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 June 30, 2014**

**or**

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

**For the transition period from __________to __________**

**Commission file number: 1-8923**

# HEALTH CARE REIT, INC.

(Exact name of registrant as specified in its charter)

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

**(419) 247-2800**
(Registrant's telephone number, including area code)

**Not Applicable**

(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 such filing requirements for the past 90 days. Yes ☑ No o

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

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

| | | | |
|---|---|---|---|
| Large accelerated filer ☑ | Accelerated filer o | Non-accelerated filer o<br>(Do not check if a smaller reporting company) | Smaller reporting company o |

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

As of July 25, 2014, the registrant had 308,544,842 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)

| | June 30, 2014 (Unaudited) | December 31, 2013 (Note) |
|---|---|---|
| Assets: | | |
| Real estate investments: | | |
| Real property owned: | | |
| Land and land improvements | $ 1,916,820 | $ 1,878,877 |
| Buildings and improvements | 21,151,624 | 20,625,515 |
| Acquired lease intangibles | 1,084,703 | 1,070,754 |
| Real property held for sale, net of accumulated depreciation | 77,436 | 18,502 |
| Construction in progress | 124,073 | 141,085 |
| Gross real property owned | 24,354,656 | 23,734,733 |
| Less accumulated depreciation and amortization | (2,809,530) | (2,386,658) |
| Net real property owned | 21,545,126 | 21,348,075 |
| Real estate loans receivable | 367,186 | 332,146 |
| Net real estate investments | 21,912,312 | 21,680,221 |
| Other assets: | | |
| Investments in unconsolidated entities | 680,558 | 479,629 |
| Goodwill | 68,321 | 68,321 |
| Deferred loan expenses | 65,479 | 70,875 |
| Cash and cash equivalents | 207,354 | 158,780 |
| Restricted cash | 65,139 | 72,821 |
| Receivables and other assets | 574,727 | 553,310 |
| Total other assets | 1,661,578 | 1,403,736 |
| Total assets | $ 23,573,890 | $ 23,083,957 |
| | | |
| Liabilities and equity | | |
| Liabilities: | | |
| Borrowings under unsecured line of credit arrangement | $ 0 | $ 130,000 |
| Senior unsecured notes | 7,411,243 | 7,379,308 |
| Secured debt | 2,850,103 | 3,058,248 |
| Capital lease obligations | 83,850 | 84,458 |
| Accrued expenses and other liabilities | 678,400 | 640,573 |
| Total liabilities | 11,023,596 | 11,292,587 |
| Redeemable noncontrolling interests | 35,404 | 35,039 |
| Equity: | | |
| Preferred stock | 1,006,250 | 1,017,361 |
| Common stock | 308,355 | 289,461 |
| Capital in excess of par value | 13,524,621 | 12,418,520 |
| Treasury stock | (32,289) | (21,263) |
| Cumulative net income | 2,484,425 | 2,329,869 |
| Cumulative dividends | (5,096,110) | (4,600,854) |
| Accumulated other comprehensive income (loss) | (18,642) | (24,531) |
| Other equity | 6,159 | 6,020 |
| Total Health Care REIT, Inc. stockholders' equity | 12,182,769 | 11,414,583 |
| Noncontrolling interests | 332,121 | 341,748 |
| Total equity | 12,514,890 | 11,756,331 |
| Total liabilities and equity | $ 23,573,890 | $ 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 June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| Revenues: | | | | |
| Rental income | $ 347,847 | $ 298,873 | $ 684,303 | $ 591,516 |
| Resident fees and services | 467,639 | 370,995 | 923,904 | 698,319 |
| Interest income | 8,933 | 7,640 | 17,527 | 16,696 |
| Other income | 2,027 | 1,025 | 2,520 | 1,725 |
| Total revenues | 826,446 | 678,533 | 1,628,254 | 1,308,256 |
| Expenses: | | | | |
| Interest expense | 121,065 | 109,465 | 241,898 | 218,303 |
| Property operating expenses | 343,754 | 277,958 | 685,185 | 530,780 |
| Depreciation and amortization | 214,449 | 198,062 | 447,766 | 382,750 |
| General and administrative | 51,660 | 23,902 | 84,524 | 51,081 |
| Transaction costs | 7,040 | 28,136 | 7,993 | 94,116 |
| Loss (gain) on derivatives, net | 351 | (2,716) | 351 | (407) |
| Loss (gain) on extinguishment of debt, net | 531 | - | 383 | (308) |
| Total expenses | 738,850 | 634,807 | 1,468,100 | 1,276,315 |
| Income (loss) from continuing operations before income taxes and income from unconsolidated entities | 87,596 | 43,726 | 160,154 | 31,941 |
| Income tax (expense) benefit | (1,569) | (1,215) | (3,830) | (3,978) |
| Income (loss) from unconsolidated entities | (11,516) | (5,461) | (17,073) | (3,198) |
| Income (loss) from continuing operations | 74,511 | 37,050 | 139,251 | 24,765 |
| Discontinued operations: | | | | |
| Gain (loss) on sales of discontinued properties, net | 6,411 | (29,997) | 6,411 | 52,495 |
| Income (loss) from discontinued operations, net | 264 | 128 | 724 | 1,720 |
| Discontinued operations, net | 6,675 | (29,869) | 7,135 | 54,215 |
| Gain (loss) on real estate dispositions, net | 6,668 | - | 6,668 | - |
| Net income | 87,854 | 7,181 | 153,054 | 78,980 |
| Less: Preferred stock dividends | 16,352 | 16,602 | 32,705 | 33,203 |
| Less: Net income (loss) attributable to noncontrolling interests[1] | (327) | (913) | (1,502) | (774) |
| Net income (loss) attributable to common stockholders | $ 71,829 | $ (8,508) | $ 121,851 | $ 46,551 |
| Average number of common shares outstanding: | | | | |
| Basic | 296,256 | 273,091 | 293,046 | 266,602 |
| Diluted | 297,995 | 276,481 | 294,590 | 266,602 |
| Earnings per share: | | | | |
| Basic: | | | | |
| Income (loss) from continuing operations attributable to common stockholders, including real estate dispositions | $ 0.22 | $ 0.08 | $ 0.39 | $ (0.03) |
| Discontinued operations, net | 0.02 | (0.11) | 0.02 | 0.20 |
| Net income (loss) attributable to common stockholders* | $ 0.24 | $ (0.03) | $ 0.42 | $ 0.17 |
| Diluted: | | | | |
| Income (loss) from continuing operations attributable to common stockholders, including real estate dispositions | $ 0.22 | $ 0.08 | $ 0.39 | $ (0.03) |
| Discontinued operations, net | 0.02 | (0.11) | 0.02 | 0.20 |
| Net income (loss) attributable to common stockholders* | $ 0.24 | $ (0.03) | $ 0.41 | $ 0.17 |
| Dividends declared and paid per common share | $ 0.795 | $ 0.765 | $ 1.590 | $ 1.530 |

* 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 (UNAUDITED)**
**HEALTH CARE REIT, INC. AND SUBSIDIARIES**
(In thousands)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| Net income | $ 87,854 | $ 7,181 | $ 153,054 | $ 78,980 |
| Other comprehensive income (loss): | | | | |
| Unrecognized gain (loss) on equity investments | (160) | (258) | 389 | (86) |
| Unrealized gains (losses) on cash flow hedges | 432 | 472 | 872 | 943 |
| Foreign currency translation gain (loss) | 13,109 | (20,751) | 3,220 | (43,457) |
| Total other comprehensive income (loss) | 13,381 | (20,537) | 4,481 | (42,600) |
| Total comprehensive income (loss) | 101,235 | (13,356) | 157,535 | 36,380 |
| Less: Total comprehensive income (loss) attributable to noncontrolling interests[1] | 6,277 | (5,367) | (2,910) | (5,228) |
| Total comprehensive income (loss) attributable to common stockholders | $ 94,958 | $ (7,989) | $ 160,445 | $ 41,608 |

(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)

| | Six Months Ended June 30, 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) | | | | | 154,556 | | | | (1,351) | 153,205 |
| Other comprehensive income | | | | | | | 5,889 | | (1,408) | 4,481 |
| Total comprehensive income | | | | | | | | | | 157,686 |
| Net change in noncontrolling interests | | | (4,680) | | | | | | (6,868) | (11,548) |
| Amounts related to issuance of common stock from dividend reinvestment and stock incentive plans, net of forfeitures | | 2,561 | 147,486 | (11,026) | | | | (320) | | 138,701 |
| Proceeds from issuance of common stock | | 16,100 | 952,417 | | | | | | | 968,517 |
| Conversion of preferred stock | (11,111) | 233 | 10,878 | | | | | | | - |
| Option compensation expense | | | | | | | | 459 | | 459 |
| Cash dividends paid: | | | | | | | | | | |
| Common stock cash dividends | | | | | | (462,551) | | | | (462,551) |
| Preferred stock cash dividends | | | | | | (32,705) | | | | (32,705) |
| Balances at end of period | $ 1,006,250 | $ 308,355 | $ 13,524,621 | $ (32,289) | $ 2,484,425 | $ (5,096,110) | $ (18,642) | $ 6,159 | $ 332,121 | $ 12,514,890 |

| | Six Months Ended June 30, 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) | | | | | 79,754 | | | | (8) | 79,746 |
| Other comprehensive income | | | | | | | (38,146) | | (4,454) | (42,600) |
| Total comprehensive income | | | | | | | | | | 37,146 |
| Net change in noncontrolling interests | | | | | | | | | 198,739 | 198,739 |
| Amounts related to issuance of common stock from dividend reinvestment and stock incentive plans, net of forfeitures | | 1,689 | 112,601 | (3,373) | | | | (1,353) | | 109,564 |
| Proceeds from issuance of common stock | | 23,000 | 1,607,636 | | | | | | | 1,630,636 |
| Option compensation expense | | | | | | | | 570 | | 570 |
| Cash dividends paid: | | | | | | | | | | |
| Common stock cash dividends | | | | | | (399,815) | | | | (399,815) |
| Preferred stock cash dividends | | | | | | (33,203) | | | | (33,203) |
| Balances at end of period | $ 1,022,917 | $ 285,085 | $ 12,263,927 | $ (21,248) | $ 2,264,573 | $ (4,127,597) | $ (49,174) | $ 5,678 | $ 419,995 | $ 12,064,156 |

See notes to unaudited consolidated financial statements

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

| | Six Months Ended June 30, 2014 | Six Months Ended June 30, 2013 |
|---|---|---|
| Operating activities: | | |
| Net income | $ 153,054 | $ 78,980 |
| Adjustments to reconcile net income to | | |
| net cash provided from (used in) operating activities: | | |
| Depreciation and amortization | 447,766 | 387,599 |
| Other amortization expenses | 3,065 | 6,543 |
| Stock-based compensation expense | 21,837 | 12,694 |
| Loss (gain) on derivatives, net | 351 | (407) |
| Loss (gain) on extinguishment of debt, net | 383 | (308) |
| Loss (income) from unconsolidated entities | 17,073 | 3,198 |
| Rental income in excess of cash received | (26,414) | (18,463) |
| Amortization related to above (below) market leases, net | 365 | 245 |
| Loss (gain) on sales of properties, net | (13,079) | (52,495) |
| Distributions by unconsolidated entities | 7,155 | - |
| Increase (decrease) in accrued expenses and other liabilities | 5,433 | 25,507 |
| Decrease (increase) in receivables and other assets | (21,455) | (36,356) |
| Net cash provided from (used in) operating activities | 595,534 | 406,737 |
| | | |
| Investing activities: | | |
| Cash disbursed for acquisitions | (488,066) | (2,432,376) |
| Cash disbursed for capital improvements to existing properties | (54,688) | (48,480) |
| Cash disbursed for construction in progress | (95,201) | (119,333) |
| Capitalized interest | (3,305) | (2,992) |
| Investment in real estate loans receivable | (54,877) | (53,072) |
| Other investments, net of payments | (47,858) | 8,051 |
| Principal collected on real estate loans receivable | 20,941 | 55,547 |
| Contributions to unconsolidated entities | (246,794) | (361,107) |
| Distributions by unconsolidated entities | 22,925 | 14,786 |
| Proceeds from (payments on) derivatives | - | (2,604) |
| Decrease (increase) in restricted cash | 7,682 | (82,292) |
| Proceeds from sales of real property | 140,819 | 321,303 |
| Net cash provided from (used in) investing activities | (798,422) | (2,702,569) |
| | | |
| Financing activities: | | |
| Net increase (decrease) under unsecured lines of credit arrangements | (130,000) | - |
| Proceeds from issuance of senior unsecured notes | - | 497,862 |
| Payments to extinguish senior unsecured notes | (1) | (3) |
| Net proceeds from the issuance of secured debt | 10,690 | 71,340 |
| Payments on secured debt | (219,980) | (73,557) |
| Net proceeds from the issuance of common stock | 1,101,969 | 1,730,235 |
| Decrease (increase) in deferred loan expenses | (3,395) | (10,790) |
| Contributions by noncontrolling interests(1) | 4,485 | 3,730 |
| Distributions to noncontrolling interests(1) | (14,208) | (9,860) |
| Acquisitions of noncontrolling interests | (1,175) | - |
| Cash distributions to stockholders | (495,256) | (433,018) |
| Other financing activities | (608) | (2,072) |
| Net cash provided from (used in) financing activities | 252,521 | 1,773,867 |
| Effect of foreign currency translation on cash and cash equivalents | (1,059) | 673 |
| Increase (decrease) in cash and cash equivalents | 48,574 | (521,292) |
| Cash and cash equivalents at beginning of period | 158,780 | 1,033,764 |
| Cash and cash equivalents at end of period | $ 207,354 | $ 512,472 |
| | | |
| Supplemental cash flow information: | | |
| Interest paid | $ 224,544 | $ 196,980 |
| Income taxes paid | 11,955 | 2,625 |

(1) Includes amounts attributable to redeemable noncontrolling interests.

See 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 June 30, 2014, our diversified portfolio consisted of 1,224 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 six months ended June 30, 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.

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)" ("ASU 2014-09"). The standard is a comprehensive new revenue recognition model that requires revenue to be recognized in a manner to depict the transfer of goods or services to a customer at an amount that reflects the consideration expected to be received in exchange for those goods or services. ASU 2014-09 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2016, and early adoption is not permitted. Accordingly, the standard is effective for us on January 1, 2017. We are currently evaluating the impact that the standard will have on our consolidated financial statements and have not yet determined the method by which we will adopt the standard.

## 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.

*Seniors Housing Triple-net Activity*

| | Six Months Ended | |
|---|---|---|
| (In thousands) | June 30, 2014(1) | June 30, 2013 |
| Land and land improvements | $ 18,530 | $ 8,533 |
| Buildings and improvements | 230,126 | 47,993 |
| Total assets acquired | 248,656 | 56,526 |
| Non-cash acquisition related activity | (1,839) | - |
| Cash disbursed for acquisitions | 246,817 | 56,526 |
| Construction in progress additions | 55,535 | 58,799 |
| Less: Capitalized interest | (2,332) | (2,208) |
| Foreign currency translation | (116) | - |
| Cash disbursed for construction in progress | 53,087 | 56,591 |
| Capital improvements to existing properties | 9,863 | 18,302 |
| Total cash invested in real property, net of cash acquired | $ 309,767 | $ 131,419 |

(1) Includes acquisitions with an aggregate purchase price of $116,134,000 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.

| | Six Months Ended | |
|---|---|---|
| (In thousands) | June 30, 2014(1) | June 30, 2013 |
| Land and land improvements | $ 3,546 | $ 337,066 |
| Building and improvements | 37,274 | 3,069,192 |
| Acquired lease intangibles | 5,569 | 263,740 |
| Restricted cash | - | 22,863 |
| Receivables and other assets | 33 | 76,286 |
| Total assets acquired(2) | 46,422 | 3,769,147 |
| Secured debt | (12,846) | (556,413) |
| Accrued expenses and other liabilities | (853) | (51,356) |
| Total liabilities assumed | (13,699) | (607,769) |
| Noncontrolling interests | - | (229,966) |
| Non-cash acquisition related activity(3) | - | (555,562) |
| Cash disbursed for acquisitions | 32,723 | 2,375,850 |
| Construction in progress additions | 2,348 | 472 |
| Less: Capitalized interest | (75) | (6) |
| Cash disbursed for construction in progress | 2,273 | 466 |
| Capital improvements to existing properties | 32,171 | 21,474 |
| Total cash invested in real property, net of cash acquired | $ 67,167 | $ 2,397,790 |

(1) Includes acquisitions with an aggregate purchase price of $23,922,000 for which the allocation of the purchase price consideration is preliminary and subject to change.

(2) Excludes $245,000 and $60,590,000 of cash acquired during the six months ended June 30, 2014 and 2013, respectively.

(3) Represents Sunrise loan and noncontrolling interests acquisitions.

*Medical Facilities Activity*

| | Six Months Ended | |
|---|---|---|
| (In thousands) | June 30, 2014 (1) | June 30, 2013 |
| Land and land improvements | $ 1,655 | $ - |
| Buildings and improvements | 212,572 | - |
| Acquired lease intangibles | 1,525 | - |
| Receivables and other assets | 249 | - |
| Total assets acquired | 216,001 | - |
| Accrued expenses and other liabilities | (7,475) | - |
| Total liabilities assumed | (7,475) | - |
| Cash disbursed for acquisitions | 208,526 | - |
| Construction in progress additions | 50,323 | 60,925 |
| Less: Capitalized interest | (898) | (778) |
| Accruals(2) | (9,584) | 2,129 |
| Cash disbursed for construction in progress | 39,841 | 62,276 |
| Capital improvements to existing properties | 12,654 | 8,704 |
| Total cash invested in real property | $ 261,021 | $ 70,980 |

(1) Includes acquisitions with an aggregate purchase price of $200,295,000 for which the allocation of the purchase price consideration is preliminary and subject to change.

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

| | Six Months Ended | |
|---|---|---|
| | June 30, 2014 | June 30, 2013 |
| Development projects: | | |
| Seniors housing triple-net | $ 71,570 | $ 67,317 |
| Medical facilities | 42,799 | 70,227 |
| Total development projects | 114,369 | 137,544 |
| Expansion projects | 10,849 | 8,155 |
| Total construction in progress conversions | $ 125,218 | $ 145,699 |

## 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):

| | June 30, 2014 | December 31, 2013 |
|---|---|---|
| Assets: | | |
| In place lease intangibles | $ 947,616 | $ 937,357 |
| Above market tenant leases | 58,735 | 55,939 |
| Below market ground leases | 60,088 | 59,165 |
| Lease commissions | 18,264 | 18,293 |
| Gross historical cost | 1,084,703 | 1,070,754 |
| Accumulated amortization | (713,334) | (571,008) |
| Net book value | $ 371,369 | $ 499,746 |
| Weighted-average amortization period in years | 17.9 | 16.7 |
| Liabilities: | | |
| Below market tenant leases | $ 78,723 | $ 76,381 |
| Above market ground leases | 6,646 | 9,490 |
| Gross historical cost | 85,369 | 85,871 |
| Accumulated amortization | (37,425) | (34,434) |
| Net book value | $ 47,944 | $ 51,437 |
| Weighted-average amortization period in years | 13.1 | 14.3 |

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

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| Rental income related to above/below market tenant leases, net | $ 290 | $ 213 | $ 245 | $ 361 |
| Property operating expenses related to above/below market ground leases, net | (299) | (303) | (610) | (606) |
| Depreciation and amortization related to in place lease intangibles and lease commissions | (59,603) | (39,083) | (138,996) | (89,659) |

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

| | Assets | Liabilities |
|---|---|---|
| 2014 | $ 77,024 | $ 3,421 |
| 2015 | 64,525 | 5,994 |
| 2016 | 30,515 | 5,580 |
| 2017 | 22,266 | 5,115 |
| 2018 | 19,317 | 4,729 |
| Thereafter | 157,722 | 23,105 |
| Totals | $ 371,369 | $ 47,944 |

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

We periodically sell properties for various reasons, including favorable market conditions or the exercise of tenant purchase options. The following is a summary of our real property disposition activity for the periods presented (in thousands):

| | Six Months Ended | |
|---|---|---|
| | June 30, 2014 | June 30, 2013 |
| Real property dispositions: | | |
| Seniors housing triple-net | $ 41,124 | $ 133,024 |
| Medical facilities | 86,616 | 135,784 |
| Total dispositions | 127,740 | 268,808 |
| Gain (loss) on sales of real property, net | 13,079 | 52,495 |
| Proceeds from real property sales | $ 140,819 | $ 321,303 |

*Discontinued Operations*

As discussed in Note 2, we adopted ASU 2014-08 effective January 1, 2014. During the quarter ended June 30, 2014, we sold seniors housing triple-net properties previously held for sale with a balance of $18,502,000 for a gain of $6,411,000. 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. The following illustrates the reclassification impact as reported in our Consolidated Statements of Comprehensive Income as a result of classifying these properties as discontinued operations for the periods presented (in thousands):

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| Revenues: | | | | |
| Rental income | $ 298 | $ 4,789 | $ 881 | $ 11,575 |
| Expenses: | | | | |
| Interest expense | 34 | 1,379 | 157 | 3,275 |
| Property operating expenses | - | 867 | - | 1,731 |
| Provision for depreciation | - | 2,415 | - | 4,849 |
| Total expenses | 34 | 4,661 | 157 | 9,855 |
| Income (loss) from discontinued operations, net | $ 264 | $ 128 | $ 724 | $ 1,720 |

*Dispositions and Assets Held for Sale*

Pursuant to our adoption of ASU 2014-08, operating results attributable to properties sold subsequent to or classified as held for sale after January 1, 2014 and which do not meet the definition of discontinued operations are no longer reclassified on our Consolidated Statements of Comprehensive Income. The following represents the activity related to these properties for the periods presented (in thousands):

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| Revenues: | | | | |
| Rental income | $ 3,636 | $ 5,002 | $ 8,677 | $ 10,002 |
| Expenses: | | | | |
| Interest expense | 549 | 1,403 | 1,947 | 2,797 |
| Property operating expenses | 650 | 568 | 1,205 | 1,080 |
| Provision for depreciation | 1,070 | 1,486 | 2,560 | 2,970 |
| Total expenses | 2,269 | 3,457 | 5,712 | 6,847 |
| Income (loss) from real estate dispositions, net | $ 1,367 | $ 1,545 | $ 2,965 | $ 3,155 |

## 6. Real Estate Loans Receivable

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

| | Six Months Ended | | | | | |
|---|---|---|---|---|---|---|
| | June 30, 2014 | | | June 30, 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 | $ 3,493 | $ - | $ 3,493 | $ 23,919 | $ - | $ 23,919 |
| Draws on existing loans | 36,658 | 14,726 | 51,384 | 27,269 | 1,884 | 29,153 |
| Net cash advances on real estate loans | 40,151 | 14,726 | 54,877 | 51,188 | 1,884 | 53,072 |
| Receipts on real estate loans receivable: | | | | | | |
| Loan payoffs | 3,950 | - | 3,950 | 44,469 | - | 44,469 |
| Principal payments on loans | 16,670 | 321 | 16,991 | 9,589 | 1,489 | 11,078 |
| Total receipts on real estate loans | 20,620 | 321 | 20,941 | 54,058 | 1,489 | 55,547 |
| Net cash advances (receipts) on real estate loans | 19,531 | 14,405 | 33,936 | (2,870) | 395 | (2,475) |
| Change in balance due to foreign currency translation | 1,104 | - | 1,104 | - | - | - |
| Net change in real estate loans receivable | $ 20,635 | $ 14,405 | $ 35,040 | $ (2,870) | $ 395 | $ (2,475) |

We recorded no provision for loan losses during the six months ended June 30, 2014. At June 30, 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 $8,808,000 at June 30, 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. In April 2014, we acquired an additional 4% ownership in the Sunrise management company.

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 $173,563,000 at June 30, 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 Consolidated Statements of Comprehensive Income as income or loss from unconsolidated entities.

## 8. Credit Concentration

The following table summarizes certain information about our credit concentration as of June 30, 2014 (dollars in thousands):

| Concentration by investment:[1] | Number of Properties[2] | | Total Investment[2] | Percent of Investment[3] |
|---|---|---|---|---|
| Sunrise Senior Living[4] | 121 | $ | 4,001,436 | 18% |
| Genesis HealthCare | 179 | | 2,681,574 | 12% |
| Revera[4] | 48 | | 1,158,028 | 5% |
| Benchmark | 39 | | 929,443 | 4% |
| Belmont Village | 19 | | 832,909 | 4% |
| Remaining portfolio | 751 | | 12,308,922 | 57% |
| Totals | 1,157 | $ | 21,912,312 | 100% |

(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.
(4) Revera owns a controlling interest in Sunrise.

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

Please see Note 19 regarding our new unsecured credit facility entered into subsequent to June 30, 2014. At June 30, 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 June 30, 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 (1.32% at June 30, 2014). The applicable margin is based on certain of our debt ratings and was 1.175% at June 30, 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 June 30, 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 June 30, | | | | Six Months Ended June 30, | | | |
|---|---|---|---|---|---|---|---|---|
| | 2014 | | 2013 | | 2014 | | 2013 | |
| Balance outstanding at quarter end | $ | - | $ | - | $ | - | $ | - |
| Maximum amount outstanding at any month end | $ | 637,000 | $ | 600,000 | $ | 637,000 | $ | 780,000 |
| Average amount outstanding (total of daily principal balances divided by days in period) | $ | 375,824 | $ | 299,011 | $ | 331,602 | $ | 510,055 |
| Weighted average interest rate (actual interest expense divided by average borrowings outstanding) | | 1.37% | | 1.38% | | 1.36% | | 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 June 30, 2014, the annual principal payments due on these debt obligations were as follows (in thousands):

| | Senior Unsecured Notes[1,2] | Secured Debt [1,3] | Totals |
|---|---|---|---|
| 2014 | $ - | $ 117,263 | $ 117,263 |
| 2015 | 484,170[4] | 409,563 | 893,733 |
| 2016 | 1,200,000[5] | 372,528 | 1,572,528 |
| 2017 | 450,000 | 327,347 | 777,347 |
| 2018 | 450,000 | 430,379 | 880,379 |
| Thereafter | 4,865,937[6] | 1,155,146 | 6,021,083 |
| Totals | $ 7,450,107 | $ 2,812,226 | $ 10,262,333 |

(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 $5,123,888,000 at June 30, 2014.
(4) On July 30, 2012, we completed funding on a $250,000,000 Canadian denominated unsecured term loan (approximately $234,170,000 based on the Canadian/U.S. Dollar exchange rate in effect on June 30, 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 June 30, 2014). Please see Note 19 for subsequent activity.
(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 June 30, 2014). Please see Note 19 for subsequent activity.
(6) On November 20, 2013, we completed the sale of £550,000,000 (approximately $940,830,000 based on the Sterling/U.S. Dollar exchange rate in effect on June 30, 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):

| | Six Months Ended | | | |
|---|---|---|---|---|
| | June 30, 2014 | | June 30, 2013 | |
| | Amount | Weighted Avg. Interest Rate | Amount | Weighted Avg. Interest Rate |
| Beginning balance | $ 7,421,707 | 4.400% | $ 5,894,403 | 4.675% |
| Debt issued | - | 0.000% | 500,000 | 1.552% |
| Debt redeemed | (1) | 3.000% | (3) | 3.000% |
| Foreign currency | 28,401 | 4.865% | - | 0.000% |
| Ending balance | $ 7,450,107 | 4.402% | $ 6,394,400 | 4.431% |

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

| | Six Months Ended | | | |
|---|---|---|---|---|
| | June 30, 2014 | | June 30, 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% | 71,340 | 4.96% |
| Debt assumed | 12,005 | 4.15% | 536,856 | 4.22% |
| Debt extinguished | (188,722) | 5.73% | (49,156) | 4.20% |
| Principal payments | (31,258) | 4.98% | (24,709) | 5.39% |
| Foreign currency | (1,200) | 3.94% | (6,892) | 3.87% |
| Ending balance | $ 2,812,226 | 5.04% | $ 2,839,025 | 5.08% |

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 June 30, 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 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.

*I nterest Rate Swap Contracts and Foreign Currency Forward 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 $1,946,000 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):

| | June 30, 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 | | | | |
| Denominated in U.S. Dollars | $ | 57,000 | $ | 57,000 |
| Denominated in Canadian Dollars | $ | 12,000 | $ | - |
| Derivative instruments not designated: | | | | |
| Denominated in Canadian Dollars | $ | 24,000 | $ | - |

The following presents the impact of derivative instruments on the Consolidated Statements of Comprehensive Income for the periods presented (in thousands):

| | | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|---|
| | Location | 2014 | 2013 | 2014 | 2013 |
| Gain (loss) on interest rate swap recognized in OCI (effective portion) | OCI | $ (4) | $ (4) | $ (7) | $ (8) |
| Gain (loss) on interest rate swaps reclassified from AOCI into income (effective portion) | Interest expense | (436) | (476) | (879) | (951) |
| Gain (loss) on forward exchange contracts recognized in income | Gain (loss) on derivatives, net | (351) | 2,716 | (351) | 407 |
| Gain (loss) on foreign exchange contracts and term loans designated as net investment hedge recognized in OCI | OCI | (67,899) | 14,680 | (49,410) | 90,537 |

## 12. Commitments and Contingencies

At June 30, 2014, we had six outstanding letter of credit obligations totaling $10,769,000 and expiring between 2014 and 2015. At June 30, 2014, we had outstanding construction in process of $124,073,000 and were committed to providing additional funds of approximately $191,592,000 to complete construction. At June 30, 2014, we had contingent purchase obligations totaling $70,517,000. 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 June 30, 2014, we had operating lease obligations of $884,093,000 relating to certain ground leases and company office space and capital lease obligations of $114,423,000 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 June 30, 2014, aggregate future minimum rentals to be received under these noncancelable subleases totaled $42,322,000.

## 13. Stockholders’ Equity

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

| | June 30, 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 | 700,000,000 | 400,000,000 |
| Issued shares | 308,976,931 | 290,024,789 |
| Outstanding shares | 308,329,737 | 289,563,651 |

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

| | Six Months Ended | | | |
|---|---|---|---|---|
| | June 30, 2014 | | June 30, 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 | 25,875,000 | 6.500% | 26,224,854 | 6.493% |

*Common Stock.* The following is a summary of our common stock issuances during the six months ended June 30, 2014 and 2013 (dollars in thousands, except per share amounts):

| | Shares Issued | Average Price | Gross Proceeds | Net Proceeds |
|---|---|---|---|---|
| 2013 Public issuances | 23,000,000 | $ 73.50 | $ 1,690,500 | $ 1,630,636 |
| 2013 Dividend reinvestment plan issuances | 1,370,661 | 66.87 | 91,651 | 91,651 |
| 2013 Option exercises | 186,404 | 42.64 | 7,948 | 7,948 |
| 2013 Stock incentive plans, net of forfeitures | 301,544 | | - | - |
| 2013 Senior note conversions | 18 | | - | - |
| 2013 Totals | 24,858,627 | | $ 1,790,099 | $ 1,730,235 |
| | | | | |
| 2014 Public issuances | 16,100,000 | $ 62.35 | $ 1,003,835 | $ 968,517 |
| 2014 Dividend reinvestment plan issuances | 2,132,427 | 58.73 | 125,232 | 125,232 |
| 2014 Option exercises | 175,699 | 46.78 | 8,220 | 8,220 |
| 2014 Preferred stock conversions | 233,236 | | - | - |
| 2014 Stock incentive plans, net of forfeitures | 124,723 | | - | - |
| 2014 Senior note conversions | 1 | | - | - |
| 2014 Totals | 18,766,086 | | $ 1,137,287 | $ 1,101,969 |

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

| | Six Months Ended | | | |
|---|---|---|---|---|
| | June 30, 2014 | | June 30, 2013 | |
| | Per Share | Amount | Per Share | Amount |
| Common Stock | $ 1.5900 | $ 462,551 | $ 1.5300 | $ 399,815 |
| Series H Preferred Stock | 0.0079 | 1 | 1.4292 | 500 |
| Series I Preferred Stock | 1.6250 | 23,360 | 1.6250 | 23,359 |
| Series J Preferred Stock | 0.8126 | 9,344 | 0.8126 | 9,344 |
| Totals | | $ 495,256 | | $ 433,018 |

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

| | Unrecognized gains (losses) related to: | | | | |
|---|---|---|---|---|---|
| | Foreign Currency Translation | Equity Investments | Actuarial losses | Cash Flow Hedges | Total |
| Balance at December 31, 2013 | $ (17,631) | $ (389) | $ (1,452) | $ (5,059) | $ (24,531) |
| Other comprehensive income before reclassification adjustments | 4,628 | 389 | - | (7) | 5,010 |
| Reclassification amount to net income | - | - | - | 879 (1) | 879 |
| Net current-period other comprehensive income | 4,628 | 389 | - | 872 | 5,889 |
| Balance at June 30, 2014 | $ (13,003) | $ - | $ (1,452) | $ (4,187) | $ (18,642) |
| | | | | | |
| Balance at December 31, 2012 | $ (881) | $ (216) | $ (2,974) | $ (6,957) | $ (11,028) |
| Other comprehensive income before reclassification adjustments | (39,003) | (86) | - | (8) | (39,097) |
| Reclassification amount to net income | - | - | - | 951 (1) | 951 |
| Net current-period other comprehensive income | (39,003) | (86) | - | 943 | (38,146) |
| Balance at June 30, 2013 | $ (39,884) | $ (302) | $ (2,974) | $ (6,014) | $ (49,174) |

(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 $14,170,000 and $21,837,000 for the three and six months ended June 30, 2014, respectively, and $2,186,000 and $12,694,000 for the same periods in 2013.

On April 13, 2014, George L. Chapman, the Chairman, Chief Executive Officer and President of the company, informed the Board of Directors that he wished to retire from the company, effective immediately. As a result of Mr. Chapman's retirement, general and administrative expenses for the three months ended June 30, 2014 included charges of $19,688,000 related to: (i) the acceleration of $9,223,000 of deferred compensation for restricted stock; and (ii) consulting, retirement payments and other costs of $10,465,000.

## 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 June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| Numerator for basic and diluted earnings per share - net income (loss) attributable to common stockholders | $ 71,829 | $ (8,508) | $ 121,851 | $ 46,551 |
| Denominator for basic earnings per share - weighted average shares | 296,256 | 273,091 | 293,046 | 266,602 |
| Effect of dilutive securities: | | | | |
| Employee stock options | 191 | 283 | 170 | - |
| Non-vested restricted shares | 472 | 370 | 506 | - |
| Convertible senior unsecured notes | 1,076 | 2,737 | 868 | - |
| Dilutive potential common shares | 1,739 | 3,390 | 1,544 | - |
| Denominator for diluted earnings per share - adjusted weighted average shares | 297,995 | 276,481 | 294,590 | 266,602 |
| Basic earnings per share | $ 0.24 | $ (0.03) | $ 0.42 | $ 0.17 |
| Diluted earnings per share | $ 0.24 | $ (0.03) | $ 0.41 | $ 0.17 |

The diluted earnings per share calculations exclude the dilutive effect of zero stock options for the three and six months ended June 30, 2014 and June 30, 2013 because the exercise prices were higher than the average share prices. The diluted earnings per share calculation for the six months ended June 30, 2013 excludes the dilutive effect all common stock equivalents as they are anti-dilutive due to the loss from continuing operations attributable to common stockholders. 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.

*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):

| | June 30, 2014 | | December 31, 2013 | |
|---|---|---|---|---|
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| Financial assets: | | | | |
| Mortgage loans receivable | $ 164,837 | $ 167,847 | $ 146,987 | $ 148,088 |
| Other real estate loans receivable | 202,349 | 204,665 | 185,159 | 188,920 |
| Available-for-sale equity investments | - | - | 1,211 | 1,211 |
| Cash and cash equivalents | 207,354 | 207,354 | 158,780 | 158,780 |
| Foreign currency forward contracts | 44 | 44 | - | - |
| Interest rate swap agreements | 3 | 3 | 38 | 38 |
| Financial liabilities: | | | | |
| Borrowings under unsecured line of credit arrangements | $ - | $ - | $ 130,000 | $ 130,000 |
| Senior unsecured notes | 7,411,243 | 8,164,689 | 7,379,308 | 7,743,730 |
| Secured debt | 2,850,103 | 2,972,268 | 3,058,248 | 3,168,775 |
| Foreign currency forward contracts | 19,909 | 19,909 | 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):

| | Fair Value Measurements as of June 30, 2014 | | | |
|---|---|---|---|---|
| | Total | Level 1 | Level 2 | Level 3 |
| Interest rate swap agreements, net(1) | $ 3 | $ - | $ 3 | $ - |
| Foreign currency forward contracts, net(1) | (19,865) | - | (19,865) | - |
| Totals | $ (19,862) | $ - | $ (19,862) | $ - |

(1) 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 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 is as follows for the periods presented (in thousands):

| Three Months Ended June 30, 2014: | Seniors Housing Triple-net | Seniors Housing Operating | Medical Facilities | Non-segment / Corporate | Total |
|---|---|---|---|---|---|
| Rental income | $ 225,472 | $ - | $ 122,375 | $ - | $ 347,847 |
| Resident fees and services | - | 467,639 | - | - | 467,639 |
| Interest income | 5,666 | 11 | 3,256 | - | 8,933 |
| Other income | 325 | 1,264 | 362 | 76 | 2,027 |
| Total revenues | 231,463 | 468,914 | 125,993 | 76 | 826,446 |
| Property operating expenses | - | 310,029 | 33,725 | - | 343,754 |
| Net operating income from continuing operations | 231,463 | 158,885 | 92,268 | 76 | 482,692 |
| Reconciling items: | | | | | |
| Interest expense | 8,879 | 28,833 | 8,122 | 75,231 | 121,065 |
| (Loss) gain on derivatives, net | 73 | 278 | - | - | 351 |
| Depreciation and amortization | 61,613 | 109,644 | 43,192 | - | 214,449 |
| General and administrative | - | - | - | 51,660 | 51,660 |
| Transaction costs | 4,007 | 1,660 | 1,373 | - | 7,040 |
| (Loss) gain on extinguishment of debt, net | - | 531 | - | - | 531 |
| Income (loss) from continuing operations before income taxes and income from unconsolidated entities | $ 156,891 | $ 17,939 | $ 39,581 | $ (126,815) | $ 87,596 |
| Total assets | $ 9,460,260 | $ 9,156,333 | $ 4,906,320 | $ 50,977 | $ 23,573,890 |

| Three Months Ended June 30, 2013: | Seniors Housing Triple-net | Seniors Housing Operating | Medical Facilities | Non-segment / Corporate | Total |
|---|---|---|---|---|---|
| Rental income | $ 187,518 | $ - | $ 111,355 | $ - | $ 298,873 |
| Resident fees and services | - | 370,995 | - | - | 370,995 |
| Interest income | 5,433 | - | 2,207 | - | 7,640 |
| Other income | 199 | - | 662 | 164 | 1,025 |
| Total revenues | 193,150 | 370,995 | 114,224 | 164 | 678,533 |
| Property operating expenses | - | 248,972 | 28,986 | - | 277,958 |
| Net operating income from continuing operations | 193,150 | 122,023 | 85,238 | 164 | 400,575 |
| Reconciling items: | | | | | |
| Interest expense | 3,247 | 19,412 | 9,506 | 77,300 | 109,465 |
| (Loss) gain on derivatives, net | - | (2,716) | - | - | (2,716) |
| Depreciation and amortization | 54,637 | 103,646 | 39,779 | - | 198,062 |
| General and administrative | - | - | - | 23,902 | 23,902 |
| Transaction costs | 11,211 | 16,799 | 126 | - | 28,136 |
| Income (loss) from continuing operations before income taxes and income from unconsolidated entities | $ 124,055 | $ (15,118) | $ 35,827 | $ (101,038) | $ 43,726 |

| Six Months Ended June 30, 2014: | Seniors Housing Triple-net | Seniors Housing Operating | Medical Facilities | Non-segment / Corporate | Total |
|---|---|---|---|---|---|
| Rental income | $ 440,302 | $ - | $ 244,001 | $ - | $ 684,303 |
| Resident fees and services | - | 923,904 | - | - | 923,904 |
| Interest income | 11,106 | 11 | 6,410 | - | 17,527 |
| Other income | 446 | 1,318 | 665 | 91 | 2,520 |
| Total revenues | 451,854 | 925,233 | 251,076 | 91 | 1,628,254 |
| Property operating expenses | - | 618,213 | 66,972 | - | 685,185 |
| Net operating income from continuing operations | 451,854 | 307,020 | 184,104 | 91 | 943,069 |
| Reconciling items: | | | | | |
| Interest expense | 17,769 | 56,312 | 17,730 | 150,087 | 241,898 |
| (Loss) gain on derivatives, net | 73 | 278 | - | - | 351 |
| Depreciation and amortization | 123,016 | 238,806 | 85,944 | - | 447,766 |
| General and administrative | - | - | - | 84,524 | 84,524 |
| Transaction costs | 4,283 | 2,290 | 1,420 | - | 7,993 |
| (Loss) gain on extinguishment of debt, net | - | 383 | - | - | 383 |
| Income (loss) from continuing operations before income taxes and income from unconsolidated entities | $ 306,713 | $ 8,951 | $ 79,010 | $ (234,520) | $ 160,154 |

| Six Months Ended June 30, 2013: | Seniors Housing Triple-net | Seniors Housing Operating | Medical Facilities | Non-segment / Corporate | Total |
|---|---|---|---|---|---|
| Rental income | $ 370,814 | $ - | $ 220,702 | $ - | $ 591,516 |
| Resident fees and services | - | 698,319 | - | - | 698,319 |
| Interest income | 11,276 | 757 | 4,663 | - | 16,696 |
| Other income | 408 | - | 1,072 | 245 | 1,725 |
| Total revenues | 382,498 | 699,076 | 226,437 | 245 | 1,308,256 |
| Property operating expenses | - | 473,475 | 57,305 | - | 530,780 |
| Net operating income from continuing operations | 382,498 | 225,601 | 169,132 | 245 | 777,476 |
| Reconciling items: | | | | | |
| Interest expense | 9,055 | 38,482 | 18,364 | 152,402 | 218,303 |
| (Loss) gain on derivatives, net | - | (407) | - | - | (407) |
| Depreciation and amortization | 109,587 | 193,521 | 79,642 | - | 382,750 |
| General and administrative | - | - | - | 51,081 | 51,081 |
| Transaction costs | 11,705 | 82,124 | 287 | - | 94,116 |
| (Loss) gain on extinguishment of debt, net | - | (308) | - | - | (308) |
| Income (loss) from continuing operations before income taxes and income from unconsolidated entities | $ 252,151 | $ (87,811) | $ 70,839 | $ (203,238) | $ 31,941 |

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 | | | | | | Six Months Ended | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | June 30, 2014 | | | June 30, 2013 | | | June 30, 2014 | | | June 30, 2013 | | |
| Revenues: | | Amount | % | | Amount | % | | Amount | % | | Amount | % |
| United States | $ | 695,922 | 84.2% | $ | 591,509 | 87.2% | $ | 1,371,021 | 84.2% | $ | 1,160,688 | 88.7% |
| International | | 130,524 | 15.8% | | 87,024 | 12.8% | | 257,233 | 15.8% | | 147,568 | 11.3% |
| Total | $ | 826,446 | 100.0% | $ | 678,533 | 100.0% | $ | 1,628,254 | 100.0% | $ | 1,308,256 | 100.0% |

| | As of | | | | | |
|---|---|---|---|---|---|---|
| | June 30, 2014 | | | December 31, 2013 | | |
| Assets: | | Amount | % | | Amount | % |
| United States | $ | 20,376,451 | 86.4% | $ | 19,759,945 | 85.6% |
| International | | 3,197,439 | 13.6% | | 3,324,012 | 14.4% |
| Total | $ | 23,573,890 | 100.0% | $ | 23,083,957 | 100.0% |

**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.

Under the provisions of the REIT Investment Diversification and Empowerment Act of 2007 (“RIDEA”), for taxable years beginning after July 30, 2008, a 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 TRS 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.

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 $21,215,000 and $19,748,000 as of June 30, 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 June 30, 2014 and December 31, 2013 was $6,413,000. As of June 30, 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 for the three and six months ended June 30, 2014 totaled $140,000 and $287,000, respectively, and are included in income tax expense.

**19. Subsequent Events**

*Credit Facility Extension and Expansion.* On July 25, 2014, we closed on a new unsecured credit facility with a consortium of 28 banks that includes a $2,500,000,000 revolving line of credit, a $500,000,000 term loan and a $250,000,000 Canadian denominated term loan. The revolver is priced at 1.05% over LIBOR with a 0.20% annual facility fee based on current credit ratings. We have an option to upsize the facility by up to an additional $1,000,000,000 through an accordion feature. The facility also allows us to borrow up to $500,000,000 in alternate currencies. The term loans are priced at 1.15% over LIBOR for U.S. tranche and CDOR for Canadian tranche based on our current credit ratings. Among other things, the new facility provides us with additional borrowing capacity and extends the agreement to October 31, 2018. It can be extended for an additional year at our option.

## EXECUTIVE SUMMARY



## LIQUIDITY AND CAPITAL RESOURCES



## RESULTS OF OPERATIONS



## NON-GAAP FINANCIAL MEASURES & OTHER DISCLOSURES

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

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 June 30, 2014 (dollars in thousands):

| Type of Property | | Investments[1] | Percentage of Investments | Number of Properties |
|---|---|---|---|---|
| Seniors housing triple-net | $ | 9,097,004 | 41.5% | 626 |
| Seniors housing operating | | 8,346,303 | 38.1% | 281 |
| Medical facilities | | 4,469,005 | 20.4% | 250 |
| Totals | $ | 21,912,312 | 100.0% | 1,157 |

(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 joint venture 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 six months ended June 30, 2014, rental income and resident fees and services represented 42% and 57%, respectively, 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 June 30, 2014, we had $207,354,000 of cash and cash equivalents, $65,139,000 of restricted cash and $2,250,000,000 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. In July 2014, we closed on a new unsecured credit facility that further enhances our access to efficient capital and financial flexibility. For the 18 months ended June 30, 2014, we raised over $4.8 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 $1.1 billion during the six months ended June 30, 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*. In May 2014, we completed the public issuance of 16,100,000 shares of common stock for approximate gross proceeds of $1,003,835,000. Also, during the six months ended June 30, 2014, we raised $125,232,000 through our dividend reinvestment program. In July 2014, we closed on a new unsecured credit facility that includes a $2,500,000,000 revolving line of credit, a $500,000,000 term loan and a $250,000,000 Canadian denominated term loan plus an option to upsize the facility by up to an additional $1,000,000,000 through an accordion feature. The facility also allows us to borrow up to $500,000,000 in alternate currencies. Based on our current credit ratings, the revolver is priced at 1.05% over LIBOR with a 0.20% annual facility fee and the term loans are priced at 1.15% over LIBOR for U.S. tranche and CDOR for Canadian tranche. Among other things, the new facility provides us with additional borrowing capacity and extends the agreement to October 31, 2018. It can be extended for an additional year at our option.

*Investments*. The following summarizes our acquisitions and joint venture investments completed during the six months ended June 30, 2014 (dollars in thousands):

| | Properties | | Investment Amount[1] | Capitalization Rates[2] | | Book Amount[3] |
|---|---|---|---|---|---|---|
| Seniors housing triple-net | 10 | $ | 250,975 | 6.9% | $ | 248,656 |
| Seniors housing operating | 12 | | 431,113 | 6.0% | | 261,254 |
| Medical facilities | 10 | | 215,943 | 6.3% | | 216,001 |
| Totals | 32 | $ | 898,031 | 6.3% | $ | 725,911 |

(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*. The following summarizes our property dispositions completed during the six months ended June 30, 2014 (dollars in thousands):

| | Properties | | Proceeds[1] | Capitalization Rates[2] | | Book Amount[3] |
|---|---|---|---|---|---|---|
| Seniors housing triple-net | 4 | $ | 49,463 | 9.8% | $ | 41,124 |
| Medical facilities | 3 | | 91,356 | 9.8% | | 86,616 |
| Totals | 7 | $ | 140,819 | 9.8% | $ | 127,740 |

(1) Represents proceeds received upon disposition including any seller financing. See Notes 5 and 6 to our unaudited consolidated financial statements for additional information.

(2) Represents annualized contractual income that was being received in cash at date of disposition divided by disposition proceeds.

(3) Represents carrying value of assets at time of disposition.

*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 June 30, 2014 represents the 173rd 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 | June 30, 2014 |
| Net income (loss) attributable to common stockholders | $ 55,058 | $ (8,508) | $ 20,691 | $ 11,473 | $ 50,022 | $ 71,829 |
| Funds from operations | 170,878 | 230,666 | 258,263 | 265,077 | 288,803 | 284,245 |
| Net operating income from continuing operations | 376,901 | 400,575 | 441,792 | 454,468 | 460,376 | 482,692 |
| Same store cash net operating income | 304,724 | 310,945 | 312,982 | 316,270 | 319,432 | 323,692 |
| Per share data (fully diluted): | | | | | | |
| Net income (loss) attributable to common stockholders | $ 0.21 | $ (0.03) | $ 0.07 | $ 0.04 | $ 0.17 | $ 0.24 |
| Funds from operations | 0.65 | 0.83 | 0.90 | 0.92 | 0.99 | 0.95 |

*Concentration Risk*. We evaluate our concentration risk in terms of 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. 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:

| | March 31, 2013 | June 30, 2013 | September 30, 2013 | December 31, 2013 | March 31, 2014 | June 30, 2014 |
|---|---|---|---|---|---|---|
| Investment mix:(1) | | | | | | |
| Seniors housing triple-net | 43% | 40% | 41% | 41% | 41% | 42% |
| Seniors housing operating | 35% | 39% | 39% | 39% | 39% | 38% |
| Medical facilities | 22% | 21% | 20% | 20% | 20% | 20% |
| Relationship mix:(1) | | | | | | |
| Sunrise Senior Living(2) | 14% | 13% | 19% | 19% | 19% | 18% |
| Genesis HealthCare | 14% | 13% | 12% | 12% | 12% | 12% |
| Revera(2) | | 6% | 6% | 5% | 5% | 5% |
| Benchmark Senior Living | 4% | | 4% | 4% | 4% | 4% |
| Belmont Village | 5% | 4% | 4% | 4% | 4% | 4% |
| Merrill Gardens | 6% | 5% | | | | |
| Remaining relationships | 57% | 59% | 55% | 56% | 56% | 57% |
| Geographic mix:(1) | | | | | | |
| California | 9% | 8% | 10% | 10% | 10% | 10% |
| New Jersey | 8% | 8% | 8% | 8% | 8% | 8% |
| England | 8% | 7% | 8% | 8% | 8% | 8% |
| Texas | 8% | 8% | 7% | 7% | 7% | 8% |
| Florida | 6% | 5% | 5% | 5% | 5% | 5% |
| Remaining geographic areas | 61% | 64% | 62% | 62% | 62% | 61% |

(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 joint venture amount.
(2) Revera owns a controlling interest in Sunrise.

*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 | June 30, 2014 |
| Debt to book capitalization ratio | 49% | 44% | 47% | 48% | 48% | 45% |
| Debt to undepreciated book capitalization ratio | 45% | 41% | 43% | 43% | 43% | 40% |
| Debt to market capitalization ratio | 34% | 32% | 35% | 39% | 37% | 33% |
| Interest coverage ratio | 3.42x | 2.88x | 3.32x | 3.12x | 3.45x | 3.51x |
| Fixed charge coverage ratio | 2.72x | 2.27x | 2.62x | 2.54x | 2.74x | 2.77x |

*Lease Expirations.* The following table sets forth information regarding lease expirations for certain portions of our portfolio as of June 30, 2014 (dollars in thousands):

| | Expiration Year | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | Thereafter |
| **Seniors housing triple-net:** | | | | | | | | | | | |
| Properties | 7 | - | - | 34 | 51 | - | 10 | 23 | 42 | 2 | 438 |
| Base rent(1) | $ 6,261 | $ - | $ - | $ 15,700 | $ 37,398 | $ - | $ 13,356 | $ 35,376 | $ 40,802 | $ 5,760 | $ 764,180 |
| % of base rent | 0.7% | 0.0% | 0.0% | 1.7% | 4.1% | 0.0% | 1.5% | 3.9% | 4.4% | 0.6% | 83.2% |
| Units | 727 | - | - | 1,603 | 3,151 | - | 912 | 3,565 | 5,463 | 383 | 50,358 |
| % of Units | 1.1% | 0.0% | 0.0% | 2.4% | 4.8% | 0.0% | 1.4% | 5.4% | 8.3% | 0.6% | 76.1% |
| **Hospitals:** | | | | | | | | | | | |
| Properties | 3 | - | - | - | - | - | - | - | - | - | 27 |
| Base rent(1) | $ 5,845 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ 80,495 |
| % of base rent | 6.8% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 93.2% |
| Beds | - | - | - | - | - | - | - | - | - | 0 | 1,789 |
| % of Beds | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 100.0% |
| **Medical office buildings:** | | | | | | | | | | | |
| Square feet | 356,964 | 621,371 | 789,892 | 1,111,124 | 858,156 | 975,694 | 864,473 | 1,027,500 | 1,976,232 | 964,258 | 3,438,328 |
| Base rent(1) | $ 6,842 | $ 13,916 | $ 16,896 | $ 26,340 | $ 20,013 | $ 22,726 | $ 20,614 | $ 23,458 | $ 40,006 | $ 22,829 | $ 85,917 |
| % of base rent | 2.3% | 4.6% | 5.6% | 8.8% | 6.7% | 7.6% | 6.9% | 7.8% | 13.4% | 7.6% | 28.7% |
| Leases | 114 | 184 | 179 | 222 | 174 | 158 | 90 | 104 | 119 | 69 | 121 |
| % of Leases | 7.4% | 12.0% | 11.7% | 14.5% | 11.3% | 10.3% | 5.9% | 6.8% | 7.8% | 4.5% | 7.9% |

(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/investor-relations/governance. The information on our website is not incorporated by reference in this Quarterly Report on Form 10-Q, and our web address is included as an inactive textual reference only.

## 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):

| | Six Months Ended | | Change | |
|---|---|---|---|---|
| | June 30, 2014 | June 30, 2013 | $ | % |
| Cash and cash equivalents at beginning of period | $ 158,780 | $ 1,033,764 | $ (874,984) | -85% |
| Cash provided from (used in): | | | | |
| Operating activities | 595,534 | 406,737 | 188,797 | 46% |
| Investing activities | (798,422) | (2,702,569) | 1,904,147 | -70% |
| Financing activities | 252,521 | 1,773,867 | (1,521,346) | -86% |
| Effect of foreign currency translation on cash and cash equivalents | (1,059) | 673 | (1,732) | n/a |
| Cash and cash equivalents at end of period | $ 207,354 | $ 512,472 | $ (305,118) | -60% |

*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 six months ended June 30, 2014, cash flow provided from operations exceeded cash distributions to stockholders. For the six months ended June 30, 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 $512,472,000 at June 30, 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):

| | Six Months Ended | | Change | |
|---|---|---|---|---|
| | June 30, 2014 | June 30, 2013 | $ | % |
| New development | $ 95,201 | $ 119,333 | $ (24,132) | -20% |
| Recurring capital expenditures, tenant improvements and lease commissions | 26,188 | 24,059 | 2,129 | 9% |
| Renovations, redevelopments and other capital improvements | 28,500 | 24,421 | 4,079 | 17% |
| Total | $ 149,889 | $ 167,813 | $ (17,924) | -11% |

The change in new development is primarily due to the number and size of construction projects on-going during the relevant periods. 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 June 30, 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 June 30, 2014, we had six 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 June 30, 2014 (in thousands):

| | Payments Due by Period | | | | |
|---|---|---|---|---|---|
| Contractual Obligations | Total | 2014 | 2015-2016 | 2017-2018 | Thereafter |
| Unsecured line of credit arrangements(1) | $ - | $ - | $ - | $ - | $ - |
| Senior unsecured notes and term loans:(2) | | | | | |
| U.S. Dollar senior unsecured notes | 5,775,107 | - | 950,000 | 900,000 | 3,925,107 |
| Pounds Sterling senior unsecured notes(3) | 940,830 | - | - | - | 940,830 |
| U.S. Dollar term loan | 500,000 | - | 500,000 | - | - |
| Canadian Dollar term loan(3) | 234,170 | - | 234,170 | - | - |
| Secured debt:(2,3) | | | | | |
| Consolidated | 2,812,226 | 117,263 | 782,091 | 757,726 | 1,155,146 |
| Unconsolidated | 590,894 | 21,415 | 317,591 | 96,179 | 155,709 |
| Contractual interest obligations:(4) | | | | | |
| Unsecured line of credit arrangements | - | - | - | - | - |
| Senior unsecured notes and term loans(3) | 3,148,024 | 191,509 | 605,477 | 506,506 | 1,844,532 |
| Consolidated secured debt(3) | 777,026 | 70,454 | 241,997 | 155,144 | 309,431 |
| Unconsolidated secured debt(3) | 90,187 | 13,939 | 39,786 | 16,617 | 19,845 |
| Capital lease obligations(5) | 114,423 | 2,697 | 17,889 | 9,411 | 84,426 |
| Operating lease obligations(5) | 884,093 | 7,169 | 28,456 | 28,872 | 819,596 |
| Purchase obligations(5) | 262,109 | 19,278 | 242,831 | - | - |
| Other long-term liabilities(6) | 7,375 | 246 | 2,950 | 2,950 | 1,229 |
| Total contractual obligations | $ 16,136,464 | $ 443,970 | $ 3,963,238 | $ 2,473,405 | $ 9,255,851 |

(1) Relates to line of credit with an aggregate commitment of $2,250,000,000. See Notes 9 and 19 to our unaudited consolidated financial statements for additional information.

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

(3) Based on foreign currency exchange rates in effect as of balance sheet date.

(4) Based on variable interest rates in effect as of balance sheet date.

(5) See Note 12 to our unaudited consolidated financial statements for additional information.

(6) Relates 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. Reflects payments to be made due to Mr. Chapman's retirement discussed in Note 14 to our unaudited consolidated financial statements.

### *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 June 30, 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 June 30, 2014 is as follows:

| Covenant | Per Agreement: Unsecured Line of Credit[1] | Per Agreement: Senior Unsecured Notes | Actual at June 30, 2014 |
|---|---|---|---|
| Total Indebtedness to Book Capitalization Ratio maximum | 60% | n/a | 45% |
| Secured Indebtedness to Total Assets Ratio maximum | 30% | 40% | 12% |
| Total Indebtedness to Total Assets maximum | n/a | 60% | 44% |
| Unsecured Debt to Unencumbered Assets maximum | 60% | n/a | 39% |
| Adjusted Interest Coverage Ratio minimum | n/a | 1.50x | 3.41x |
| Adjusted Fixed Charge Coverage minimum | 1.50x | n/a | 2.70x |

(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 July 25, 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 July 25, 2014, 4,967,238 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 July 25, 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 | | Six Months Ended | | Change | |
|---|---|---|---|---|---|---|---|---|
| | June 30, 2014 | June 30, 2013 | Amount | % | June 30, 2014 | June 30, 2013 | Amount | % |
| Net income (loss) attributable to common stockholders | $ 71,829 | $ (8,508) | $ 80,337 | n/a | $ 121,851 | $ 46,551 | $ 75,300 | 162% |
| Funds from operations | 284,244 | 230,666 | 53,578 | 23% | 573,049 | 401,545 | 171,504 | 43% |
| EBITDA | 424,971 | 319,717 | 105,254 | 33% | 846,705 | 692,135 | 154,570 | 22% |
| Net operating income from continuing operations (NOI) | 482,692 | 400,575 | 82,117 | 20% | 943,069 | 777,476 | 165,593 | 21% |
| Same store cash NOI | 323,692 | 310,945 | 12,747 | 4% | 643,124 | 615,668 | 27,456 | 4% |
| Per share data (fully diluted): | | | | | | | | |
| Net income (loss) attributable to common stockholders | $ 0.24 | $ (0.03) | $ 0.27 | n/a | $ 0.41 | $ 0.17 | $ 0.24 | 141% |
| Funds from operations | $ 0.95 | $ 0.83 | $ 0.12 | 14% | $ 1.95 | $ 1.49 | $ 0.46 | 31% |
| Interest coverage ratio | 3.51x | 2.88x | 0.63x | 22% | 3.48x | 3.15x | 0.33x | 10% |
| Fixed charge coverage ratio | 2.77x | 2.27x | 0.50x | 22% | 2.76x | 2.49x | 0.27x | 11% |

*Seniors Housing Triple-net*

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

| | Three Months Ended | | Change | | Six Months Ended | | Change | |
|---|---|---|---|---|---|---|---|---|
| | June 30, 2014 | June 30, 2013 | $ | % | June 30, 2014 | June 30, 2013 | $ | % |
| SSCNOI[1] | $ 180,196 | 174,168 | $ 6,028 | 3% | $ 359,264 | 344,880 | $ 14,384 | 4% |
| Non-cash NOI attributable to same store properties[1] | 15,828 | 9,748 | 6,080 | 62% | 25,332 | 20,497 | 4,835 | 24% |
| NOI attributable to non same store properties[2] | 35,439 | 9,234 | 26,205 | 284% | 67,258 | 17,121 | 50,137 | 293% |
| NOI | $ 231,463 | $ 193,150 | $ 38,313 | 20% | $ 451,854 | $ 382,498 | $ 69,356 | 18% |

(1) Change is due to increases in cash and non-cash NOI (described below) related to 526 same store properties.
(2) Change is primarily due to the acquisition of 43 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 | | Six Months Ended | | Change | |
|---|---|---|---|---|---|---|---|---|
| | June 30, 2014 | June 30, 2013 | $ | % | June 30, 2014 | June 30, 2013 | $ | % |
| Revenues: | | | | | | | | |
| Rental income | $ 225,472 | $ 187,518 | $ 37,954 | 20% | $ 440,302 | $ 370,814 | $ 69,488 | 19% |
| Interest income | 5,666 | 5,433 | 233 | 4% | 11,106 | 11,276 | (170) | -2% |
| Other income | 325 | 199 | 126 | 63% | 446 | 408 | 38 | 9% |
| Net operating income from continuing operations (NOI) | 231,463 | 193,150 | 38,313 | 20% | 451,854 | 382,498 | 69,356 | 18% |
| Expenses: | | | | | | | | |
| Interest expense | 8,879 | 3,247 | 5,632 | 173% | 17,769 | 9,055 | 8,714 | 96% |
| Loss (gain) on derivatives, net | 73 | - | 73 | n/a | 73 | - | 73 | n/a |
| Depreciation and amortization | 61,613 | 54,637 | 6,976 | 13% | 123,016 | 109,587 | 13,429 | 12% |
| Transaction costs | 4,007 | 11,211 | (7,204) | -64% | 4,283 | 11,705 | (7,422) | -63% |
| | 74,572 | 69,095 | 5,477 | 8% | 145,141 | 130,347 | 14,794 | 11% |
| Income from continuing operations before income taxes and income (loss) from unconsolidated entities | 156,891 | 124,055 | 32,836 | 26% | 306,713 | 252,151 | 54,562 | 22% |
| Income tax benefit (expense) | (436) | 231 | (667) | n/a | (792) | (531) | (261) | 49% |
| Income (loss) from unconsolidated entities | 1,423 | 1,189 | 234 | 20% | 2,804 | 2,481 | 323 | 13% |
| Income from continuing operations | 157,878 | 125,475 | 32,403 | 26% | 308,725 | 254,101 | 54,624 | 21% |
| Discontinued operations:[1] | | | | | | | | |
| Gain (loss) on sales of discontinued properties, net | 6,411 | (29,997) | 36,408 | n/a | 6,411 | 50,704 | (44,293) | -87% |
| Income (loss) from discontinued operations, net | 264 | 729 | (465) | -64% | 724 | 1,264 | (540) | -43% |
| Discontinued operations, net | 6,675 | (29,268) | 35,943 | n/a | 7,135 | 51,968 | (44,833) | -86% |
| Gain (loss) on real estate dispositions, net[1] | 1,928 | - | 1,928 | n/a | 1,928 | - | 1,928 | n/a |
| Net income | 166,481 | 96,207 | 70,274 | 73% | 317,788 | 306,069 | 11,719 | 4% |
| Less: Net income (loss) attributable to noncontrolling interests | 457 | 370 | 87 | 24% | 946 | 739 | 207 | 28% |
| Net income attributable to common stockholders | $ 166,024 | $ 95,837 | $ 70,187 | 73% | $ 316,842 | $ 305,330 | $ 11,512 | 4% |

(1) See Note 5 to our unaudited consolidated financial statements.

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 and the modification of our lease with Genesis HealthCare to replace the CPI-based component of an annual increaser with a fixed annual increaser effective April 1, 2014. Certain of our leases contain annual rental escalators that are contingent upon changes in the Consumer Price Index and/or changes in the gross operating revenues of the tenant's properties. These escalators are not fixed, so no straight-line rent is recorded; however, rental income is recorded based on the contractual cash rental payments due for the period. If gross operating revenues at our facilities and/or the Consumer Price Index do not increase, a portion of our revenues may not continue to increase. Sales of real property would offset revenue increases and, to the extent that they exceed new acquisitions, could result in decreased revenues. Our leases could renew above or below current rent rates, resulting in an increase or decrease in rental income. For the three months ended June 30, 2014, we had no lease renewals but we had 12 leases with rental rate increasers ranging from 0.10% to 0.30% in our seniors housing triple-net portfolio.

During the six months ended June 30, 2014, we completed four seniors housing triple-net construction projects representing $71,570,000 or $185,896 per bed/unit plus expansion projects totaling $2,561,000. The following is a summary of our seniors housing triple-net construction projects, excluding expansions, pending as of June 30, 2014 (dollars in thousands):

| Location | Units/Beds | Commitment | Balance | Est. Completion |
|---|---|---|---|---|
| Upper Providence, PA | 96 | $ 29,030 | $ 12,745 | 1Q15 |
| Mahwah, NJ | 96 | 29,045 | 8,114 | 2Q15 |
| Haddonfield, NJ | 52 | 18,815 | 6,499 | 2Q15 |
| Frederick, MD | 130 | 19,000 | 10,138 | 2Q15 |
| Piscataway, NJ | 124 | 30,600 | 13,895 | 2Q15 |
| Derby, England | 74 | 12,486 | 3,788 | 3Q15 |
| Total | 572 | $ 138,976 | $ 55,179 | |

Interest expense for the six months ended June 30, 2014 and 2013 represents secured debt interest expense offset by interest allocated to discontinued operations. The change in secured debt interest expense is due to the net effect and timing of assumptions, segment transitions, extinguishments and principal amortizations. The following is a summary of our seniors housing triple-net property secured debt principal activity (dollars in thousands):

| | Three Months Ended | | | | Six Months Ended | | | |
|---|---|---|---|---|---|---|---|---|
| | June 30, 2014 | | June 30, 2013 | | June 30, 2014 | | June 30, 2013 | |
| | Amount | Wtd. Avg. Interest Rate | Amount | Wtd. Avg. Interest Rate | Amount | Wtd. Avg. Interest Rate | Amount | Wtd. Avg. Interest Rate |
| Beginning balance | $ 584,363 | 5.391% | $ 217,592 | 5.392% | $ 587,136 | 5.394% | $ 218,741 | 5.393% |
| Principal payments | (2,623) | 5.843% | (1,171) | 5.604% | (5,396) | 5.871% | (2,320) | 5.571% |
| Ending balance | $ 581,740 | 5.389% | $ 216,421 | 5.390% | $ 581,740 | 5.389% | $ 216,421 | 5.390% |
| Monthly averages | $ 582,625 | 5.391% | $ 216,840 | 5.391% | $ 583,990 | 5.391% | $ 217,417 | 5.391% |

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.

*Seniors Housing Operating*

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

| | Three Months Ended | | Change | | Six Months Ended | | Change | |
|---|---|---|---|---|---|---|---|---|
| | June 30, 2014 | June 30, 2013 | $ | % | June 30, 2014 | June 30, 2013 | $ | % |
| SSCNOI[1] | $ 69,051 | $ 62,978 | $ 6,073 | 10% | $ 134,909 | $ 123,043 | $ 11,866 | 10% |
| NOI attributable to non same store properties[2] | 89,834 | 59,045 | 30,789 | 52% | 172,111 | 102,558 | 69,553 | 68% |
| NOI | $ 158,885 | $ 122,023 | $ 36,862 | 30% | $ 307,020 | $ 225,601 | $ 81,419 | 36% |

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

(2) Change is primarily due to the acquisition of 165 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 | | Six Months Ended | | Change | |
|---|---|---|---|---|---|---|---|---|
| | June 30, 2014 | June 30, 2013 | $ | % | June 30, 2014 | June 30, 2013 | $ | % |
| Revenues: | | | | | | | | |
| Resident fees and services | $ 467,639 | $ 370,995 | $ 96,644 | 26% | $ 923,904 | $ 698,319 | $ 225,585 | 32% |
| Interest income | 11 | - | 11 | n/a | 11 | 757 | (746) | n/a |
| Other income | 1,264 | - | 1,264 | n/a | 1,318 | - | 1,318 | n/a |
| | 468,914 | 370,995 | 97,919 | 26% | 925,233 | 699,076 | 226,157 | 32% |
| Property operating expenses | 310,029 | 248,972 | 61,057 | 25% | 618,213 | 473,475 | 144,738 | 31% |
| Net operating income from continuing operations (NOI) | 158,885 | 122,023 | 36,862 | 30% | 307,020 | 225,601 | 81,419 | 36% |
| Other expenses: | | | | | | | | |
| Interest expense | 28,833 | 19,412 | 9,421 | 49% | 56,312 | 38,482 | 17,830 | 46% |
| Loss (gain) on derivatives, net | 278 | (2,716) | 2,994 | -110% | 278 | (407) | 685 | -168% |
| Depreciation and amortization | 109,644 | 103,646 | 5,998 | 6% | 238,806 | 193,521 | 45,285 | 23% |
| Transaction costs | 1,660 | 16,799 | (15,139) | -90% | 2,290 | 82,124 | (79,834) | -97% |
| Loss (gain) on extinguishment of debt, net | 531 | - | 531 | n/a | 383 | (308) | 691 | -224% |
| | 140,946 | 137,141 | 3,805 | 3% | 298,069 | 313,412 | (15,343) | -5% |
| Income (loss) from continuing operations before income taxes and income (loss) from unconsolidated entities | 17,939 | (15,118) | 33,057 | -219% | 8,951 | (87,811) | 96,762 | -110% |
| Income tax expense | (801) | (2,416) | 1,615 | -67% | (2,444) | (4,145) | 1,701 | -41% |
| Income (loss) from unconsolidated entities | (15,496) | (8,008) | (7,488) | 94% | (23,457) | (9,556) | (13,901) | 145% |
| Net income (loss) | 1,642 | (25,542) | 27,184 | -106% | (16,950) | (101,512) | 84,562 | -83% |
| Less: Net income (loss) attributable to noncontrolling interests | (892) | (1,389) | 497 | -36% | (2,713) | (1,663) | (1,050) | 63% |
| Net income (loss) attributable to common stockholders | $ 2,534 | $ (24,153) | $ 26,687 | -110% | $ (14,237) | $ (99,849) | $ 85,612 | -86% |

Fluctuations in revenues and property operating expenses are primarily a result of acquisitions subsequent to June 30, 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. Interest income in the six month period ended June 30, 2013 relates to our Sunrise loans that were acquired upon merger consummation on January 9, 2013. The increase in other income relates primarily to a guarantee fee received during the three month period ended June 30, 2014 in exchange for our guarantee of a third party loan.

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 | | | | Six Months Ended | | | |
|---|---|---|---|---|---|---|---|---|
| | June 30, 2014 | | June 30, 2013 | | June 30, 2014 | | June 30, 2013 | |
| | Amount | Weighted Avg. Interest Rate | Amount | Weighted Avg. Interest Rate | Amount | Weighted Avg. Interest Rate | Amount | Weighted Avg. Interest Rate |
| Beginning balance | $ 1,627,768 | 4.529% | 1,488,419 | 4.925% | $ 1,714,714 | 4.622% | 1,369,526 | 4.874% |
| Debt issued | - | 0.000% | 71,340 | 4.961% | 10,690 | 3.544% | 71,340 | 4.961% |
| Debt assumed | 12,005 | 4.147% | 404,176 | 3.801% | 12,005 | 4.147% | 536,856 | 4.219% |
| Debt extinguished | (8,444) | 5.934% | (41,349) | 3.587% | (81,662) | 5.888% | (49,156) | 4.197% |
| Foreign currency | 14,705 | 3.896% | (6,898) | 3.868% | (1,200) | 3.936% | (6,892) | 3.867% |
| Principal payments | (8,526) | 4.253% | (7,438) | 4.709% | (17,039) | 4.365% | (13,424) | 4.852% |
| Ending balance | $ 1,637,508 | 4.530% | $ 1,908,250 | 4.738% | $ 1,637,508 | 4.530% | $ 1,908,250 | 4.738% |
| | | | | | | | | |
| Monthly averages | $ 1,626,739 | 4.538% | 1,501,263 | 4.866% | $ 1,657,156 | 4.567% | 1,481,319 | 4.893% |

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. The increased loss from unconsolidated entities is primarily due to depreciation and amortization of short-lived intangible assets and costs associated with the recapitalization of the Sunrise management company. Net income attributable to noncontrolling interests for the three month periods ended June 30, 2014 and 2013 represents our partners' share of net income (loss) related to joint ventures.

*Medical Facilities*

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

| | Three Months Ended | | Change | | Six Months Ended | | Change | |
|---|---|---|---|---|---|---|---|---|
| | June 30, 2014 | June 30, 2013 | $ | % | June 30, 2014 | June 30, 2013 | $ | % |
| SSCNOI[(1)] | $ 74,445 | 73,799 | $ 646 | 1% | $ 148,951 | 147,745 | $ 1,206 | 1% |
| Non-cash NOI attributable to same store properties[(1)] | 1,196 | 1,928 | (732) | -38% | 2,557 | 4,319 | (1,762) | -41% |
| NOI attributable to non same store properties[(2)] | 16,627 | 9,511 | 7,116 | 75% | 32,596 | 17,068 | 15,528 | 91% |
| NOI | $ 92,268 | $ 85,238 | $ 7,030 | 8% | $ 184,104 | $ 169,132 | $ 14,972 | 9% |

(1) Change is due to increases in cash NOI and decreases in non-cash NOI (described below) related to 198 same store properties.

(2) Change is primarily due to acquisitions of 25 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):

| | Three Months Ended | | Change | | Six Months Ended | | Change | |
|---|---|---|---|---|---|---|---|---|
| | June 30, 2014 | June 30, 2013 | $ | % | June 30, 2014 | June 30, 2013 | $ | % |
| Revenues: | | | | | | | | |
| Rental income | $ 122,375 | $ 111,355 | $ 11,020 | 10% | $ 244,001 | $ 220,702 | $ 23,299 | 11% |
| Interest income | 3,256 | 2,207 | 1,049 | 48% | 6,410 | 4,663 | 1,747 | 37% |
| Other income | 362 | 662 | (300) | -45% | 665 | 1,072 | (407) | -38% |
| | 125,993 | 114,224 | 11,769 | 10% | 251,076 | 226,437 | 24,639 | 11% |
| Property operating expenses | 33,725 | 28,986 | 4,739 | 16% | 66,972 | 57,305 | 9,667 | 17% |
| Net operating income from continuing operations (NOI) | 92,268 | 85,238 | 7,030 | 8% | 184,104 | 169,132 | 14,972 | 9% |
| Other expenses: | | | | | | | | |
| Interest expense | 8,122 | 9,506 | (1,384) | -15% | 17,730 | 18,364 | (634) | -3% |
| Depreciation and amortization | 43,192 | 39,779 | 3,413 | 9% | 85,944 | 79,642 | 6,302 | 8% |
| Transaction costs | 1,373 | 126 | 1,247 | 990% | 1,420 | 287 | 1,133 | 395% |
| | 52,687 | 49,411 | 3,276 | 7% | 105,094 | 98,293 | 6,801 | 7% |
| Income from continuing operations before income taxes and income from unconsolidated entities | 39,581 | 35,827 | 3,754 | 10% | 79,010 | 70,839 | 8,171 | 12% |
| Income tax (expense) benefit | (332) | 987 | (1,319) | n/a | (594) | 715 | (1,309) | n/a |
| Income from unconsolidated entities | 2,557 | 1,358 | 1,199 | 88% | 3,580 | 3,877 | (297) | -8% |
| Income from continuing operations | 41,806 | 38,172 | 3,634 | 10% | 81,996 | 75,431 | 6,565 | 9% |
| Discontinued operations:(1) | | | | | | | | |
| Gain (loss) on sales of discontinued properties, net | - | - | - | n/a | - | 1,791 | (1,791) | -100% |
| Income (loss) from discontinued operations, net | - | (601) | 601 | -100% | - | 456 | (456) | -100% |
| Discontinued operations, net | - | (601) | 601 | -100% | - | 2,247 | (2,247) | -100% |
| Gain (loss) on real estate dispositions, net(1) | 4,740 | - | 4,740 | n/a | 4,740 | - | 4,740 | n/a |
| Net income (loss) | 46,546 | 37,571 | 8,975 | 24% | 86,736 | 77,678 | 9,058 | 12% |
| Less: Net income (loss) attributable to noncontrolling interests | 108 | 106 | 2 | 2% | 265 | 150 | 115 | 77% |
| Net income (loss) attributable to common stockholders | $ 46,438 | $ 37,465 | $ 8,973 | 24% | $ 86,471 | $ 77,528 | $ 8,943 | 12% |

(1) See Note 5 to our unaudited consilidated financial statements.

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 June 30, 2014, our consolidated medical office building portfolio signed 55,748 square feet of new leases and 129,118 square feet of renewals. The weighted-average term of these leases was five years, with a rate of $22.11 per square foot and tenant improvement and lease commission costs of $13.34 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 June 30, 2014, we had three leases with rental rate increasers ranging from 0.17% to 0.81% in our hospital portfolio. The increase in interest income is attributable to higher outstanding loans receivable.

During the six months ended June 30, 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 June 30, 2014 (dollars in thousands):

| Location | Square Feet | | Commitment | | Balance | Est. Completion |
|---|---|---|---|---|---|---|
| Burnsville, MN | 123,857 | $ | 36,087 | $ | 19,853 | 3Q14 |
| Clear Lake, TX | 54,713 | | 14,750 | | 10,387 | 3Q14 |
| Humble, TX | 36,475 | | 10,885 | | 4,746 | 3Q14 |
| Bettendorf, IA | 40,493 | | 7,561 | | 2,814 | 4Q14 |
| Houston, TX | 51,057 | | 17,600 | | 3,494 | 1Q15 |
| Shenandoah, TX | 80,085 | | 24,558 | | 8,834 | 1Q15 |
| Total | 386,680 | $ | 111,441 | $ | 50,128 | |

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 | | | | | | Six Months Ended | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | June 30, 2014 | | | June 30, 2013 | | | June 30, 2014 | | | June 30, 2013 | | |
| | | Amount | Weighted Avg. Interest Rate | | Amount | Weighted Avg. Interest Rate | | Amount | Weighted Avg. Interest Rate | | Amount | Weighted Avg. Interest Rate |
| Beginning balance | $ | 655,696 | 6.036% | $ | 709,823 | 5.950% | $ | 700,427 | 5.999% | $ | 713,720 | 5.950% |
| Debt extinguished | | (66,194) | 5.736% | | - | 0.000% | | (107,060) | 5.604% | | - | 0.000% |
| Principal payments | | (4,341) | 5.953% | | (4,501) | 6.312% | | (8,206) | 5.647% | | (8,398) | 6.178% |
| Ending balance | $ | 585,161 | 6.067% | $ | 705,322 | 5.947% | $ | 585,161 | 6.067% | $ | 705,322 | 5.947% |
| Monthly averages | $ | 627,455 | 6.045% | $ | 707,413 | 5.948% | $ | 653,158 | 5.954% | $ | 709,591 | 5.949% |

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 higher 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. The increase is primarily attributable to costs related to debt extinguishment in the prior year.

*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 | | Six Months Ended | | Change | |
|---|---|---|---|---|---|---|---|---|
| | June 30, 2014 | June 30, 2013 | $ | % | June 30, 2014 | June 30, 2013 | $ | % |
| Revenues: | | | | | | | | |
| Other income | $ 76 | $ 164 | $ (88) | -54% | $ 91 | $ 245 | $ (154) | -63% |
| Expenses: | | | | | | | | |
| Interest expense | 75,231 | 77,300 | (2,069) | -3% | 150,087 | 152,402 | (2,315) | -2% |
| General and administrative | 51,660 | 23,902 | 27,758 | 116% | 84,524 | 51,081 | 33,443 | 65% |
| | 126,891 | 101,202 | 25,689 | 25% | 234,611 | 203,483 | 31,128 | 15% |
| Loss from continuing operations before income taxes | (126,815) | (101,038) | (25,777) | 26% | (234,520) | (203,238) | (31,282) | 15% |
| Income tax (expense) benefit | - | (17) | 17 | -100% | - | (17) | 17 | -100% |
| Loss from continuing operations | (126,815) | (101,055) | (25,760) | 25% | (234,520) | (203,255) | (31,265) | 15% |
| Less: Preferred stock dividends | 16,352 | 16,602 | (250) | -2% | 32,705 | 33,203 | (498) | -1% |
| Net loss attributable to common stockholders | $ (143,167) | $ (117,657) | $ (25,510) | 22% | $ (267,225) | $ (236,458) | $ (30,767) | 13% |

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 | | Six Months Ended | | Change | |
|---|---|---|---|---|---|---|---|---|
| | June 30, 2014 | June 30, 2013 | $ | % | June 30, 2014 | June 30, 2013 | $ | % |
| Senior unsecured notes | $ 70,579 | $ 72,975 | $ (2,396) | -3% | $ 141,280 | $ 145,155 | $ (3,875) | -3% |
| Secured debt | 118 | 126 | (8) | -6% | 222 | 236 | (14) | -6% |
| Unsecured lines of credit | 2,823 | 3,002 | (179) | -6% | 5,124 | 7,522 | (2,398) | -32% |
| Capitalized interest | (1,664) | (1,386) | (278) | 20% | (3,217) | (2,992) | (225) | 8% |
| Swap loss (savings) | (4) | (4) | - | 0% | (7) | (7) | 0 | 0% |
| Loan expense | 3,379 | 2,587 | 792 | 31% | 6,685 | 2,488 | 4,197 | 169% |
| Totals | $ 75,231 | $ 77,300 | $ (2,069) | -3% | $ 150,087 | $ 152,402 | $ (2,315) | -2% |

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.

The increase in general and administrative expenses is primarily related to $19,688,000 of CEO transition costs (see Note 14 to our unaudited consolidated financial statements for additional information). Excluding those costs, general and administrative expenses as a percentage of consolidated revenues (including revenues from discontinued operations) for the three months ended June 30, 2014 and 2013 were 3.87% and 3.44%, respectively. The increase is primarily related to costs associated with our initiatives to attract and retain appropriate personnel to achieve our business objectives. The changes in preferred stock dividends are primarily attributable to the effect of conversions (see Note 13 to our unaudited 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 | | | | | |
|---|---|---|---|---|---|---|
| **FFO Reconciliations:** | March 31, 2013 | June 30, 2013 | September 30, 2013 | December 31, 2013 | March 31, 2014 | June 30, 2014 |
| Net income (loss) attributable to common stockholders | $ 55,058 | $ (8,508) | $ 20,691 | $ 11,473 | $ 50,022 | $ 71,829 |
| Depreciation and amortization | 187,122 | 200,477 | 242,981 | 243,380 | 233,318 | 214,449 |
| Loss (gain) on sales of properties, net | (82,492) | 29,997 | (4,707) | 8,064 | 0 | (13,079) |
| Noncontrolling interests | (5,793) | (7,821) | (12,328) | (10,362) | (10,520) | (9,741) |
| Unconsolidated entities | 16,983 | 16,521 | 11,626 | 12,522 | 15,983 | 20,787 |
| Funds from operations | $ 170,878 | $ 230,666 | $ 258,263 | $ 265,077 | $ 288,803 | $ 284,245 |
| | | | | | | |
| Average common shares outstanding: | | | | | | |
| Basic | 260,036 | 273,091 | 286,020 | 288,133 | 289,606 | 296,256 |
| Diluted | 262,525 | 276,481 | 288,029 | 289,677 | 290,917 | 297,995 |
| | | | | | | |
| Per share data: | | | | | | |
| Net income attributable to common stockholders | | | | | | |
| Basic | $ 0.21 | $ (0.03) | $ 0.07 | $ 0.04 | $ 0.17 | $ 0.24 |
| Diluted | 0.21 | (0.03) | 0.07 | 0.04 | 0.17 | 0.24 |
| | | | | | | |
| Funds from operations | | | | | | |
| Basic | $ 0.66 | $ 0.84 | $ 0.90 | $ 0.92 | $ 1.00 | $ 0.96 |
| Diluted | 0.65 | 0.83 | 0.90 | 0.92 | 0.99 | 0.95 |

| | Six Months Ended | |
|---|---|---|
| **FFO Reconciliations:** | June 30, 2013 | June 30, 2014 |
| Net income attributable to common stockholders | $ 46,551 | $ 121,851 |
| Depreciation and amortization | 387,599 | 447,766 |
| Loss (gain) on sales of properties, net | (52,495) | (13,079) |
| Noncontrolling interests | (13,614) | (20,259) |
| Unconsolidated entities | 33,504 | 36,770 |
| Funds from operations | $ 401,545 | $ 573,049 |
| | | |
| Average common shares outstanding: | | |
| Basic | 266,602 | 293,046 |
| Diluted | 269,580 | 294,590 |
| | | |
| Per share data: | | |
| Net income attributable to common stockholders | | |
| Basic | $ 0.17 | $ 0.42 |
| Diluted | 0.17 | 0.41 |
| | | |
| Funds from operations | | |
| Basic | $ 1.51 | $ 1.96 |
| Diluted | 1.49 | 1.95 |

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 | | | | | |
|---|---|---|---|---|---|---|
| **EBITDA Reconciliations:** | March 31, 2013 | June 30, 2013 | September 30, 2013 | December 31, 2013 | March 31, 2014 | June 30, 2014 |
| Net income | $ 71,799 | $ 7,181 | $ 33,605 | $ 25,696 | $ 65,200 | $ 87,854 |
| Interest expense | 110,734 | 110,844 | 116,542 | 124,485 | 120,956 | 121,099 |
| Income tax expense (benefit) | 2,763 | 1,215 | 3,077 | 435 | 2,260 | 1,569 |
| Depreciation and amortization | 187,122 | 200,477 | 242,981 | 243,380 | 233,318 | 214,449 |
| EBITDA | $ 372,418 | $ 319,717 | $ 396,205 | $ 393,996 | $ 421,734 | $ 424,971 |
| | | | | | | |
| Interest Coverage Ratio: | | | | | | |
| Interest expense | $ 110,734 | $ 110,844 | $ 116,542 | $ 124,485 | $ 120,956 | $ 121,099 |
| Non-cash interest expense | (3,494) | (1,237) | 951 | (264) | (330) | (1,649) |
| Capitalized interest | 1,606 | 1,386 | 1,706 | 2,003 | 1,605 | 1,700 |
| Total interest | 108,846 | 110,993 | 119,199 | 126,224 | 122,231 | 121,150 |
| EBITDA | $ 372,418 | $ 319,717 | $ 396,205 | $ 393,996 | $ 421,734 | $ 424,971 |
| Interest coverage ratio | 3.42x | 2.88x | 3.32x | 3.12x | 3.45x | 3.51x |
| | | | | | | |
| Fixed Charge Coverage Ratio: | | | | | | |
| Total interest | $ 108,846 | $ 110,993 | $ 119,199 | $ 126,224 | $ 122,231 | $ 121,150 |
| Secured debt principal payments | 11,432 | 13,277 | 15,297 | 16,132 | 15,455 | 15,803 |
| Preferred dividends | 16,602 | 16,602 | 16,602 | 16,531 | 16,353 | 16,352 |
| Total fixed charges | 136,880 | 140,872 | 151,098 | 158,887 | 154,039 | 153,305 |
| EBITDA | $ 372,418 | $ 319,717 | $ 396,205 | $ 393,996 | $ 421,734 | $ 424,971 |
| Fixed charge coverage ratio | 2.72x | 2.27x | 2.62x | 2.54x | 2.74x | 2.77x |

| | Six Months Ended | |
|---|---|---|
| **EBITDA Reconciliations:** | June 30, 2013 | June 30, 2014 |
| Net income | $ 78,980 | $ 153,054 |
| Interest expense | 221,578 | 242,055 |
| Income tax expense (benefit) | 3,978 | 3,830 |
| Depreciation and amortization | 387,599 | 447,766 |
| EBITDA | $ 692,135 | $ 846,705 |
| | | |
| Interest Coverage Ratio: | | |
| Interest expense | $ 221,578 | $ 242,055 |
| Non-cash interest expense | (4,731) | (1,980) |
| Capitalized interest | 2,992 | 3,305 |
| Total interest | 219,839 | 243,380 |
| EBITDA | $ 692,135 | $ 846,705 |
| Interest coverage ratio | 3.15x | 3.48x |
| | | |
| Fixed Charge Coverage Ratio: | | |
| Total interest | $ 219,839 | $ 243,380 |
| Secured debt principal payments | 24,596 | 31,258 |
| Preferred dividends | 33,203 | 32,705 |
| Total fixed charges | 277,638 | 307,343 |
| EBITDA | $ 692,135 | $ 846,705 |
| Fixed charge coverage ratio | 2.49x | 2.76x |

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

| | Twelve Months Ended | | | | | |
|---|---|---|---|---|---|---|
| **Adjusted EBITDA Reconciliations:** | March 31, 2013 | June 30, 2013 | September 30, 2013 | December 31, 2013 | March 31, 2014 | June 30, 2014 |
| Net income | $ 309,183 | $ 239,491 | $ 219,590 | $ 138,280 | $ 131,682 | $ 212,355 |
| Interest expense | 400,312 | 414,394 | 434,693 | 462,606 | 472,827 | 483,082 |
| Income tax expense (benefit) | 8,904 | 8,672 | 10,913 | 7,491 | 6,987 | 7,341 |
| Depreciation and amortization | 593,285 | 660,799 | 770,922 | 873,960 | 920,156 | 934,128 |
| Stock-based compensation expense | 17,728 | 17,607 | 18,971 | 20,177 | 17,336 | 29,320 |
| Provision for loan losses | 27,008 | 27,008 | 2,110 | 2,110 | 2,110 | 2,110 |
| Loss (gain) on extinguishment of debt, net | (1,083) | (1,659) | (5,942) | (909) | (749) | (218) |
| Adjusted EBITDA | $ 1,355,337 | $ 1,366,312 | $ 1,451,257 | $ 1,503,715 | $ 1,550,349 | $ 1,668,118 |
| | | | | | | |
| Adjusted Fixed Charge Coverage Ratio: | | | | | | |
| Interest expense | $ 400,312 | $ 414,394 | $ 434,693 | $ 462,606 | $ 472,827 | $ 483,082 |
| Capitalized interest | 8,964 | 8,211 | 7,362 | 6,700 | 6,700 | 7,014 |
| Non-cash interest expense | (11,196) | (9,584) | (6,392) | (4,044) | (880) | (1,292) |
| Total interest | 398,080 | 413,021 | 435,663 | 465,262 | 478,647 | 488,804 |
| Adjusted EBITDA | $ 1,355,337 | $ 1,366,312 | $ 1,451,257 | $ 1,503,715 | $ 1,550,349 | $ 1,668,118 |
| Adjusted interest coverage ratio | 3.40x | 3.31x | 3.33x | 3.23x | 3.24x | 3.41x |
| | | | | | | |
| Total interest | $ 398,080 | $ 413,021 | $ 435,663 | $ 465,262 | $ 478,647 | $ 488,804 |
| Secured debt principal payments | 41,457 | 45,167 | 50,323 | 56,318 | 60,341 | 62,867 |
| Preferred dividends | 66,525 | 66,408 | 66,408 | 66,336 | 66,088 | 65,838 |
| Total fixed charges | 506,062 | 524,596 | 552,394 | 587,916 | 605,076 | 617,509 |
| Adjusted EBITDA | $ 1,355,337 | $ 1,366,312 | $ 1,451,257 | $ 1,503,715 | $ 1,550,349 | $ 1,668,118 |
| Adjusted fixed charge coverage ratio | 2.68x | 2.60x | 2.63x | 2.56x | 2.56x | 2.70x |

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. Dollars are in thousands.

| | Three Months Ended | | | | | |
|---|---|---|---|---|---|---|
| **NOI Reconciliations:** | March 31, 2013 | June 30, 2013 | September 30, 2013 | December 31, 2013 | March 31, 2014 | June 30, 2014 |
| Total revenues: | | | | | | |
| Seniors housing triple-net | $ 189,349 | $ 193,150 | $ 203,764 | $ 217,410 | $ 220,388 | $ 231,463 |
| Seniors housing operating | 328,081 | 370,995 | 466,294 | 452,030 | 456,319 | 468,914 |
| Medical facilities | 112,213 | 114,224 | 113,622 | 119,119 | 125,085 | 125,993 |
| Non-segment/corporate | 81 | 164 | 32 | 20 | 15 | 76 |
| Total revenues | 629,724 | 678,533 | 783,712 | 788,579 | 801,807 | 826,446 |
| Property operating expenses: | | | | | | |
| Seniors housing operating | 224,503 | 248,972 | 311,575 | 304,189 | 308,184 | 310,029 |
| Medical facilities | 28,320 | 28,986 | 30,345 | 29,922 | 33,247 | 33,725 |
| Total property operating expenses | 252,823 | 277,958 | 341,920 | 334,111 | 341,431 | 343,754 |
| Net operating income: | | | | | | |
| Seniors housing triple-net | 189,349 | 193,150 | 203,764 | 217,410 | 220,388 | 231,463 |
| Seniors housing operating | 103,578 | 122,023 | 154,719 | 147,841 | 148,135 | 158,885 |
| Medical facilities | 83,893 | 85,238 | 83,277 | 89,197 | 91,838 | 92,268 |
| Non-segment/corporate | 81 | 164 | 32 | 20 | 15 | 76 |
| NOI | 376,901 | 400,575 | 441,792 | 454,468 | 460,376 | 482,692 |
| Reconciling items: | | | | | | |
| Interest expense | (108,838) | (109,465) | (115,792) | (124,265) | (120,833) | (121,065) |
| Gain (loss) on derivatives, net | (2,309) | 2,716 | (4,872) | (6) | - | (351) |
| Depreciation and amortization | (184,688) | (198,062) | (241,027) | (242,022) | (233,318) | (214,449) |
| General and administrative | (27,179) | (23,902) | (28,718) | (28,519) | (32,865) | (51,660) |
| Transaction costs | (65,980) | (28,136) | (23,591) | (15,693) | (952) | (7,040) |
| Gain (loss) on extinguishment of debt, net | 308 | - | 4,068 | (3,467) | 148 | (531) |
| Provision for loan losses | - | - | - | (2,110) | - | - |
| Income tax benefit (expense) | (2,763) | (1,215) | (3,077) | (435) | (2,260) | (1,569) |
| Income (loss) from unconsolidated entities | 2,262 | (5,461) | (331) | (4,659) | (5,556) | (11,516) |
| Income (loss) from discontinued operations, net | 84,085 | (29,869) | 5,153 | (7,596) | 460 | 6,675 |
| Gain (loss) on real estate dispositions, net | - | - | - | - | - | 6,668 |
| Preferred dividends | (16,602) | (16,602) | (16,602) | (16,531) | (16,353) | (16,352) |
| Loss (income) attributable to noncontrolling interests | (139) | 913 | 3,688 | 2,308 | 1,175 | 327 |
| | (321,843) | (409,083) | (421,101) | (442,995) | (410,354) | (410,863) |
| Net income (loss) attributable to common stockholders | $ 55,058 | $ (8,508) | $ 20,691 | $ 11,473 | $ 50,022 | $ 71,829 |

| | Six Months Ended | |
|---|---|---|
| **NOI Reconciliations:** | June 30, 2013 | June 30, 2014 |
| Total revenues: | | |
| Seniors housing triple-net | $ 382,498 | $ 451,854 |
| Seniors housing operating | 699,076 | 925,233 |
| Medical facilities | 226,437 | 251,076 |
| Non-segment/corporate | 245 | 91 |
| Total revenues | 1,308,256 | 1,628,254 |
| Property operating expenses: | | |
| Seniors housing operating | 473,475 | 618,213 |
| Medical facilities | 57,305 | 66,972 |
| Total property operating expenses | 530,780 | 685,185 |
| Net operating income: | | |
| Seniors housing triple-net | 382,498 | 451,854 |
| Seniors housing operating | 225,601 | 307,020 |
| Medical facilities | 169,132 | 184,104 |
| Non-segment/corporate | 245 | 91 |
| NOI | 777,476 | 943,069 |
| Reconciling items: | | |
| Interest expense | (218,303) | (241,898) |
| Gain (loss) on derivatives, net | 407 | (351) |
| Depreciation and amortization | (382,750) | (447,766) |
| General and administrative | (51,081) | (84,524) |
| Transaction costs | (94,116) | (7,993) |
| Gain (loss) on extinguishment of debt, net | 308 | (383) |
| Income tax benefit (expense) | (3,978) | (3,830) |
| Income (loss) from unconsolidated entities | (3,198) | (17,073) |
| Income (loss) from discontinued operations, net | 54,215 | 7,135 |
| Gain (loss) on real estate dispositions, net | - | 6,668 |
| Preferred dividends | (33,203) | (32,705) |
| Loss (income) attributable to noncontrolling interests | 774 | 1,502 |
| | (730,925) | (821,218) |
| Net income (loss) attributable to common stockholders | $ 46,551 | $ 121,851 |

| | | Three Months Ended | | | | | |
|---|---|---|---|---|---|---|---|
| **Same Store Cash NOI Reconciliations:** | | March 31, 2013 | June 30, 2013 | September 30, 2013 | December 31, 2013 | March 31, 2014 | June 30, 2014 |
| Net operating income from continuing operations: | | | | | | | |
| Seniors housing triple-net | | $ 189,348 | $ 193,150 | $ 203,764 | $ 217,410 | $ 220,388 | $ 231,463 |
| Seniors housing operating | | 103,578 | 122,023 | 154,721 | 147,840 | 148,135 | 158,885 |
| Medical facilities | | 83,894 | 85,238 | 83,277 | 89,198 | 91,838 | 92,268 |
| Total | | 376,820 | 400,411 | 441,762 | 454,448 | 460,361 | 482,616 |
| Adjustments: | | | | | | | |
| Seniors housing triple-net: | | | | | | | |
| Non-cash NOI on same store properties | | (10,749) | (9,748) | (9,664) | (9,515) | (9,504) | (15,828) |
| NOI attributable to non same store properties | | (7,887) | (9,234) | (17,827) | (30,710) | (31,816) | (35,439) |
| Subtotal | | (18,636) | (18,982) | (27,491) | (40,225) | (41,320) | (51,267) |
| Seniors housing operating: | | | | | | | |
| NOI attributable to non same store properties | | (43,513) | (59,045) | (90,094) | (82,710) | (82,277) | (89,834) |
| Subtotal | | (43,513) | (59,045) | (90,094) | (82,710) | (82,277) | (89,834) |
| Medical facilities: | | | | | | | |
| Non-cash NOI on same store properties | | (2,392) | (1,928) | (2,195) | (1,530) | (1,361) | (1,196) |
| NOI attributable to non same store properties | | (7,555) | (9,511) | (9,000) | (13,713) | (15,971) | (16,627) |
| Subtotal | | (9,947) | (11,439) | (11,195) | (15,243) | (17,332) | (17,823) |
| Same store cash net operating income: | Properties | | | | | | |
| Seniors housing triple-net | 526 | 170,712 | 174,168 | 176,273 | 177,185 | 179,068 | 180,196 |
| Seniors housing operating | 116 | 60,065 | 62,978 | 64,627 | 65,130 | 65,858 | 69,051 |
| Medical facilities | 198 | 73,947 | 73,799 | 72,082 | 73,955 | 74,506 | 74,445 |
| Total | 840 | $ 304,724 | $ 310,945 | $ 312,982 | $ 316,270 | $ 319,432 | $ 323,692 |

| **Same Store Cash NOI Property Reconciliation:** | |
|---|---|
| Total Properties | 1,157 |
| Acquisitions | (233) |
| Developments | (27) |
| Held-for-sale | (5) |
| Segment transitions | (38) |
| Other[(1)] | (14) |
| Same store properties | 840 |

(1) Includes nine land parcels and five loans.

| | | Six Months Ended | |
|---|---|---|---|
| | | June 30, | June 30, |
| **Same Store Cash NOI Reconciliations:** | | 2013 | 2014 |
| Net operating income from continuing operations: | | | |
| Seniors housing triple-net | | $ 382,498 | $ 451,854 |
| Seniors housing operating | | 225,601 | 307,020 |
| Medical facilities | | 169,132 | 184,104 |
| Total | | 777,231 | 942,978 |
| Adjustments: | | | |
| Seniors housing triple-net: | | | |
| Non-cash NOI on same store properties | | (20,497) | (25,332) |
| NOI attributable to non same store properties | | (17,121) | (67,258) |
| Subtotal | | (37,618) | (92,590) |
| Seniors housing operating: | | | |
| Non-cash NOI on same store properties | | - | - |
| NOI attributable to non same store properties | | (102,558) | (172,111) |
| Subtotal | | (102,558) | (172,111) |
| Medical facilities: | | | |
| Non-cash NOI on same store properties | | (4,319) | (2,557) |
| NOI attributable to non same store properties | | (17,068) | (32,596) |
| Subtotal | | (21,387) | (35,153) |
| Same store cash net operating income: | Properties | | |
| Seniors housing triple-net | 526 | 344,880 | 359,264 |
| Seniors housing operating | 116 | 123,043 | 134,909 |
| Medical facilities | 198 | 147,745 | 148,951 |
| Total | 840 | $ 615,668 | $ 643,124 |

## 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 facility ("SNF") 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 SNFs' 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, on June 4, 2014, the OIG released a report finding that the Centers for Medicare and Medicaid Services ("CMS") inappropriately paid $4.3 million to long-term care hospitals ("LTCHs") in 2010 and 2011, as a result of certain readmissions practices. The OIG recommended that CMS review program safeguards.

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.

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 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 reinstituted 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. SNFs 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 the market basket update. Hospitals that are not meaningful electronic health record ("EHR") users will be subject to an additional reduction of one-quarter of the market basket 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%.

On July 3, 2014, CMS issued a proposed rule outlining payment policies and rates for the Medicare Physician Fee Schedule ("PFS") for calendar year 2015. While the proposed rule does not include proposals or announcements on the PFS update or SGR, as these calculations are determined under a prescribed statutory formula that cannot be changed by CMS, the proposed rule does state that CMS expects payments for chronic care management services to have a positive effect on family practice, internal medicine, and geriatrics.

Also on July 3, 2014, CMS issued a proposed rule outlining payment policies and rates for hospital outpatient departments ("HOPD") and ambulatory surgery centers ("ASC") for calendar year 2015. As part of this rule, CMS proposes to apply a net 2.1% HOPD payment increase and a net 1.2% ASC payment increase.

***Other Related Laws***

United Kingdom

*Service Standards and Notification Obligations*

Failure to comply with the notification provisions under the Care Quality Commission (Registration) Regulations 2009 is an offense and a person guilty of an offense is liable on summary conviction to a fine of up to £2,500. There is a proposal under discussion to increase this penalty to £10,000.

*Regulatory Oversight and Inspections*

The Care Act 2014 sets out certain provisions which are not yet in force concerning (among others):

- The duty of a local authority to meet the needs of an adult for care and support and a carer's needs where the registered care provider is unable to carry on a regulated activity because of business failure;
- The duty of the Care Quality Commission ("CQC") to assess the financial sustainability of providers subject to its regulatory regime with a view to identifying any threats that such providers may face to their financial sustainability. Where the CQC identifies a significant risk to financial sustainability it can require the provider to develop a sustainability plan setting out the provider's plan to mitigate or eliminate risk or require the provider to organize an independent review of the business with the costs being recovered from the provider; and
- A new offence where certain registered care providers supply, publish or make available information that 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.

There is a proposal for an EU Data Protection Regulation which would replace the Data Protection Directive and impose a significant number of new obligations including, among others, a requirement to appoint data protection officers, having detailed documentation on the processing of personal data, carrying out privacy impact assessments in certain circumstances, providing standardised data protection notices, reporting security breaches without undue delay, and providing certain rights to individuals such as a right of erasure of personal data. The EU Data Protection Regulation is to have significant enforcement powers with fines proposed by the European Commission of up 2% of annual worldwide turnover and with fines proposed by the European Parliament of up to 5% of annual worldwide turnover or €100 million whichever is the greater. The EU Data Protection Regulation may be adopted sometime in 2015 with EU Member States possibly having two years to implement the Regulation.

Canada

Retirement homes and long-term care facilities are subject to regulation, and long-term care facilities may receive funding, under provincial law. There is no federal regulation in this area. Set out below are summaries of the principal regulatory requirements in the provinces where we have a material number of facilities.

Licensing and Regulation

**British Columbia**

The *Community Care and Assisted Living Act*, the *Residential Care Regulation*, and the *Community Care and Assisted Living Regulation* (together, the "B.C. Act") regulate "community care facilities" (long-term care facilities) in substantially the same manner as retirement homes are regulated under the Ontario Act. The B.C. Act defines such a facility as premises used for the purpose of supervising vulnerable persons who require three or more prescribed services.

The B.C. Act also creates a separate regime for regulating "assisted living residences," which are facilities providing at least one but not more than two prescribed care services. Assisted living residences are designed for those who can live independently, but who require assistance with certain activities. There are designated assisted living suites in four REIT properties. Unlike community care facilities, assisted living residences must be registered with the registrar of assisted living residences, but do not require a license. Nevertheless, assisted living residences must be operated in a manner that does not jeopardize the health or safety of its residents. If the registrar has reason to believe a residence is not being operated in accordance with this standard, the registrar may inspect the assisted living residence and may suspend or cancel a registration.

Some assisted living residences receive government funding to provide in whole or in part subsidized units, while other residences are entirely private-pay facilities. Subsidized programs are presently offered through Independent Living BC projects, through the BC Housing program, with local health authorities awarding contracts to providers through advertised requests for proposals for the development and/or delivery of assisted living services to limited numbers of publicly-subsidized residents. To the extent that policy or legislative changes may decrease government reimbursement to our operators and tenants, our revenue and operations may be adversely affected. Further, the failure to obtain these contracts, or the loss of these contracts, could adversely affect operations and revenue.

Independent living residences offer housing and hospitality services for retired adults who are functionally independent and able to direct their own care. Services available for residents can include, for example, meals, housekeeping, monitoring and emergency support, social and recreational opportunities, and transportation.

In British Columbia, private Independent Living Facilities (the majority of the facilities subject to the REIT) do not generally receive government funding and are not regulated beyond landlord-tenant law.

<u>Other Related Laws</u>

**Privacy**

All but three provinces of Canada have passed privacy laws specific to personal health information and regulating the collection, use and disclosure of such information. There are privacy laws governing activities involving personal information in the three provinces without health information specific legislation (British Columbia, Quebec and Prince Edward Island) as well as in the other provinces. Whether any particular privacy law applies to a seniors housing facility depends on the type of its licensure, which complicates the application of privacy law and the assessment of risk related to privacy breaches by such facilities. Another complicating factor is the identification of the "custodian" responsible for privacy law compliance, which as between the owner and operator of a facility may be a matter of contract rather than legislation. In some provinces, health care services are provided by or through public bodies, which are subject to different privacy laws than those applicable in the private sector. Providing services on behalf of a public body may impact the privacy law requirements of seniors housing facilities and their ability to process and store personal health information outside of Canada.

Although the obligations of custodians of personal health information in the various provinces differ to some extent, they all include the obligation to protect the information. Privacy laws in Canada are consent-based and require the implementation of a privacy program involving policies, procedures and the designation of an individual or team with primary responsibility for a custodian's privacy law compliance. Mandatory breach notification is a requirement under some laws. Some laws require notification where personal health information/personal information is processed or stored outside of Canada. One provincial law (in Quebec) provides for fines where an organization fails to perform required due diligence before outsourcing activities involving personal information to a service provider outside of the province.

Some privacy regulators in Canada have order-making authority and others are ombudspersons who make recommendations which may only be enforced by a court. Under a number of privacy laws, a finding by a regulator that a custodian has breached the law creates a right to apply to a court for money damages. In some provinces there is a statutory civil cause of action for breach of privacy. In other provinces, the courts have recognized a limited common law cause of action for breach of privacy.

The powers of privacy regulators and penalties for violations of privacy law vary according to the applicable law or are left to the courts. Speaking generally, penalties do not include imprisonment or at least to date, the significant fines and damages that have been ordered or awarded in some other jurisdictions. Class actions have been certified in cases involving a breach of privacy law by a health care organization, however it is too early to identify the range of damages such organizations may anticipate where the action is successful. In one such action that was settled, no one in the class has yet demonstrated the harm required to collect damages. There has yet to be a determination in other class actions based on a privacy breach by employees of a health information custodian. Privacy regulators have the authority to make public the identity of organizations that have been found to have committed a breach, so that there is a reputational risk associated with privacy law violations, even where there are no monetary damages incurred. The notification of affected individuals (mandatory under some privacy laws) and other activities required to manage a privacy breach can give rise to significant costs including for: retaining contract staff or diverting staff from their regular duties; forensic information technology and other third party professional services (public relations, legal counsel); disciplining staff and managing union or other responses; the cost of any required upgrade of information technology assets and the implementation of new policies and procedures to prevent a reoccurrence of the breach.

***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 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 undertakes no obligation to update or revise publicly 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):

| | June 30, 2014 | | December 31, 2013 | |
|---|---|---|---|---|
| | Principal balance | Change in fair value | Principal balance | Change in fair value |
| Senior unsecured notes | $ 7,450,107 | $ (469,536) | $ 7,421,707 | $ (408,790) |
| Secured debt | 2,589,447 | (93,214) | 2,787,236 | (102,211) |
| Totals | $ 10,039,554 | $ (562,750) | $ 10,208,943 | $ (511,001) |

Our variable rate debt, including our unsecured line of credit arrangements, is reflected at fair value. At June 30, 2014, we had $956,949,000 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 $9,569,000. 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 June 30, 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 $1,000,000 annualized. 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):

| | June 30, 2014 | | December 31, 2013 | |
|---|---|---|---|---|
| | Carrying Value | Change in fair value | Carrying Value | Change in fair value |
| Foreign currency forward contracts(1) | $ (5,686) | $ 2,884 | $ 4,006 | $ (2,964) |
| Debt designated as hedges | 1,175,000 | 8,000 | 1,146,596 | 8,002 |
| Totals | $ 1,169,314 | $ 10,884 | $ 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 June 9, 2014, we issued 8,016 shares of our common stock to a national medical office partner pursuant to the terms of our strategic partnership. The 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 such partnership earning acquisition fees in connection with the acquisition of medical office buildings.

Issuer Purchases of Equity Securities

| Period | Total Number of Shares Purchased(1) | Average Price Paid Per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs(2) | Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs |
|---|---|---|---|---|
| April 1, 2014 through April 30, 2014 | - | $ - | | |
| May 1, 2014 through May 31, 2014 | - | - | | |
| June 1, 2014 through June 30, 2014 | 93,117 | 62.67 | | |
| Totals | 93,117 | $ 62.67 | | |

(1) During the three months ended June 30, 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***

| | |
|---|---|
| 3.1 | Certificate of Amendment of Second Restated Certificate of Incorporation of the company (filed with the Securities and Exchange Commission as Exhibit 3.1 to the company's Form 8-K filed May 6, 2014 (File No. 001-08923), and incorporated herein by reference thereto). |
| 10.1 | Credit Agreement dated as of July 25, 2014 by and among the company; the lenders listed therein; KeyBank National Association, as administrative agent, L/C issuer and a swingline lender; Bank of America, N.A. and JPMorgan Chase Bank, N.A, as co-syndication agents; Deutsche Bank Securities Inc., as documentation agent; Merrill Lynch, Pierce, Fenner & Smith Incorporated, J.P. Morgan Securities LLC, KeyBanc Capital Markets Inc. and Deutsche Bank Securities Inc., as U.S. joint lead arrangers; Merrill Lynch, Pierce, Fenner & Smith Incorporated, J.P. Morgan Securities LLC and RBC Capital Markets, as Canadian joint lead arrangers; and Merrill Lynch, Pierce, Fenner & Smith Incorporated and J.P. Morgan Securities LLC, as joint book runners (filed with the Securities and Exchange Commission as Exhibit 10.1 to the company's Form 8-K filed July 31, 2014 (File No. 001-08923), and incorporated herein by reference thereto). |
| 12 | Statement Regarding Computation of Ratio of Earnings to Fixed Charges and Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends (Unaudited) |
| 31.1 | Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer. |
| 31.2 | Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer. |
| 32.1 | Certification pursuant to 18 U.S.C. Section 1350 by Chief Executive Officer. |
| 32.2 | Certification pursuant to 18 U.S.C. Section 1350 by Chief Financial Officer. |
| 101.INS | XBRL Instance Document* |
| 101.SCH | XBRL Taxonomy Extension Schema Document* |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document* |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase Document* |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document* |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase Document* |

* Attached as Exhibit 101 to this Quarterly Report on Form 10-Q are the following materials, formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Balance Sheets at June 30, 2014 and December 31, 2013, (ii) the Consolidated Statements of Comprehensive Income for the three and six months ended June 30, 2014 and 2013, (iii) the Consolidated Statements of Equity for the six months ended June 30, 2014 and 2013, (iv) the Consolidated Statements of Cash Flows for the six months ended June 30, 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: August 1, 2014 | By: /s/ THOMAS J. DEROSA<br>Thomas J. DeRosa,<br>Chief Executive Officer<br>(Principal Executive Officer) |
| Date: August 1, 2014 | By: /s/ SCOTT A. ESTES<br>Scott A. Estes,<br>Executive Vice President and Chief Financial Officer<br>(Principal Financial Officer) |
| Date: August 1, 2014 | By: /s/ PAUL D. NUNGESTER, JR.<br>Paul D. Nungester, Jr.,<br>Senior Vice President and Controller<br>(Principal Accounting Officer) |

**EXHIBIT 12**

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

| | Year Ended December 31, | | | | | Six Months Ended June 30, | |
|---|---|---|---|---|---|---|---|
| (dollars in thousands) | 2009 | 2010 | 2011 | 2012 | 2013 | 2013 | 2014 |
| Earnings: | | | | | | | |
| Pretax income from continuing operations before adjustment for income or loss from equity investees[1] | $ 102,612 | $ 32,976 | $ 112,203 | $ 185,912 | $ 102,245 | $ 31,941 | $ 160,154 |
| Fixed charges | 104,824 | 134,905 | 290,240 | 359,947 | 460,918 | 216,564 | 243,223 |
| Capitalized interest | (41,170) | (20,792) | (13,164) | (9,777) | (6,700) | (2,992) | (3,305) |
| Amortized premiums, discounts and capitalized expenses related to indebtedness | 11,898 | 13,945 | 13,905 | 11,395 | 4,142 | 4,731 | 1,980 |
| Noncontrolling interest in pre-tax income of subsidiaries that have not incurred fixed charges | 342 | (357) | 4,894 | 2,415 | 6,770 | 774 | 1,502 |
| Earnings | $ 178,506 | $ 160,677 | $ 408,078 | $ 549,892 | $ 567,375 | $ 251,018 | $ 403,554 |
| | | | | | | | |
| Fixed charges: | | | | | | | |
| Interest expense[1] | $ 75,552 | $ 128,058 | $ 290,981 | $ 361,565 | $ 458,360 | $ 218,303 | $ 241,898 |
| Capitalized interest | 41,170 | 20,792 | 13,164 | 9,777 | 6,700 | 2,992 | 3,305 |
| Amortized premiums, discounts and capitalized expenses related to indebtedness | (11,898) | (13,945) | (13,905) | (11,395) | (4,142) | (4,731) | (1,980) |
| Fixed charges | $ 104,824 | $ 134,905 | $ 290,240 | $ 359,947 | $ 460,918 | $ 216,564 | $ 243,223 |
| | | | | | | | |
| Consolidated ratio of earnings to fixed charges | 1.70 | 1.19 | 1.41 | 1.53 | 1.23 | 1.16 | 1.66 |
| | | | | | | | |
| Earnings: | | | | | | | |
| Pretax income from continuing operations before adjustment for income or loss from equity investees[1] | $ 102,612 | $ 32,976 | $ 112,203 | $ 185,912 | $ 102,245 | $ 31,941 | $ 160,154 |
| Fixed charges | 104,824 | 134,905 | 290,240 | 359,947 | 460,918 | 216,564 | 243,223 |
| Capitalized interest | (41,170) | (20,792) | (13,164) | (9,777) | (6,700) | (2,992) | (3,305) |
| Amortized premiums, discounts and capitalized expenses related to indebtedness | 11,898 | 13,945 | 13,905 | 11,395 | 4,142 | 4,731 | 1,980 |
| Noncontrolling interest in pre-tax income of subsidiaries that have not incurred fixed charges | 342 | (357) | 4,894 | 2,415 | 6,770 | 774 | 1,502 |
| Earnings | $ 178,506 | $ 160,677 | $ 408,078 | $ 549,892 | $ 567,375 | $ 251,018 | $ 403,554 |
| | | | | | | | |
| Fixed charges: | | | | | | | |
| Interest expense[1] | $ 75,552 | $ 128,058 | $ 290,981 | $ 361,565 | $ 458,360 | $ 218,303 | $ 241,898 |
| Capitalized interest | 41,170 | 20,792 | 13,164 | 9,777 | 6,700 | 2,992 | 3,305 |
| Amortized premiums, discounts and capitalized expenses related to indebtedness | (11,898) | (13,945) | (13,905) | (11,395) | (4,142) | (4,731) | (1,980) |
| Fixed charges | 104,824 | 134,905 | 290,240 | 359,947 | 460,918 | 216,564 | 243,223 |
| Preferred stock dividends | 22,079 | 21,645 | 60,502 | 69,129 | 66,336 | 33,203 | 32,705 |
| Combined fixed charges and preferred stock dividends | $ 126,903 | $ 156,550 | $ 350,742 | $ 429,076 | $ 527,254 | $ 249,767 | $ 275,928 |
| | | | | | | | |
| Consolidated ratio of earnings to combined fixed charges and preferred stock dividends | 1.41 | 1.03 | 1.16 | 1.28 | 1.08 | 1.01 | 1.46 |

(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.

**EXHIBIT 31.1**

**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 made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

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

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

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

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

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

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

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

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

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

Date: August 1, 2014

/s/ THOMAS J. DEROSA

Thomas J. DeRosa,
Chief Executive Officer

**EXHIBIT 31.2**

**CERTIFICATION OF CHIEF FINANCIAL OFFICER**

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

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

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

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

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

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

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

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

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

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

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

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

Date: August 1, 2014

/s/ SCOTT A. ESTES

Scott A. Estes,

Chief Financial Officer

**EXHIBIT 32.1**

**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 June 30, 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: August 1, 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.

**EXHIBIT 32.2**

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

I, Scott A. Estes, the Chief Financial Officer of Health Care REIT, Inc. (the "Company"), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350), that (i) the Quarterly Report on Form 10-Q for the Company for the quarter ended June 30, 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
Scott A. Estes,
Chief Financial Officer
Date: August 1, 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.