 78,655	77,636	\$ 1,019	1%
Non-cash NOI attributable to same store properties <sup>(1)</sup>	1,441	2,587	(1,146)	-44%
NOI attributable to non same store properties <sup>(2)</sup>	11,742	3,670	8,072	220%
NOI	\$ 91,838	\$ 83,893	\$ 7,945	9%

(1) Change is due to increases in cash and decreases in non-cash revenues (described below) related to 204 same store properties.

(2) Change is primarily due to acquisitions of 13 properties and conversions of construction projects into nine revenue-generating properties subsequent to January 1, 2013.

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

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	Three Months Ended		Change	
	March 31,	March 31,		
	2014	2013	\$	%
Revenues:				
Rental income	\$ 121,627	\$ 109,347	\$ 12,280	11%
Interest income	3,155	2,456	699	28%
Other income	303	410	(107)	-26%
	125,085	112,213	12,872	11%
Property operating expenses	33,247	28,320	4,927	17%
Net operating income from continuing operations (NOI)	91,838	83,893	7,945	9%
Other expenses:				
Interest expense	9,608	8,861	747	8%
Depreciation and amortization	42,752	39,863	2,889	7%
Transaction costs	47	161	(114)	-71%
	52,407	48,885	3,522	7%
Income from continuing operations before income taxes and income from unconsolidated entities	39,431	35,008	4,423	13%
Income tax expense	(262)	(272)	10	-4%
Income from unconsolidated entities	1,023	2,520	(1,497)	-59%
Income from continuing operations	40,192	37,256	2,936	8%
Discontinued operations:				
Gain (loss) on sales of properties, net	-	1,791	(1,791)	-100%
Income (loss) from discontinued operations, net	-	1,058	(1,058)	-100%
Discontinued operations, net	-	2,849	(2,849)	-100%
Net income (loss)	40,192	40,107	85	0%
Less: Net income (loss) attributable to noncontrolling interests	157	44	113	257%
Net income (loss) attributable to common stockholders	\$ 40,035	\$ 40,063	\$ (28)	0%

The increase in rental income is primarily attributable to the acquisitions of new properties and the construction conversions of medical facilities from which we receive rent. Certain of our leases contain annual rental escalators that are contingent upon changes in the Consumer Price Index. These escalators are not fixed, so no straight-line rent is recorded; however, rental income is recorded based on the contractual cash rental payments due for the period. If the Consumer Price Index does not increase, a portion of our revenues may not continue to increase. Sales of real property would offset revenue increases and, to the extent that they exceed new acquisitions, could result in decreased revenues. Our leases could renew above or below current rent rates, resulting in an increase or decrease in rental income. For the three months ended March 31, 2014, our consolidated medical office building portfolio signed 48,393 square feet of new leases and 90,095 square feet of renewals. The weighted-average term of these leases was five years, with a rate of \$21.81 per square foot and tenant improvement and lease commission costs of \$19.56 per square foot. Substantially all of these leases during the referenced quarter contain an annual fixed or contingent escalation rent structure ranging from the change in CPI to 4%. For the three months ended March 31, 2014, we had no lease renewals and no rental rate increasers in our hospital portfolio.

During the quarter ended March 31, 2014, we completed two medical office building construction projects representing \$42,799,000 or \$220 per square foot plus one hospital expansion project totaling \$4,951,000. The following is a summary of the medical facilities construction projects, excluding expansions, pending as of March 31, 2014 (dollars in thousands):

Location	Square Feet	Commitment	Balance	Est. Completion
Clear Lake, TX	54,713	\$ 14,750	\$ 7,615	3Q14
Burnsville, MN	123,857	36,087	17,429	3Q14
Humble, TX	36,475	10,885	3,540	3Q14
Bettendorf, IA	40,493	7,561	1,551	4Q14
Houston, TX	51,057	17,600	1,108	1Q15
Shenandoah, TX	80,085	24,558	6,799	1Q15
Total	386,680	\$ 111,441	\$ 38,042	

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Total interest expense for the three months ended March 31, 2014 and 2013 represents \$9,608,000 and \$9,735,000, respectively, of secured debt interest expense offset by interest allocated to discontinued operations. The change in secured debt interest expense is primarily due to the net effect and timing of assumptions, extinguishments and principal amortizations. The following is a summary of our medical facility secured debt principal activity (dollars in thousands):

	Three Months Ended			
	March 31, 2014		March 31, 2013	
	Amount	Weighted Avg. Interest Rate	Amount	Weighted Avg. Interest Rate
Beginning balance	\$ 700,427	5.999%	\$ 713,720	5.950%
Debt extinguished	(40,866)	5.463%	-	0.000%
Principal payments	(3,865)	5.976%	(3,897)	6.023%
Ending balance	<u>\$ 655,696</u>	<u>6.036%</u>	<u>\$ 709,823</u>	<u>5.950%</u>
Monthly averages	\$ 679,495	5.889%	\$ 711,826	5.950%

The increase in property operating expenses and depreciation and amortization is primarily attributable to acquisitions and construction conversions of new medical facilities for which we incur certain property operating expenses offset by property operating expenses associated with discontinued operations. The change in transaction costs is due primarily to lower transaction volume in the current year. Income from unconsolidated entities includes our share of net income related to our joint venture investment with Forest City Enterprises and certain unconsolidated property investments related to our strategic joint venture relationship with a national medical office building company. See Note 7 to our unaudited consolidated financial statements for additional information.

Changes in gains/losses on sales of properties is related to property sales, which totaled zero and six for the three months ended March 31, 2014, and 2013, respectively. The table below illustrates the reclassification impact as a result of classifying the properties sold prior to or held for sale at January 1, 2014 as discontinued operations for the periods presented (in thousands).

	Three Months Ended	
	March 31,	
	2014	2013
Rental income	\$ -	\$ 3,904
Expenses:		
Interest expense	-	874
Property operating expenses	-	865
Provision for depreciation	-	1,107
Income (loss) from discontinued operations, net	<u>\$ -</u>	<u>\$ 1,058</u>



*Non-Segment/Corporate*

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

	Three Months Ended		Change	
	March 31, 2014	March 31, 2013	\$	%
Revenues:				
Other income	\$ 15	\$ 81	\$ (66)	-81%
Expenses:				
Interest expense	74,856	75,102	(246)	0%
General and administrative	32,865	27,179	5,686	21%
	<u>107,721</u>	<u>102,281</u>	<u>5,440</u>	<u>5%</u>
Loss from continuing operations	(107,706)	(102,200)	(5,506)	5%
Less: Preferred stock dividends	16,353	16,602	(249)	-1%
Net loss attributable to common stockholders	<u>\$ (124,059)</u>	<u>\$ (118,802)</u>	<u>\$ (5,257)</u>	<u>4%</u>

Other income primarily represents income from non-real estate activities such as interest earned on temporary investments of cash reserves. The following is a summary of our non-segment/corporate interest expense (dollars in thousands):

	Three Months Ended		Change	
	March 31, 2014	March 31, 2013	\$	%
Senior unsecured notes	\$ 70,702	\$ 72,180	\$ (1,478)	-2%
Secured debt	104	109	(5)	-4%
Unsecured lines of credit	2,301	4,521	(2,220)	-49%
Capitalized interest	(1,553)	(1,606)	53	-3%
Swap loss (savings)	(4)	(4)	-	0%
Loan expense	3,306	(98)	3,404	n/a
Totals	<u>\$ 74,856</u>	<u>\$ 75,102</u>	<u>\$ (246)</u>	<u>0%</u>

The change in interest expense on senior unsecured notes is due to the net effect of issuances and extinguishments, excluding our \$250,000,000 Canadian-denominated unsecured term loan and our £550,000,000 Sterling-denominated senior unsecured notes, both of which are in our seniors housing operating segment. Please refer to Note 10 to our unaudited consolidated financial statements for additional information. We capitalize certain interest costs associated with funds used for the construction of properties owned directly by us. The amount capitalized is based upon the balances outstanding during the construction period using the rate of interest that approximates our cost of financing. Our interest expense is reduced by the amount capitalized. Please see Note 11 to our unaudited consolidated financial statements for a discussion of our interest rate swap agreements and their impact on interest expense. Loan expense represents the amortization of deferred loan costs incurred in connection with the issuance and amendments of debt. Loan expense changes are due to amortization of charges for costs incurred in connection with senior unsecured note issuances. The change in interest expense on the unsecured line of credit arrangements is due primarily to the net effect and timing of draws, paydowns and variable interest rate changes. Please refer to Notes 9 and 10 of our unaudited consolidated financial statements for additional information regarding our long-term debt arrangements.

General and administrative expenses as a percentage of consolidated revenues (including revenues from discontinued operations) for the three months ended March 31, 2014 and 2013 were 4.10% and 4.46%, respectively. The increase in general and administrative expenses is primarily related to costs associated with our initiatives to attract and retain appropriate personnel to achieve our business objectives. The decline in percent of revenue is primarily related to the increasing revenue base as a result of our acquisitions. The changes in preferred stock dividends are primarily attributable to the effect of conversions. Please see Note 13 to our consolidated financial statements for additional information.





## Non-GAAP Financial Measures

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

Net operating income from continuing operations (“NOI”) is used to evaluate the operating performance of our properties. We define NOI as total revenues, including tenant reimbursements, less property operating expenses. Property operating expenses represent costs associated with managing, maintaining and servicing tenants for our seniors housing operating and medical facility properties. These expenses include, but are not limited to, property-related payroll and benefits, property management fees, marketing, housekeeping, food service, maintenance, utilities, property taxes and insurance. General and administrative expenses represent costs unrelated to property operations or transaction costs. These expenses include, but are not limited to, payroll and benefits, professional services, office expenses and depreciation of corporate fixed assets. Same store cash NOI (“SSCNOI”) is used to evaluate the cash-based operating performance of our properties under a consistent population which eliminates changes in the composition of our portfolio. As used herein, same store is generally defined as those revenue-generating properties in the portfolio for the reporting period subsequent to January 1, 2013. Any properties acquired, developed, transitioned, sold or classified as held for sale during that period are excluded from the same store amounts. We believe NOI and SSCNOI provide investors relevant and useful information because they measure the operating performance of our properties at the property level on an unleveraged basis. We use NOI and SSCNOI to make decisions about resource allocations and to assess the property level performance of our properties.

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

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

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



The table below reflects the reconciliation of FFO to net income attributable to common stockholders, the most directly comparable U.S. GAAP measure, for the periods presented. The provisions for depreciation and amortization include provisions for depreciation and amortization from discontinued operations. Noncontrolling interest and unconsolidated entity amounts represent adjustments to reflect our share of depreciation and amortization. Amounts are in thousands except for per share data.

	Three Months Ended				
	March 31, 2013	June 30, 2013	September 30, 2013	December 31, 2013	March 31, 2014
<b>FFO Reconciliations:</b>					
Net income (loss) attributable to common stockholders	\$ 55,058	\$ (8,508)	\$ 20,691	\$ 11,473	\$ 50,022
Depreciation and amortization	187,122	200,477	242,981	243,380	233,318
Loss (gain) on sales of properties, net	(82,492)	29,997	(4,707)	8,064	0
Noncontrolling interests	(5,793)	(7,821)	(12,328)	(10,362)	(10,520)
Unconsolidated entities	16,983	16,521	11,626	12,522	15,983
Funds from operations	\$ 170,878	\$ 230,666	\$ 258,263	\$ 265,077	\$ 288,803
Average common shares outstanding:					
Basic	260,036	273,091	286,020	288,133	289,606
Diluted	262,525	276,481	288,029	289,677	290,917
Per share data:					
Net income attributable to common stockholders					
Basic	\$ 0.21	\$ (0.03)	\$ 0.07	\$ 0.04	\$ 0.17
Diluted	0.21	(0.03)	0.07	0.04	0.17
Funds from operations					
Basic	\$ 0.66	\$ 0.84	\$ 0.90	\$ 0.92	\$ 1.00
Diluted	0.65	0.83	0.90	0.92	0.99

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

	Three Months Ended				
	March 31, 2013	June 30, 2013	September 30, 2013	December 31, 2013	March 31, 2014
<b>EBITDA Reconciliations:</b>					
Net income	\$ 71,799	\$ 7,181	\$ 33,605	\$ 25,696	\$ 65,200
Interest expense	110,734	110,844	116,542	124,485	120,956
Income tax expense (benefit)	2,763	1,215	3,077	435	2,260
Depreciation and amortization	187,122	200,477	242,981	243,380	233,318
EBITDA	\$ 372,418	\$ 319,717	\$ 396,205	\$ 393,996	\$ 421,734
Interest Coverage Ratio:					
Interest expense	\$ 110,734	\$ 110,844	\$ 116,542	\$ 124,485	\$ 120,956
Non-cash interest expense	(3,494)	(1,237)	951	(264)	(330)
Capitalized interest	1,606	1,386	1,706	2,003	1,605
Total interest	108,846	110,993	119,199	126,224	122,231
EBITDA	\$ 372,418	\$ 319,717	\$ 396,205	\$ 393,996	\$ 421,734
Interest coverage ratio	3.42x	2.88x	3.32x	3.12x	3.45x
Fixed Charge Coverage Ratio:					
Total interest	\$ 108,846	\$ 110,993	\$ 119,199	\$ 126,125	\$ 122,230
Secured debt principal payments	11,432	13,277	15,297	16,132	15,455
Preferred dividends	16,602	16,602	16,602	16,531	16,353
Total fixed charges	136,880	140,872	151,098	158,788	154,038
EBITDA	\$ 372,418	\$ 319,717	\$ 396,205	\$ 403,100	\$ 421,734
Fixed charge coverage ratio	2.72x	2.27x	2.62x	2.54x	2.74x



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

Adjusted EBITDA Reconciliations:	Twelve Months Ended				
	March 31, 2013	June 30, 2013	September 30, 2013	December 31, 2013	March 31, 2014
Net income	\$ 309,183	\$ 239,491	\$ 219,590	\$ 138,280	\$ 131,682
Interest expense	400,312	414,394	434,693	462,606	472,827
Income tax expense (benefit)	8,904	8,672	10,913	7,491	6,987
Depreciation and amortization	593,285	660,799	770,922	873,960	920,156
Stock-based compensation expense	17,728	17,607	18,971	20,177	17,336
Provision for loan losses	27,008	27,008	2,110	2,110	2,110
Loss (gain) on extinguishment of debt, net	(1,083)	(1,659)	(5,942)	(909)	(749)
Adjusted EBITDA	\$ 1,355,337	\$ 1,366,312	\$ 1,451,257	\$ 1,503,715	\$ 1,550,349
Adjusted Fixed Charge Coverage Ratio:					
Interest expense	\$ 400,312	\$ 414,394	\$ 434,693	\$ 462,606	\$ 472,827
Capitalized interest	8,964	8,211	7,362	6,700	6,700
Non-cash interest expense	(11,196)	(9,584)	(6,392)	(4,044)	(880)
Total interest	398,080	413,021	435,663	465,262	478,647
Adjusted EBITDA	\$ 1,355,337	\$ 1,366,312	\$ 1,449,147	\$ 1,503,715	\$ 1,550,349
Adjusted interest coverage ratio	3.40x	3.31x	3.33x	3.23x	3.24x
Total interest	\$ 398,080	\$ 413,021	\$ 435,663	\$ 465,262	\$ 478,647
Secured debt principal payments	41,457	45,167	50,323	56,318	60,341
Preferred dividends	66,525	66,408	66,408	66,336	66,088
Total fixed charges	506,062	524,596	552,394	587,916	605,076
Adjusted EBITDA	\$ 1,355,337	\$ 1,366,312	\$ 1,451,257	\$ 1,503,715	\$ 1,550,349
Adjusted fixed charge coverage ratio	2.68x	2.60x	2.63x	2.56x	2.56x



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

	Three Months Ended				
	March 31, 2013	June 30, 2013	September 30, 2013	December 31, 2013	March 31, 2014
<b>NOI Reconciliations:</b>					
Total revenues:					
Seniors housing triple-net	\$ 189,349	\$ 193,145	\$ 203,764	\$ 217,410	\$ 220,388
Seniors housing operating	328,081	370,995	466,294	452,030	456,319
Medical facilities	112,213	114,224	113,622	119,119	125,085
Non-segment/corporate	81	164	32	20	15
Total revenues	629,724	678,528	783,712	788,579	801,807
Property operating expenses:					
Seniors housing operating	224,503	248,972	311,575	304,189	308,184
Medical facilities	28,320	28,987	30,345	29,922	33,247
Total property operating expenses	252,823	277,959	341,920	334,111	341,431
Net operating income:					
Seniors housing triple-net	189,349	193,145	203,764	217,410	220,388
Seniors housing operating	103,578	122,023	154,719	147,841	148,135
Medical facilities	83,893	85,237	83,277	89,197	91,838
Non-segment/corporate	81	164	32	20	15
Net operating income from continuing operations (NOI)	376,901	400,569	441,792	454,468	460,376
Reconciling items:					
Interest expense	(108,838)	(109,465)	(115,792)	(124,265)	(120,833)
Loss (gain) on derivatives, net	(2,309)	2,716	(4,872)	(6)	-
Depreciation and amortization	(184,688)	(198,062)	(241,027)	(242,022)	(233,318)
General and administrative	(27,179)	(23,902)	(28,718)	(28,519)	(32,865)
Transaction costs	(65,980)	(28,136)	(23,591)	(15,693)	(952)
Loss (gain) on extinguishment of debt, net	308	-	4,068	(3,467)	148
Provision for loan losses	-	-	-	(2,110)	-
Income tax benefit (expense)	(2,763)	(1,215)	(3,077)	(435)	(2,260)
Income (loss) from unconsolidated entities	2,262	(5,461)	(331)	(4,659)	(5,556)
Income (loss) from discontinued operations, net	84,085	(29,863)	5,153	(7,596)	460
Preferred dividends	(16,602)	(16,602)	(16,602)	(16,531)	(16,353)
Loss (income) attributable to noncontrolling interests	(139)	913	3,688	2,308	1,175
	(321,843)	(409,077)	(421,101)	(442,995)	(410,354)
Net income (loss) attributable to common stockholders	\$ 55,058	\$ (8,508)	\$ 20,691	\$ 11,473	\$ 50,022





	Three Months Ended				
	March 31, 2013	June 30, 2013	September 30, 2013	December 31, 2013	March 31, 2014
<b>Same Store Cash NOI Reconciliations:</b>					
Net operating income from continuing operations:					
Seniors housing triple-net	\$ 189,349	\$ 193,145	\$ 203,764	\$ 217,410	\$ 220,388
Seniors housing operating	103,578	122,025	154,719	147,840	148,135
Medical facilities	83,893	85,237	83,278	89,197	91,838
Total	<u>376,820</u>	<u>400,407</u>	<u>441,761</u>	<u>454,447</u>	<u>460,361</u>
Adjustments:					
Seniors housing triple-net:					
Non-cash NOI on same store properties	(10,836)	(9,835)	(9,999)	(9,519)	(9,408)
NOI attributable to non same store properties	(5,825)	(9,530)	(18,182)	(31,195)	(32,825)
Subtotal	<u>(16,660)</u>	<u>(19,365)</u>	<u>(28,182)</u>	<u>(40,714)</u>	<u>(42,232)</u>
Seniors housing operating:					
Non-cash NOI on same store properties	-	-	-	-	-
NOI attributable to non same store properties	(43,513)	(59,047)	(90,092)	(82,710)	(82,277)
Subtotal	<u>(43,513)</u>	<u>(59,047)</u>	<u>(90,092)</u>	<u>(82,710)</u>	<u>(82,277)</u>
Medical facilities:					
Non-cash NOI on same store properties	(2,587)	(2,114)	(2,326)	(1,641)	(1,441)
NOI attributable to non same store properties	(3,671)	(5,647)	(4,895)	(10,059)	(11,742)
Subtotal	<u>(6,257)</u>	<u>(7,761)</u>	<u>(7,221)</u>	<u>(11,700)</u>	<u>(13,183)</u>
Same store cash net operating income:					
	<u>Properties</u>				
Seniors housing triple-net	530	172,689	173,780	175,582	178,156
Seniors housing operating	116	60,065	62,978	64,627	65,858
Medical facilities	204	77,636	77,476	76,057	78,655
Total	<u>850</u>	<u>\$ 310,390</u>	<u>\$ 314,234</u>	<u>\$ 316,266</u>	<u>\$ 319,323</u>

**Same Store Cash NOI Property Reconciliation:**

Total Properties	1,145
Acquisitions	(213)
Developments	(27)
Disposals / Held-for-sale	(3)
Segment transitions	(38)
Other <sup>(1)</sup>	<u>(14)</u>
Same store properties	<u>850</u>

(1) Includes nine land parcels and five loans.

**Other Disclosures**

**Health Care Reimbursements**

Policy and legislative changes that increase or decrease government reimbursement impact our operators and tenants that participate in Medicare, Medicaid or other government programs. To the extent that policy or legislative changes decrease government reimbursement to our operators and tenants, our revenue and operations may be indirectly adversely affected.

Recent attention on skilled nursing billing practices and payments and ongoing government pressure to reduce spending by government health care programs could also result in lower payments to our operators. The Department of Health and Human Services (“HHS”), Office of Inspector General (“OIG”) has released several reports focusing on skilled nursing facilities’ billing practices. In the OIG’s March 2014 Compendium of Priority Recommendations, a report that highlights OIG’s previous recommendations for which corrective action has not been completed, the OIG cited its prior December 2010 and November 2012 reports addressing questionable billing practices by SNFs. The OIG continues to recommend, among other things, monitoring overall Medicare payments to SNFs and adjusting rates as necessary, including monitoring of compliance with new therapy assessments, and following up on SNFs that billed in error or who have known questionable billing practices.

Additionally, OIG’s Work Plan for Fiscal Year 2014 includes several new agenda items that may impact our operators and tenants. For example, OIG will (i) determine the impact of new inpatient admission criteria on hospital billing, Medicare payments, and beneficiary payments; (ii) describe SNF billing practices in select years and describe variation in billing among SNFs in those years; and (iii) review the extent to which hospices serve Medicare beneficiaries who reside in assisted living facilities. The audits and investigations identified in the Work Plan provide insight into the OIG’s objectives for the coming year.

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

On December 26, 2013, the Bipartisan Budget Act of 2013 ("Budget Act") was enacted. The Budget Act replaced scheduled cuts to the calendar year 2014 Medicare Physician Fee Schedule with a 0.5% increase for services provided through March 31, 2014. The Budget Act also extended the 2% sequestration cuts for Medicare through 2023, and a bill signed by the President on February 15, 2014, further extended these cuts for an additional year, through fiscal year 2024. The Budget Act included the Pathway for SGR Reform Act of 2013 ("SGR Reform"). SGR Reform implemented several changes to the Medicare payment rules for long-term care hospitals ("LTCHs"). For a discharge in cost reporting periods beginning on or after October 1, 2015, specified cases in LTCHs will receive the "applicable" site-neutral payment rate. Specifically, payment rates will be blended for discharges in cost reporting periods beginning in fiscal year 2016 and fiscal year 2017, consisting of half of the site neutral payment rate and half of the payment rate that would otherwise apply, and then shift to all site-neutral payments in fiscal year 2018. Patients with a three-day stay in an intensive care unit ("ICU") prior to LTCH admission or ventilator patients with at least 96 hours are exempted from the lower site-neutral payments if the discharge does not have a principal diagnosis relating to a psychiatric diagnosis or to rehabilitation. Beginning in fiscal year 2020, LTCHs are to maintain at least 50% of patients that are excluded from the site-neutral payments. SGR Reform also requires MedPAC to conduct a study and submit a report to Congress by June 30, 2019 that includes recommendations that address these changes to the LTCH payment policies. Additionally, beginning in fiscal year 2016, calculation of length of stay requirements for LTCHs will exclude any patients for whom payment is made (i) at the site-neutral payment rate and (ii) under any Medicare Advantage plan. SGR Reform also delayed implementation of the 25% rule for another three years, and the Secretary of HHS must issue a report in two years on the need for any further extension or modifications to the 25% rule. Finally, SGR Reform reinstated a moratorium on new LTCHs or any increase in LTCH beds from January 1, 2015 through September 30, 2017.

On April 1, 2014, the Protecting Access to Medicare Act of 2014 ("Access to Medicare Act") was enacted. The Access to Medicare Act extends the 0.5% update to the calendar year 2014 Medicare Physician Fee Schedule through December 31, 2014 and replaces it with a 0% update from January 1 through March 31, 2015. The Access to Medicare Act also realigns the fiscal year 2024 Medicare sequestration amounts so that there will be a 4% sequester for the first six months and a 0% sequester for the second six months, instead of a 2% sequester for the full twelve-month period. Additionally, the Access to Medicare Act extends the historical therapy cap waiver and exceptions process through March 31, 2015 and implements value-based purchasing for skilled nursing services. Beginning in fiscal year 2019, 2% of skilled nursing payments will be withheld and approximately 50% to 70% of the amount withheld will be paid to skilled nursing facilities through value-based payments. Skilled nursing facilities will begin reporting a readmissions rate measure by October 1, 2015 and a resource use measure by October 1, 2016. Both measures will be publicly available by October 1, 2017.

On March 4, 2014, the President released his proposed fiscal year 2015 budget, which includes legislative proposals that, taken together, are expected to reduce health care spending by an estimated \$355.6 billion over ten years. The proposals include, among others, proposals to reduce payments to inpatient rehabilitation facilities, long-term care hospitals, and SNFs. Compared to the fiscal year 2014 budget, the fiscal year 2015 proposed budget estimates a net increase of \$54.3 billion above the fiscal year 2014 level in mandatory and discretionary outlays for CMS.

On April 30, 2014, CMS released a proposed rule for the Medicare Inpatient Prospective Payment System ("IPPS"), which sets forth proposed acute care and long-term care hospital payment rate changes for the 2015 fiscal year. Under the proposed rule, Medicare rates for acute care hospitals would increase by 1.3%, accounting for adjustments, such as the multifactor productivity adjustment. If a hospital fails to submit quality data as required by the Hospital Inpatient Quality Reporting Program, it will be subject to a reduction of one-quarter of this update. Hospitals that are not meaningful electronic health record ("EHR") users will be subject to an additional reduction of one-quarter of the update in fiscal year 2015. In combination with other proposed payment policies, such as an increase to 3% of the maximum reduction applicable under the Hospital Readmissions Reduction Program, CMS estimates that total Medicare spending on inpatient hospital services will decrease by approximately \$241 million in fiscal year 2015. CMS anticipates a net payment rate increase of 0.8%, from fiscal year 2014 rates, or \$44 million, for LTCHs, accounting for adjustments.

On May 1, 2014, CMS released its proposed rule for the Prospective Payment System and Consolidated Billing for Skilled Nursing Facilities for fiscal year 2015. As part of this rule, CMS proposes to apply a net 2.0% increase to Medicare payment rates, which takes into account a 0.4% productivity adjustment, and results in an aggregate increase of \$750 million in payments to SNFs from fiscal year 2014.

On May 1, 2014, CMS issued a proposed rule outlining payment policies and rates for inpatient rehabilitation facilities for fiscal year 2015. As part of this rule, CMS proposes to apply a net 2.1% increase to Medicare payment rates, accounting for adjustments, such as the multifactor productivity adjustment. CMS estimates that total Medicare spending on IRF services will increase by \$160 million or approximately 2.2%.

### Other Related Laws

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

### United Kingdom

A Health and Social Care Bill is under discussion which, if adopted, would introduce certain provisions relating to care providers, including among others, provisions for the assessment of financial sustainability of a care provider and a new offense where a care provider makes available information which is false or misleading in a material respect.

### Privacy

In the European Union ("EU"), data protection is governed by the EU Data Protection Directive 95/46/EC (the "Data Protection Directive"). The Data Protection Directive has been implemented in the UK by the Data Protection Act 1998 (the "Act") which entered into force on March 2000 and is enforced by the Information Commissioner's Office ("ICO").

The Act applies to a data controller that processes personal data in the context of an establishment in the UK, or where not established in the UK, or any other State of the European Economic Area ("EEA"), processes personal data through equipment located in the UK other than for the purposes of transit through the UK. Under the Act, a data controller is the person who (either alone or jointly or in common with other persons) determines the purposes for which and the manner in which any personal data are, or are to be, processed. Personal data is widely defined as data which relates to a living individual who can be identified from those data, or from those data and other information which is in the possession of, or is likely to come into the possession of, the data controller. Sensitive personal data is personal data consisting of information as to the racial or ethnic origin of the data subject, his/her political opinions, religious beliefs or other beliefs of a similar nature, whether he/she is a member of a trade union, his/her physical or mental health or condition, his/her sexual life, the commission or alleged commission by him/her of an offense and any proceedings for any offense committed or alleged to have been committed by him/her, the disposal of such proceedings or the sentence of any court in such proceedings.

The Act imposes a number of obligations on the data controller contained in eight Data Protection Principles: (i) personal data must be processed fairly and lawfully, (ii) personal data must be processed for specified and lawful purposes, (iii) personal data must be adequate, relevant and not excessive, (iv) personal data must be accurate and up to date, (v) personal data must not be kept for longer than necessary, (vi) personal data must be processed in accordance with the rights of data subjects, (vii) appropriate technical and organizational measures shall be taken against unauthorized or unlawful processing of personal data and against accidental loss or destruction of, or damage to, personal data; and (viii) there is a prohibition on transfers of personal data to countries outside the EEA that are not deemed by the European Commission to provide an adequate level of protection, which includes the U.S., unless certain exemptions under the Act apply.

The ICO has a number of enforcement powers available which includes, in certain limited cases, criminal prosecution and non-criminal enforcement and audits. In case of a breach of the Act, the ICO may: (i) provide practical advice to organizations on how they should handle data protection matters; (ii) issue undertakings committing an organization to a particular course of action in order to improve its compliance; (iii) serve enforcement notices where there has been a breach, requiring organizations to take (or refrain from taking) specified steps in order to ensure they comply with the law; (iv) conduct consensual assessments (audits) to determine if organizations are complying; (v) serve assessment notices to conduct compulsory audits to assess whether organizations processing of personal data follows good data protection practice; (vi) issue monetary penalty notices requiring organizations to pay up to £500,000 for serious breaches of the Act occurring on or after April 6, 2010 or serious breaches of the Privacy and Electronic Communications Regulations occurring after May 26, 2011; and (vii) prosecute those who commit criminal offences under the Act. Under the Act, individuals also have the right to claim compensation from an organization in respect of damage caused by a breach of any of the requirements of the Act.

### **Critical Accounting Policies**

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

- the nature of the estimates or assumptions is material due to the levels of subjectivity and judgment necessary to account for highly uncertain matters or the susceptibility of such matters to change; and
- the impact of the estimates and assumptions on financial condition or operating performance is material.

Management has discussed the development and selection of its critical accounting policies with the Audit Committee of the Board of Directors. Management believes the current assumptions and other considerations used to estimate amounts reflected in our unaudited consolidated financial statements are appropriate and are not reasonably likely to change in the future. However, since these estimates require assumptions to be made that were uncertain at the time the estimate was made, they bear the risk of change. If

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

actual experience differs from the assumptions and other considerations used in estimating amounts reflected in our unaudited consolidated financial statements, the resulting changes could have a material adverse effect on our consolidated results of operations, liquidity and/or financial condition. Please refer to Note 2 to the financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2013 for further information regarding significant accounting policies that impact us. There have been no material changes to these policies in 2014.

### **Cautionary Statement Regarding Forward-Looking Statements**

This Quarterly Report on Form 10-Q may contain "forward-looking" statements as defined in the Private Securities Litigation Reform Act of 1995. When the company uses words such as "may," "will," "intend," "should," "believe," "expect," "anticipate," "project," "estimate" or similar expressions that do not relate solely to historical matters, it is making forward-looking statements. In particular, these forward-looking statements include, but are not limited to, those relating to the company's opportunities to acquire, develop or sell properties; the company's ability to close its anticipated acquisitions, investments or dispositions on currently anticipated terms, or within currently anticipated timeframes; the expected performance of the company's operators/tenants and properties; the company's expected occupancy rates; the company's ability to declare and to make distributions to shareholders; the company's investment and financing opportunities and plans; the company's continued qualification as a real estate investment trust ("REIT"); the company's ability to access capital markets or other sources of funds; and the company's ability to meet its earnings guidance. Forward-looking statements are not guarantees of future performance and involve risks and uncertainties that may cause the company's actual results to differ materially from the company's expectations discussed in the forward-looking statements. This may be a result of various factors, including, but not limited to: the status of the economy; the status of capital markets, including availability and cost of capital; issues facing the health care industry, including compliance with, and changes to, regulations and payment policies, responding to government investigations and punitive settlements and operators'/tenants' difficulty in cost-effectively obtaining and maintaining adequate liability and other insurance; changes in financing terms; competition within the health care, seniors housing and life science industries; negative developments in the operating results or financial condition of operators/tenants, including, but not limited to, their ability to pay rent and repay loans; the company's ability to transition or sell properties with profitable results; the failure to make new investments or acquisitions as and when anticipated; natural disasters and other acts of God affecting the company's properties; the company's ability to re-lease space at similar rates as vacancies occur; the company's ability to timely reinvest sale proceeds at similar rates to assets sold; operator/tenant or joint venture partner bankruptcies or insolvencies; the cooperation of joint venture partners; government regulations affecting Medicare and Medicaid reimbursement rates and operational requirements; liability or contract claims by or against operators/tenants; unanticipated difficulties and/or expenditures relating to future investments or acquisitions; environmental laws affecting the company's properties; changes in rules or practices governing the company's financial reporting; the movement of U.S. and foreign currency exchange rates; the company's ability to maintain its qualification as a REIT; and key management personnel recruitment and retention. Other important factors are identified in the company's Annual Report on Form 10-K for the year ended December 31, 2013, including factors identified under the headings "Business," "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations." Finally, the company assumes no obligation to update or revise any forward-looking statements, whether because of new information, future events or otherwise, or to update the reasons why actual results could differ from those projected in any forward-looking statements.

## **Item 3. Quantitative and Qualitative Disclosures about Market Risk**

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

We historically borrow on our primary unsecured line of credit arrangement to acquire, construct or make loans relating to health care and seniors housing properties. Then, as market conditions dictate, we will issue equity or long-term fixed rate debt to repay the borrowings under our unsecured line of credit arrangements. We are subject to risks associated with debt financing, including the risk that existing indebtedness may not be refinanced or that the terms of refinancing may not be as favorable as the terms of current indebtedness. The majority of our borrowings were completed under indentures or contractual agreements that limit the amount of indebtedness we may incur. Accordingly, in the event that we are unable to raise additional equity or borrow money because of these limitations, our ability to acquire additional properties may be limited.

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

	March 31, 2014		December 31, 2013	
	Principal balance	Change in fair value	Principal balance	Change in fair value
Senior unsecured notes	\$ 7,418,374	\$ (430,168)	\$ 7,421,707	\$ (408,790)
Secured debt	2,652,337	(97,256)	2,787,236	(102,211)
Totals	\$ 10,070,711	\$ (527,424)	\$ 10,208,943	\$ (511,001)

Our variable rate debt, including our unsecured line of credit arrangements, is reflected at fair value. At March 31, 2014, we had \$1,511,762,000 outstanding under our variable rate debt. Assuming no changes in outstanding balances, a 1% increase in interest rates would result in increased annual interest expense of \$15,118,000. At December 31, 2013, we had \$1,089,362,000 outstanding under our variable rate debt. Assuming no changes in outstanding balances, a 1% increase in interest rates would have resulted in increased annual interest expense of \$10,894,000.

We are subject to currency fluctuations that may, from time to time, affect our financial condition and results of operations. Increases or decreases in the value of the Canadian Dollar or Pounds Sterling relative to the U.S. Dollar impacts the amount of net income we earn from our investments in Canada and the United Kingdom. Based solely on our results for the three months ended March 31, 2014, if these exchange rates were to increase or decrease by 100 basis points, our net income from these investments would decrease or increase, as applicable, by less than \$500,000 for the twelve-month period. We seek to mitigate these underlying foreign currency exposures with non-U.S. denominated borrowings and gains and losses on derivative contracts hedging these exposures. If we increase our international presence through investments in, or acquisitions or development of, seniors housing and health care properties outside the U.S., we may also decide to transact additional business or borrow funds in currencies other than the U.S. Dollars, Canadian Dollars or Pounds Sterling. To illustrate the impact of changes in foreign currency markets, we performed a sensitivity analysis on our derivative portfolio whereby we modeled the change in net present values arising from a hypothetical 1% increase in foreign currency exchange rates to determine the instruments' change in fair value. The following table summarizes the results of the analysis performed (dollars in thousands):

	March 31, 2014		December 31, 2013	
	Carrying Value	Change in fair value	Carrying Value	Change in fair value
Foreign currency forward contracts <sup>(1)</sup>	\$ 13,647	\$ 2,596	\$ 4,006	\$ (2,964)
Debt designated as hedges	1,143,267	8,000	1,146,596	8,002
Totals	\$ 1,156,914	\$ 10,596	\$ 1,150,602	\$ 5,038

(1) Amounts exclude cross currency hedge activity.

For additional information regarding fair values of financial instruments, see "Item 2 — Management's Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Policies" and Notes 11 and 16 to our unaudited consolidated financial statements.

#### Item 4. Controls and Procedures

Our management, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures are effective in providing reasonable assurance that information required to be disclosed by us in the reports we file with or submit to the Securities and Exchange Commission ("SEC") under the Exchange Act is recorded, processed, summarized and reported within the

time periods specified in the SEC’s rules and forms. No changes in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) occurred during the fiscal quarter covered by this Quarterly Report on Form 10-Q that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II. OTHER INFORMATION

### Item 1. *Legal Proceedings*

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

### Item 1A. *Risk Factors*

There have been no material changes from the risk factors identified under the heading “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2013.

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

On January 2, 2014, we issued 233,236 shares of our common stock to two principals of a national medical office partner upon conversion of such principals’ 233,236 shares of our 6% Series H Cumulative Convertible and Redeemable Preferred Stock (the “Series H Preferred Stock”). These shares were issued without registration in reliance upon the federal statutory exemption of Section 4(2) of the Securities Act of 1933, as amended, upon conversion by the principals of their shares of Series H Preferred Stock, which were originally issued as partial consideration for an acquisition by us, in accordance with the terms of the Certificate of Designation for the Series H Preferred Stock.

#### Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased <sup>(1)</sup>	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs <sup>(2)</sup>	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
January 1, 2014 through January 31, 2014	69,336	\$ 55.65		
February 1, 2014 through February 28, 2014	23,313	56.28		
March 1, 2014 through March 31, 2014	290	57.59		
Totals	92,939	\$ 55.81		

(1) During the three months ended March 31, 2014, the company acquired shares of common stock held by employees who tendered owned shares to satisfy tax withholding obligations.

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

### Item 5. *Other Information*

None.





**Item 6. Exhibits**

10.1	Retirement and Consulting Agreement, dated April 13, 2014, between the company and George L. Chapman.*
10.2	Employment Agreement, dated April 13, 2014, between the company and Thomas J. DeRosa.*
10.3	Health Care REIT, Inc. 2013-2015 Long-Term Incentive Program, as Amended and Restated.*
12	Statement Regarding Computation of Ratio of Earnings to Fixed Charges and Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends (Unaudited)
31.1	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer.
31.2	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer.
32.1	Certification pursuant to 18 U.S.C. Section 1350 by Chief Executive Officer.
32.2	Certification pursuant to 18 U.S.C. Section 1350 by Chief Financial Officer.
101.INS	XBRL Instance Document**
101.SCH	XBRL Taxonomy Extension Schema Document**
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document**
101.LAB	XBRL Taxonomy Extension Label Linkbase Document**
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document**
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document**

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\* Management Contract or Compensatory Plan or Arrangement.

\*\* Attached as Exhibit 101 to this Quarterly Report on Form 10-Q are the following materials, formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Balance Sheets at March 31, 2014 and December 31, 2013, (ii) the Consolidated Statements of Comprehensive Income for the three months ended March 31, 2014 and 2013, (iii) the Consolidated Statements of Equity for the three months ended March 31, 2014 and 2013, (iv) the Consolidated Statements of Cash Flows for the three months ended March 31, 2014 and 2013 and (v) the Notes to Unaudited Consolidated Financial Statements.



**SIGNATURES**

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.

**HEALTH CARE REIT, INC.**

Date: May 8, 2014

By: /s/ THOMAS J. DEROSA

Thomas J. DeRosa,  
Chief Executive Officer  
(Principal Executive Officer)

Date: May 8, 2014

By: /s/ SCOTT A. ESTES

Scott A. Estes,  
Executive Vice President and Chief Financial Officer  
(Principal Financial Officer)

Date: May 8, 2014

By: /s/ PAUL D. NUNGESTER, JR.

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





**RETIREMENT AND CONSULTING AGREEMENT**

This Retirement and Consulting Agreement (this "Agreement") is made as of April 13, 2014 by and between George L. Chapman ("Executive") and Health REIT, Inc., a Delaware corporation (the "Company").

WHEREAS, Executive and the Company entered into the Sixth Amended and Restated Employment Agreement, dated as of July 16, 2013 (the "Employment Agreement") and Executive currently serves as the Company's Chairman, Chief Executive Officer and President;

WHEREAS, Executive and the Company have agreed that the Executive will retire from employment with the Company on June 30, 2014 (the "Retirement Date");

WHEREAS, the Company and Executive desire to set forth the terms and conditions of Executive's proposed retirement and succession planning to provide orderly transition of Executive's duties, loyalty and responsibilities; and

WHEREAS, the Company has determined that it is in its best interests for the Executive to provide his continued services and expertise to the Company in a consulting capacity following his retirement.

NOW, THEREFORE, in consideration of the promises and mutual covenants herein contained, the parties agree with each other as follows:

**1. TRANSITION DATE.**

a. Effective as of April 13, 2014 (the "Transition Date"), Executive hereby resigns his positions as Chief Executive Officer and President and relinquishes all of Executive's authority and responsibilities with respect to those positions. Effective as of the Transition Date, Executive also hereby resigns his position on the Company's Board of Directors (the "Board"), including his role as Chairman of the Board, and from all other positions Executive holds (i) with the Company (other than as a non-executive employee of the Company), (ii) with any of the Company's direct and indirect subsidiaries and/or affiliates, or (iii) with any other organization in any position held at the request of or for the benefit of the Company. Executive agrees to take any additional necessary steps and sign any additional documentation that may be reasonably requested by the Company in order to give full effect or confirmation of such resignations.

b. To the extent expressly provided herein, the terms of the Employment Agreement will remain in effect, but shall be interpreted in order not to conflict with any provision of this Agreement. For avoidance of doubt, for the period between the Transition Date and the Retirement Date, Executive shall continue to receive his current base salary and shall continue to participate in the various compensation, incentive and benefits plans sponsored by the Company ("Company Plan") in which he is participating on the Transition Date.

c. Executive acknowledges and agrees that no action taken by the Company pursuant to, or otherwise consistent with, this Agreement (including without limitation, the changes in Executive's role with the Company on the Transition Date) will constitute "Good Reason" as defined in the Employment Agreement.

d. As of the Transition Date, Executive will have no authority or power to bind the Company or to represent the Company in relation to third parties or to represent to third parties that Executive has authority or power to bind the Company or represent the Company.

**2. COMPLETION OF EXECUTIVE'S EMPLOYMENT.**

a. Executive will remain employed through the earlier of (i) the Retirement Date and (ii) such earlier date if and when Executive voluntarily resigns employment or is terminated for "Cause" as defined in the Employment Agreement. Effective as of the Retirement Date, Executive's employment with the Company shall end. If Executive's employment is terminated for "Cause" or if Executive voluntarily resigns employment prior to the Retirement Date, Executive will become ineligible to receive any future payments and benefits set forth herein, other than those set forth in this Section 2, and his obligations will be established by this Agreement, his Employment Agreement and the Company's policies, procedures and codes of conduct applicable to Executive.

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b. As of Executive's last day of employment, Executive will be paid (i) any earned but unpaid base salary and any accrued, unused vacation through his last day of employment, less applicable deductions and withholdings, and (ii) other unpaid vested amounts or accrued benefits under the Company Plans in which Executive participates in accordance with their terms. The Company shall also reimburse Executive for any unpaid business expenses incurred prior to his last day of employment in accordance with Company policies.

c. On Executive's last day of employment, Executive's participation in any Company Plan (including without limitation any matching contributions under the Company's 401(k) plan, life insurance and disability programs and other medical programs or other personal benefits and perquisites) shall cease, except as otherwise expressly provided in this Agreement or the applicable Company Plan. Executive shall not be eligible for severance benefits under any Company Plan.

d. Nothing herein shall amend the Health Care REIT, Inc. Supplemental Executive Retirement Plan, and any amounts thereunder shall be paid to Executive at the time and on the terms set forth in such plan.

e. As consideration for execution of this Agreement, Executive will receive the following:

i. Company will provide the Executive with suitable furnished office space in Toledo, Ohio and secretarial support following the Transition Date and until the later of the end of Executive's employment or the expiration of the Consulting Period. The location of the office space will be determined by the Company and will not be located on the Company's campus or in any of the Company's facilities or properties.

ii. Charitable Giving.

(A) From the Transition Date and until the later of the end of Executive's employment or the expiration of the Consulting Period, Executive will have the authority to direct up to \$150,000 of the Company's annual charitable gifts to qualified charities in the greater Toledo area on behalf of the Chapman Fund, in accordance with the policies established thereunder.

(B) The Company also agrees to consider making a charitable contribution to TOMA in 2014 of \$25,000 and to become a major contributor to the Toledo Museum of Art's Capital Campaign. Executive may also submit a written memo semi-annually during the Consulting Period to the Company's Senior Vice President – Administration and Corporate Secretary outlining Executive's suggestions for the Company to consider for future charitable gifts. The Company agrees to consider reasonable requests from tax-exempt public charities to utilize the Company's Toledo campus for charitable events in accordance with the Company's policies established from time to time. In the event that Executive breaches any of his obligations under Section 8 of this Agreement or Sections 9 or 10 of the Employment Agreement, any amounts contributed under this paragraph (B) shall be counted towards the amount that Executive may direct under paragraph (A) above.

**3. PAYMENTS UPON RETIREMENT.** The following payments and benefits (to which Executive would not otherwise be entitled) are being offered in consideration for Executive's execution and delivery of the Release of Claims Agreement attached hereto as Attachment A (the "Separation Release"), and it becomes effective and irrevocable in accordance with its terms and Section 4 of this Agreement, and are subject to Executive's compliance with the covenants and other obligations set forth in Section 8 of this Agreement and Sections 9 and 10 of the Employment Agreement, all of which must be satisfied in full in order for the payments and other benefits set forth below in this Section 3 to be earned.

a. A lump-sum retirement payment equal to the present value of a series of monthly payments for twenty-four (24) months following the Retirement Date, each in an amount equal to one-twelfth (1/12<sup>th</sup>) of the sum of (A) Executive's base salary as in effect on the Retirement Date, and (B) the average of annual bonus paid to the Executive for the last three (3) fiscal years of the Company preceding the Retirement Date. Such present value shall be calculated using a discount rate equal to the interest rate on 90-day Treasury bills, as reported in The Wall Street Journal (or similar publication) on the Retirement Date. Such amount will be paid in a lump sum on the sixtieth (60<sup>th</sup>) day following the Retirement Date, subject to any delay as required by Section 12 of this Agreement. If Executive obtains a replacement position with any new employer (including a position as an officer, employee, consultant, or agent, or self-employment as a partner or sole proprietor) prior to June 30, 2015, Executive shall be obligated to repay to the Company an amount equal to all amounts the Executive receives as compensation for services performed prior to June 30, 2015, except any amounts Executive receives pursuant to this Agreement or as a non-employee director or member of one or more companies' governing board that is not a Competitive Business (with such director income not to exceed \$500,000); provided however, that the aggregate repayment obligation shall not exceed the amount of the lump-sum payment under this Section 3(a). Executive shall be under no duty to mitigate the amounts owed to Executive under this section by seeking such a replacement position.

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b. Any pro-rated portion of the annual cash bonus that Executive would have earned for the year 2014 (if Executive had remained employed for entire year), based on the number of days in the year that have elapsed as of the Retirement Date. Such amount, if payable, shall be paid after the Compensation Committee has approved bonuses payable for 2014.

c. Continued coverage at the Company's expense under any life, health and disability programs maintained by the Company in which Executive participated on the Retirement Date as identified on Attachment B for the period during which Executive would be entitled to continuation coverage under Section 409(a) of the Internal Revenue Code of 1986, as amended (the "Code"), if Executive had elected such coverage and paid the applicable premiums, or until, if earlier, the date Executive obtains comparable coverage under benefit plans maintained by a new employer.

d. All stock options, restricted stock or other awards with time-based vesting granted to Executive under any deferred compensation, incentive or other benefit plan maintained by the Company shall become fully vested and earned and payable, and in the case of stock options, exercisable in full and all stock options, restricted stock or other awards with performance-based vesting granted to the Executive under any deferred compensation, incentive or other benefit plan maintained by the Company shall become vested to the extent provided in the applicable award agreement or as otherwise provided in this Section 3(d). Attached hereto as Attachment C is a list of all of Executive's outstanding stock options, restricted stock or other award with time-based or performance based-vesting under any deferred compensation, incentive or other benefit plan maintained by the Company (the "Existing Equity Awards"). Executive represents that Attachment C is a correct and complete list of all Existing Equity Awards on the date of this Agreement. The following changes shall be made to the terms of the Existing Equity Awards:

i. The exercise period of each stock option shall be extended to the earlier of (i) five years from the Retirement Date or (ii) the expiration date of each such stock option as specified on Attachment C, subject to compliance with the obligations and covenants set forth in Section 8 of this Agreement or Section 10 of the Employment Agreement.

ii. Executive's retirement from the Company on the Retirement Date shall be deemed a "Retirement" for purposes of Executive's award under the Company's 2013-2015 Long-Term Incentive Program (the "LTI Program"). As partial consideration for the Executive's obligations hereunder, the Company waives the 90-day advance notice requirement under the LTI Program and permits Executive to elect to have the required minimum tax withholding obligation to be satisfied by withholding a number of shares to be issued to Executive with an aggregate fair market value sufficient to satisfy the withholding amount due.

#### 4. CONDITIONS OF PAYMENTS.

a. If Executive fails to sign the Separation Release attached hereto as Attachment A or it does not become effective and irrevocable by its terms later than July 28, 2014, the Company will have no obligation to make the payments or provide the benefits set forth in Section 3, Section 5 or Section 7 of this Agreement and Executive will not be entitled to receive any payments or benefits under this Agreement other than the benefits set forth in Section 2(e) of this Agreement.

b. Clawback. In the event Executive breaches any of his obligations or covenants under Section 8 of this Agreement or Section 9 and 10 of the Employment Agreement, (i) the Company's obligations to provide the payments and benefits under Section 5 and Section 7 of this Agreement will immediately cease and the Company will be entitled to recover the full amount paid under Section 5 and Section 7 of this Agreement and to obtain all other remedies provided by law or in equity and (ii) Executive shall promptly reimburse the Company the full, pre-tax amount of any payments made under Section 5 or Section 7 of this Agreement.

#### 5. CONSULTING PERIOD AND COMPENSATION.

a. Subject to Section 4 of this Agreement, from the Retirement Date through the earliest of (i) June 30, 2017, (ii) the Company's termination of the Consulting Period as provided in Section 5(c), (iii) the Executive's termination of the Consulting Period as provided in Section 5(d), or (iv) Executive's death (the "Consulting Period"), Executive shall provide consulting and advisory services to the Company described in Section 6.

b. The following payments (to which Executive would not otherwise be entitled) to be paid during and after the Consulting Period are being provided as additional consideration for Executive's execution and delivery of the Separation Release, and it becoming effective and irrevocable in accordance with its terms as set forth in Section 4 of this Agreement, and are subject to Executive's compliance with the covenants and other obligations set forth in Section 8 of this Agreement and Sections 9 and 10 of the Employment Agreement, all of which must be satisfied in full in order for the payments set forth below in this Section 5 to be earned.

i. For the period commencing July 1, 2014 and ending June 30, 2015, the Company shall pay Executive an amount of \$1,250,000, payable in equal monthly installments in accordance with the Company's normal payroll

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practices commencing on the first payment date that is six months after the Retirement Date. Notwithstanding the foregoing, for the first payment that is made under Section 5(b)(i), the Company shall pay Executive for all installments that were accrued but not paid during the first six months of the Consulting Period.

**ii.** During the period commencing July 1, 2015 and ending June 30, 2016, Company shall pay Executive an amount of \$750,000, payable in equal monthly installments in accordance with the Company's normal payroll practices.

**iii.** During the period commencing July 1, 2016 and ending June 30, 2017, Company shall pay Executive an amount of \$500,000, payable in equal monthly installments in accordance with the Company's normal payroll practices.

**iv.** Following the period during which Executive would be entitled to continuation coverage under Section 4980B of the Code, Executive will be solely responsible for obtaining medical and prescription coverage for Executive and Executive's qualified beneficiaries. The Company will reimburse Executive for the amount of premiums Executive pays to obtain coverage under one or more group health plans for Executive for the remainder of Executive's life. The Company will reimburse Executive, Executive's spouse or Executive's estate for the amount of premiums Executive, Executive's spouse or Executive's estate pays to obtain coverage under one or more group health plans for Executive's spouse until the date any of the following occur: (1) death of Executive's spouse or (2) the date the Executive's spouse becomes eligible for Medicare. The Company will reimburse Executive, Executive's spouse or Executive's estate for the amount of premiums Executive, Executive's spouse or the Executive's estate pays to obtain coverage under one or more group health plans for Executive's child until the date any of the following occur: (1) death of Executive's child or (2) the date the Executive's child reaches age 26. Reimbursements shall be made no later than 30 days following the date on which submission of payment is received by the Company, but in no event later than the last day of the calendar year following the year in which the expense was incurred. Such reimbursements shall also comply with Section 409A of the Code as required in order to allow Executive to avoid the imposition of additional income taxes under Section 409A to be imposed on any such reimbursements. Notwithstanding the foregoing, the maximum amount of all premium reimbursements that the Company will provide under this Section 5(b)(iv) is \$400,000.

**c.** In the event of Executive's material breach of this Agreement, the Company may terminate the Consulting Period, and upon termination, the Company shall have no further obligations hereunder. In the event Executive dies during the Consulting Period, the Company shall continue to pay any amounts due under Section 5(b) to Executive's estate.

**d.** The Executive may terminate the Consulting Period on or after June 30, 2015. Upon such termination, the Company's obligations under Sections 5(b)(ii) and 5(b)(iii) of the Agreement shall immediately cease.

## **6. CONSULTING SERVICES.**

**a.** During the Consulting Period, Executive shall render consulting and advisory services as requested by the Company's Board of Directors or Chief Executive Officer on an as-needed basis at mutually convenient times. Executive's time rendering those services shall not exceed twenty (20) hours per month. Except as otherwise provided in Section 8 of this Agreement, Executive's obligations hereunder will not preclude Executive from performing services for an unaffiliated third party as described in Section 3(a), above, so long as the performance of such services does not interfere with Executive's performance of services hereunder. Neither party expects that Executive will provide services to the Company in the future at a level that exceeds the level set forth in this Section 6 and it is the parties' intent that Executive will have experienced a "separation from service" as defined in Section 409A of the Code no later than the Retirement Date.

**b.** During the Consulting Period, it is understood and agreed that the Company has no right to direct or control the manner in which Executive performs Executive's consulting services hereunder and that Executive shall be serving as an independent contractor for all purposes. It is further understood and agreed that nothing herein shall be deemed to create a partnership, joint venture, employment or agency relationship between Executive and the Company or any of its subsidiaries or affiliates at any time following the Retirement Date.

**c.** During the Consulting Period, Executive shall not be an employee of the Company and shall not be entitled to receive any fringes, perquisites, retirement or welfare benefits from the Company except as expressly provided otherwise in this Agreement.

**d.** During the Consulting Period, the Company will provide Executive with access to any market reports on the Company to the extent the Company is not restricted from providing any such report to Executive.

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e. Executive acknowledges that no income or other taxes shall be withheld from the payments set forth in Section 5(b) except to the extent required by applicable law.

f. While performing consulting services under this Agreement, Executive will have no authority or power to bind the Company or to represent the Company in relation to third parties or to represent to third parties that Executive has authority or power to bind the Company or to represent the Company.

## 7. PAYMENTS UPON TERMINATION OF CONSULTING PERIOD

a. Provided Executive does not terminate the Consulting Period prior to the date that the Compensation Committee of the Board certifies the performance goals under the Company's 2013-2015 Long-Term Incentive Program, the following payment (to which Executive would not otherwise be entitled) is being offered in consideration for Executive's execution and delivery of a Release of Claims attached hereto as Attachment D (the "Consulting Termination Release"), and becoming effective by the twenty-eighth (28<sup>th</sup>) day following the end of the Consulting Period (or such later period as may be required by law in order to make the Consulting Termination Release fully effective), and is subject to Executive's compliance with the covenants and other obligations set forth in Section 4 and Section 6 of this Agreement and Sections 9 and 10 of the Employment Agreement, all of which must be satisfied in full in order for the payments and other benefits set forth below in this Section 7(a) to be earned.

i. A lump sum payment in shares of the Company's common stock equal to the difference between (A) the amount that the Executive would have been eligible to receive under the LTI Program based on actual performance had Executive continued employment with the Company through December 31, 2017 and (B) the amount paid to Executive pursuant to Section 3(d)(ii) of this Agreement. Such amount shall be payable on the thirtieth (30<sup>th</sup>) day following the end of the Consulting Period, but in all events no later than March 15, 2017.

b. If the Consulting Termination Release is not executed and effective by the twenty-eighth (28<sup>th</sup>) day following the end of the Consulting Period (or such later period as may be required by law in order to make the Consulting Termination Release fully effective) or if Executive fails to fulfill Executive's representations, agreements, and commitments as set forth or referenced in this Agreement, the Company will have no obligation to make, and Executive will not be entitled to receive any additional payment set forth in this Section 7.

## 8. COVENANTS BY EXECUTIVE.

a. Non-Competition. As Chairman, Chief Executive Officer and President, as well as through other positions Executive may have held with the Company and its affiliates, Executive has obtained extensive and valuable knowledge and information concerning the Company's business (including confidential information relating to the Company and its operations, intellectual property, assets, contracts, customers, personnel, plans, marketing plans, research and development plans and prospects). Executive acknowledges and agrees that it would be impossible for Executive to work as an employee, consultant or advisor in any business which competes with the Company in the business of (i) ownership and operation of Health Care Facilities (defined below); (ii) investment in or lending to health care related enterprises (including, without limitation, owners or developers of Health Care Facilities); (iii) management of Health Care Facilities; or (iv) provision of any planning or development services for Health Care Facilities (individually, and in the aggregate, the "Company Business"), without inevitably disclosing confidential and proprietary information belonging to the Company. Accordingly, from the Retirement Date until the later of (x) one year following the Retirement Date and (y) the expiration or termination of the Consulting Period, Executive will not, directly or indirectly, provide services, whether as an employee, consultant, independent contractor, agent, sole proprietor, partner, joint venturer, corporate officer or director, on behalf of any corporation, limited liability company, partnership, or other entity or person or successor thereto that is engaged in the Company Business, anywhere in the world (a "Competitive Business"), provided that nothing in this provision shall restrict Executive from Executive's passive ownership of up to 2% of a publicly traded stock in one or more companies engaged in a Competitive Business. For purposes of this Agreement, "Health Care Facilities" means any senior housing facilities or facilities used or intended primarily for the delivery of health care services, including, without limitation, active adult communities, independent living facilities, assisted living facilities, skilled nursing facilities, inpatient rehabilitation facilities, ambulatory surgery centers, medical office buildings, hospitals of any kind, or any similar types of facilities or projects.

b. Non-Solicitation. From the Retirement Date until the later of (i) one year following the Retirement Date and (ii) the expiration of the Consulting Period, Executive will be prohibited, to the fullest extent allowed by applicable law, from directly or indirectly, individually or on behalf of persons or entities not parties to this Agreement, encouraging, inducing, attempting to induce, recruiting, attempting to recruit, soliciting or attempting to solicit or participating in any way in the hiring or retaining for employment, contractor or consulting opportunities anyone who is employed at that time by the Company or any subsidiary or affiliate.

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c. Protection of Confidential Information. Executive hereby agrees that, during his employment with the Company and thereafter, he shall not, directly or indirectly, disclose or make available to any person, firm, corporation, association or other entity for any reason or purpose whatsoever, any Confidential Information (as defined below). Executive further agrees that, upon the Retirement Date, all Confidential Information in his possession that is in written or other tangible form shall be returned to the Company and shall not be retained by Executive or furnished to any third party, in any form except as provided herein. Notwithstanding the foregoing, this Section 8(c) shall not apply to Confidential Information that (i) was publicly known at the time of disclosure to Executive, (ii) becomes publicly known available thereafter other than by any means in violation of this Agreement or any other duty owed to the Company by Executive, (iii) is lawfully disclosed to Executive a third party, or (iv) is required to be disclosed by law or by any court, arbitrator or administrative or legislative body with actual or apparent jurisdiction to order Executive to disclose or make accessible any information or is voluntarily disclosed by Executive to law enforcement or other governmental authorities. As used in this Agreement Confidential Information means, without limitation, any non-public confidential or proprietary information disclosed to Executive or known by Executive as a consequence of or through Executive's relationship with the Company, in any form, including electronic media. Confidential Information also includes, but is not limited to the Company's business plans and financial information, marketing plans, and business opportunities. Nothing herein shall limit in any way any obligation Executive may have relating to Confidential Information under any other agreement or promise to the Company.

d. Non-Disparagement. From the date of this Agreement until five years following the Retirement Date ("Non-Disparagement Period"), Executive will not make or direct anyone else to make on Executive's behalf any disparaging or untruthful remarks or statements, whether oral or written, about the Company, its operations or its products, services, affiliates, officers, directors, employees, or agents, or issue any communication that reflects adversely on or encourages any adverse action against the Company. Executive will not make any direct or indirect written or oral statements to the press, television, radio or other media or other external persons or entities concerning any matters pertaining to the business and affairs of the Company, its affiliates or any of its officers or directors. The Company agrees not to cause and shall direct its officers or senior executives to make on its behalf any disparaging or untruthful remarks or statements about Executive's employment with the Company following the Retirement Date during the Non-Disparagement Period. The restrictions described in this section shall not apply to any truthful statements made in response to a subpoena or other compulsory legal process or to law enforcement or other governmental authorities.

e. Return of Company Property. As soon as reasonably practicable following the Transition Date, and as a condition to Executive's receipt of consideration payable under Section 3 and Section 5 of this Agreement, Executive shall have returned to the Company all hard and soft copies of records, lists, books, documents, materials, software, and files in his possession or control, whether recorded, written or computer readable, which contain or relate to Confidential Information or sensitive information obtained by Executive in conjunction with his employment with the Company, as well as all other Company-owned property, including, but not limited to, keys, computers, corporate credit cards, phones, mobile devices, laptops and parking permits. Executive agrees that he will not keep any copies or excerpt any of the above items. Notwithstanding the foregoing, Executive may retain his list of personal contacts.

f. Cooperation. Executive will fully cooperate with the Company in all matters relating to his employment, including the winding up of work performed in Executive's prior positions and the orderly transition of such work to other Company employees. Executive shall assist the Company, in connection with litigation, investigation or other matter involving Executive's tenure as an employee, officer or director of the Company, including, but not limited to, attending meetings with Company representatives and counsel and giving truthful testimony in any legal proceeding involving the Company. The Company will reimburse Executive for reasonable out-of-pocket expenses incurred in rendering such assistance to the Company (including attorney's fees that may be incurred in accordance with the applicable provisions of the Company's Bylaws and Certificate of Incorporation), and will provide such reimbursement no later than ninety (90) days following the Company's receipt of supporting documentation of incurrence of these expenses.

g. Restrictions on Sale of Company Shares. Executive agrees that from the Transition Date until June 30, 2016, Executive will be subject to the same provisions of the Company's Insider Trading Policy as any person who is then a non-executive employee. Furthermore, from the Transition Date until June 30, 2016, Executive will not sell any shares of the Company's common stock except during "open trading window" periods in compliance with such policy and the provisions of Section 8(g). For the period commencing on the Transition Date and ending on June 30, 2015, Executive may not sell more than a number of shares of the Company's common stock equal to one-third of the shares of the Company's common stock beneficially owned by Executive on the Transition Date. For the period commencing on January 1, 2015 and ending on June 30, 2016, Executive may not sell more than a number of shares of the Company's common stock equal to one-third of the shares of the Company's common stock beneficially owned by Executive on the Transition Date. For the avoidance of doubt, the restrictions in this Section 8(g) shall not apply to shares withheld by the Company to cover applicable taxes due upon the vesting of Executive's equity awards (or the exercise of stock options held by Executive).

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h. For the avoidance of doubt, any breach of Section 8(a) through 8(g) of this Agreement shall constitute a material breach of this Agreement. Notwithstanding Section 11 of this Agreement, the parties agree that damages would be an inadequate remedy for the Company in the event of a breach or threatened breach by Executive of Section 8(a), 8(b), 8(c) and 8(e), or for the Company or Executive in the event of a breach or threatened breach of Section 8(d). In the event of such breach or threatened breach, the non-breaching party may, either with or without pursuing any potential damage remedies and without being required to post a bond, obtain from a court of competent jurisdiction, and enforce, an injunction prohibiting the other party from violating this Agreement and requiring the other party to comply with the terms of this Agreement. Executive acknowledges that the Company may present this Agreement to any third party with which the Executive has accepted employment, or otherwise entered into a business relationship, that the Company contends violates this Section 8, if the Company has reason to believe Executive has may have breached this Agreement.

## 9. RELEASE OF CLAIMS.

a. In exchange for the commitments of the Company as set forth in this Agreement, which Executive acknowledges and agrees provide consideration to which Executive would not otherwise be entitled, Executive agrees to release and discharge unconditionally the Company and any of its past or present subsidiaries, affiliates, related entities, predecessors, merged entities and parent entities, benefit plans, and all of their respective past and present officers, directors, stockholders, employees, benefit plan administrators and trustees, agents, attorneys, insurers, representatives, affiliates, and all of their respective successors and assigns (collectively "Company"), from any and all claims, actions, causes of action, demands, obligations, grievances, suits, losses, debts and expenses (including attorney's fees and costs) damages and claims in law or in equity of any nature whatsoever, known or unknown, suspected or unsuspected, Executive ever had, now has, or may ever have against the Company up to and including the day on which Executive signs this Agreement. Without limiting the generality of the foregoing, the claims Executive is waiving include but are not limited to, (a) any claims, demands, and causes of action alleging violations of public policy, or of any federal, state, or local law, statute, regulation, executive order, or ordinance, or of any duties or other obligations of any kind or description arising in law or equity under federal, state, or local law, regulation, ordinance, or public policy having any bearing whatsoever on the terms or conditions of Executive's employment with or by the Company or the termination or resignation of Executive's employment with the Company or any association or transaction with or by the Company; (b) all claims of discrimination or harassment on the basis of sex, race, national origin, religion, sexual orientation, disability, veteran status or any other legally protected category, and of retaliation; (c) all claims under Title VII of the Civil Rights Act of 1964, the Americans with Disabilities Act, the Fair Labor Standards Act, the Genetic Information Nondiscrimination Act, 42 U.S.C. § 1981, as amended, and all other federal, state and local fair employment and anti-discrimination laws, all as amended; (d) all claims under the Worker Adjustment and Retraining Notification Act and any similar state and local statutes, all as amended; (e) all claims under the National Labor Relations Act, as amended; (f) all claims under the Family and Medical Leave Act and other federal, state and local leave laws, all as amended; (g) all claims under the Employee Retirement Income Security Act (except with respect to accrued vested benefits under any retirement or 401(k) plan in accordance with the terms of such plan and applicable law); (h) all claims under the Sarbanes-Oxley Act of 2002, the Securities Claims Act, the Dodd-Frank Wall Street Reform and Consumer Protection Act, the Securities Exchange Act of 1934, the Commodity Exchange Act, the Consumer Financial Protection Act, the American Recovery and Reinvestment Act, the Foreign Corrupt Practices Act, and the EU Competition Law; (i) all claims of whistleblowing and retaliation under federal, state and local laws; (j) all claims under any principle of common law or sounding in tort or contract; (k) all claims concerning any right to reinstatement; and (l) all claims for attorneys' fees, costs, damages or other relief (monetary, equitable or otherwise) from the Company, whether under federal, state or local law, whether statutory, regulatory or common law, to the fullest extent permitted by law. Further, each of the persons and entities released herein is intended to and shall be a third-party beneficiary of this Agreement. This release of claims does not affect or waive any claim for workers' compensation benefits, unemployment benefits or other legally non-waivable rights or claims; claims that arise after Executive signs this Agreement; Executive's rights to indemnification or advancement of expenses under the bylaws of the Company or under any applicable directors and officers liability insurance policy with respect to Executive's liability as an employee, director or officer of the Company; Executive's right to exercise any and all Company stock options held by Executive that are exercisable as of the Retirement Date during the applicable period of exercise and in accordance with all other terms of those options and the stock options plans, agreements, and notices under which such options were granted; or Executive's right to enforce the terms of this Agreement. Additionally, nothing in this Agreement waives or limits Executive's right to file a charge with, provide information to or cooperate in any investigation of or proceeding brought by a government agency (though Executive acknowledges Executive is not entitled to recover money or other benefits with respect to the claims waived in this Agreement). The release of claims set forth in this Section 9(a) does not affect or waive any claim under the Age Discrimination in Employment Act or the Older Workers Benefit Protection Act. Executive understands and agrees that the releases provided under this Section 9(a) will become effective immediately upon execution of this Agreement by Executive and the Company.

b. Executive represents and warrants that he has not filed any claim, charge or complaint against the Company or any of the released parties based upon any of the matters released in (a) above.

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c. Executive acknowledges that: (i) the commitments of the Company under this Agreement, including the benefits provided in Section 2(e) of this Agreement, constitute adequate consideration for the release of claims set forth in this Section 9(a), (ii) the payments provided in Section 3 and Section 5 constitute adequate consideration for the release of claims set forth in the Separation Release, and (iii) the payments set forth in Section 7 constitute adequate consideration for the release of claims set forth in the Consulting Termination Release.

d. Executive intends that this release of claims cover all claims described in Section 9(a) above whether or not known to Executive. Executive further recognizes the risk that, subsequent to the execution of this Agreement, Executive may incur loss, damage or injury which Executive attributes to the claims encompassed by this release. Executive also expressly waives and relinquishes, to the fullest extent permitted by law, any and all rights he may have under California Code Section 1542, or the comparable provisions of the laws of any other jurisdiction, which provides as follows:

“A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR.”

e. Executive represents and warrants that there has been no assignment or other transfer of any interest in any claim by Executive that is covered by the release set forth in Section 9(a).

**10. REVIEW OF AGREEMENT.** Executive acknowledges and agrees: (i) that he has been advised to consult an attorney regarding this Agreement and the releases set forth herein or attached hereto as Attachment A or Attachment D before executing this Agreement, the Separation Release or the Consulting Termination Release; (ii) that Executive is waiving rights or claims which may be waived by law in exchange for consideration which is not otherwise due to Executive; and (iii) that rights or claims that may arise after the date this Agreement is executed are not waived by this Agreement.

**11. ARBITRATION.** Subject to Section 8(g) hereof, all claims, disputes, questions, or controversies arising out of or relating to this Agreement and Executive's employment hereunder, including without limitation the construction or application of any of the terms, provisions, or conditions of this Agreement and any claims for alleged discrimination, harassment, or retaliation in violation of any federal, state or local law, will be resolved exclusively in final and binding arbitration held under the auspices of Judicial Arbitration & Mediation Services, Inc. (“JAMS”) in accordance with JAMS then current Employment Arbitration Rules and Procedures, or successor rules then in effect. The arbitration will be held in New York, New York, and will be conducted and administered by JAMS or, in the event JAMS does not then conduct arbitration proceedings, a similarly reputable arbitration administrator. Executive and the Company will select a mutually acceptable, neutral arbitrator from among the JAMS panel of arbitrators. Except as provided by this Agreement, the Federal Arbitration Act will govern the administration of the arbitration proceedings. The arbitrator will apply the substantive law (and the law of remedies, if applicable) of the State of Ohio, or federal law, if Ohio law is preempted, and the arbitrator is without jurisdiction to apply any different substantive law. Executive and the Company will each be allowed to engage in adequate discovery, the scope of which will be determined by the arbitrator consistent with the nature of the claim[s] in dispute. The arbitrator will have the authority to entertain a motion to dismiss and/or a motion for summary judgment by any party and will apply the standards governing such motions under the Federal Rules of Civil Procedure. The arbitrator will render a written award and supporting opinion that will set forth the arbitrator's findings of fact and conclusions of law. Judgment upon the award may be entered in any court of competent jurisdiction. The Company will pay the arbitrator's fees, as well as all administrative fees, associated with the arbitration. Each party will be responsible for paying its own attorneys' fees and costs (including expert witness fees and costs, if any), provided, however, that the arbitrator may award attorney's fees and costs to the prevailing party, except as prohibited by law. The existence and subject matter of all arbitration proceedings, including, any settlements or awards there under, shall remain confidential. In entering into this Agreement, both parties are waiving the right to a trial by judge or jury.

## **12. SECTION 409A.**

a. This Agreement is intended to comply with Section 409A of the Code and will be interpreted in a manner intended to comply with Code Section 409A. Any provision that would cause this Agreement or any payment hereof to fail to satisfy Code Section 409A of the Code shall have no force or effect until amended to the minimum extent required to comply with Code Section 409A, which amendment may be retroactive to the extent permitted by Code Section 409A. A termination of employment shall not be deemed to have occurred for purposes of any provision of this Agreement providing for the payment of amounts or benefits that may be considered “deferred compensation” under Code Section 409A (after taking into account all exclusions applicable to such payments or benefits under Code Section 409A) upon or following a termination of employment unless such termination is also a “Separation from Service” within the meaning of Code Section 409A and, for purposes of any provision of this

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Agreement, references to a “retirement,” “termination,” “termination of employment” or like terms shall mean Separation from Service.

b. Any payment scheduled to be made under this Agreement that may be considered “deferred compensation” under Code Section 409A (after taking into account all exclusions applicable to such payments or benefits under Code Section 409A), that are otherwise due on or within the six-month period following the Retirement Date will accrue during such six-month period and will instead become payable in a lump sum payment on the first business day period following such six-month period. Furthermore, if any other payments of money or other benefits due to Executive under this Agreement could cause the application of an accelerated or additional tax under Code Section 409A, such payments or other benefits shall be deferred if deferral will make such payment or other benefits compliant under Code Section 409A, or otherwise such payment or other benefits shall be restructured, to the extent possible, in a manner, determined by the Company, that does not cause an accelerated or additional tax. To the extent any reimbursements or in-kind benefits due to Executive under this Agreement constitute “deferred compensation” under Code Section 409A (after taking into account all exclusions applicable to such payments or benefits under Section 409A), any such reimbursements or in-kind benefits shall be paid to Executive in a manner consistent with Treas. Reg. Section 1.409A-3(i)(1)(iv).

c. Notwithstanding any contrary provision herein, Executive’s right to any payment (including each installment payment) under this Agreement shall be treated as a “separate payment” within the meaning of Code Section 409A.

d. The Company shall consult with Executive in good faith regarding the implementation of the provisions of this section; provided that neither the Company nor any of its employees or representatives shall have any liability to Executive with respect thereto.

**13. NO ADMISSION OF LIABILITY.** Nothing in this Agreement will constitute or be construed in any way as an admission of any liability or wrongdoing whatsoever by the Company or Executive.

**14. INTEGRATED AGREEMENT.** This Agreement is intended by the parties to be a complete and final expression of their rights and duties respecting the subject matter of this Agreement and supersedes all prior agreements, promises, covenants, arrangements, communications, representations or warranties, whether oral or written, by any officer, employee or representative of any party hereto, and any prior agreement of the parties hereto in respect of the subject matter contained herein, including but not limited to the Employment Agreement, except as expressly set forth herein. Except as expressly provided herein, nothing in this Agreement is intended to negate Executive’s agreement to abide by the Company’s policies while serving as an employee of the Company (or thereafter to the extent provided by such policies including but not limited to the Company’s Code of Business Conduct and Ethics and its Employee Handbook, or any other agreement governing the disclosure and/or use of proprietary information, which Executive signed while working with the Company or its predecessors; nor to waive any of Executive’s obligations under state and federal trade secret laws.

**15. FULL SATISFACTION OF COMPENSATION OBLIGATIONS.** Executive agrees that the payments and benefits provided herein satisfy in full all obligations of the Company to Executive arising out of or in connection with Executive’s employment through the Retirement Date, including, without limitation, all compensation, salary, bonuses, reimbursement of expenses, severance and benefits.

**16. TAXES AND OTHER WITHHOLDINGS.** Notwithstanding any other provision of this Agreement, the Company may withhold from amounts payable hereunder all federal, state, local and foreign taxes and other amounts that are required to be withheld by applicable laws or regulations, and the withholding of any amount shall be treated as payment thereof for purposes of determining whether Executive has been paid amounts to which he is entitled. Executive acknowledges that (i) the Company has made no representation to Executive as to the tax treatment of any compensation or benefits to be paid to Executive under this Agreement and (ii) the Company has no obligation to “gross-up” any amount payable to Executive under this Agreement for taxes payable by Executive thereon.

**17. LEGAL FEES.** The Company shall reimburse Executive up to \$30,000, in the aggregate, for (i) Executive’s reasonable attorney’s fees incurred in connection with negotiating and documenting this Agreement and (ii) Executive’s other professional fees associated with planning relating to this Agreement. The Company will provide such reimbursements no later than ninety (90) days following the Company’s receipt of supporting documentation of incurrence of these expenses, but in any event no later than the end of the calendar year following the calendar year in which those expenses were incurred and otherwise in compliance with Section 409A of the Code.

**18. SURVIVAL.** The covenants, agreements, representations and warranties contained in or made in Section 4, 8, 9, 10, 11 or 14 of this Agreement shall survive any termination of Executive’s services hereunder or any termination of this Agreement.

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**19. WAIVER.** Neither party shall, by mere lapse of time, without giving notice or taking other action hereunder, be deemed to have waived any breach by other party of any of the provisions of this Agreement. Further, the waiver by either party of a particular breach of this Agreement by the other shall neither be construed nor constitute, a continuing waiver of such breach or of other breaches of the same or any other provision of this Agreement.

**20. MODIFICATION.** This Agreement may not be modified unless such modification is embodied in writing, signed by the party against whom the modification is to be enforced. \_\_

**21. NOTICE.** Any notice to either party hereunder shall be in writing and sent by overnight courier, certified mail, or registered mail (return receipt requested) postage prepaid, addressed as follows (or to such other address as such party may designate in writing from time to time):

If to the Company:

Health Care REIT, Inc.

4500 Dorr Street

Toledo, OH 43615

Attention: General Counsel

If to the Executive, at the address on file with the Company's Human Resources Department.

The actual date of mailing, as shown by a mailing receipt therefor, shall determine the time at which notice was given.

**22. ASSIGNMENT AND SUCCESSORS.** The Company shall have the right to assign its rights and obligations under this Agreement to an entity directly or indirectly, acquires all or substantially all of the assets or the business of the Company. The rights and obligations of the Company under this Agreement shall inure to the benefit and shall be binding upon the successors and assigns of the Company. Executive shall not have any right to assign his obligations under this Agreement and shall only be entitled to assign his rights under this Agreement upon his death, solely to the extent permitted by this Agreement, or as otherwise agreed to by the Company.

**23. SEVERABILITY.** In the event that any part of this Agreement is found to be void or unenforceable, all other provisions of the Agreement will remain in force and effect.

**24. GOVERNING LAW.** This Agreement will be construed, interpreted, governed and enforced in accordance with the laws of the State of Ohio, without regard to its conflict of laws principles.

**IN WITNESS WHEREOF,** the Company has caused this Agreement to be duly executed, and the Executive has hereunto set his hand, as of the day and year written above.

**HEALTH CARE REIT, INC.**

**EXECUTIVE**

By: /s/ Jeffrey H. Miller

Name: Jeffrey H. Miller

Title: Executive Vice President – Operations and  
General Counsel

Date: April 13, 2014

/s/ George L. Chapman

George L. Chapman

Date: April 13, 2014

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**ATTACHMENT A**

**RELEASE OF CLAIMS AGREEMENT  
UPON RETIREMENT DATE**

I entered into a Retirement and Consulting Agreement with Health Care REIT, Inc. (together with its subsidiaries, merged entities and affiliates, and its and their respective predecessor and successor entities, "the Company") dated April 13, 2014 (the "Retirement Agreement").

I hereby acknowledge that:

1. A blank copy of this Release of Claims Agreement ("Release Agreement") was attached as Attachment A to the Retirement Agreement when it was given to me for review. I have had more time to consider signing this Release Agreement than the ample time I was given to consider signing the Retirement Agreement and in any event more than 21 days have elapsed from the date that I received this Release Agreement. I may revoke this Release Agreement within seven (7) days after I sign it in the manner set forth in paragraph 10 below. I understand that I am giving up claims and rights under the Age Discrimination in Employment Act of 1967 as amended, and as described in the Retirement Agreement. Additionally, I understand that this Release Agreement is not enforceable until the revocation period has passed without revocation. If this 7-day period expires without revocation, I understand that this Release Agreement will become final and effective on the eighth day following the date I sign this Release Agreement, which day will be the "Effective Date" of this Release Agreement. I was advised to discuss the Retirement Agreement, including this Release Agreement, with an attorney before executing either document.

2. I am not permitted to sign this Release Agreement until after my Retirement Date.

3. The benefits payable under Sections 3 and 5 of the Retirement Agreement are only payable to me if I sign this Release Agreement and do not revoke it within seven (7) days after I sign it and it becomes effective and irrevocable no later than July 28, 2014.

4. My employment actually terminated before I signed this Release Agreement and, in exchange for receiving benefits payable under Sections 3 and 5 of the Retirement Agreement, I hereby agree that this Release Agreement will be a part of my Retirement Agreement and that my Retirement Agreement, including with its limitations, the release of claims set forth in Section 9 of the Retirement Agreement will be construed and applied as if I signed it on the day I signed this Release Agreement. This extends my commitments, covenants and other obligations under the Retirement Agreement and the release of claims under the Retirement Agreement to any claims that arose during the remainder of my employment through my Retirement Date.

5. I agree to release and discharge unconditionally the Company and any of its past or present subsidiaries, affiliates, related entities, predecessors, parent entities and parent entities, benefit plans, and all of their respective past and present officers, directors, stockholders, employees, benefit plan administrators and trustees, agents, attorneys, insurers, representatives, affiliates, and all of their respective successors and assigns, from any and all claims, actions, causes of action, demands, obligations, grievances, suits, losses, debts and expenses (including attorney's fees and costs), damages and claims in law or in equity of any nature whatsoever, known or unknown, suspected or unsuspected, I ever had, now have, or may ever have against the Company up to and including the day on which I sign this Release Agreement. Without limiting the generality of the foregoing, the claims I am waiving include, but are not limited to, (a) any claims, demands, and causes of action alleging violation of public policy, or of any federal, state, or local law, statute, regulation, executive order, or ordinance, or of any duties or other obligations of any kind or description arising under federal, state, or local law, regulation, ordinance, or public policy having any bearing whatsoever on the terms or conditions of my employment with the Company or the termination or resignation of my employment with the Company or any association or transaction with or by the Company; (b) all claims of discrimination or harassment on the basis of sex, race, age, national origin, religion, sexual orientation, disability, veteran status or any other legally protected category of retaliation; (c) all claims under Title VII of the Civil Rights Act of 1964, the Americans with Disabilities Act, the Age Discrimination in Employment Act, the Older Workers Benefit Protection Act, the Fair Labor Standards Act, the Genetic Information Nondiscrimination Act, 42 U.S.C. § 1981, as amended, and all other federal, state and local fair employment and anti-discrimination laws, all as amended; (d) all claims under the Worker Adjustment and Retraining Notification Act and similar state and local statutes, all as amended; (e) all claims under the National Labor Relations Act, as amended; (f) all claims under the Family and Medical Leave Act and other federal state and local leave laws, all as amended; (g) all claims under the Employee Retirement Income Security Act (except with respect to accrued vested benefits under a retirement or 401(k) plan in accordance with the terms of such plan and applicable law); (h) all claims under the Sarbanes-Oxley Act of 2002, the False Claims Act, the Dodd-Frank Wall Street Reform and Consumer Protection Act, the Securities Exchange Act of 1934, the Commodity Exchange Act, the Consumer Financial Protection Act, the American Recovery and Reinvestment Act, the Foreign Corrupt Practices Act, and the EU Competition Law; (i) all claims of

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whistleblowing and retaliation under federal, state and local laws; (j) all claims under any principle of common law or sounding in tort or contract; (k) all claims concerning any right to reinstatement; and (l) all claims for attorneys' fees, costs, damages or other relief (monetary, equitable or otherwise) from the Company, whether under federal, state or local law, whether statutory, regulatory or common law, to the fullest extent permitted by law. Further, each of the persons and entities released herein is intended and shall be a third-party beneficiary of this Agreement. This release of claims does not affect or waive any claim for workers' compensation benefits, unemployment benefits or other legally non-waivable rights or claims; claims that arise after I sign this Release Agreement; claims for indemnification or advancement of expenses under the bylaws of the Company or under any applicable directors and officers liability insurance policy with respect to my liability as an employee, director or officer of the Company; my right to exercise any and all Company stock options held by me that are exercisable as of my Retirement Date during the applicable period of exercise in accordance with all other terms of those options and the stock options plans, agreements, and notices under which such options were granted; or my right to enforce the terms of the Retirement Agreement. Additionally, nothing in this Agreement waives or limits my right to file a charge with, provide information to or cooperate in an investigation of or proceeding brought by a government agency (though I acknowledge I am not entitled to recover money or other relief with respect to the claims waived in this Release Agreement).

6. I have returned to the Company all hard and soft copies of records, lists, books, documents, materials, software, and files in my possession or control, whether recorded, written or computer readable, which contain or relate to Confidential Information or sensitive information that I obtained in conjunction with my employment with the Company, as well as all other Company-owned property. I took all reasonable steps to protect the confidentiality of such Company information during my employment and have not kept any copies or excerpts of any of the above items.

7. I hereby resign any and all positions that I hold with the Company, including without limitation, as an officer and/or director of the Company and for each of its direct and indirect subsidiaries and/or affiliates to the extent that such relationship remains in effect on this date.

8. I represent and warrant that there has been no assignment or other transfer of any interest in any claim by me that is covered by this Release Agreement.

9. I agree that except with respect to any payments and benefits that I remain entitled to receive under my Retirement Agreement with the Company, I have received all other compensation, benefits, bonuses, severance, leave and notice that I am otherwise entitled to receive from the Company.

10. I understand that I may revoke this Release Agreement by sending a written statement of revocation delivered by certified mail to Health Care REIT, Attn: General Counsel, 4500 Dorr Street, Toledo, OH 43615. I understand that the revocation must be received no later than the seventh (7<sup>th</sup>) day following my execution of this Release Agreement.

By signing this Release Agreement, I acknowledge that: I have had the opportunity to review the Retirement Agreement and this Release Agreement carefully with 1 or more other personal advisors of my own choice; I understand that by signing this Release Agreement I am releasing the Company of all claims against it; I have read both the Retirement Agreement and Release Agreement and understand their terms; I have been given a reasonable period of time to consider the terms and effect and to ask any questions I may have; I voluntarily agree to the terms of this Release Agreement.

AGREED AND ACCEPTED:

Dated: \_\_\_\_\_.

GEORGE L. CHAPMAN

\_\_\_\_\_  
Sign Name

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**ATTACHMENT B**

**LIFE, HEALTH AND DISABILITY PROGRAMS**

<b>Benefit – Insurance carrier as of date of Agreement</b>	<b>Level of Coverage</b>	<b>Coverage after Retirement Date</b>
Medical – Anthem Group Benefits	Health 2 buy-up Family coverage	Participant will continue to participate in the Company's plan.
Dental – Metlife	Family coverage	Participant will continue to participate in the Company's plan.
Vision – VSP Group Benefits	Family coverage	Participant will continue to participate in the Company's plan.
Short-term disability – Metlife	66 2/3% of weekly income to maximum of \$2,000 for 26 weeks.	Level of coverage will continue.
Long-term disability –Metlife	60% of monthly income to maximum of \$15,000	Level of coverage will continue.
High limit disability – Petersen International Underwriters	\$98,500 per month	Level of coverage will continue.
Supplemental disability – UNUM	Base Amount: 50% of monthly income to maximum of \$6,953 for a 24 month benefit period after age 65. Disability Plus Rider: 50% of monthly income to maximum of \$8,000 per month for a 24 month benefit period after age 65 if loss of 2 or more activities of daily living or suffers deterioration or loss of intellectual capacity.	Company to reimburse Executive for premiums.
Life and AD&D – Anthem	\$15,000 for each of Life and AD&D	Level of coverage will continue.
Supplemental AD&D – Metlife	\$600,000	Level of coverage will continue.
Supplemental Life – Lincoln	\$6,000,000	Level of coverage will continue.
Supplemental Life – Prudential	\$500,000. Universal life – no lapse to age 120	Company to reimburse Executive for premiums.

**ATTACHMENT C**

**EXISTING EQUITY**

**OUTSTANDING AWARDS WITH TIME-BASED VESTING**

1) Restricted Stock

Date of Agreement	Initial Award	Unvested Shares as of Date of Agreement to be vested
January 28, 2010	51,729	10,345
January 27, 2011	46,712	18,684
January 26, 2012	50,735	30,441
February 7, 2013	91,291	73,032
February 6, 2014	31,290	23,467
<b>TOTAL</b>		<b>155,969</b>

2) Deferred Stock Units

Date of Agreement	Initial Award	Unvested Shares as of Date of Agreement to be vested
January 26, 2012	53,329	39,246

3) Stock Options

Date of Agreement	Initial Grant	Exercise Price	Maximum Expiration Date	Unvested Options as of Date of Agreement to be fully vested
January 29, 2009	84,820	\$37.00	01/29/19	0
January 28, 2010	95,453	\$43.29	01/28/20	19,090
January 27, 2011	79,751	\$49.17	01/27/21	31,900
January 26, 2012	87,268	\$57.53	01/26/22	52,360
<b>TOTAL</b>				<b>103,350</b>

**OUTSTANDING AWARDS WITH PERFORMANCE-BASED VESTING**

Award granted under the Health Care REIT, Inc. 2013-2015 Long-Term Incentive Program, granted February 7, 2013

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**ATTACHMENT D**

**RELEASE OF CLAIMS AGREEMENT  
UPON TERMINATION OF CONSULTING PERIOD**

I entered into a Retirement and Consulting Agreement with Health Care REIT, Inc. (together with its subsidiaries, merged entities and affiliates, and its and their respective predecessor and successor entities, "the Company") dated April 13, 2014 (the "Retirement Agreement").

I hereby acknowledge that:

1. A blank copy of this Release of Claims Agreement ("Release Agreement") was attached as Attachment D to the Retirement Agreement when it was given to me for review. I have had more time to consider signing this Release Agreement than the ample time I was given to consider signing the Retirement Agreement and the Release of Claims Agreement attached as Attachment A thereto (the "Separation Release"), and in any event more than 21 days have elapsed from the date that I received this Release Agreement. I may revoke this Release Agreement within seven (7) days after I sign it in the manner set forth in paragraph 9 below. I understand that I am giving up claims and rights under the Age Discrimination in Employment Act of 1967 as amended, and as described in the Separation Release. Additionally, I understand that this Release Agreement is not enforceable until the revocation period has passed without revocation. If this 7-day period expires without revocation, I understand that this Release Agreement will become final and effective on the eighth day following the date I sign this Release Agreement, which day will be the "Effective Date" of this Release Agreement. I was advised to discuss the Retirement Agreement, the Separation Release and this Release Agreement with an attorney before executing any of those documents.

2. I am not permitted to sign this Release Agreement until after the end of the Consulting Period (as defined in the Retirement Agreement).

3. The benefits payable under Section 7 of the Retirement Agreement are only payable to me if I sign this Release Agreement and it becomes effective irrevocably prior to the twenty-eighth (28<sup>th</sup>) day following the end of the Consulting Period (as defined in the Retirement Agreement) or such later period as may be required by law in order to make this Release Agreement fully effective.

4. My employment and consulting services actually terminated before I signed this Release Agreement and, in exchange for receiving benefits payable under Section 7 of the Retirement Agreement, I hereby agree that this Release Agreement will be a part of my Retirement Agreement and that my Retirement Agreement including without limitation, the release of claims set forth in Section 9 of the Retirement Agreement and in the Separation Release, will be construed and applied as if signed each on the day I signed this Release Agreement. This extends my commitments, covenants and other obligations under the Retirement Agreement, the release of claims under the Retirement Agreement, and the release of claims in the Separation Release that arose following the end of my employment through the end of the Consulting Period.

5. I agree to release and discharge unconditionally the Company and any of its past or present subsidiaries, affiliates, related entities, predecessors, parent entities and parent entities, benefit plans, and all of their respective past and present officers, directors, stockholders, employees, benefit plan administrators and trustees, agents, attorneys, insurers, representatives, affiliates, and all of their respective successors and assigns, from any and all claims, actions, causes of action, demands, obligations, grievances, suits, losses, debts and expenses (including attorney's fees and costs), damages and claims in law or in equity of any nature whatsoever, known or unknown, suspected or unsuspected, I ever had, now have, or may ever have against the Company up to and including the day on which I sign this Release Agreement. Without limiting the generality of the foregoing, the claims I am waiving include, but are not limited to, (a) any claims, demands, and causes of action alleging violation of public policy, or of any federal, state, or local law, statute, regulation, executive order, or ordinance, or of any duties or other obligations of any kind or description arising in law or equity under federal, state, or local law, regulation, ordinance, or public policy having any bearing whatsoever on the terms or conditions of my employment with the Company or the termination or resignation of my employment with the Company or any association or transaction with or by the Company; (b) all claims of discrimination or harassment on the basis of sex, race, age, national origin, religion, sexual orientation, disability, veteran status or any other legally protected category of retaliation; (c) all claims under Title VII of the Civil Rights Act of 1964, the Americans with Disabilities Act, the Age Discrimination in Employment Act, the Older Workers Benefit Protection Act, the Fair Labor Standards Act, the Genetic Information Nondiscrimination Act, 42 U.S.C. § 1981, as amended, and all other federal, state and local fair employment and anti-discrimination laws, all as amended; (d) all claims under the Worker Adjustment and Retraining Notification Act and similar state and local statutes, all as amended; (e) all claims under the National Labor Relations Act, as amended; (f) all claims under the Family and Medical Leave Act and other federal and state and local leave laws, all as amended; (g) all claims under the Employee Retirement Income Security Act

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(except with respect to accrued vested benefits under any retirement or 401(k) plan in accordance with the terms of such plan and applicable law); (h) all claims under Sarbanes-Oxley Act of 2002, the False Claims Act, the Dodd-Frank Wall Street Reform and Consumer Protection Act, the Securities Exchange Act of 1934, the Com Exchange Act, the Consumer Financial Protection Act, the American Recovery and Reinvestment Act, the Foreign Corrupt Practices Act, and the EU Competition L; all claims of whistleblowing and retaliation under federal, state and local laws; (j) all claims under any principle of common law or sounding in tort or contract; (k) al claims concerning any right to reinstatement; and (l) all claims for attorneys' fees, costs, damages or other relief (monetary, equitable or otherwise) from the Compan whether under federal, state or local law, whether statutory, regulatory or common law, to the fullest extent permitted by law. Further, each of the persons and entities released herein is intended to and shall be a third-party beneficiary of this Agreement. This release of claims does not affect or waive any claim for workers' compen benefits, unemployment benefits or other legally non-waivable rights or claims; claims that arise after I sign this Release Agreement; claims for indemnification or advancement of expenses under the bylaws of the Company or under any applicable directors and officers liability insurance policy with respect to my liability as an employee, director or officer of the Company; my right to exercise any and all Company stock options held by me that are exercisable as of the end of the Consulting during the applicable period of exercise and in accordance with all other terms of those options and the stock options plans, agreements, and notices under which such options were granted; or my right to enforce the terms of the Retirement Agreement. Additionally, nothing in this Release Agreement waives or limits my right to file charge with, provide information to or cooperate in any investigation of or proceeding brought by a government agency (though I acknowledge I am not entitled to re money or other relief with respect to the claims waived in this Release Agreement).

6. I have returned to the Company all hard and soft copies of records, lists, books, documents, materials, software, and files in my possession or cont whether recorded, written or computer readable, which contain or relate to Confidential Information or sensitive information that I obtained in conjunction with my employment with the Company, as well as all other Company-owned property. I took all reasonable steps to protect the confidentiality of such Company information during my employment and have not kept any copies or excerpts of any of the above items.

7. I represent and warrant that there has been no assignment or other transfer of any interest in any claim by me that is covered by this Release Agree

8. I agree that except with respect to any payments and benefits that I remain entitled to receive under Section 7 of my Retirement Agreement with th Company, I have received all other compensation, benefits, bonuses, severance, leave and notice that I am otherwise entitled to receive from the Company.

9. I understand that I may revoke this Release Agreement by sending a written statement of revocation delivered by certified mail to Health Care REL Inc., Attn: General Counsel, 4500 Dorr Street, Toledo, OH 43615. I understand that the revocation must be received no later than the seventh (7<sup>th</sup>) day following my execution of this Release Agreement.

By signing this Release Agreement, I acknowledge that: I have had the opportunity to review the Retirement Agreement, the Separation Release, and this Release Agreement carefully with legal or other personal advisors of my own choice; I understand that by signing this Release Agreement I am releasing the Company of all c against it; I have read each of the Retirement Agreement, the Separation Agreement and this Release Agreement and understand their terms; I have been given a reas period of time to consider the terms and effect and to ask any questions I may have; I voluntarily agree to the terms of this Release Agreement.

AGREED AND ACCEPTED:

Dated: \_\_\_\_\_.

GEORGE L. CHAPMAN

\_\_\_\_\_  
Sign Name

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**EMPLOYMENT AGREEMENT**

**THIS EMPLOYMENT AGREEMENT**, dated this 13th day of April, 2014 (the "Agreement"), is entered into by and between HEALTH CARE REIT, INC., a Delaware corporation, (the "Corporation"), and THOMAS J. DEROSA (the "Executive") and is effective April 13, 2014 (the "Effective Date").

**WHEREAS**, the Corporation wishes to assure itself of the services of the Executive for the period provided in this Agreement, and the Executive is willing to serve in the employ of the Corporation for such period upon the terms and conditions set forth in this Agreement.

**NOW THEREFORE**, in consideration of the mutual covenants herein contained, the parties, intending to be legally bound, hereby agree as follows:

**1. EMPLOYMENT**

The Corporation hereby agrees to employ the Executive as the Corporation's Chief Executive Officer, upon the terms and conditions herein contained, and the Executive hereby agrees to accept such employment and to serve as the Corporation's Chief Executive Officer, and to perform the duties and functions customarily performed by the Chief Executive Officer of a publicly traded corporation.

In such capacities, the Executive shall report to the Corporation's Board of Directors (the "Board"), and shall have the powers and responsibilities set forth in the Corporation's By-Laws as well as such additional powers and responsibilities consistent with his position as the Board may assign to him.

Throughout the Term (defined below) of this Agreement, the Executive shall devote his best efforts and all of his business time and services to the business and of the Corporation.

**2. TERM OF AGREEMENT**

The term of employment under this Agreement is three years from the Effective Date and shall expire on April 13, 2017, unless earlier terminated under one of the circumstances set forth in Sections 5, 6 or 7. The length of employment under this Agreement is referred to herein as the "Term."

The Corporation shall be entitled to terminate this Agreement immediately for any reason, subject to the continuing obligations of the Corporation under this Agreement.

**3. BASE COMPENSATION AND BONUS**

(a) The Executive shall receive annual base compensation during the Term of this Agreement of not less than \$825,000 in cash ("Base Compensation"). Such amounts shall be payable in substantially equal semi-monthly installments. Subject to the terms of this Agreement, during the Term, the Compensation Committee of the Board (the "Compensation Committee") shall consult with the Executive and review the Executive's Base Compensation at annual intervals, and may adjust the Executive's annual Base Compensation from time to time.

(b) The Executive shall also be eligible to receive an annual incentive cash bonus with target bonus of 150% of Base Compensation and maximum bonus 300% of Base Compensation, prorated from the Effective Date, with the actual amount of such bonus to be determined by the Compensation Committee, using such performance measures as the Compensation Committee deems to be appropriate. Such bonus, if any, shall be paid to the Executive no later than sixty (60) days after the end of the year to which the bonus relates.

**4. ADDITIONAL COMPENSATION AND BENEFITS**



The Executive shall receive the following additional compensation and welfare and fringe benefits during the term:

(a) Stock Options and Other Long-Term Incentives. During the Term of the Agreement, any stock options, restricted stock or other awards granted under 2005 Long-Term Incentive Plan, or any other equity compensation plan adopted by the Corporation, shall be at the discretion of the Compensation Committee. Notwithstanding the foregoing, the Executive will be eligible to receive long-term incentive equity grants with an annual target value of \$3,300,000, adjusted for the Effective Date, subject to the terms and conditions as determined by the Compensation Committee.

In addition, within an administratively reasonable period of time following the Effective Date, the Corporation shall grant restricted stock units to Execut with a value of \$1 million (rounded to the nearest whole share) (the "Initial RSUs"). The Initial RSUs shall be subject to performance criteria as determined by the B or Compensation Committee (the "Initial Performance Criteria"), and shall also be subject to a requirement of continued employment, which requirements shall be sa in substantially equal installments on each of the first, second, and third anniversaries of the Effective Date hereof (as modified by Sections 5, 6 or 7 below). The Init Performance Criteria shall be determined by the Board or the Compensation Committee in its sole discretion after consultation with the Executive in the first ninety (90) days after the Effective Date. Each vested portion of the Initial RSUs shall be further deferred until after the Executive is no longer employed with the Corporation, s to terms and conditions to conform with applicable law, including but not limited to Section 409A of the Internal Revenue Code of 1986, as amended (the "Code").

(b) Health Insurance. During the Term of this Agreement, the Corporation shall provide the Executive and his dependents with health insurance coverage less favorable than that from time to time made available to other key employees.

(c) Paid Time Off. During the Term of this Agreement, the Executive shall be entitled to paid time off ("PTO") (based on the number of years of service) accordance with the Corporation's PTO policy, as it may be amended from time to time.

(d) Business Expenses. During the Term of this Agreement, the Corporation shall reimburse the Executive for all reasonable expenses he incurs in promo the Corporation's business, including expenses for travel and similar items, upon presentation by the Executive from time to time of an itemized account of such expenditures in accordance with the Corporation's established policies and applicable law. Following Executive's termination of employment, any expense reimburs requests must be submitted no later than sixty (60) days following such termination.

(e) Automobile Allowance. During the Term, the Corporation will provide the Executive with a monthly allowance to cover expenses incurred with the Executive's lease of an automobile.

(f) Relocation Expenses. The Corporation shall provide Executive with a relocation and transition allowance in the amount of \$100,000 to cover expense incurred with Executive's move to the greater Toledo, Ohio area, including but not limited to (i) moving himself, family members and personal property, (ii) travel to current home prior to any relocation of family members, (iii) housing in the greater Toledo, Ohio area and (iv) other related expenses.

(g) Other Benefits. In addition to the benefits provided pursuant to the preceding paragraphs of this Section 4, the Executive shall be eligible to participai such other executive compensation and retirement plans of the Corporation as are applicable generally to other executive officers, and in such welfare plans, program practices and policies of the Corporation as are generally applicable to other executive officers, unless such participation would duplicate, directly or indirectly, benef already accorded to the Executive. To the extent that the Executive elects not to receive certain welfare benefits for which he is eligible, he will receive a cash payme lieu of such benefits in an amount equal to the cost that the Company would otherwise have incurred to provide such benefits to the Executive, but in any event not to exceed \$2000 per month.

## **5. PAYMENTS UPON TERMINATION**

(a) Termination without Cause or Termination by Executive for Good Reason (as defined below). If the Executive's employment is terminated by the Corporation without Cause (but not including due to death or disability) or terminated by the Executive for Good Reason during the Term of this Agreement, the Exe shall be entitled to the following:

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- (i) Base Compensation accrued through the date of termination, based on the number of days in such year that had elapsed as of the termination date;
- (ii) any accrued but unpaid PTO through the date of termination;
- (iii) any bonuses earned but unpaid with respect to fiscal years or other completed periods preceding the termination date;
- (iv) any nonforfeitable benefits payable to the Executive under the terms of any deferred compensation, incentive or other benefit plans maintained by the Corporation, payable in accordance with the terms of the applicable plan;
- (v) any expenses owed to the Executive under Sections 4(d), 4(e) or 4(f);
- (vi) any pro-rated portion of the annual bonus that the Executive would have earned for the year in which the termination occurs (if he had remained employed for the entire year), based on the number of days in such year that had elapsed as of the termination date, payable at the time that the Corporation pays bonuses to its executive officers for such year;
- (vii) all stock options, restricted stock or other equity awards with time-based vesting granted to the Executive under this Agreement shall become vested and earned and, in the case of stock options, exercisable in full and all stock options, restricted stock or other equity awards with performance-based vesting granted to the Executive under this Agreement shall become vested based upon a determination of actual level of achievement of performance goals by the Compensation Committee of the Board as of the end of the quarter immediately preceding the Executive's termination or as otherwise expressly provided in the applicable award agreement;
- (viii) continued coverage under any group health plan maintained by the Corporation in which the Executive participated at the time of his termination during the period during which the Executive elects to receive continuation coverage under Section 4980B of the Code at an after-tax cost to the Executive comparable to the cost that the Executive would have incurred for the same coverage had he remained employed during such period; and
- (ix) a series of semi-monthly severance payments for twenty-four (24) months (the "Severance Period"), each in an amount equal to one-twenty-fourth (1/24th) of the sum of (A) the Executive's Base Compensation, as in effect on the date of termination, and (B) the Executive's target annual cash bonus opportunity at the time of termination, to be paid in accordance with the Corporation's normal payroll practices.

The payments set forth in subsections (vi), (vii), (viii), and (ix) are subject to (a) a waiver and general release of claims in favor of the Corporation, in a form and manner satisfactory to the Corporation, that is executed by the Executive and which becomes effective within sixty (60) days following the date of such termination, and (b) the Executive's compliance with the restrictive covenants set forth in Sections 9 and 10 below during the Severance Period (the "Severance Requirement"). Upon any violation of the Severance Requirement during the Severance Period, all post-employment compensation set forth in subsections (vi), (vii), (viii), and (ix) above shall immediately stop and the Executive shall be obligated to return to the Corporation any post-employment compensation previously paid or otherwise provided to the Executive. All payments to be made pursuant to subsection (vii) (excluding stock options) shall be made to the Executive on the first business day following the date of such termination (except as otherwise expressly provided in the applicable award agreement). The payments set forth in subsections (vi), (vii), (viii), and (ix) shall commence on the 60<sup>th</sup> day following the day of such termination.

All payments to be made pursuant to subsections (i), (ii), (iii), and (v) shall be made to the Executive within sixty (60) days following the date of such termination, or within any shorter time period required by law.

For purposes of this Agreement, "Cause" shall mean: (1) any action by the Executive involving willful disloyalty to the Corporation, such as embezzlement, fraud, misappropriation of corporate assets or a breach of the covenants set forth in Section 9 or 10 herein; (2) the Executive being convicted of a felony; (3) the Executive being convicted of any crime or offense that is not a felony but was (x) committed in connection with the performance of his duties hereunder or (y) involved moral turpitude; (4) the intentional and willful failure by the Executive to substantially perform his duties hereunder as directed by the Board (other than any

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such failure resulting from the Executive's incapacity due to physical or mental disability) after a demand for substantial performance is made by the Board. A term of employment shall not be deemed for Cause unless and until (x) there shall have been delivered to the Executive a notice describing in reasonable detail the particular giving rise to a termination for Cause, and (y) in the case of termination pursuant to clause (4) above, if no cure has occurred by the fifteenth (15th) day after notice was given.

For purposes of this Agreement, "Good Reason" shall mean: (1) the assignment of Executive to a position other than the Chief Executive Officer of the Corporation during the Term; (2) the assignment of duties materially inconsistent with such position if such change in assignment constitutes (x) a material diminution in the Executive's total compensation opportunity, authority, duties or responsibilities; (y) a change in the reporting structure such that the Executive is directed to report to anyone other than the Corporation's Board; or (3) a material breach by the Corporation of this Agreement; provided, however, Executive must not have consented to any such act or omission that could give rise to a claim for "Good Reason", the Executive must have notified the Corporation in writing within the first thirty (30) days following the occurrence of any of the foregoing events and the Corporation must have failed to substantially cure such breach within thirty (30) days following its receipt of such notice from the Executive; and provided further, the Executive must have resigned under this paragraph within ninety (90) days following the occurrence of the event. Notwithstanding the foregoing, any transfer of responsibilities in connection with succession planning and leadership transition shall in no event constitute Good Reason for purposes of this Agreement.

(b) Disability. The Corporation shall be entitled to terminate the Executive's employment if the Board determines that the Executive has been unable to substantially perform his duties for at least ninety (90) days because of a medically diagnosable physical or mental condition, and has received a written opinion from a physician acceptable to the Board that such condition prevents the Executive from resuming full performance of his duties and is likely to continue for an indefinite period. Upon such termination, the Executive shall be entitled to the following:

(i) Base Compensation accrued through the date of termination, based on the number of days in such year that had elapsed as of the termination date;

(ii) any accrued but unpaid PTO through the date of termination;

(iii) any bonuses earned but unpaid with respect to fiscal years or other completed periods preceding the termination date;

(iv) any nonforfeitable benefits payable to the Executive under the terms of any deferred compensation, incentive or other benefit plans maintained by the Corporation, payable in accordance with the terms of the applicable plan;

(v) any expenses owed to the Executive under Sections 4(d), 4(e) or 4(f); and

(vi) any pro-rated portion of the annual bonus that the Executive would have earned for the year in which the termination occurs (if he had remained employed for the entire year), based on the number of days in such year that had elapsed as of the termination date, payable at the time that the Corporation pays bonuses to its executive officers for such year; and

(vii) all stock options, restricted stock or other equity awards with time-based vesting granted to the Executive under this Agreement shall become vested and earned and payable and, in the case of stock options, exercisable in full and all stock options, restricted stock or other equity awards with performance-based vesting granted to the Executive under this Agreement shall become vested to the extent provided in the applicable award agreement.

All cash payments (other than pro-rated bonus) listed in subsections (i), (ii), (iii) and (v) shall be paid to the Executive within sixty (60) days following the date of such termination and within any shorter time period required by law. All payments to be made pursuant to subsection (vii) (excluding stock options) shall be made to the Executive on the first business day following the date that is sixty (60) days following the date of such termination (except as otherwise expressly provided in the applicable award agreement).

(c) Termination for Cause. If the Executive's employment is terminated by the Corporation for Cause, the Executive shall be entitled to the following:

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- (i) Base Compensation accrued through the date of termination, based on the number of days in such year that had elapsed as of the termination date;
- (ii) any accrued but unpaid PTO through the date of termination;
- (iii) any bonuses earned but unpaid with respect to fiscal years or other completed periods preceding the termination date;
- (iv) any nonforfeitable benefits payable to the Executive under the terms of any deferred compensation, incentive or other benefit plans maintained by the Corporation, payable in accordance with the terms of the applicable plan; and
- (v) any expenses owed to the Executive under Section 4(d).

All cash payments listed in subsections (i), (ii), (iii) and (v) required to be paid pursuant to this Section shall be paid to the Executive within sixty (60) days following the date of such termination and within any shorter time period required by law.

(d) Voluntary Termination or Resignation by the Executive. If the Executive voluntarily terminates (but not by reason of expiration of the Term) or resigns from employment other than for Good Reason, the Executive shall be entitled to the following:

- (i) Base Compensation accrued through the date of termination, based on the number of days in such year that had elapsed as of the termination date;
- (ii) any accrued but unpaid PTO through the date of termination;
- (iii) any bonuses earned but unpaid with respect to fiscal years or other completed periods preceding the termination date;
- (iv) any nonforfeitable benefits payable to the Executive under the terms of any deferred compensation, incentive or other benefit plans maintained by the Corporation, payable in accordance with the terms of the applicable plan; and
- (v) any expenses owed to the Executive under Section 4(d).

All cash payments required to be paid pursuant to this Section shall be made to the Executive within sixty (60) days following the date of such termination and within any shorter time period required by law.

(e) Termination upon Expiration of the Term. If the Executive's employment terminates as a result of the expiration of the Term of this Agreement, the Executive shall be entitled to the following:

- (i) Base Compensation accrued through the date of termination, based on the number of days in such year that had elapsed as of the termination date;
- (ii) any accrued but unpaid PTO through the date of termination;
- (iii) any bonuses earned but unpaid with respect to fiscal years or other completed periods preceding the termination date;
- (iv) any nonforfeitable benefits payable to the Executive under the terms of any deferred compensation, incentive or other benefit plans maintained by the Corporation, payable in accordance with the terms of the applicable plan; and
- (v) any expenses owed to the Executive under Sections 4(d), 4(e), or 4(f).

All cash payments listed in subsections (i), (ii), (iii) and (v) required to be paid pursuant to this Section shall be made to the Executive within sixty (60) days following the date of such termination and within any shorter time period required by law.

## **6. CHANGE IN CORPORATE CONTROL**

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(a) If at any time upon, or during the period of twenty-four (24) consecutive months following, the occurrence of a Change in Corporate Control (as defined below), and during the Term of this Agreement, the Executive is involuntarily terminated (other than for Cause), or resigns his employment for Good Reason, the Executive shall be entitled to the following:

- (i) Base Compensation accrued through the date of termination, based on the number of days in such year that had elapsed as of the termination date;
- (ii) any accrued but unpaid PTO pay through the date of termination;
- (iii) any bonuses earned but unpaid with respect to fiscal years or other completed periods preceding the termination date;
- (iv) any nonforfeitable benefits payable to the Executive under the terms of any deferred compensation, incentive or other benefit plans maintained by the Corporation, payable in accordance with the terms of the applicable plan;
- (v) any expenses owed to the Executive under Sections 4(d), 4(e) or 4(f);
- (vi) the pro-rated portion of the target annual bonus that the Executive would have earned for the year in which the termination occurs (if he had remained employed for the entire year), based on the number of days in such year that had elapsed as of the termination date;
- (vii) all stock options, restricted stock or other equity awards with time-based vesting granted to the Executive under this Agreement shall become vested and earned and, in the case of stock options, exercisable in full and all stock options, restricted stock or other equity awards with performance-based vesting granted to the Executive under this Agreement shall become vested based upon a determination of actual level of achievement of performance goals by the Compensation Committee of the Board as of immediately prior to the occurrence of the Change of Corporate Control or as otherwise expressly provided in the applicable award agreements;
- (viii) continued coverage under any group health plan maintained by the Corporation in which the Executive participated at the time of his termination for the period during which the Executive elects to receive continuation coverage under Section 4980B of the Code at an after-tax cost to the Executive comparable to the cost that the Executive would have incurred for the same coverage had he remained employed during such period; and
- (ix) a lump sum severance payment equal to the present value of a series of monthly severance payments for thirty-six (36) months, each in an amount equal to one-twelfth (1/12th) of the sum of (A) the Executive's Base Compensation, as in effect at the time of the Change in Corporate Control, and (B) the average annual bonuses paid to the Executive for the last three (3) or, if applicable, fewer fiscal years of the Corporation ending prior to the Change in Corporate Control. Such present value shall be calculated using a discount rate equal to the interest rate on 90-day Treasury bills, as reported in The Wall Street Journal (or similar publication) on the date of the Change in Corporate Control. For purposes of this subsection (ix), the amount of any annual bonus paid for a portion of a fiscal year shall be annualized and if no such bonuses have been paid, then the Executive's target annual bonus at the time of termination shall be used.

The payments set forth in subsections (vi), (vii), (viii), and (ix) are subject to a waiver and general release of claims in favor of the Corporation, in a form and substance satisfactory to the Corporation, that is executed by the Executive and which becomes effective within sixty (60) days following the date of such termination. All payments to be made pursuant to subsection (vii) (excluding stock options) shall be made to the Executive on the first business day following the date that is sixty (60) days following the date of such termination (except as otherwise expressly provided in the applicable award agreement). All cash payments required to be paid pursuant to subsections (i), (ii), (iii), (v), (vi) and (ix) of this Section shall be made within sixty (60) days following the date of such termination and within any shorter time period required by law. Notwithstanding the foregoing, the severance payment under this Section shall be payable on a monthly basis instead of a lump sum if the "Change in Corporate Control" does not constitute a "change in control event" within the meaning of Treasury Regulation Section 1.409A-3(i)(g) and shall in any event comply with the provisions of Section 8.

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(b) For purposes of this Agreement, a "Change in Corporate Control" shall mean:

(i) The acquisition in one or more transactions of more than twenty percent (20%) of the Corporation's outstanding common stock (or the equivalent voting power of any class or classes of securities of the Corporation entitled to vote in elections of directors) by any corporation, or other person or group (with meaning of Section 14(d)(3) of the Securities Exchange Act of 1934, as amended), except for acquisitions of the Corporation's outstanding common stock by (A) the Corporation or an affiliate or subsidiary of the Corporation, (B) an employee benefit plan (or any trust forming a part thereof) of the Corporation, or (C) an underwriter temporarily holding securities of the Corporation pursuant to an offering of such securities;

(ii) The sale of all or substantially all of the assets of the Corporation;

(iii) The consummation of any merger or consolidation or similar business combination or reorganization involving the Corporation ("Corporate Transaction"), unless (A) the stockholders of the Corporation, immediately before such Corporate Transaction, own, directly or indirectly, immediately following such Corporate Transaction, more than fifty percent (50%) of the then outstanding shares of common stock (or the equivalent in voting power of any class or classes of securities of the corporation entitled to vote in elections of directors) of the corporation resulting from such Corporate Transaction (the "Surviving Company" substantially the same proportion as their ownership of the Corporation's outstanding common stock (or the equivalent in voting power of any class or classes of securities of the Corporation entitled to vote in elections of directors) immediately before such Corporate Transaction, and (B) the persons who were Continuing Directors (as defined below) immediately prior to the execution of the agreement providing for such Corporate Transaction constitute more than fifty percent (50%) of the members of the Board of Directors of the Surviving Company; or

(iv) During any twenty-four (24) month period, individuals who, as of the beginning of such period, constitute the Board (the "Continuing Director" if, and only if, his or her nomination for election to the Board is approved or recommended by a majority of the members of the Board (or of the Nominating Committee of the Board) and at least five (5) members of the Board are themselves Continuing Directors at the time of such nomination; provided, however, that a director elected to the Board as part of a threatened or actual proxy contest, including by reason of an agreement intended to avoid or settle any threatened or actual proxy contest, shall not be considered a "Continuing Director" even if his or her nomination for election to the Board is approved or recommended by a majority of the members of the Board (or of the Nominating Committee of the Board); or

(v) The liquidation or dissolution of the Corporation.

(c) Notwithstanding anything else in this Agreement to the contrary, in the event that it shall be determined that any payments or distributions by the Corporation to or for the benefit of the Executive, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise (together "Payment") would constitute an "excess parachute payment" within the meaning of Section 280G of the Code, then the Payments shall be payable either in (i) full or in (ii) such lesser amount which would result in no portion of such Payments being subject to the Excise Tax and the Executive shall receive the greater, on an after-tax basis, of (i) or (ii) above, as determined by an independent accountant or tax advisor ("Independent Tax Advisor") selected by the Corporation. In the event that the payments or benefits are to be reduced pursuant to this Section 6(c), such payments and benefits shall be reduced as determined by the Independent Tax Advisor such that the reduction of compensation to be provided to or for the benefit of the Executive as a result of this Section 6(c) is minimized and to effectuate that, Payments shall be reduced (i) first reducing or eliminating the portion of such Payments which is not payable in cash (other than that portion of such payments that is subject to clause (iii) below), then by reducing or eliminating cash Payments (other than that portion of such Payments subject to clause (iii) below) and (iii) then by reducing or eliminating the portion of such Payments (whether or not payable in cash) to which Treas. Reg. §1.280G-1 Q/A 24(c) (or any successor provision thereto) applies, in each case in reverse order beginning with Payments which are to be paid the farthest in time from the date of the transaction constituting a change in ownership of the Corporation within the meaning of Section 280G of the Code. Any reductions made pursuant to this Section 6(c) shall be made in a manner consistent with the requirements of Section 409A and where economically equivalent amounts are subject to reduction but payable at different times, such amounts shall be reduced on a pro rata basis but not below zero.

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(d) If any dispute arises between the Corporation (or any successor) and the Executive regarding Executive's right to payments under this Section, the Executive shall be entitled to recover his attorneys fees and costs incurred in connection with such dispute if the Executive is determined to be the prevailing party. The following additional terms and conditions shall apply to the reimbursement of any attorneys fees and costs: (i) the attorneys fees and costs must be incurred by the Executive within five years following the date of the Executive's termination or resignation; (ii) the attorneys fees and costs shall be paid by the Corporation by the end of the taxable year following the year in which the attorneys fees and costs were incurred; (iii) the amount of any attorneys fees and costs paid by the Corporation in one taxable year shall not affect the amount of any attorneys fees and costs to be paid by the Corporation in any other taxable year; and (iv) the Executive's right to receive attorneys fees and costs may not be liquidated or exchanged for any other benefit.

## **7. DEATH**

If the Executive dies during the Term of this Agreement, the Corporation shall pay to the Executive's estate the following:

- (i) Base Compensation accrued through the date of death, based on the number of days in such year that had elapsed as of the date of death;
- (ii) any accrued but unpaid PTO through the date of death;
- (iii) any bonuses earned but unpaid with respect to fiscal years or other completed periods preceding the date of death;
- (iv) any nonforfeitable benefits payable to the Executive under the terms of any deferred compensation, incentive or other benefit plans maintained by the Corporation, payable in accordance with the terms of the applicable plan;
- (v) any expenses owed to the Executive under Sections 4(d), 4(e) or 4(f);
- (vi) any pro-rated portion of the annual bonus that the Executive would have earned for the year in which the death occurs (if he had remained employed for the entire year), based on the number of days in such year that had elapsed as of the date of death, payable at the time that the Corporation pays bonuses to executive officers for such year; and
- (vii) all stock options, restricted stock or other equity awards with time-based vesting granted to the Executive under this Agreement shall become vested and earned and, in the case of stock options, exercisable in full and all stock options, restricted stock or other equity awards with performance-based vesting granted to the Executive under this Agreement shall become vested to the extent provided in the applicable award agreement.

All cash payments listed in subsections (i), (ii), (iii) and (v) required to be paid pursuant to this Section shall be made to the estate within sixty (60) days following the date of death and within any shorter time period required by law. All payments to be made pursuant to subsection (vi) (excluding stock options) shall be made to the Executive on the first business day following the date that is sixty (60) days following the date of such termination (except as otherwise expressly provided in the applicable award agreement). The pro-rated bonus shall be paid in accordance with the provisions of Section 3(b) after the Compensation Committee has approved bonuses payable for the year.

## **8. WITHHOLDING AND SECTION 409A COMPLIANCE**

(a) The Corporation shall, to the fullest extent not prohibited by law, have the right to withhold and deduct from any payment hereunder any federal, state or local taxes of any kind required by law to be withheld with respect to any such payment.

(b) This Agreement is intended to comply with the requirements of Section 409A of the Code, and shall be interpreted and construed consistently with such intent. The payments to the Executive pursuant to this Agreement are also intended to be exempt from Section 409A of the Code to the maximum extent possible, under either the separation pay exemption pursuant to Treasury Regulation Section 1.409A-1(b)(9)(iii), as short-term deferrals pursuant to Treasury Regulation Section 1.409A-1(b)(4) or otherwise. In the event the terms of this Agreement would subject the Executive to additional income taxes, interest or penalties under

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Section 409A of the Code (“409A Penalties”), the Corporation and the Executive shall cooperate diligently to amend the terms of the Agreement to avoid such 409A Penalties, to the extent possible. To the extent any amounts under this Agreement are payable by reference to Executive’s “termination,” “termination of employment” or similar phrases, such term shall be deemed to refer to the Executive’s “separation from service” (as defined in Treasury Regulation Section 1.409A-1(h) (without regard to any permissible alternative definition thereunder) with the Corporation and all entities treated as a single employer with the Corporation under Sections 414(b) and (c) of the Code but substituting a 50% ownership level for the 80% ownership level set forth therein). Notwithstanding any other provision in this Agreement, including but not limited to Sections 5 and 6, if the Executive is a “Specified Employee” (as defined Treasury Regulation Section 1.409A-1(i) on December 31st of the prior calendar year) as of the date of the Executive’s separation from service, then to the extent any amount payable under this Agreement (i) constitutes the payment of nonqualified deferred compensation, within the meaning of Section 409A of the Code, (ii) is payable upon the Executive’s separation from service, and (iii) under the terms of this Agreement would be payable prior to the six-month anniversary of the Executive’s separation from service, such payment shall be delayed and paid to the Executive, on the first day of the first calendar month beginning at least six months following the date of termination, or, if earlier, within ninety (90) days following the Executive’s death to the Executive’s surviving spouse (or such other beneficiary as the Executive may designate in writing). Any reimbursement or advancement payable to the Executive pursuant to this Agreement shall be conditioned on the submission by the Executive of all expense reports reasonably required by the Corporation under any applicable expense reimbursement policy, and shall be paid to the Executive within thirty (30) days following receipt of such expense reports, but in no event later than the last day of the calendar year following the calendar year in which the Executive incurred the reimbursable expense. Any amount of expenses eligible for reimbursement, or in-kind benefit provided, during a calendar year shall not affect the amount of expenses eligible for reimbursement, or in-kind benefit to be provided, during any other calendar year. No right to any reimbursement or in-kind benefit pursuant to this Agreement shall not be subject to liquidation or exchange for any other benefit.

#### **9. PROTECTION OF CONFIDENTIAL INFORMATION**

The Executive hereby agrees that, during his employment with the Corporation and thereafter, he shall not, directly or indirectly, disclose or make available to any person, firm, corporation, association or other entity for any reason or purpose whatsoever, any Confidential Information (defined below). The Executive further agrees that, upon the date of the Executive’s termination, all Confidential Information in his possession that is in written or other tangible form shall be returned to the Corporation and shall not be retained by the Executive or furnished to any third party, in any form except as provided herein. Notwithstanding the foregoing, this Section 9 shall not apply to Confidential Information that (i) was publicly known at the time of disclosure to the Executive, (ii) becomes publicly known or available thereafter other than by any means in violation of this Agreement or any other duty owed to the Corporation by the Executive, (iii) is lawfully disclosed to the Executive by a third party, or (iv) is required to be disclosed by law or by any court, arbitrator or administrative or legislative body with actual or apparent jurisdiction to order the Executive to disclose or make accessible any information. As used in this Agreement, Confidential Information means, without limitation, any non-public confidential or proprietary information disclosed to Executive or known by the Executive as a consequence of or through the Executive’s relationship with the Corporation, in any form, including electronic or print media. Confidential Information also includes, but is not limited to the Corporation’s business plans and financial information, marketing plans, and business opportunities. Nothing herein shall limit in any way any obligation the Executive may have relating to Confidential Information under any other agreement or promise to the Corporation.

The Executive recognizes that because his work for the Corporation will bring him into contact with confidential and proprietary information of the Corporation, the restrictions of this Section 9 are required for the reasonable protection of the Corporation and its investments and for the Corporation’s reliance on and confidence in the Executive.

#### **10. COVENANT NOT TO COMPETE**

The Executive hereby agrees that he will not, either during the Term or at all times until one year from the time his employment ceases, or, if later, during any period in which he is receiving any severance or change in control payments under Sections 5(a) or 6 (the “Restricted Period”), engage in any business activities on behalf of or for any enterprise which competes with the Corporation in the business of (i) ownership or operation of Health Care Facilities (defined below); (ii) investment in or lending to any health care related enterprises (including, without limitation, owners or developers of Health Care Facilities); (iii) management of Health Care Facilities;

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or (iv) provision of any planning or development services for Health Care Facilities. "Health Care Facilities" means any senior housing facilities or facilities used or intended primarily for the delivery of health care services, including, without limitation, any active adult communities, independent living facilities, assisted living facilities, skilled nursing facilities, inpatient rehabilitation facilities, ambulatory surgery centers, medical office buildings, hospitals of any kind, or any similar types of facilities or projects. The Executive will be deemed to be engaged in such competitive business activities if he participates in such a business enterprise as an employee, officer, director, consultant, agent, partner, proprietor, or other participant; provided that the ownership of no more than two percent (2%) of the stock of a publicly traded corporation engaged in a competitive business shall not be deemed to be engaging in competitive business activities.

During the Restricted Period, Executive will be prohibited, to the fullest extent allowed by applicable law, from directly or indirectly, individually or on behalf of any person or entity, encouraging, inducing, attempting to induce, recruiting, attempting to recruit, soliciting or attempting to solicit or participating in any way in hiring or retaining for employment, contractor or consulting opportunities anyone who is employed at that time by the Corporation or any subsidiary or affiliate.

During the Restricted Period, Executive will not make or authorize anyone else to make on Executive's behalf any disparaging or untruthful remarks or statements, whether oral or written, about the Corporation, its operations or its products, services, affiliates, officers, directors, employees, or agents, or issue any communication that reflects adversely on or encourages any adverse action against the Corporation. Executive will not make any direct or indirect written or oral statements to the press, television, radio or other media or other external persons or entities concerning any matters pertaining to the business and affairs of the Corporation, its affiliates or any of its officers or directors.

#### **11. INJUNCTIVE RELIEF**

The Executive acknowledges and agrees that it would be difficult to fully compensate the Corporation for damages resulting from the breach or threatened breach of the covenants set forth in Sections 9 and 10 of this Agreement and accordingly agrees that the Corporation shall be entitled to temporary and injunctive relief, including temporary restraining orders, preliminary injunctions and permanent injunctions, without the need to post any bond, to enforce such provisions in any action or proceeding instituted in the United States District Court for the Northern District of Ohio or in any court in the State of Ohio having subject matter jurisdiction. This provision with respect to injunctive relief shall not, however, diminish the Corporation's right to claim and recover damages.

It is expressly understood and agreed that although the parties consider the restrictions contained in this Agreement to be reasonable, if a court determines that a restriction on time or territory or any other restriction contained in this Agreement is an unenforceable restriction on the activities of the Executive, no such provision of this Agreement shall be rendered void but shall be deemed amended to apply as to such maximum time and territory and to such extent as such court may judicially determine or indicate to be reasonable.

#### **12. NOTICES**

All notices or communications hereunder shall be in writing and sent by overnight courier, certified mail, or registered mail (return receipt requested), postage prepaid, addressed as follows (or to such other address as such party may designate in writing from time to time):

If to the Corporation:

Health Care REIT, Inc.

4500 Dorr Street

Toledo, OH 43615

Attention: General Counsel

If to the Executive, at the address on file with the Corporation's Human Resources department.

The actual date of mailing, as shown by a mailing receipt therefor, shall determine the time at which notice was given.

#### **13. SEPARABILITY**

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If any provision of this Agreement shall be declared to be invalid or unenforceable, in whole or in part, such invalidity or unenforceability shall not affect the remaining provisions hereof which shall remain in full force and effect.

**14. ASSIGNMENT**

This Agreement shall be binding upon and inure to the benefit of the heirs and representatives of the Executive and the assigns and successors of the Corporation; neither this Agreement nor any rights or obligations hereunder shall be assignable or otherwise subject to hypothecation by the Executive.

**15. ENTIRE AGREEMENT**

This Agreement represents the entire agreement of the parties and shall supersede any and all previous contracts, arrangements or understandings between the Corporation and the Executive. The Agreement may be amended at any time by mutual written agreement of the parties hereto.

**16. GOVERNING LAW**

This Agreement shall be construed, interpreted, and governed in accordance with the laws of the State of Ohio.

**IN WITNESS WHEREOF**, the Corporation has caused this Agreement to be duly executed, and the Executive has hereunto set his hand, as of the day and year above written.

**HEALTH CARE REIT INC.**

By: /s/ Jeffrey H. Miller

Name: Jeffrey H. Miller

Title: Executive Vice President – Operations and General Counsel

**EXECUTIVE:**

/s/ Thomas J. DeRosa

Thomas J. DeRosa

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## HEALTH CARE REIT, INC.

## 2013-2015 LONG-TERM INCENTIVE PROGRAM

## As Amended and Restated

1. **Purpose.** This 2013-2015 Long-Term Incentive Program (the "Program") is adopted pursuant to the Amended and Restated Health Care REIT, Inc. 2005 Long-Term Incentive Plan (the "Equity Plan") and any successor equity plan and is intended to provide an incentive for superior work and to motivate executive employees of Health Care REIT, Inc. (the "Company") toward even higher achievement and business results, to tie their goals and interests to those of the Company's stockholders and to enable the Company to attract and retain highly qualified executives and employees. The Program is for the benefit of Participants (as defined below). The Program is hereby amended and restated in its entirety as of January 1, 2014 to remove the use of individual performance as a factor for determining the amount of Earned Awards under the Plan.

2. **Definitions.** Capitalized terms used herein without definitions shall have the meanings given to those terms in the Equity Plan. In addition, as used herein:

"Award" means a grant to a Participant hereunder.

"Award Notice" means a notice or agreement provided to a Participant that sets forth the terms, conditions and limitations of the Participant's participation in the Program, including, without limitation, the Participant's Target Award.

"Cause" for termination of the Participant's employment for purposes of Section 6 means: (a) if the Participant is a party to an employment agreement with the Company immediately prior to such termination, and "Cause" is defined therein, then "Cause" shall have the meaning set forth in such employment agreement, or (b) if the Participant is not party to an employment agreement with the Company immediately prior to such termination or the Participant's employment agreement does not define "Cause," then "Cause" shall mean: (i) gross negligence or willful misconduct by the Participant in connection with the performance of his or her material duties as an employee of the Company or any Subsidiary; (ii) a breach by the Participant of any of his or her material duties as an employee of the Company or any Subsidiary or a failure of the Participant to cure such breach within 30 days after written notice thereof by the Company or any Subsidiary; (iii) conduct by the Participant against the material best interests of the Company or any Subsidiary or a material act of statutory or common law fraud against the Company, any Subsidiary or the employees of the Company or any Subsidiary; or (iv) indictment of the Participant of a felony or a misdemeanor involving moral turpitude and such indictment has a material adverse effect on the interests or reputation of the Company or any Subsidiary.

"Change in Corporate Control" shall have the same meaning as set forth in Section 10.1(a) (but substituting "fifty percent (50%)" for "twenty percent (20%)" in Section 10.1(c) of the Equity Plan.

"Class A Participant" means the Chairman and Chief Executive Officer.

"Class B Participant" means a Participant who is an Executive Vice President.

"Class C Participant" means a Participant who is a Senior Vice President.

"Code" means the Internal Revenue Code of 1986, as amended.

"Disability" for termination of the Participant's employment for purposes of Section 6 means (a) if the Participant is a party to an employment agreement with the Company immediately prior to such termination, and "Disability" is defined therein, then "Disability" shall have the meaning set forth in such employment agreement, or (b) if the Participant is not party to an employment agreement with the Company that defines "Disability," then "Disability" shall have the same meaning as defined in the Equity Plan.

"Dividend Value" means the aggregate amount of dividends and other distributions paid on one Share for which the record date occurred on or after the first day of the Performance Period and prior to the Issuance Date for the Performance Period (excluding dividends and distributions paid in the form of additional Shares).

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“Earned Award” means, with respect to a Participant, the actual number of shares of Restricted Stock that were earned by such Participant pursuant to this Plan at the end of the Performance Period.

“EBITDA” means earnings before interest, taxes, depreciation and amortization of the Company, as adjusted and calculated in accordance with the Company accounting principles.

“Equity Plan” means the Amended and Restated Health Care REIT, Inc. 2005 Long-Term Incentive Plan, as amended from time to time.

“FAD” means normalized funds available for distribution of the Company, as adjusted and calculated in accordance with the Company’s accounting principles.

“FFO” means normalized funds from operations, as adjusted and calculated in accordance with the Company’s accounting principles.

“Good Reason” for termination of the Participant’s employment for purposes of Section 6 means: (a) if the Participant is a party to an employment agreement with the Company immediately prior to such termination, and “good reason” is defined therein, then “Good Reason” shall have the meaning set forth in such employment agreement, or (b) if the Participant is not party to an employment agreement with the Company immediately prior to such termination and/or the Participant’s employment agreement does not define “Good Reason”: (i) a substantial adverse change, not consented to by the Participant, in the nature or scope of the Participant’s responsibilities, authorities, powers, functions, or duties; (ii) a breach by the Company of any of its material obligations hereunder; or (iii) a material change in the geographic location which the Participant must perform his or her services. Unless otherwise provided in an employment agreement to which the Participant is a party immediately prior to such termination, to constitute “good reason termination,” the Participant must: (1) provide written notice to the Company within 90 days of the initial existence of the event constituting “Good Reason;” (2) may not terminate his or her employment unless the Company fails to remedy the event constituting “Good Reason” within 30 days after such notice has been given; and (3) the Participant must terminate employment with the Company no later than 30 days after the end of the 30-day period in which the Company fails to remedy the event constituting “Good Reason.”

“Participant” means an executive or employee of the Company or any Subsidiary selected by the Compensation Committee to participate in the Program.

“Performance Peers” means HCP, Inc. and Ventas, Inc.

“Performance Period” means the period commencing on January 1, 2013 and concluding on the earlier of (i) December 31, 2015, or (ii) a Change in Corporate Control.

“Program” means this Health Care REIT, Inc. 2013-2015 Long-Term Incentive Program, as amended from time to time.

“Qualified Termination” means termination of a Participant’s employment for Good Reason, by reason of the Participant’s death, Disability, by the Company without Cause, Retirement and in the case of a Participant who is party to an employment agreement with the Company, a non-renewal by the Company of the term of the agreement.

“Retirement” means the voluntary termination of employment by a Participant after attaining age 55 and if the sum of the Participant’s age and years of service with the Company is equal to 65 or more; provided that the Participant delivers to the Company, at least six months (90 days in the case of the Class A Participant) prior to the date of his or her retirement, written notice specifying such retirement date and the Participant remains in the continuous service of the Company from the date of the notice provided until his or her retirement date.

“Share Price” means the average of the closing prices per Share for the last 20 trading days for each calendar year in the Performance Period; provided that (i) if the determination date is the date upon which a Change in Corporate Control occurs, the average of the closing prices per Share for the last 20 trading days of each completed calendar year in the Performance Period and the last 20 trading days ending immediately prior to the date of the Change in Corporate Control, and (ii) if the determination date is the date of a Participant’s Qualified Termination, the average of the closing prices per Share for the last 20 trading days of each completed calendar year in the Performance Period and the last 20 trading days ending immediately prior to the date of the Participant’s Qualified Termination.

“Shares” means shares of common stock, par value \$1.00 per share, of the Company.

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“**Target Award**” means a Participant’s target award, expressed in dollars, for the Performance Period, as set forth in the Participant’s Award Notice.

3. **Administration**

(a) The Program shall be administered by the Compensation Committee in accordance with the Equity Plan. The Compensation Committee have the discretionary authority to make all determinations (including, without limitation, the interpretation and construction of the Program and the determination of relevant facts) regarding the entitlement to any Award hereunder and the amount of any Award to be paid under the Program (including the number of shares of Restr Stock issuable to any Participant), provided such determinations are made in good faith and are consistent with the terms, purpose and intent of the Program. In part but without limitation and subject to the foregoing, the Compensation Committee shall have the authority:

- (i) to select Participants under the Program;
- (ii) to determine the Target Award and any formula or criteria for the determination of the Target Award for each Participant and to determine the Earned Award;
- (iii) to determine the terms and conditions, consistent with the terms of this Program, which shall govern Award Notices and all other written instruments evidencing an Award hereunder, including the waiver or modification of any such conditions;
- (iv) to adopt, alter and repeal such administrative rules, guidelines and practices governing the Program as it shall from time to time advisable; and
- (v) to interpret the terms and provisions of the Program and any Award granted under the Program (and any Award Notices or other agreements relating thereto) and to otherwise supervise the administration of the Program.

(b) Subject to the terms hereof, all decisions made by the Compensation Committee in good faith pursuant to the Program shall be final, conc and binding on all persons, including the Company and the Participants. No member of the Compensation Committee, nor any officer or employee of the Company a on behalf of the Compensation Committee, shall be personally liable for any action, determination, or interpretation taken or made in good faith with respect to this Program, and all members of the Compensation Committee and each and any officer or employee of the Company acting on their behalf shall, to the extent permitted law, be fully indemnified and protected by the Company in respect of any such action, determination or interpretation.

4. **Determination of Awards**

(a) Each Participant’s Award Notice shall specify such Participant’s Target Award.

(b) The percentage of a Participant’s Target Award that may be earned for the Performance Period shall be determined based on the weighted average score of the Company for the Performance Period with respect to the corporate metrics established by the Compensation Committee.

(i) Depending on the weighted average score for the corporate metrics, the percentage of a Class A Participant’s Target Award that earned for the Performance Period shall be determined as follows:

<b>Threshold</b>	<b>Target</b>	<b>High</b>	<b>Extraordinary</b>
28.3%	100%	205.66%	266%

For performance between two different tiers, the percentage payable shall be calculated using interpolation between tiers.

(ii) Depending on the weighted average score for the corporate metrics, the percentage of a Class B Participant’s Target Award that earned for the Performance Period shall be determined as follows:



Threshold	Target	High	Extraordinary
40%	100%	150%	200%

For performance between two different tiers, the percentage payable shall be calculated using interpolation between tiers.

(iii) Depending on the weighted average score for the corporate metrics, the percentage of a Class C Participant's Target Award that is earned for the Performance Period shall be determined as follows:

Threshold	Target	High	Extraordinary
33.34%	100%	166.67%	216.67%

For performance between two different tiers, the percentage payable shall be calculated using interpolation between tiers.

5. **Change in Corporate Control.** In the event that prior to the end of the Performance Period, a Change in Corporate Control occurs, then each outstanding Award will be deemed earned as of the date of such Change in Corporate Control in accordance with the computation described in Section 4(b) as if the Performance Period ended on the day prior to the consummation of the Change in Corporate Control (for those corporate metrics calculated on an annual basis, the most recent quarter annualized will be considered). Any Shares issued to satisfy outstanding Awards shall be fully vested and nonforfeitable.

6. **Termination of Participant's Employment.**

(a) Except as otherwise set forth in a Participant's Award Notice, if a Participant's employment with the Company terminates, the provisions of Section 6 shall govern the treatment of the Participant's Award exclusively, regardless of the provision of any employment, change in control or other agreement or arrangement to which the Participant is a party, or any termination or severance policies of the Company then in effect, which shall be superseded by this Program.

(b) In the event of termination of a Participant's employment by reason of a Qualified Termination prior to the end of the Performance Period, the Compensation Committee shall determine the Participant's outstanding Award in accordance with the computation described in Section 4(b) as if the Performance Period ended on the calendar quarter end immediately preceding the date of the Participant's Qualified Termination (for those corporate metrics calculated on an annual basis, the most recent quarter annualized will be considered); provided, however, that the Earned Award of such terminated Participant for the Performance Period shall be multiplied by a fraction, the numerator of which shall be the number of full and partial months in which the Participant was employed by the Company in the Performance Period and the denominator of which shall be 36. The pro-rated Earned Award shall be paid out in Shares that are not subject to any risk of forfeiture. Such terminated Participant shall also receive a cash payment in an amount determined pursuant to the provisions of Section 7(b) but taken into account only dividends through the date of the Qualified Termination.

(c) In the event of termination of a Participant's employment by reason of a Qualified Termination after the end of the Performance Period, a Restricted Stock granted to the Participant under this Program shall become fully vested and nonforfeitable.

(d) In the event of a termination of a Participant's employment for any reason other than a Qualified Termination prior to the end of the Performance Period, except as otherwise set forth in the Participant's Award Notice, the Award held by the Participant for the Performance Period shall, without payment of any consideration by the Company, automatically and without notice terminate, be forfeited and become null and void, and neither the Participant nor any of his or her successors, heirs, assigns, or personal representatives will thereafter have any further rights or interests in such Award. In the event of a termination of a Participant's employment for any reason other than a Qualified Termination after the end of the Performance Period, except as otherwise set forth in the Participant's restricted stock award agreement, any shares of Restricted Stock granted under Section 7 that remain subject to risk of forfeiture shall be forfeited.

7. **Payment of Awards.**

(a) As soon as practicable following the end of the Performance Period, the Compensation Committee shall determine the size of each Participant's Earned Award, if any, with respect to the Performance Period (with the date of such determination being referred to as the "Issuance Date"). In no event shall the Issuance Date with respect to the Performance Period be



later than 74 days after the end of the Performance Period; provided that (i) in the case of the Performance Period that ends upon a Change in Corporate Control, the Issuance Date shall be no later than immediately prior to the consummation of the Change in Corporate Control, and (ii) in the case of a determination required by Section 6(b), the Issuance Date shall be no later than 74 days after the date of the Participant's Qualified Termination.

(b) On the Issuance Date, the Company shall issue to each Participant (or such Participant's estate or beneficiary, if applicable) a number of shares of Restricted Stock equal to the dollar value of the Earned Award divided by the Share Price. Except as otherwise provided in Sections 5 and 6, one-third of such shares shall be immediately vested and nonforfeitable, one-third of such shares shall become fully vested and nonforfeitable on December 31, 2016, and one-third of such shares shall become fully vested and nonforfeitable on December 31, 2017, subject to continued employment of the Participant through each such date. On the Issuance Date, the Company shall also pay in cash to each Participant (or such Participant's estate or beneficiary, if applicable) an amount equal to the Dividend Value for the Performance Period multiplied by the number of shares issued pursuant to the preceding sentence.

8. **Adjustments.** Without duplication with the provisions of Section 3 of the Equity Plan, if (i) the Company shall at any time be involved in a merger, consolidation, dissolution, liquidation, reorganization, exchange of Shares, sale of all or substantially all of the assets or Shares of the Company or a transaction similar thereto, (ii) any stock dividend, stock split, reverse stock split, stock combination, reclassification, recapitalization, or other similar change in the capital structure of the Company, or any distribution to holders of Shares other than ordinary cash dividends, shall occur or (iii) any other event shall occur which in the judgment of the Compensation Committee necessitates action by way of adjusting the terms of the Program, then and in that event, the Compensation Committee shall take such action as shall be necessary to maintain the Participants' rights hereunder so that they are substantially the same rights existing under this Program prior to such event.

9. **Restrictions and Conditions.** Subject to the provisions of the Equity Plan and this Program, except as may otherwise be permitted by the Compensation Committee, a Participant shall not be permitted voluntarily or involuntarily to sell, assign, transfer, or otherwise encumber or dispose of the Restricted Stock or an Award; provided that the foregoing restriction shall not apply to Shares actually issued to a Participant pursuant to Section 7 above that are no longer subject to forfeiture.

10. **Withholding of Tax.** Each Participant shall, not later than the date as of which vesting or payment in respect of an Award becomes a taxable event for Federal income tax purposes, pay to the Company or make arrangements satisfactory to the Company for payment of any Federal, state and local taxes required by law to be withheld on account of such taxable event. The Company shall have the authority to cause the required minimum tax withholding obligation to be satisfied by withholding a number of Shares to be issued to a Participant with an aggregate Fair Market Value that would satisfy the withholding amount due. The Company's obligation to deliver stock certificates (or evidence of book entry) to any Participant is subject to and conditioned on tax withholding obligations being satisfied by such Participant.

11. **Miscellaneous.**

(a) **Amendment and Termination.** The Company reserves the right to amend or terminate the Program at any time in its discretion without the consent of any Participant, but no such amendment shall adversely affect the rights of the Participants with regard to outstanding Awards.

(b) **No Contract for Continuing Services.** This Program shall not be construed as creating any contract for continued services between the Company or any of its Subsidiaries and any Participant and nothing herein contained shall give any Participant the right to be retained as an employee or consultant of the Company or any of its Subsidiaries.

(c) **Governing Law.** The Program and each Award Notice awarded under the Program shall be construed in accordance with and governed by the laws of the State of Ohio, without regard to principles of conflict of laws of such state.

(d) **Construction.** Wherever appropriate, the use of the masculine gender shall be extended to include the feminine and/or neuter or vice versa; the singular form of words shall be extended to include the plural; and the plural shall be restricted to mean the singular.

(e) **Headings.** The Section headings and Section numbers are included solely for ease of reference. If there is any conflict between such headings and numbers and the text of this Program, the text shall control.

(f) **Effect on Other Plans.** Nothing in this Program shall be construed to limit the rights of Participants under the Company's or its Subsidiaries' other benefit plans, programs or policies.

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(g) Clawback Policy. All Awards granted under this Program shall be subject to forfeiture (as determined by the Compensation Committee) accordance with the terms of the Company's clawback or recoupment policy (as in effect from time to time).

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

(dollars in thousands)	Year Ended December 31,					Three Months Ended March	
	2009	2010	2011	2012	2013	2013	2014
<b>Earnings:</b>							
Pretax income from continuing operations before adjustment for income or loss from equity investees <sup>(1)</sup>	\$ 102,612	\$ 32,976	\$ 112,203	\$ 185,912	\$ 102,245	\$ (11,785)	\$
Fixed charges	104,824	134,905	290,240	359,947	460,918	106,949	1
Capitalized interest	(41,170)	(20,792)	(13,164)	(9,777)	(6,700)	(1,606)	
Amortized premiums, discounts and capitalized expenses related to indebtedness	11,898	13,945	13,905	11,395	4,142	3,495	
Noncontrolling interest in pre-tax income of subsidiaries that have not incurred fixed charges	342	(357)	4,894	2,415	6,770	(139)	
<b>Earnings</b>	<b>\$ 178,506</b>	<b>\$ 160,677</b>	<b>\$ 408,078</b>	<b>\$ 549,892</b>	<b>\$ 567,375</b>	<b>\$ 96,914</b>	<b>\$</b>
<b>Fixed charges:</b>							
Interest expense <sup>(1)</sup>	\$ 75,552	\$ 128,058	\$ 290,981	\$ 361,565	\$ 458,360	\$ 108,838	\$ 1
Capitalized interest	41,170	20,792	13,164	9,777	6,700	1,606	
Amortized premiums, discounts and capitalized expenses related to indebtedness	(11,898)	(13,945)	(13,905)	(11,395)	(4,142)	(3,495)	
<b>Fixed charges</b>	<b>\$ 104,824</b>	<b>\$ 134,905</b>	<b>\$ 290,240</b>	<b>\$ 359,947</b>	<b>\$ 460,918</b>	<b>\$ 106,949</b>	<b>\$ 1</b>
<b>Consolidated ratio of earnings to fixed charges</b>	<b>1.70</b>	<b>1.19</b>	<b>1.41</b>	<b>1.53</b>	<b>1.23</b>	<b>0.91</b>	
<b>Earnings:</b>							
Pretax income from continuing operations before adjustment for income or loss from equity investees <sup>(1)</sup>	\$ 102,612	\$ 32,976	\$ 112,203	\$ 185,912	\$ 102,245	\$ (11,785)	\$
Fixed charges	104,824	134,905	290,240	359,947	460,918	106,949	1
Capitalized interest	(41,170)	(20,792)	(13,164)	(9,777)	(6,700)	(1,606)	
Amortized premiums, discounts and capitalized expenses related to indebtedness	11,898	13,945	13,905	11,395	4,142	3,495	
Noncontrolling interest in pre-tax income of subsidiaries that have not incurred fixed charges	342	(357)	4,894	2,415	6,770	(139)	
<b>Earnings</b>	<b>\$ 178,506</b>	<b>\$ 160,677</b>	<b>\$ 408,078</b>	<b>\$ 549,892</b>	<b>\$ 567,375</b>	<b>\$ 96,914</b>	<b>\$ 1</b>
<b>Fixed charges:</b>							
Interest expense <sup>(1)</sup>	\$ 75,552	\$ 128,058	\$ 290,981	\$ 361,565	\$ 458,360	\$ 108,838	\$ 1
Capitalized interest	41,170	20,792	13,164	9,777	6,700	1,606	
Amortized premiums, discounts and capitalized expenses related to indebtedness	(11,898)	(13,945)	(13,905)	(11,395)	(4,142)	(3,495)	
Fixed charges	104,824	134,905	290,240	359,947	460,918	106,949	1
Preferred stock dividends	22,079	21,645	60,502	69,129	66,336	16,602	
<b>Combined fixed charges and preferred stock dividends</b>	<b>\$ 126,903</b>	<b>\$ 156,550</b>	<b>\$ 350,742</b>	<b>\$ 429,076</b>	<b>\$ 527,254</b>	<b>\$ 123,551</b>	<b>\$ 1</b>
<b>Consolidated ratio of earnings to combined fixed charges and preferred stock dividends</b>	<b>1.41</b>	<b>1.03</b>	<b>1.16</b>	<b>1.28</b>	<b>1.08</b>	<b>0.78</b>	

(1) We have reclassified the income and expenses attributable to the properties sold prior to or held for sale at January 1, 2014 to discontinued operations.





## CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, **Thomas J. DeRosa**, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Health Care REIT, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within the registrant, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 8, 2014

/s/ THOMAS J. DEROSA

Thomas J. DeRosa,  
Chief Executive Officer







## CERTIFICATION OF CHIEF FINANCIAL OFFICER

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

1. I have reviewed this quarterly report on Form 10-Q of Health Care REIT, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within the registrant's entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 8, 2014

/s/ SCOTT A. ESTES

Scott A. Estes,  
Chief Financial Officer

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

I, Thomas J. DeRosa, the Chief Executive Officer of Health Care REIT, Inc. (the "Company"), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350), that (i) the Quarterly Report on Form 10-Q for the Company for the quarter ended March 31, 2014 (the "Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ THOMAS J. DEROSA

\_\_\_\_\_  
Thomas J. DeRosa,  
Chief Executive Officer  
Date: May 8, 2014

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

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

I, Scott A. Estes, the Chief Financial Officer of Health Care REIT, Inc. (the "Company"), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350), that (i) the Quarterly Report on Form 10-Q for the Company for the quarter ended March 31, 2014 (the "Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ SCOTT A. ESTES

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Scott A. Estes,

Chief Financial Officer

Date: May 8, 2014

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

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