

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

FORM 10-K

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

For the fiscal year ended December 31, 2014  
Commission File No. 1-8923

HEALTHCARE  REIT

HEALTH CARE REIT, INC.

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of  
incorporation or organization)

**34-1096634**

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

**4500 Dorr Street, Toledo, Ohio**

(Address of principal executive offices)

**43615**

(Zip Code)

**(419) 247-2800**

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, \$1.00 par value	New York Stock Exchange
6.50% Series I Cumulative Convertible Perpetual Preferred Stock, \$1.00 par value	New York Stock Exchange
6.50% Series J Cumulative Redeemable Preferred Stock, \$1.00 par value	New York Stock Exchange
4.800% Notes due 2028	New York Stock Exchange
4.500% Notes due 2034	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes  No

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer

Accelerated filer

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

Smaller reporting company

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

The aggregate market value of the shares of voting common stock held by non-affiliates of the registrant, computed by reference to the closing sales price of such shares on the New York Stock Exchange as of the last business day of the registrant's most recently completed second fiscal quarter was \$19,277,423,332.

As of January 31, 2015, the registrant had 329,912,724 shares of common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement for the annual stockholders' meeting to be held May 7, 2015, are incorporated by reference into Part III.

**HEALTH CARE REIT, INC.**  
**2014 FORM 10-K ANNUAL REPORT**  
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## PART I

### Item 1. *Business*

#### General

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, long-term/post-acute care 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. More information is available on the Internet at [www.hcreit.com](http://www.hcreit.com). The information on our website is not incorporated by reference in this Annual Report on Form 10-K, and our web address is included as an inactive textual reference only.

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, customer and geographic location.

Depending upon the availability and cost of external capital, we believe our liquidity is sufficient to fund operations, meet debt service obligations (both principal and interest), make dividend distributions and complete construction projects in process. We also continuously evaluate opportunities to finance future investments. New investments are generally funded from temporary borrowings under our primary unsecured credit facility, 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 credit facility, has historically been provided through a combination of the issuance of public debt and equity securities and the incurrence or assumption of secured debt.

References herein to “we,” “us,” “our” or the “Company” refer to Health Care REIT, Inc. and its subsidiaries unless specifically noted otherwise.

#### Portfolio of Properties

Please see “Item 7 – Management’s Discussion and Analysis of Financial Condition and Results of Operation – Executive Summary – Company Overview” for a table that summarizes our portfolio as of December 31, 2014.

#### Property Types

We invest in seniors housing and health care real estate and evaluate our business on three reportable segments: seniors housing triple-net, seniors housing operating and medical facilities. For additional information regarding our segments, please see Note 17 to our consolidated financial statements. The accounting policies of the segments are the same as those described in the summary of significant accounting policies in Note 2 to our consolidated financial statements. The following is a summary of our various property types.

##### *Seniors Housing Triple-Net*

Our seniors housing triple-net properties include independent living facilities, independent supportive living facilities (Canada), continuing care retirement communities, assisted living facilities, care homes with and without nursing, Alzheimer’s/dementia facilities, long-term/post-acute care facilities, hospitals and combinations thereof. We invest primarily through acquisitions, development and joint venture partnerships. Our properties are primarily leased to operators under long-term, triple-net master leases. We are not involved in property management. Our properties include stand-alone facilities that provide one level of service, combination facilities that provide multiple levels of service, and communities or campuses that provide a wide range of services.

*Independent Living Facilities and Independent Supportive Living Facilities (Canada).* Independent living facilities and independent supportive living facilities are age-restricted, multifamily properties with central dining facilities that provide residents access to meals and other services such as housekeeping, linen service, transportation and social and recreational activities.

*Continuing Care Retirement Communities.* Continuing care retirement communities typically include a combination of detached homes, an independent living facility, an assisted living facility and/or a long-term/post-acute care facility on one campus. These communities appeal to residents because there is no need to relocate when health and medical needs change. Resident payment plans

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vary, but can include entrance fees, condominium fees and rental fees. Many of these communities also charge monthly maintenance fees in exchange for a living unit, meals and some health services.

*Assisted Living Facilities.* Assisted living facilities are state regulated rental properties that provide the same services as independent living facilities, but also provide supportive care from trained employees to residents who require assistance with activities of daily living, including, but not limited to, management of medications, bathing, dressing, toileting, ambulating and eating.

*Care Homes with Nursing (United Kingdom).* Care homes with nursing, regulated by the Care Quality Commission are licensed daily rate or rental properties where the majority of individuals require 24-hour nursing and/or medical care. Generally, these properties are licensed for various federal and local reimbursement programs. Unlike the U.S., care homes with nursing in the U.K. generally do not provide post-acute care.

*Care Homes (United Kingdom).* Care homes, regulated by the Care Quality Commission, are rental properties that provide essentially the same services as U.S. assisted living facilities.

*Alzheimer's/Dementia Care Facilities.* Certain assisted living facilities may include state-licensed settings that specialize in caring for those afflicted with Alzheimer's disease and/or other types of dementia.

*Long-Term/Post-Acute Care Facilities.* Our long-term/post-acute care facilities generally include skilled nursing/post-acute care facilities, inpatient rehabilitation facilities and long-term acute care facilities. Skilled nursing/post-acute care facilities are licensed daily rate or rental properties where the majority of individuals require 24-hour nursing and/or medical care. Generally, these properties are licensed for Medicaid and/or Medicare reimbursement in the United States or provincial reimbursement in Canada. All facilities offer some level of rehabilitation services. Some facilities focus on higher acuity patients and offer rehabilitation units specializing in cardiac, orthopedic, dialysis, neurological or pulmonary rehabilitation. Inpatient rehabilitation facilities provide inpatient services for patients with intensive rehabilitation needs. Long-term acute care facilities provide inpatient services for patients with complex medical conditions that require more intensive care, monitoring or emergency support than is available in most skilled nursing/post-acute care facilities.

*Hospitals.* Hospitals are acute care facilities that provide a wide range of inpatient and outpatient services, including, but not limited to, surgery, rehabilitation, therapy and clinical laboratories.

Our seniors housing triple-net segment accounted for 31%, 31% and 46% of total revenues (including discontinued operations) for the years ended December 31, 2014, 2013 and 2012, respectively. We lease 181 facilities to Genesis Healthcare, LLC, an operator of long-term/post-acute care facilities, pursuant to a long-term, triple-net master lease. In addition to rent, the master lease requires Genesis to pay all operating costs, utilities, real estate taxes, insurance, building repairs, maintenance costs and all obligations under the ground leases. All obligations under the master lease have been guaranteed by FC-GEN Operations Investment, LLC. For the year ended December 31, 2014, our lease with Genesis accounted for approximately 31% of our seniors housing triple-net segment revenues and 9% of our total revenues.

### ***Seniors Housing Operating***

Our seniors housing operating properties include several of the facility types described in "Item 1 – Business – Property Types – Seniors Housing Triple-Net", including independent living facilities and independent supportive living facilities, assisted living facilities, care homes and Alzheimer's/dementia care facilities.

Properties are primarily held in consolidated joint venture entities with operating partners. We utilize the structure proposed in the REIT Investment Diversification and Empowerment Act of 2007, which is commonly referred to as a "RIDEA" structure (the provisions of the Internal Revenue Code authorizing the RIDEA structure were enacted as part of the Housing and Economic Recovery Act of 2008). See Note 18 for more information.

Our seniors housing operating segment accounted for 57%, 56% and 37% of total revenues (including discontinued operations) for the years ended December 31, 2014, 2013 and 2012, respectively. We have relationships with ten operators to own and operate 297 facilities (plus 55 unconsolidated facilities). In each instance, our partner provides management services to the properties pursuant to an incentive-based management contract. We rely on our partners to effectively and efficiently manage these properties. For the year ended December 31, 2014, our relationship with Sunrise Senior Living accounted for approximately 47% of our seniors housing operating segment revenues and 27% of our total revenues.

### ***Medical Facilities***

Our medical facilities include medical office buildings and life science facilities. We typically lease our medical office buildings to multiple tenants and provide varying levels of property management. Our life science investment represents an investment in an unconsolidated joint venture entity (see Note 7 to our consolidated financial statements). Our medical facilities segment accounted for 12%, 13% and 17% of total revenues (including discontinued operations) for the years ended December 31, 2014, 2013 and 2012, respectively. No single tenant exceeds 20% of segment revenues.

*Medical Office Buildings.* The medical office building portfolio consists of health care related buildings that generally include physician offices, ambulatory surgery centers, diagnostic facilities, outpatient services and/or labs. Our portfolio has a strong affiliation with health systems. Approximately 95% of our medical office building portfolio is affiliated with health systems (with buildings on hospital campuses or serving as satellite locations for the health system and their physicians).

*Life Science Facilities.* The life science portfolio consists of laboratory and office facilities specifically designed and constructed for use by biotechnology and pharmaceutical companies. These facilities are located adjacent to The Massachusetts Institute of Technology, which is a well-established market known for pharmaceutical and biotechnology research. They are similar to commercial office buildings with advanced HVAC (heating, ventilation and air conditioning), electrical and mechanical systems.

## **Investments**

Depending upon market conditions, we believe that new investments will be available in the future with spreads over our cost of capital that will generate appropriate returns to our stockholders. We invest in seniors housing and health care real estate primarily through acquisitions, developments and joint venture partnerships. For additional information regarding acquisition and development activity, please see Note 3 to our consolidated financial statements. We diversify our investment portfolio by property type, relationship and geographic location. In determining whether to invest in a property, we focus on the following: (1) the experience of the obligor's/partner's management team; (2) the historical and projected financial and operational performance of the property; (3) the credit of the obligor/partner; (4) the security for any lease or loan; (5) the real estate attributes of the building and its location; (6) the capital committed to the property by the obligor/partner; and (7) the operating fundamentals of the applicable industry. We conduct market research and analysis for all potential investments. In addition, we review the value of all properties, the interest rates and covenant requirements of any facility-level debt to be assumed at the time of the acquisition and the anticipated sources of repayment of any existing debt that is not to be assumed at the time of the acquisition.

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 review of, among other things, tenant relations, lease expirations, the mix of health service providers, hospital/health system relationships, property performance, capital improvement needs, and market conditions. 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.

### ***Investment Types***

*Real Property.* Our properties are primarily comprised of land, buildings, improvements and related rights. Our seniors housing triple-net properties are generally leased to operators under long-term operating leases. The leases generally have a fixed contractual term of 12 to 15 years and contain one or more five to 15-year renewal options. Certain of our leases also contain purchase options, a portion of which could result in the disposition of properties for less than full market value. Most of our rents are received under triple-net leases requiring the operator to pay rent and all additional charges incurred in the operation of the leased property. The tenants are required to repair, rebuild and maintain the leased properties. Substantially all of these 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.

At December 31, 2014, approximately 89% of our seniors housing triple-net properties were subject to master leases. A master lease is a lease of multiple properties to one tenant entity under a single lease agreement. From time to time, we may acquire additional properties that are then leased to the tenant under the master lease. The tenant is required to make one monthly payment that represents rent on all the properties that are subject to the master lease. Typically, the master lease tenant can exercise its right to purchase the properties or to renew the master lease only with respect to all leased properties at the same time. This bundling feature benefits us because the tenant cannot limit the purchase or renewal to the better performing properties and terminate the leasing

arrangement with respect to the poorer performing properties. This spreads our risk among the entire group of properties within the master lease. The bundling feature should provide a similar advantage to us if the master lease tenant is in bankruptcy. Subject to certain restrictions, a debtor in bankruptcy has the right to assume or reject each of its leases. It is our intent that a tenant in bankruptcy would be required to assume or reject the master lease as a whole, rather than deciding on a property by property basis.

Our medical office building portfolio is primarily self-managed and consists principally of multi-tenant properties leased to health care providers. Our leases typically include increasers and some form of operating expense reimbursement by the tenant. As of December 31, 2014, 85% of our portfolio included leases with full pass through, 13% with a partial expense reimbursement (modified gross) and 2% with no expense reimbursement (gross). Our medical office building leases are non-cancellable operating leases that have a weighted-average remaining term of eight years at December 31, 2014 and are often credit enhanced by security deposits, guaranties and/or letters of credit.

*Construction.* We occasionally provide for the construction of properties for tenants as part of long-term operating leases. We capitalize certain interest costs associated with funds used for the construction of properties owned by us. The amount capitalized is based upon the amount advanced during the construction period using the rate of interest that approximates our company-wide cost of financing. Our interest expense is reduced by the amount capitalized. We also typically charge a transaction fee at the commencement of construction which we defer and amortize to income over the term of the resulting lease. The construction period commences upon funding and terminates upon the earlier of the completion of the applicable property or the end of a specified period. During the construction period, we advance funds to the tenants in accordance with agreed upon terms and conditions which require, among other things, periodic site visits by a Company representative. During the construction period, we generally require an additional credit enhancement in the form of payment and performance bonds and/or completion guaranties. At December 31, 2014, we had outstanding construction investments of \$186,327,000 and were committed to provide additional funds of approximately \$227,618,000 to complete construction for investment properties.

*Real Estate Loans.* Our real estate loans are typically structured to provide us with interest income, principal amortization and transaction fees and are generally secured by first/second mortgage liens, leasehold mortgages, corporate guaranties and/or personal guaranties. At December 31, 2014, we had outstanding real estate loans of \$380,169,000. The interest yield averaged approximately 8.2% per annum on our outstanding real estate loan balances. Our yield on real estate loans depends upon a number of factors, including the stated interest rate, average principal amount outstanding during the term of the loan and any interest rate adjustments. The real estate loans outstanding at December 31, 2014 are generally subject to one to 15-year terms with principal amortization schedules and/or balloon payments of the outstanding principal balances at the end of the term. Typically, real estate loans are cross-defaulted and cross-collateralized with other real estate loans, operating leases or agreements between us and the obligor and its affiliates.

*Investments in Unconsolidated Entities.* Our investments in unconsolidated entities generally represent interests ranging from 10% to 50% in real estate assets. Investments in less than majority owned entities are reported under the equity method of accounting when our interests represent either (1) general partnership interests subject to substantive participating or kick-out rights that have been granted to the limited partners, or (2) limited partnership interests with no control over major operating and financial policies of the entities. Under the equity method of accounting, our share of the investee's earnings or losses is included in our consolidated results of operations. To the extent that our cost basis is different from the basis reflected at the entity level, the basis difference is generally amortized over the lives of the related assets and liabilities, and such amortization is included in our share of equity in earnings of the entity. The initial carrying value of investments in unconsolidated entities is based on the amount paid to purchase the entity interest or the estimated fair value of the assets prior to the sale of interests in the entity. We evaluate our equity method investments for impairment based upon a comparison of the estimated fair value of the equity method investment to its carrying value. When we determine a decline in the estimated fair value of such an investment below its carrying value is other-than-temporary, an impairment is recorded. See Note 7 to our consolidated financial statements for more information.

## **Principles of Consolidation**

The consolidated financial statements include the accounts of our wholly-owned subsidiaries and joint venture entities that we control, through voting rights or other means. All material intercompany transactions and balances have been eliminated in consolidation.

At inception of joint venture transactions, we identify entities for which control is achieved through means other than voting rights ("variable interest entities" or "VIEs") and determine which business enterprise is the primary beneficiary of its operations. A VIE is broadly defined as an entity where either (i) the equity investors as a group, if any, do not have a controlling financial interest, or (ii) the equity investment at risk is insufficient to finance that entity's activities without additional subordinated financial support. We consolidate investments in VIEs when we are determined to be the primary beneficiary. Accounting Standards Codification Topic 810, *Consolidations*, requires enterprises to perform a qualitative approach to determining whether or not a VIE will need to be consolidated on a continuous basis. This evaluation is based on an enterprise's ability to direct and influence the activities of a VIE that most significantly impact that entity's economic performance.

For investments in joint ventures, we evaluate the type of rights held by the limited partner(s), which may preclude consolidation in circumstances in which the sole general partner would otherwise consolidate the limited partnership. The assessment of limited partners' rights and their impact on the presumption of control over a limited partnership by the sole general partner should be made when an investor becomes the sole general partner and should be reassessed if (i) there is a change to the terms or in the exercisability of the rights of the limited partners, (ii) the sole general partner increases or decreases its ownership in the limited partnership interests, or (iii) there is an increase or decrease in the number of outstanding limited partnership interests. We similarly evaluate the rights of managing members of limited liability companies.

## **Borrowing Policies**

We utilize a combination of debt and equity to fund investments. Our debt and equity levels are determined by management to maintain a conservative credit profile. Generally, we intend to issue unsecured, fixed-rate public debt with long-term maturities to approximate the maturities on our triple-net leases and loans. For short-term purposes, we may borrow on our primary unsecured credit facility. We replace these borrowings with long-term capital such as senior unsecured notes, common stock or preferred stock. When terms are deemed favorable, we may invest in properties subject to existing mortgage indebtedness. In addition, we may obtain secured financing for unleveraged properties in which we have invested or may refinance properties acquired on a leveraged basis. In certain agreements with our lenders, we are subject to restrictions with respect to secured and unsecured indebtedness.

## **Competition**

We compete with other real estate investment trusts, real estate partnerships, private equity and hedge fund investors, banks, insurance companies, finance/investment companies, government-sponsored agencies, taxable and tax-exempt bond funds, health care operators, developers and other investors in the acquisition, development, leasing and financing of health care and seniors housing properties. We compete for investments based on a number of factors including relationships, certainty of execution, investment structures and underwriting criteria. Our ability to successfully compete is impacted by economic and demographic trends, availability of acceptable investment opportunities, our ability to negotiate beneficial investment terms, availability and cost of capital, construction and renovation costs and applicable laws and regulations.

The operators/tenants of our properties compete with properties that provide comparable services in the local markets. Operators/tenants compete for patients and residents based on a number of factors including quality of care, reputation, physical appearance of properties, location, services offered, family preferences, physicians, staff and price. We also face competition from other health care facilities for tenants, such as physicians and other health care providers that provide comparable facilities and services.

For additional information on the risks associated with our business, please see "Item 1A — Risk Factors" of this Annual Report on Form 10-K.

**Employees** As of January 31, 2015, we had 438 employees.

**Credit Concentrations** Please see Note 8 to our consolidated financial statements.

**Geographic Concentrations** Please see "Item 2 – Properties" of this Annual Report on Form 10-K and Note 17 to our consolidated financial statements.

## **Health Care Industry**

The demand for health care services, and consequently health care properties, is projected to reach unprecedented levels in the near future. The Centers for Medicare and Medicaid Services ("CMS") projects that national health expenditures will rise to approximately \$3.4 trillion in 2016 or 17.7% of gross domestic product ("GDP"). The average annual growth in national health expenditures for 2013 through 2023 is expected to be 5.7%.

While demographics are the primary driver of demand, economic conditions and availability of services contribute to health care service utilization rates. We believe the health care property market may be less susceptible to fluctuations and economic downturns relative to other property sectors. Investor interest in the market remains strong, especially in specific sectors such as private-pay senior living and medical office buildings.

The total U.S. population is projected to increase by 13.4% through 2033. The elderly population aged 65 and over is projected to increase by 68.3% through 2033. The elderly are an important component of health care utilization, especially independent living services, assisted living services, long-term/post-acute care services, inpatient and outpatient hospital services and physician ambulatory care. Most health care services are provided within a health care facility such as a hospital, a physician's office or a seniors housing community. Therefore, we believe there will be continued demand for companies, such as ours, with expertise in health care real estate.

Health care real estate investment opportunities tend to increase as demand for health care services increases. We recognize the need for health care real estate as it correlates to health care service demand. Health care providers require real estate to house their businesses and expand their services. We believe that investment opportunities in health care real estate will continue to be present due to:

- The specialized nature of the industry, which enhances the credibility and experience of our company;
- The projected population growth combined with stable or increasing health care utilization rates, which ensures demand; and
- The on-going merger and acquisition activity.

## **Certain Government Regulations**

### United States

#### *Health Law Matters — Generally*

Typically, operators of seniors housing facilities do not receive significant funding from government programs and are largely subject to state laws, as opposed to federal laws. Operators of long-term/post-acute care facilities and hospitals do receive significant funding from government programs, and these facilities are subject to the federal and state laws that regulate the type and quality of the medical and/or nursing care provided, ancillary services (e.g., respiratory, occupational, physical and infusion therapies), qualifications of the administrative personnel and nursing staff, the adequacy of the physical plant and equipment, reimbursement and rate setting and operating policies. In addition, as described below, operators of these facilities are subject to extensive laws and regulations pertaining to health care fraud and abuse, including, but not limited to, the Federal Anti-Kickback Statute, the Federal Stark Law, and the Federal False Claims Act, as well as comparable state law counterparts. Hospitals, physician group practice clinics, and other health care providers that operate in our portfolio are subject to extensive federal, state, and local licensure, registration, certification, and inspection laws, regulations, and industry standards. Our tenants' failure to comply with any of these, and other, laws could result in loss of accreditation; denial of reimbursement; imposition of fines; suspension, decertification, or exclusion from federal and state health care programs; loss of license; or closure of the facility.

#### *Licensing and Certification*

The primary regulations that affect seniors housing facilities with assisted living are state licensing and registration laws. In granting and renewing these licenses, the state regulatory agencies consider numerous factors relating to a property's physical plant and operations, including, but not limited to, admission and discharge standards, staffing, and training. A decision to grant or renew a license is also affected by a property owner's record with respect to patient and consumer rights, medication guidelines, and rules. Certain of the seniors housing facilities mortgaged to or owned by us may require the resident to pay an entrance or upfront fee, a portion of which may be refundable. These entrance fee communities are subject to significant state regulatory oversight, including, for example, oversight of each facility's financial condition; establishment and monitoring of reserve requirements, and other financial restrictions; the right of residents to cancel their contracts within a specified period of time; lien rights in favor of residents; restrictions on change of ownership; and similar matters. Such oversight, and the rights of residents within these entrance fee communities, may have an effect on the revenue or operations of the operators of such facilities, and, therefore, may adversely affect us.

Certain health care facilities are subject to a variety of licensure and certificate of need ("CON") laws and regulations. Where applicable, CON laws generally require, among other requirements, that a facility demonstrate the need for (1) constructing a new facility, (2) adding beds or expanding an existing facility, (3) investing in major capital equipment or adding new services, (4) changing the ownership or control of an existing licensed facility, or (5) terminating services that have been previously approved through the CON process. Certain state CON laws and regulations may restrict the ability of operators to add new properties or expand an existing facility's size or services. In addition, CON laws may constrain the ability of an operator to transfer responsibility for operating a particular facility to a new operator. If we have to replace a property operator who is excluded from participating in a federal or state health care program (as discussed below), our ability to replace the operator may be affected by a particular state's CON laws, regulations, and applicable guidance governing changes in provider control.

With respect to licensure, generally our long-term/post-acute care facilities and acute care facilities are required to be licensed and certified for participation in Medicare, Medicaid, and other federal health care programs. This generally requires license renewals and compliance surveys on an annual or bi-annual basis. The failure of our operators to maintain or renew any required license or regulatory approval as well as the failure of our operators to correct serious deficiencies identified in a compliance survey could require those operators to discontinue operations at a property. In addition, if a property is found to be out of compliance with Medicare, Medicaid, or other health care program conditions of participation, the property operator may be excluded from participating in those government health care programs. Any such occurrence may impair an operator's ability to meet their financial



obligations to us. If we have to replace an excluded-property operator, our ability to replace the operator may be affected by federal and state laws, regulations, and applicable guidance governing changes in provider control. This may result in payment delays, an inability to find a replacement operator, a significant working capital commitment from us to a new operator or other difficulties.

### **Reimbursement**

The reimbursement methodologies applied to health care facilities continue to evolve. Federal and state authorities have considered and may seek to implement new or modified reimbursement methodologies that may negatively impact health care property operations. The impact of any such changes, if implemented, may result in a material adverse effect on our portfolio. No assurance can be given that current revenue sources or levels will be maintained. Accordingly, there can be no assurance that payments under a government health care program are currently, or will be in the future, sufficient to fully reimburse the property operators for their operating and capital expenses. As a result, an operator's ability to meet its financial obligations to us could be adversely impacted.

*Seniors Housing Facilities (excluding long-term/post-acute care facilities).* Approximately 58% of our overall revenues (including discontinued operations) for the year ended December 31, 2014 were attributable to U.S. seniors housing facilities. The majority of the revenues received by the operators of these facilities are from private pay sources. The remaining revenue source is primarily Medicaid under certain waiver programs. As a part of the Omnibus Budget Reconciliation Act ("OBRA") of 1981, Congress established a waiver program enabling some states to offer Medicaid reimbursement to assisted living providers as an alternative to institutional long-term care services. The provisions of OBRA and the subsequent OBRA Acts of 1987 and 1990 permit states to seek a waiver from typical Medicaid requirements to develop cost-effective alternatives to long-term care, including Medicaid payments for assisted living and home health. As of September 30, 2014, 14 of our 38 seniors housing operators received Medicaid reimbursement pursuant to Medicaid waiver programs. For the twelve months ended September 30, 2014, approximately 2% of the revenues at our seniors housing facilities were from Medicaid reimbursement. There can be no guarantee that a state Medicaid program operating pursuant to a waiver will be able to maintain its waiver status.

Rates paid by self-pay residents are set by the facilities and are determined by local market conditions and operating costs. Generally, facilities receive a higher payment per day for a private pay resident than for a Medicaid beneficiary who requires a comparable level of care. The level of Medicaid reimbursement varies from state to state. Thus, the revenues generated by operators of our assisted living facilities may be adversely affected by payor mix, acuity level, changes in Medicaid eligibility, and reimbursement levels. In addition, a state could lose its Medicaid waiver and no longer be permitted to utilize Medicaid dollars to reimburse for assisted living services. Changes in revenues could in turn have a material adverse effect on an operator's ability to meet its obligations to us.

*Long-Term/Post-Acute Care Facilities.* Approximately 13% of our overall revenues (including discontinued operations) for the year ended December 31, 2014 were attributable to long-term/post-acute care facilities. The majority of the revenues received by the operators of these facilities are from the Medicare and Medicaid programs, with the balance representing reimbursement payments from private payors, including private insurers. Consequently, changes in federal or state reimbursement policies may adversely affect an operator's ability to cover its expenses, including our rent or debt service. Long-term/post-acute care facilities are subject to periodic pre- and post-payment reviews, and other audits by federal and state authorities. A review or audit of a property operator's claims could result in recoupments, denials, or delay of payments in the future, which could have a material adverse effect on the operator's ability to meet its financial obligations to us. Due to the significant judgments and estimates inherent in payor settlement accounting, no assurance can be given as to the adequacy of any reserves maintained by our property operators to cover potential adjustments to reimbursements, or to cover settlements made to payors. Recent attention on billing practices, payments, and quality of care, or ongoing government pressure to reduce spending by government health care programs, could result in lower payments to long-term/post-acute care facilities and, as a result, may impair an operator's ability to meet its financial obligations to us.

*Medicare Reimbursement and Long-Term/Post-Acute Care Facilities.* For the twelve months ended September 30, 2014, approximately 34% of the revenues at our long-term/post-acute care facilities were paid by Medicare. Generally, long-term/post-acute care facilities are reimbursed under the Medicare Skilled Nursing Facility Prospective Payment System ("SNF PPS"), the Inpatient Rehabilitation Facility Prospective Payment System ("IRF PPS"), or the Long Term Care Hospital Prospective Payment System ("LTCH PPS"). There is a risk under these payment systems that costs will exceed the fixed payments, or that payments may be set below the costs to provide certain items and services, which could result in immediate financial difficulties for operators, and could cause operators to seek bankruptcy protection.

The Centers for Medicare & Medicaid Services ("CMS"), an agency of HHS, made positive payment updates for the 2015 fiscal year under the SNF PPS, the IRF PPS and the LTCH PPS.

On August 5, 2014, CMS issued a final rule for the SNF PPS. Under the final rule, skilled nursing facilities ("SNFs") will receive a net rate increase of 2.0%, accounting for adjustments, such as the multifactor productivity adjustment. CMS estimates aggregate payments to SNFs will increase by \$750 million in fiscal year 2015.

- On August 6, 2014, CMS issued a final rule for the IRF PPS. Under the final rule, inpatient rehabilitation facilities (“IRFs”) will receive a net rate increase of 2.2%, accounting for adjustments, such as the multifactor productivity adjustment. CMS estimates aggregate payments to IRFs will increase by \$180 million in fiscal year 2015.
- On August 22, 2014, CMS issued a final rule for the LTCH PPS. Under the final rule, long-term care hospitals (“LTCHs”) will receive a net rate increase of 0.9%, accounting for adjustments including, but not limited to, a multifactor productivity adjustment and the phase-in of a budget neutrality adjustment. Including other changes, CMS estimates aggregate payments to LTCHs will increase by \$62 million in fiscal year 2015.

On December 26, 2014, the President signed into law the Pathway for SGR Reform Act (“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 the Medicare Payment Advisory Committee (“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 a limit of no more than 25% of patients referred from any one hospital (“25% Rule”) for another three years, and the Secretary of HHS must issue a report in two years on the need for any further extension or modifications to the 25% Rule. Finally, SGR Reform reinstated a moratorium on new LTCHs or any increase in LTCH beds from January 1, 2015 through September 30, 2017.

On October 6, 2014, the President signed into law the Improving Medicare Post-Acute Transformation Act of 2014 (“IMPACT Act”). The law applies to SNFs, LTCHs, IRFs and home health agencies and requires providers to report standardized patient assessment data, data on quality measures, and data on resource use and other measures. The law requires public reporting of quality and resource use and other measures. MedPAC is required to submit a report to Congress by June 30, 2016, evaluating and recommending features of a post-acute payment system that establishes payment rates according to individual characteristics instead of the post-acute setting where the patient is treated. The report must include a technical prototype for a post-acute prospective payment system and the impact of moving from the current to the new payment system.

On April 1, 2014, the Protecting Access to Medicare Act of 2014 (“Access to Medicare Act”) was enacted. The Access to Medicare Act implements value-based purchasing for SNFs. Beginning in fiscal year 2019, 2% of SNF payments will be withheld and approximately 50% to 70% of the amount withheld will be paid to SNFs 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.

*Medicare Reimbursement and Physicians.* CMS annually adjusts the Medicare Physician Fee Schedule payment rates based on an update formula that includes application of the Sustainable Growth Rate (“SGR”). On November 13, 2014, CMS published the calendar year 2015 Physician Fee Schedule final rule, which called for a negative 21.2% update under the statutory SGR formula. The Budget Act and Access to Medicare Act avoided, until March 31, 2015, the reimbursement cuts that would have occurred. Congress has overridden the required reduction every year since 2003. The final rule continues implementation of quality and cost measures that will be used in establishing a new value-based modifier that would adjust physician payments based on whether they are providing higher quality and more efficient care. The Health Reform Laws, as defined below, require CMS to begin making payment adjustments to certain physicians and physician groups on January 1, 2015, and to apply the modifier to all physicians by January 1, 2017. Calendar year 2013 is the initial performance year for purposes of adjusting payments in calendar year 2015.

*Medicaid Reimbursement and Long-Term/Post-Acute Care Facilities.* For the twelve months ended September 30, 2014, approximately 42% of the revenues of long-term/post-acute care facilities were paid by Medicaid. The federal and state governments share responsibility for financing Medicaid. The federal matching rate, known as the Federal Medical Assistance Percentage (“FMAP”), varies by state based on relative per capita income, but is at least 50% in all states. Medicaid is the largest component of total state spending, representing approximately 25.8% of total state expenditures in state fiscal year 2014. The percentage of Medicaid dollars for long-term/post-acute care facilities varies from state to state, due in part to different ratios of elderly population and eligibility requirements. Within certain federal guidelines, states have a fairly wide range of discretion to determine eligibility and reimbursement methodology. Many states reimburse SNFs, for example, using fixed daily rates, which are applied prospectively based on patient acuity and the historical costs incurred in providing patient care. Reasonable costs typically include allowances for staffing, administrative and general expenses, property, and equipment (e.g., real estate taxes, depreciation and fair rental).

In most states, Medicaid does not fully reimburse the cost of providing services. Certain states are attempting to slow the rate of Medicaid growth by freezing rates or restricting eligibility and benefits. Average Medicaid rates for our long-term/post-acute care facilities will likely vary throughout the year as states continue to make interim changes to their budgets and Medicaid funding. In addition, Medicaid reimbursement rates may decline if revenues in a particular state are not sufficient to fund budgeted expenditures.

*Health Reform Laws.* On March 23, 2010, the President signed into law the Patient Protection and Affordable Care Act of 2010 (the “PPACA”) and the Health Care and Education Reconciliation Act of 2010, which amends the PPACA (collectively, the “Health Reform Laws”). The Health Reform Laws contain various provisions that may directly impact us or the operators and tenants of our properties. Some provisions of the Health Reform Laws may have a positive impact on our operators’ or tenants’ revenues, by, for example, increasing coverage of uninsured individuals, while others may have a negative impact on the reimbursement of our operators or tenants by, for example, altering the market basket adjustments for certain types of health care facilities. The Health Reform Laws also enhance certain fraud and abuse penalty provisions that could apply to our operators and tenants, in the event of one or more violations of the federal health care regulatory laws. In addition, there are provisions that impact the health coverage that we and our operators and tenants provide to our respective employees. The Health Reform Laws also provide additional Medicaid funding to allow states to carry out the expansion of Medicaid coverage to certain financially-eligible individuals beginning in 2014, and have also permitted states to expand their Medicaid coverage to these individuals since April 1, 2010, if certain conditions are met. On June 28, 2012, The United States Supreme Court upheld the individual mandate of the Health Reform Laws but partially invalidated the expansion of Medicaid. The ruling on Medicaid expansion will allow States not to participate in the expansion – and to forego funding for the Medicaid expansion – without losing their existing Medicaid funding. Given that the federal government substantially funds the Medicaid expansion, it is unclear how many states will ultimately pursue this option. The participation by states in the Medicaid expansion could have the dual effect of increasing our tenants’ revenues, through new patients, but could also further strain state budgets. While the federal government will pay for approximately 100% of those additional costs from 2014 to 2016, states will be expected to pay for part of those additional costs beginning in 2017.

We cannot predict whether the existing Health Reform Laws, or future health care reform legislation or regulatory changes, will have a material impact on our operators’ or tenants’ property or business. If the operations, cash flows or financial condition of our operators and tenants are materially adversely impacted by the Health Reform Laws or future legislation, our revenue and operations may be adversely affected as well.

### **Other Related Laws**

Long-term/post-acute care facilities (and seniors housing facilities that receive Medicaid payments) are subject to federal, state, and local laws, regulations, and applicable guidance that govern the operations and financial and other arrangements that may be entered into by health care providers. Certain of these laws prohibit direct or indirect payments of any kind for the purpose of inducing or encouraging the referral of patients for medical products or services reimbursable by government health care programs. Other laws require providers to furnish only medically necessary services and submit to the government valid and accurate statements for each service. Still other laws require providers to comply with a variety of safety, health and other requirements relating to the condition of the licensed property and the quality of care provided. Sanctions for violations of these laws, regulations, and other applicable guidance may include, but are not limited to, criminal and/or civil penalties and fines, loss of licensure, immediate termination of government payments, and exclusion from any government health care program. In certain circumstances, violation of these rules (such as those prohibiting abusive and fraudulent behavior) with respect to one property may subject other facilities under common control or ownership to sanctions, including exclusion from participation in the Medicare and Medicaid programs, as well as other government health care programs. In the ordinary course of its business, a property operator is regularly subjected to inquiries, investigations, and audits by the federal and state agencies that oversee these laws and regulations.

Long-term/post-acute care facilities (and seniors housing facilities that receive Medicaid payments) are also subject to the Federal Anti-Kickback Statute, which generally prohibits persons from offering, providing, soliciting, or receiving remuneration to induce either the referral of an individual or the furnishing of a good or service for which payment may be made under a federal health care program, such as Medicare or Medicaid. Long-term/post-acute care facilities are also subject to the Federal Ethics in Patient Referral Act of 1989, commonly referred to as the Stark Law. The Stark Law generally prohibits the submission of claims to Medicare for payment if the claim results from a physician referral for certain designated services and the physician has a financial relationship with the health service provider that does not qualify under one of the exceptions for a financial relationship under the Stark Law. Similar prohibitions on physician self-referrals and submission of claims apply to state Medicaid programs. Further, long-term/post-acute care facilities (and seniors housing facilities that receive Medicaid payments), are subject to substantial financial penalties under the Civil Monetary Penalties Act and the Federal False Claims Act and, in particular, actions under the Federal False Claims Act’s “whistleblower” provisions. Private enforcement of health care fraud has increased due in large part to amendments to the Federal False Claims Act that encourage private individuals to sue on behalf of the government. These whistleblower suits brought by private individuals, known as *qui tam* actions, may be filed by almost anyone, including present and former patients, nurses and other employees. Significantly, if a claim is successfully adjudicated, the Federal False Claims Act provides for treble damages up to \$11,000 per claim.

Prosecutions, investigations, or whistleblower actions could have a material adverse effect on a property operator's liquidity, financial condition, and operations, which could adversely affect the ability of the operator to meet its financial obligations to us. Finally, various state false claim act and anti-kickback laws may also apply to each property operator. Violation of any of the foregoing statutes can result in criminal and/or civil penalties that could have a material adverse effect on the ability of an operator to meet its financial obligations to us.

Other legislative developments, including the Health Insurance Portability and Accountability Act of 1996 ("HIPAA"), have greatly expanded the definition of health care fraud and related offenses and broadened its scope to include private health care plans in addition to government payors. Congress also has greatly increased funding for the Department of Justice, Federal Bureau of Investigation and the Office of the Inspector General of the Department of Health and Human Services to audit, investigate and prosecute suspected health care fraud. Moreover, a significant portion of the billions in health care fraud recoveries over the past several years has also been returned to government agencies to further fund their fraud investigation and prosecution efforts.

Additionally, other HIPAA provisions and regulations provide for communication of health information through standard electronic transaction formats and for the privacy and security of health information. In order to comply with the regulations, health care providers often must undertake significant operational and technical implementation efforts. Operators also may face significant financial exposure if they fail to maintain the privacy and security of medical records and other personal health information about individuals. The Health Information Technology for Economic and Clinical Health ("HITECH") Act, passed in February 2009, strengthened the HHS Secretary's authority to impose civil money penalties for HIPAA violations occurring after February 18, 2009. HITECH directs the HHS Secretary to provide for periodic audits to ensure covered entities and their business associates (as that term is defined under HIPAA) comply with the applicable HITECH requirements, increasing the likelihood that a HIPAA violation will result in an enforcement action. CMS issued an interim Final Rule which conformed HIPAA enforcement regulations to the HITECH Act, increasing the maximum penalty for multiple violations of a single requirement or prohibition to \$1.5 million. Higher penalties may accrue for violations of multiple requirements or prohibitions. Additionally, on January 17, 2013, CMS released a final rule, which expands the applicability of HIPAA and HITECH and strengthens the government's ability to enforce these laws. The final rule broadens the definition of "business associate" and provides for civil money penalty liability against covered entities and business associates for the acts of their agents regardless of whether a business associate agreement is in place. This rule also modified the standard for when a breach of unsecured personally identifiable health information must be reported. Some covered entities have entered into settlement agreements with HHS for allegedly failing to adopt policies and procedures sufficient to implement the breach notification provisions in the HITECH Act. Additionally, the final rule adopts certain changes to the HIPAA enforcement regulations to incorporate the increased and tiered civil monetary penalty structure provided by HITECH, and makes business associates of covered entities directly liable under HIPAA for compliance with certain of the HIPAA privacy standards and HIPAA security standards. HIPAA violations are also potentially subject to criminal penalties.

In November 2002, CMS began an ongoing national Nursing Home Quality Initiative ("NHQI"). Under this initiative, historical survey information, the NHQI Pilot Evaluation Report and the NHQI Overview is made available to the public on-line. The NHQI website provides consumer and provider information regarding the quality of care in nursing homes. The data allows consumers, providers, states, and researchers to compare quality information that shows how well nursing homes are caring for their residents' physical and clinical needs. The posted nursing home quality measures come from resident assessment data that nursing homes routinely collect on the residents at specified intervals during their stay. If the operators of nursing facilities are unable to achieve quality of care ratings that are comparable or superior to those of their competitors, they may lose market share to other facilities, reducing their revenues and adversely impacting their ability to make rental payments.

Finally, government investigations and enforcement actions brought against the health care industry have increased dramatically over the past several years and are expected to continue. Some of these enforcement actions represent novel legal theories and expansions in the application of the Federal False Claims Act. The costs for an operator of a health care property associated with both defending such enforcement actions and the undertakings in settling these actions can be substantial and could have a material adverse effect on the ability of an operator to meet its obligations to us.

## **United Kingdom**

### ***Registration***

In England, care home services are principally regulated by the Health and Social Care Act 2008 (the "Act") and associated Regulations. The Act requires all persons carrying out "Regulated Activities" in England, and the managers of such persons, to be registered. Regulated Activities are defined in the Health and Social Care Act 2008 (Regulated Activities) Regulations 2010, as amended (the "2010 Regulations"), and include (among other activities):

- The provision of personal care for persons who, by reason of old age, illness or disability are unable to provide it for themselves, and which is provided in a place where those persons are living at the time the care is provided; and

- The provision of residential accommodation, together with nursing or personal care.

Any person who carries on a regulated activity without being registered in respect of that activity is guilty of an offence under the Act. A person guilty of an offence is liable on summary conviction, to a fine of up to £50,000, or to imprisonment for a term not exceeding 12 months, or both, and on conviction on indictment, to a fine, or to imprisonment for a term not exceeding 12 months, or to both.

From April 1, 2015, the 2010 Regulations will be fully revoked by the Health and Social Care Act 2008 (Regulated Activities) Regulations 2014 (the “2014 Regulations”). While the 2014 Regulations introduce certain modifications with regard to service standards, the registration obligations under the Act remain.

Under the Care Quality Commission (Registration) Regulations 2009, as amended, service providers and managers of Regulated Activities must provide documentation demonstrating their ability to provide the relevant service(s); in particular, registrants must be able to demonstrate that they (or a nominated individual, if the registered person is a company) possess good character, are physically and mentally fit to carry on the regulated activity and have the necessary qualifications, skills and experience to do so.

### ***Service Standards and Notification Obligations***

The 2010 Regulations list the standards that must be met when providing care services. The service providers’ legal obligations include:

- Ensuring service users are protected against receiving care or treatment that is inappropriate or unsafe;
- Assessing and monitoring the quality of service provision;
- Safeguarding service users from abuse;
- Ensuring that service users and others are protected against risks of a healthcare associated infection;
- Protecting service users against risks in relation to the unsafe use of medicines;
- Meeting the nutritional needs of service users;
- Ensuring that the premises are safe and suitable;
- Ensuring that any equipment used is safe, suitable and readily available when required;
- Respecting and involving service users;
- Obtaining and acting in accordance with the consent of service users to care and treatment;
- Having in place an effective complaints system;
- Maintaining accurate records;
- Operating effective recruitment procedures; and
- Having sufficient numbers of suitably qualified, skilled and experienced employees and supporting workers through training, professional development, supervision, appraisals and qualifications.

Failure to comply with certain provisions of the above Regulations is an offence, with a person guilty of the offence liable on summary conviction to a fine of up to £50,000. Monetary penalty notices may also be issued.

From April 1, 2015, the 2010 Regulations will be fully revoked by the 2014 Regulations. The 2014 Regulations aim to streamline the legal obligations in the 2010 Regulations, and replace them with a set of more broadly-phrased, legally binding “Fundamental Standards” largely based on existing obligations in the 2010 Regulations.

While the obligations listed above will continue to exist in line with the new “Fundamental Standards,” the 2014 Regulations introduce a number of changes including:

- A new “duty of candour” to notify and apologize to affected persons, in the event of certain incidents having actually or potentially led to the death of the service user, where the death relates directly to the incident rather than to the natural course of the service user’s illness or underlying condition, or severe harm, moderate harm or prolonged psychological harm to the service user (note that this requirement came into force on November 27, 2014); and
- More detailed standards to be met by individuals to be eligible to act as a director of a service provider institution. For instance, the individual should not have been responsible for, been privy to, contributed to or facilitated any serious misconduct or mismanagement (whether unlawful or not) in the course of carrying on a regulated activity, or equivalent outside of England (note that this requirement came into force on November 27, 2014).
- The provisions on penalties will remain similar to the 2010 Regulations although the reference to a fine not exceeding £50,000 will be removed from April 1, 2015.

Under the Care Quality Commission (Registration) Regulations 2009 certain matters must be notified to the Care Quality Commission (the “CQC”), the government regulatory body overseeing the provision of nursing and other care services in England. Events that must be notified include (among others):

- Where the service provider or registered manager proposes to be absent for a continuous period of 28 days or more;
- A change of the registered person or where the registered person is a company changes in the name or address of the registered person, a change of director, secretary or other similar officer, or a change of the nominated individual;
- The death of a service user;
- Incidents resulting in an injury (provided certain conditions are met);
- Abuse and allegations of abuse in relation to a service user; and
- Any event which prevents, or appears to the service provider to be likely to threaten to prevent, the service provider’s ability to continue to carry on the regulated activity safely, or in accordance with the registration requirements.

Failure to comply with the above notification obligations is an offense and a person guilty of an offense is liable on summary conviction to a fine of up to £2,500. The amount of this fine will be increased to £10,000 by a Statutory Instrument once coming into force.

### ***Regulatory Oversight and Inspections***

The Act also sets out the powers and responsibilities of the CQC. Among other powers, the CQC administers the compulsory registration system and issues guidance to care service providers on how to comply with applicable standards set out in legislation.

The CQC is also empowered to carry out inspections of care home premises to verify compliance with the standards set out in legislation. The CQC’s current policy is to carry out routine unannounced inspections at care homes at least once a year. Reports of all inspections in England are published, as are details of enforcement actions taken by the CQC, which can include issuing warning notices, restricting the services that the provider can offer, stopping admissions into the care service, issuing fixed penalty notices, suspending or cancelling the service registration and prosecution.

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 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 offense where certain registered care providers supply, publish or make available information that is false or misleading in a material respect.

### ***Financial Assistance for Service Users***

Financial assistance for service users towards care home fees is available from local authorities and is means-tested. The National Health Service may also, in certain circumstances, contribute towards the costs of nursing care.

### ***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, in 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; and the commission or alleged commission by him/her of an offense, 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 practices; (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 offenses 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 standardized 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 to 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 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 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***

#### ***Alberta***

In Alberta, there are three relevant designations for seniors' living arrangements, ordered below from the most independent to the highest level of care.

**Retirement Homes** (also referred to as independent living) are designed for older adults who are able to live on their own. These communities may offer amenities such as fitness centers, gardens, paths, libraries, and beauty salons. Residents may access publicly-funded external care services at the home from funded external suppliers.

Alberta retirement residences may be rented, privately owned, or life-leased. They may be operated for profit or non-profit. Retirement residences typically do not offer support services but residents may arrange support services separate from their accommodations.

Retirement homes do not generally receive government funding; residents pay for tenancy and services received at retirement homes. Rental subsidies may be available to qualified seniors.

Alberta Independent Living residences are legislated under the Residential Tenancies Act, SA 2004, c R-17.1 and the Alberta Housing Act, RSA 2000, c A-25.

**Supportive Living** (also referred to as assisted living) provides accommodation in a home-like setting, where residents can remain as independent as possible while still having access to necessary care, assistance, and services. A provider of designated Supportive Living services provides at least one meal a day or housekeeping services. Supportive living includes many different types of facilities, including seniors lodges, group homes, and mental health and designated supportive living accommodations. These facilities can be operated by private for-profit, private not-for-profit, or public operators.

Supportive Living services are licensed under the Supportive Living Accommodation Licensing Act, SA 2009, c S-23.5, and the Supportive Living Accommodation Licensing Regulation, Alta Reg 40/2010. They are governed by the Ministry of Health.

Operators that receive public funds, either directly or indirectly, for health and personal care services must also comply with the Ministry of Health Continuing Care Health Service Standards (March 2007, and revised). They are also subject to the Protection for Persons in Care Act, SA 2009, c P-29.1, under which the province investigates suspected abuse of adults receiving government-funded care services.

Licenses may be granted for periods of six months to three years, depending on how long the facility has been licensed, and depending on past reports. The Ministry, through a designated director, may conduct inspections of facilities and review records. The Director may order a delinquent facility to take specific steps or to stop certain practices or may temporarily stop operations; alternatively, the facility's license may be suspended.

There are four levels of supportive living, ordered from basic to more advanced care: (1) Residential Living (residents can manage most daily tasks and direct own care and assistance can be scheduled); (2) Lodge Living (residents can manage some daily tasks and direct own care and assistance can be scheduled, although some non-scheduled assistance may be required); (3) Assisted Living (residents require assistance with many daily tasks, with increased scheduled and some non-scheduled assistance required); (4) Enhanced Level (residents require assistance with most or all daily tasks and frequent unscheduled assistance). In addition, there are two specialized designations of Supportive Care: (1) Alberta Enhanced Assisted Living (also referred to as Enhanced Lodges or Alberta Designated Supportive Living Level 4 (SL4) (provides 24-hour scheduled and unscheduled professional, personal care and support services provided by Licensed Practical Nurses and Health Care Aides); and (2) Enhanced Assisted Living Dementia Care Sites (also referred to as Designated Supportive Living Level 4 Dementia (SL4-D)) (provides assisted living for seniors living with cognitive impairments (such as Alzheimer's disease or other types of dementia) who require safe and secure living accommodation in a therapeutic environment).

Residents pay a fee to cover the costs of providing accommodations and services like meals, housekeeping and building maintenance. The accommodation fee varies by accommodation type and the services or amenities that are available to the resident. Alberta Health regulates the maximum accommodation fee in publicly-funded designated supportive living. In other types of supportive living settings, the operator sets the cost of accommodation. Health services are publicly-funded and provided through Alberta Health Services. Private sector operators of Supportive Living facilities are eligible to apply for funding under the Affordable Supportive Living Initiative ("ASLI"), an Alberta government capital grant program that provides funding to develop long-term care and affordable supportive living spaces in the province.

**Nursing Homes** (also referred to as long-term care) are for residents who have complex, unpredictable medical needs and who require 24-hour on-site registered nurse assessment or treatment.

Nursing homes are subject to the Nursing Homes Act, RSA 2000, c N-7, and the Nursing Home General Regulation, Alta Reg 232/1985, and Long-term Care Accommodation Standards. They are governed by the Ministry of Health.

Nursing home operators are not licensed, but enter into agreements with the Ministry for the operation of nursing homes. These facilities can be operated by private for-profit, private not-for-profit, or public operators.

All operators must comply with the Ministry of Health Long-term Care Accommodation Standards (March 2007, and revised). Operators that receive public funds, either directly or indirectly, for health and personal care services must also comply with the Continuing Care Health Service Standards and are subject to the Protection for Persons in Care Act.

The Ministry may conduct inspections of facilities and review records. Deficient facilities may be ordered to submit a correction plan.

Residents pay an accommodation fee to cover the costs of providing accommodations and services like meals, housekeeping and building maintenance. Alberta Health regulates the maximum accommodation fee in publicly-funded long-term care facilities. In other types of supportive living settings, the accommodation fee is set by the operator. Health services in long-term care are publicly-funded



and provided through Alberta Health Services. Private sector operators of nursing homes are eligible to apply for funding under the ASLI. The Minister may make grants to an operator in respect of its operating or capital costs as prescribed by the regulations.

### ***Ontario***

Long-term care facilities, or nursing homes, receive government funding, are licensed under the Long-Term Care Homes Act, 2007 and are governed by the Ministry of Health and Long-Term Care. The LTC Homes Act places a strong emphasis on the protection of residents.

Retirement homes in Ontario are regulated under the Retirement Homes Act, 2010 (the “Act”). Retirement homes do not receive any government funding; residents pay for tenancy and services received at retirement homes. Residents may access publicly-funded external care services at the home from funded external suppliers.

A license is required to operate a retirement home. Licenses must be applied for and are non-transferable. Applications for licenses are directed to the Registrar of the Retirement Homes Regulatory Authority (RHRA). All of the homes in which we have an interest in Ontario are licensed as retirement homes. One of the homes also has some licensed long-term care beds.

Licenses can have conditions imposed upon them or can be suspended in circumstances where the operator is found to be in contravention of the Act. There is no set renewal period for licenses, and they terminate according to the terms set out in the license itself, or if one of the enumerated triggering mechanisms occurs (for example, if the operator ceases to have controlling interest in the license).

The licensee of a retirement home must ensure that the care provided by the home meets prescribed standards. The Act and its regulations include a number of detailed provisions with respect to care standards, safety plans in the event of emergency or infectious disease, temperature control, cleanliness, pest control, maintenance, food preparations, risk of resident falls and behavioral management, among other things. A care plan must be developed for each resident of the home (with their consent). The Act establishes a Residents’ Bill of Rights, which provides residents with a list of rights, such as the right to participate fully in decision-making with respect to care, the right not to be restrained and the right to know what care services are provided and their cost. The Residents’ Bill of Rights can be enforced as a contract.

The Act requires a report to the RHRA when any person has reasonable grounds to suspect abuse of a resident by anyone, or neglect of a resident by staff. Following a report to the RHRA, there is a mandatory inspection carried out by the RHRA, which results in a report that is posted on the RHRA’s public website. The most recent report must also be posted in the subject home, and be readily available for review if requested thereafter.

The Registrar of the RHRA has the power to inspect a retirement home at any time without warning or issue a warrant to ensure compliance with the Act. Compliance inspections occur at least every three years. The Registrar has the power to make a variety of orders including, for example, the imposition of a fine or an order revoking the operator’s license. There is an appeal process in place with respect to orders made by the Registrar. The Act also enumerates offenses, such as operating without a license, and provides for penalties for offenses.

### ***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. 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. Most of the residences in which we have an interest in B.C. are assisted living residences, with one being an independent living residence.

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.

## ***Québec***

In Québec, retirement homes are regulated by the Act respecting Health Services and Social Services (the “Act”) and the Regulation respecting the conditions for obtaining a certificate of compliance and the operating standards for a private seniors' residence (the “Regulation”), which refer to “private seniors' residences.” Private seniors' residences in Québec are required to obtain a certificate of compliance. The Regulation is currently in the process of being amended.

A certificate of compliance is issued for a period of three years, is renewable and can only be validly transferred to another person with the written permission of the regional licensing agency. An agency may revoke a temporary certificate, or revoke or refuse to issue or renew a certificate of compliance if, among other things, the operator fails to comply with the Act and the Regulation, although the decision of the applicable agency can be contested before the Administrative Tribunal of Québec. The agency may also order the residence to take corrective measures, further to an inspection, complaint and/or investigation. The agency is authorized to inspect a residence, at any reasonable time of day, in order to ascertain whether it complies with the Act and the Regulation.

Private seniors' residences may belong to either or both of the following two categories: those offering services to independent elderly persons and those offering services to semi-independent elderly persons. The operator of a residence must, for each category, comply with the applicable criteria and standards, with some exceptions provided for residences with fewer than six or ten rooms or apartments. The Act and the Regulation set out a number of detailed provisions with respect to residents' health and safety (including mandatory call-for-help systems, safety plans in the event of fire or infectious disease, health assessments, permissible control measures, as well as administration and distribution of medication), meal services and recreation, content of residents' files, disclosure of information to residents, and staffing requirements, among other things.

### ***Other Related Laws***

#### ***Privacy***

The services provided in our facilities are generally subject to privacy legislation in Canada, including, in certain provinces, privacy laws specifically related to personal health information. 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. The organizations with which we have management agreements may be the custodian of personal health information/personal information collected in connection with the operation of our facilities.

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 that 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. To date, penalties have generally not been monetary, although that may change depending on decisions in connection with class actions. Regulators have the authority to make public the identity of a health information custodian that has been found to have committed a breach, so that there is a reputational risk associated with privacy law violations even where no monetary damages are incurred. The notification of patients (mandatory under some privacy laws) and other activities required to manage a privacy breach can give rise to significant costs.

### ***Other Legislation***

Retirement homes may be subject to residential tenancy laws, such that there can be restrictions on rent increases and termination of tenancies, for instance. Other provincial legislation applicable to occupational health and safety, public health, and the provision of community health care and funded long-term/post-acute care may also apply to retirement homes. In addition, municipal laws with respect to matters such as fire safety, food services and zoning would also apply.

### **Taxation**

## *Federal Income Tax Considerations*

The following summary of the taxation of the Company and the material federal tax consequences to the holders of our debt and equity securities is for general information only and is not tax advice. This summary does not address all aspects of taxation that may be relevant to certain types of holders of stock or securities (including, but not limited to, insurance companies, tax-exempt entities, financial institutions or broker-dealers, persons holding shares of common stock as part of a hedging, integrated conversion, or constructive sale transaction or a straddle, traders in securities that use a mark-to-market method of accounting for their securities, investors in pass-through entities and foreign corporations and persons who are not citizens or residents of the United States).

This summary does not discuss all of the aspects of U.S. federal income taxation that may be relevant to you in light of your particular investment or other circumstances. In addition, this summary does not discuss any state or local income taxation or foreign income taxation or other tax consequences. This summary is based on current U.S. federal income tax law. Subsequent developments in U.S. federal income tax law, including changes in law or differing interpretations, which may be applied retroactively, could have a material effect on the U.S. federal income tax consequences of purchasing, owning and disposing of our securities as set forth in this summary. Before you purchase our securities, you should consult your own tax advisor regarding the particular U.S. federal, state, local, foreign and other tax consequences of acquiring, owning and selling our securities.

### *General*

We elected to be taxed as a real estate investment trust (a "REIT") commencing with our first taxable year. We intend to continue to operate in such a manner as to qualify as a REIT, but there is no guarantee that we will qualify or remain qualified as a REIT for subsequent years. Qualification and taxation as a REIT depends upon our ability to meet a variety of qualification tests imposed under federal income tax law with respect to income, assets, distribution level and diversity of share ownership as discussed below under "— Qualification as a REIT." There can be no assurance that we will be owned and organized and will operate in a manner so as to qualify or remain qualified.

In any year in which we qualify as a REIT, in general, we will not be subject to federal income tax on that portion of our REIT taxable income or capital gain that is distributed to stockholders. We may, however, be subject to tax at normal corporate rates on any taxable income or capital gain not distributed. If we elect to retain and pay income tax on our net long-term capital gains, stockholders are required to include their proportionate share of our undistributed long-term capital gains in income, but they will receive a refundable credit for their share of any taxes paid by us on such gain.

Despite the REIT election, we may be subject to federal income and excise tax as follows:

- To the extent that we do not distribute all of our net capital gain or distribute at least 90%, but less than 100%, of our "REIT taxable income," as adjusted, we will be subject to tax on the undistributed amount at regular corporate tax rates;
- We may be subject to the "alternative minimum tax" (the "AMT") on certain tax preference items to the extent that the AMT exceeds our regular tax;
- If we have net income from the sale or other disposition of "foreclosure property" that is held primarily for sale to customers in the ordinary course of business or other non-qualifying income from foreclosure property, such income will be taxed at the highest corporate rate;
- Any net income from prohibited transactions (which are, in general, sales or other dispositions of property held primarily for sale to customers in the ordinary course of business, other than dispositions of foreclosure property and dispositions of property due to an involuntary conversion) will be subject to a 100% tax;
- If we fail to satisfy either the 75% or 95% gross income tests (as discussed below), but nonetheless maintain our qualification as a REIT because certain other requirements are met, we will be subject to a 100% tax on an amount equal to (1) the gross income attributable to the greater of (i) 75% of our gross income over the amount of qualifying gross income for purposes of the 75% gross income test (discussed below) or (ii) 95% of our gross income over the amount of qualifying gross income for purposes of the 95% gross income test (discussed below) multiplied by (2) a fraction intended to reflect our profitability;
- If we fail to distribute during each year at least the sum of (1) 85% of our REIT ordinary income for the year, (2) 95% of our REIT capital gain net income for such year (other than capital gain that we elect to retain and pay tax on) and (3) any undistributed taxable income from preceding periods, we will be subject to a 4% excise tax on the excess of such required distribution over amounts actually distributed;
- We will be subject to a 100% tax on the amount of any rents from real property, deductions or excess interest paid to us by any of our "taxable REIT subsidiaries" that would be reduced through reallocation under certain federal income tax principles in

order to more clearly reflect income of the taxable REIT subsidiary. See “— Qualification as a REIT — Investments in Taxable REIT Subsidiaries;” and

- We may be subject to the corporate “alternative minimum tax” on any items of tax preference, including any deductions of net operating losses.

If we acquire any assets from a corporation, which is or has been a “C” corporation, in a carryover basis transaction, we could be liable for specified liabilities that are inherited from the “C” corporation. A “C” corporation is generally defined as a corporation that is required to pay full corporate level federal income tax. If we recognize gain on the disposition of the assets during the ten-year period beginning on the date on which the assets were acquired by us, then, to the extent of the assets’ “built-in gain” (i.e., the excess of the fair market value of the asset over the adjusted tax basis in the asset, in each case determined as of the beginning of the ten-year period), we will be subject to tax on the gain at the highest regular corporate rate applicable. The results described in this paragraph with respect to the recognition of built-in gain assume that the built-in gain assets, at the time the built-in gain assets were subject to a conversion transaction (either where a “C” corporation elected REIT status or a REIT acquired the assets from a “C” corporation), were not treated as sold to an unrelated party and gain recognized. For those properties that are subject to the built-in-gains tax, if triggered by a sale within the ten-year period beginning on the date on which the properties were acquired by us, then the potential amount of built-in-gains tax will be an additional factor when considering a possible sale of the properties. See Note 18 to our consolidated financial statements for additional information regarding the built-in gains tax.

#### *Qualification as a REIT*

A REIT is defined as a corporation, trust or association:

- (1) which is managed by one or more trustees or directors;
- (2) the beneficial ownership of which is evidenced by transferable shares or by transferable certificates of beneficial interest;
- (3) which would be taxable as a domestic corporation but for the federal income tax law relating to REITs;
- (4) which is neither a financial institution nor an insurance company;
- (5) the beneficial ownership of which is held by 100 or more persons in each taxable year of the REIT except for its first taxable year;
- (6) not more than 50% in value of the outstanding stock of which is owned during the last half of each taxable year, excluding its first taxable year, directly or indirectly, by or for five or fewer individuals (which includes certain entities) (the “Five or Fewer Requirement”); and
- (7) which meets certain income and asset tests described below.

Conditions (1) to (4), inclusive, must be met during the entire taxable year and condition (5) must be met during at least 335 days of a taxable year of 12 months or during a proportionate part of a taxable year of less than 12 months. For purposes of conditions (5) and (6), pension funds and certain other tax-exempt entities are treated as individuals, subject to a “look-through” exception in the case of condition (6).

Based on publicly available information, we believe we have satisfied the share ownership requirements set forth in (5) and (6) above. In addition, Article VI of our by-laws provides for restrictions regarding ownership and transfer of shares. These restrictions are intended to assist us in continuing to satisfy the share ownership requirements described in (5) and (6) above. These restrictions, however, may not ensure that we will, in all cases, be able to satisfy the share ownership requirements described in (5) and (6) above.

We have complied with, and will continue to comply with, regulatory rules to send annual letters to certain of our stockholders requesting information regarding the actual ownership of our stock. If, despite sending the annual letters, we do not know, or after exercising reasonable diligence would not have known, whether we failed to meet the Five or Fewer Requirement, we will be treated as having met the Five or Fewer Requirement. If we fail to comply with these regulatory rules, we will be subject to a monetary penalty. If our failure to comply was due to intentional disregard of the requirement, the penalty would be increased. However, if our failure to comply were due to reasonable cause and not willful neglect, no penalty would be imposed.

We may own a number of properties through wholly owned subsidiaries. A corporation will qualify as a “qualified REIT subsidiary” if 100% of its stock is owned by a REIT, and the REIT does not elect to treat the subsidiary as a taxable REIT subsidiary.

A “qualified REIT subsidiary” will not be treated as a separate corporation, and all assets, liabilities and items of income, deductions and credits of a “qualified REIT subsidiary” will be treated as assets, liabilities and items (as the case may be) of the REIT. A “qualified REIT subsidiary” is not subject to federal income tax, and our ownership of the voting stock of a qualified REIT subsidiary will not violate the restrictions against ownership of securities of any one issuer which constitute more than 10% of the value or total voting power of such issuer or more than 5% of the value of our total assets, as described below under “— Asset Tests.”

If we invest in a partnership, a limited liability company or a trust taxed as a partnership or as a disregarded entity, we will be deemed to own a proportionate share of the partnership’s, limited liability company’s or trust’s assets. Likewise, we will be treated as receiving our share of the income and loss of the partnership, limited liability company or trust, and the gross income will retain the same character in our hands as it has in the hands of the partnership, limited liability company or trust. These “look-through” rules apply for purposes of the income tests and assets tests described below.

*Income Tests.* There are two separate percentage tests relating to our sources of gross income that we must satisfy for each taxable year.

- At least 75% of our gross income (excluding gross income from certain sales of property held primarily for sale) must be directly or indirectly derived each taxable year from “rents from real property,” other income from investments relating to real property or mortgages on real property or certain income from qualified temporary investments.
- At least 95% of our gross income (excluding gross income from certain sales of property held primarily for sale) must be directly or indirectly derived each taxable year from any of the sources qualifying for the 75% gross income test and from dividends (including dividends from taxable REIT subsidiaries) and interest.

As to transactions entered into in taxable years beginning after October 22, 2004 and on or prior to July 30, 2008, any of our income from a “clearly identified” hedging transaction that is entered into by us in the normal course of business, directly or indirectly, to manage the risk of interest rate movements, price changes or currency fluctuations with respect to borrowings or obligations incurred or to be incurred by us, or such other risks that are prescribed by the Internal Revenue Service, is excluded from the 95% gross income test.

For transactions entered into after July 30, 2008, any of our income from a “clearly identified” hedging transaction that is entered into by us in the normal course of business, directly or indirectly, to manage the risk of interest rate movements, price changes or currency fluctuations with respect to borrowings or obligations incurred or to be incurred by us is excluded from the 95% and 75% gross income tests.

For transactions entered into after July 30, 2008, any of our income from a “clearly identified” hedging transaction entered into by us primarily to manage risk of currency fluctuations with respect to any item of income or gain that is included in gross income in the 95% and 75% gross income tests is excluded from the 95% and 75% gross income tests.

In general, a hedging transaction is “clearly identified” if (1) the transaction is identified as a hedging transaction before the end of the day on which it is entered into and (2) the items or risks being hedged are identified “substantially contemporaneously” with the hedging transaction. An identification is not substantially contemporaneous if it is made more than 35 days after entering into the hedging transaction.

As to gains and items of income recognized after July 30, 2008, “passive foreign exchange gain” for any taxable year will not constitute gross income for purposes of the 95% gross income test and “real estate foreign exchange gain” for any taxable year will not constitute gross income for purposes of the 75% gross income test. Real estate foreign exchange gain is foreign currency gain (as defined in Internal Revenue Code Section 988(b)(1)) which is attributable to: (i) any qualifying item of income or gain for purposes of the 75% gross income test; (ii) the acquisition or ownership of obligations secured by mortgages on real property or interests in real property; or (iii) becoming or being the obligor under obligations secured by mortgages on real property or on interests in real property. Real estate foreign exchange gain also includes Internal Revenue Code Section 987 gain attributable to a qualified business unit (a “QBU”) of a REIT if the QBU itself meets the 75% gross income test for the taxable year and the 75% asset test at the close of each quarter that the REIT has directly or indirectly held the QBU. Real estate foreign exchange gain also includes any other foreign currency gain as determined by the Secretary of the Treasury. Passive foreign exchange gain includes all real estate foreign exchange gain and foreign currency gain which is attributable to: (i) any qualifying item of income or gain for purposes of the 95% gross income test; (ii) the acquisition or ownership of obligations; (iii) becoming or being the obligor under obligations; and (iv) any other foreign currency gain as determined by the Secretary of the Treasury.

Generally, other than income from “clearly identified” hedging transactions entered into by us in the normal course of business, any foreign currency gain derived by us from dealing, or engaging in substantial and regular trading, in securities will constitute gross income which does not qualify under the 95% or 75% gross income tests.

Rents received by us will qualify as “rents from real property” for purposes of satisfying the gross income tests for a REIT only if several conditions are met:

- The amount of rent must not be based in whole or in part on the income or profits of any person, although rents generally will not be excluded merely because they are based on a fixed percentage or percentages of receipts or sales.
- Rents received from a tenant will not qualify as rents from real property if the REIT, or an owner of 10% or more of the REIT, also directly or constructively owns 10% or more of the tenant, unless the tenant is our taxable REIT subsidiary and certain other requirements are met with respect to the real property being rented.
- If rent attributable to personal property leased in connection with a lease of real property is greater than 15% of the total rent received under the lease, then the portion of rent attributable to such personal property will not qualify as “rents from real property.”
- For rents to qualify as rents from real property, we generally must not furnish or render services to tenants, other than through a taxable REIT subsidiary or an “independent contractor” from whom we derive no income, except that we may directly provide services that are “usually or customarily rendered” in the geographic area in which the property is located in connection with the rental of real property for occupancy only, or are not otherwise considered “rendered to the occupant for his convenience.”
- For taxable years beginning after July 30, 2008, the REIT may lease “qualified health care properties” on an arm’s-length basis to a taxable REIT subsidiary if the property is operated on behalf of such subsidiary by a person who qualifies as an “independent contractor” and who is, or is related to a person who is, actively engaged in the trade or business of operating health care facilities for any person unrelated to us or our taxable REIT subsidiary, an “eligible independent contractor.” Generally, the rent that the REIT receives from the taxable REIT subsidiary will be treated as “rents from real property.” A “qualified health care property” includes any 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 that extends medical or nursing or ancillary services to patients and is operated by a provider of such services that is eligible for participation in the Medicare program with respect to such facility.

A REIT is permitted to render a de minimis amount of impermissible services to tenants and still treat amounts received with respect to that property as rent from real property. The amount received or accrued by the REIT during the taxable year for the impermissible services with respect to a property may not exceed 1% of all amounts received or accrued by the REIT directly or indirectly from the property. The amount received for any service or management operation for this purpose shall be deemed to be not less than 150% of the direct cost of the REIT in furnishing or rendering the service or providing the management or operation. Furthermore, impermissible services may be furnished to tenants by a taxable REIT subsidiary subject to certain conditions, and we may still treat rents received with respect to the property as rent from real property.

The term “interest” generally does not include any amount if the determination of the amount depends in whole or in part on the income or profits of any person, although an amount generally will not be excluded from the term “interest” solely by reason of being based on a fixed percentage of receipts or sales.

If we fail to satisfy one or both of the 75% or 95% gross income tests for any taxable year, we may nevertheless qualify as a REIT for such year if we are eligible for relief. These relief provisions generally will be available if (1) following our identification of the failure, we file a schedule for such taxable year describing each item of our gross income, and (2) the failure to meet such tests was due to reasonable cause and not due to willful neglect.

It is not now possible to determine the circumstances under which we may be entitled to the benefit of these relief provisions. If these relief provisions apply, a 100% tax is imposed on an amount equal to (a) the gross income attributable to (1) 75% of our gross income over the amount of qualifying gross income for purposes of the 75% income test and (2) 95% of our gross income over the amount of qualifying gross income for purposes of the 95% income test, multiplied by (b) a fraction intended to reflect our profitability.

The Secretary of the Treasury is given broad authority to determine whether particular items of income or gain qualify or not under the 75% and 95% gross income tests, or are to be excluded from the measure of gross income for such purposes.

*Asset Tests.* Within 30 days after the close of each quarter of our taxable year, we must also satisfy several tests relating to the nature and diversification of our assets determined in accordance with generally accepted accounting principles. At least 75% of the value of our total assets must be represented by real estate assets, cash, cash items (including receivables arising in the ordinary course of our operation), government securities and qualified temporary investments. Although the remaining 25% of our assets generally may be invested without restriction, we are prohibited from owning securities representing more than 10% of either the vote (the

“10% vote test”) or value (the “10% value test”) of the outstanding securities of any issuer other than a qualified REIT subsidiary, another REIT or a taxable REIT subsidiary. Further, no more than 25% of the total assets may be represented by securities of one or more taxable REIT subsidiaries (the “25% asset test”) and no more than 5% of the value of our total assets may be represented by securities of any non-governmental issuer other than a qualified REIT subsidiary (the “5% asset test”), another REIT or a taxable REIT subsidiary. Each of the 10% vote test, the 10% value test and the 25% and 5% asset tests must be satisfied at the end of each quarter. There are special rules which provide relief if the value related tests are not satisfied due to changes in the value of the assets of a REIT.

Certain items are excluded from the 10% value test, including: (1) straight debt securities (as defined in Internal Revenue Code Section 1361(c)(5)) of an issuer (including straight debt that provides certain contingent payments); (2) any loan to an individual or an estate; (3) any rental agreement described in Section 467 of the Internal Revenue Code, other than with a “related person”; (4) any obligation to pay rents from real property; (5) certain securities issued by a state or any subdivision thereof, the District of Columbia, a foreign government, or any political subdivision thereof, or the Commonwealth of Puerto Rico; (6) any security issued by a REIT; and (7) any other arrangement that, as determined by the Secretary of the Treasury, is excepted from the definition of security (“excluded securities”). Special rules apply to straight debt securities issued by corporations and entities taxable as partnerships for federal income tax purposes. If a REIT, or its taxable REIT subsidiary, holds (1) straight debt securities of a corporate or partnership issuer and (2) securities of such issuer that are not excluded securities and have an aggregate value greater than 1% of such issuer’s outstanding securities, the straight debt securities will be included in the 10% value test.

A REIT’s interest as a partner in a partnership is not treated as a security for purposes of applying the 10% value test to securities issued by the partnership. Further, any debt instrument issued by a partnership will not be a security for purposes of applying the 10% value test (1) to the extent of the REIT’s interest as a partner in the partnership and (2) if at least 75% of the partnership’s gross income (excluding gross income from prohibited transactions) would qualify for the 75% gross income test. For purposes of the 10% value test, a REIT’s interest in a partnership’s assets is determined by the REIT’s proportionate interest in any securities issued by the partnership (other than the excluded securities described in the preceding paragraph).

For taxable years beginning after July 30, 2008, if the REIT or its QBU uses a foreign currency as its functional currency, the term “cash” includes such foreign currency, but only to the extent such foreign currency is (i) held for use in the normal course of the activities of the REIT or QBU which give rise to items of income or gain that are included in the 95% and 75% gross income tests or are directly related to acquiring or holding assets qualifying under the 75% asset test, and (ii) not held in connection with dealing or engaging in substantial and regular trading in securities.

With respect to corrections of failures as to violations of the 10% vote test, the 10% value test or the 5% asset test, a REIT may avoid disqualification as a REIT by disposing of sufficient assets to cure a violation that does not exceed the lesser of 1% of the REIT’s assets at the end of the relevant quarter or \$10,000,000, provided that the disposition occurs within six months following the last day of the quarter in which the REIT first identified the assets. For violations of any of the REIT asset tests due to reasonable cause and not willful neglect that exceed the thresholds described in the preceding sentence, a REIT can avoid disqualification as a REIT after the close of a taxable quarter by taking certain steps, including disposition of sufficient assets within the six month period described above to meet the applicable asset test, paying a tax equal to the greater of \$50,000 or the highest corporate tax rate multiplied by the net income generated by the non-qualifying assets during the period of time that the assets were held as non-qualifying assets and filing a schedule with the Internal Revenue Service that describes the non-qualifying assets.

*Investments in Taxable REIT Subsidiaries.* REITs may own more than 10% of the voting power and value of securities in taxable REIT subsidiaries. We and any taxable corporate entity in which we own an interest are allowed to jointly elect to treat such entity as a “taxable REIT subsidiary.”

Certain of our subsidiaries have elected to be treated as a taxable REIT subsidiary. Taxable REIT subsidiaries are subject to full corporate level federal taxation on their earnings but are permitted to engage in certain types of activities that cannot be performed directly by REITs without jeopardizing their REIT status. Our taxable REIT subsidiaries will attempt to minimize the amount of these taxes, but there can be no assurance whether or the extent to which measures taken to minimize taxes will be successful. To the extent our taxable REIT subsidiaries are required to pay federal, state or local taxes, the cash available for distribution as dividends to us from our taxable REIT subsidiaries will be reduced.

The amount of interest on related-party debt that a taxable REIT subsidiary may deduct is limited. Further, a 100% tax applies to any interest payments by a taxable REIT subsidiary to its affiliated REIT to the extent the interest rate is not commercially reasonable. A taxable REIT subsidiary is permitted to deduct interest payments to unrelated parties without any of these restrictions.

The Internal Revenue Service may reallocate costs between a REIT and its taxable REIT subsidiary where there is a lack of arm’s-length dealing between the parties. Any deductible expenses allocated away from a taxable REIT subsidiary would increase its tax liability. Further, any amount by which a REIT understates its deductions and overstates those of its taxable REIT subsidiary may, subject to certain exceptions, be subject to a 100% tax. Additional taxable REIT subsidiary elections may be made in the future for additional entities in which we obtain an interest.

*Annual Distribution Requirements.* In order to avoid being taxed as a regular corporation, we are required to make distributions (other than capital gain distributions) to our stockholders which qualify for the dividends paid deduction in an amount at least equal to (1) the sum of (i) 90% of our “REIT taxable income” (computed without regard to the dividends paid deduction and our net capital gain) and (ii) 90% of the after-tax net income, if any, from foreclosure property, minus (2) a portion of certain items of non-cash income. These distributions must be paid in the taxable year to which they relate, or in the following taxable year if declared before we timely file our tax return for that year and if paid on or before the first regular distribution payment after such declaration. The amount distributed must not be preferential. This means that every stockholder of the class of stock to which a distribution is made must be treated the same as every other stockholder of that class, and no class of stock may be treated otherwise than in accordance with its dividend rights as a class. To the extent that we do not distribute all of our net capital gain or distribute at least 90%, but less than 100%, of our “REIT taxable income,” as adjusted, we will be subject to tax on the undistributed amount at regular corporate tax rates. As discussed above, we may be subject to an excise tax if we fail to meet certain other distribution requirements. We believe we have satisfied the annual distribution requirements for the year of our initial REIT election and each year thereafter through the year ended December 31, 2014. Although we intend to make timely distributions sufficient to satisfy these annual distribution requirements for subsequent years, economic, market, legal, tax or other factors could limit our ability to meet those requirements. See “Item 1A — Risk Factors.”

It is also possible that, from time to time, we may not have sufficient cash or other liquid assets to meet the 90% distribution requirement, or to distribute such greater amount as may be necessary to avoid income and excise taxation, due to, among other things, (1) timing differences between (i) the actual receipt of income and actual payment of deductible expenses and (ii) the inclusion of income and deduction of expenses in arriving at our taxable income, or (2) the payment of severance benefits that may not be deductible to us. In the event that timing differences occur, we may find it necessary to arrange for borrowings or, if possible, pay dividends in the form of taxable stock dividends in order to meet the distribution requirement.

Under certain circumstances, in the event of a deficiency determined by the Internal Revenue Service, we may be able to rectify a resulting failure to meet the distribution requirement for a year by paying “deficiency dividends” to stockholders in a later year, which may be included in our deduction for distributions paid for the earlier year. Thus, we may be able to avoid being taxed on amounts distributed as deficiency dividends; however, we will be required to pay applicable penalties and interest based upon the amount of any deduction taken for deficiency dividend distributions.

#### *Failure to Qualify as a REIT*

If we fail to qualify for taxation as a REIT in any taxable year, we will be subject to federal income tax, including any applicable alternative minimum tax, on our taxable income at regular corporate rates. Distributions to stockholders in any year in which we fail to qualify as a REIT will not be deductible nor will any particular amount of distributions be required to be made in any year. All distributions to stockholders will be taxable as ordinary income to the extent of current and accumulated earnings and profits allocable to these distributions and, subject to certain limitations, will be eligible for the dividends received deduction for corporate stockholders. Unless entitled to relief under specific statutory provisions, we also will be disqualified from taxation as a REIT for the four taxable years following the year during which qualification was lost. It is not possible to state whether in all circumstances we would be entitled to statutory relief. Failure to qualify for even one year could result in our need to incur indebtedness or liquidate investments in order to pay potentially significant resulting tax liabilities.

In addition to the relief described above under “— Income Tests” and “— Asset Tests,” relief is available in the event that we violate a provision of the Internal Revenue Code that would result in our failure to qualify as a REIT if: (1) the violation is due to reasonable cause and not due to willful neglect; (2) we pay a penalty of \$50,000 for each failure to satisfy the provision; and (3) the violation does not include a violation described under “— Income Tests” or “— Asset Tests” above. It is not now possible to determine the circumstances under which we may be entitled to the benefit of these relief provisions.

#### *Federal Income Taxation of Holders of Our Stock*

*Treatment of Taxable U.S. Stockholders.* The following summary applies to you only if you are a “U.S. stockholder.” A “U.S. stockholder” is a holder of shares of stock who, for United States federal income tax purposes, is:

- a citizen or resident of the United States;
- a corporation, partnership or other entity classified as a corporation or partnership for these purposes, created or organized in or under the laws of the United States or of any political subdivision of the United States, including any state;
- an estate, the income of which is subject to United States federal income taxation regardless of its source; or
- a trust, if, in general, a U.S. court is able to exercise primary supervision over the trust’s administration and one or more U.S. persons, within the meaning of the Internal Revenue Code, has the authority to control all of the trust’s substantial



decisions.

So long as we qualify for taxation as a REIT, distributions on shares of our stock made out of the current or accumulated earnings and profits allocable to these distributions (and not designated as capital gain dividends) will be includable as ordinary income for federal income tax purposes. None of these distributions will be eligible for the dividends received deduction for U.S. corporate stockholders.

Generally, the current maximum marginal rate of tax payable by individuals on dividends received from corporations that are subject to a corporate level of tax is 20%. Except in limited circumstances, this tax rate will not apply to dividends paid to you by us on our shares, because generally we are not subject to federal income tax on the portion of our REIT taxable income or capital gains distributed to our stockholders. The reduced maximum federal income tax rate will apply to that portion, if any, of dividends received by you with respect to our shares that are attributable to: (1) dividends received by us from non-REIT corporations or other taxable REIT subsidiaries; (2) income from the prior year with respect to which we were required to pay federal corporate income tax during the prior year (if, for example, we did not distribute 100% of our REIT taxable income for the prior year); or (3) the amount of any earnings and profits that were distributed by us and accumulated in a non-REIT year.

Distributions that are designated as capital gain dividends will be taxed as long-term capital gains (to the extent they do not exceed our actual net capital gain for the taxable year), without regard to the period for which you held our stock. However, if you are a corporation, you may be required to treat a portion of some capital gain dividends as ordinary income.

If we elect to retain and pay income tax on any net long-term capital gain, you would include in income, as long-term capital gain, your proportionate share of this net long-term capital gain. You would also receive a refundable tax credit for your proportionate share of the tax paid by us on such retained capital gains, and you would have an increase in the basis of your shares of our stock in an amount equal to your includable capital gains less your share of the tax deemed paid.

You may not include in your federal income tax return any of our net operating losses or capital losses. Federal income tax rules may also require that certain minimum tax adjustments and preferences be apportioned to you. In addition, any distribution declared by us in October, November or December of any year on a specified date in any such month shall be treated as both paid by us and received by you on December 31 of that year, provided that the distribution is actually paid by us no later than January 31 of the following year.

We will be treated as having sufficient earnings and profits to treat as a dividend any distribution up to the amount required to be distributed in order to avoid imposition of the 4% excise tax discussed under “— General” and “— Qualification as a REIT — Annual Distribution Requirements” above. As a result, you may be required to treat as taxable dividends certain distributions that would otherwise result in a tax-free return of capital. Moreover, any “deficiency dividend” will be treated as a dividend (an ordinary dividend or a capital gain dividend, as the case may be), regardless of our earnings and profits. Any other distributions in excess of current or accumulated earnings and profits will not be taxable to you to the extent these distributions do not exceed the adjusted tax basis of your shares of our stock. You will be required to reduce the tax basis of your shares of our stock by the amount of these distributions until the basis has been reduced to zero, after which these distributions will be taxable as capital gain, if the shares of our stock are held as capital assets. The tax basis as so reduced will be used in computing the capital gain or loss, if any, realized upon sale of the shares of our stock. Any loss upon a sale or exchange of shares of our stock which were held for six months or less (after application of certain holding period rules) will generally be treated as a long-term capital loss to the extent you previously received capital gain distributions with respect to these shares of our stock.

Upon the sale or exchange of any shares of our stock to or with a person other than us or a sale or exchange of all shares of our stock (whether actually or constructively owned) with us, you will generally recognize capital gain or loss equal to the difference between the amount realized on the sale or exchange and your adjusted tax basis in these shares of our stock. This gain will be capital gain if you held these shares of our stock as a capital asset.

If we redeem any of your shares in us, the treatment can only be determined on the basis of particular facts at the time of redemption. In general, you will recognize gain or loss (as opposed to dividend income) equal to the difference between the amount received by you in the redemption and your adjusted tax basis in your shares redeemed if such redemption: (1) results in a “complete termination” of your interest in all classes of our equity securities; (2) is a “substantially disproportionate redemption”; or (3) is “not essentially equivalent to a dividend” with respect to you. In applying these tests, you must take into account your ownership of all classes of our equity securities (e.g., common stock, preferred stock, depository shares and warrants). You also must take into account any equity securities that are considered to be constructively owned by you.

If, as a result of a redemption by us of your shares, you no longer own (either actually or constructively) any of our equity securities or only own (actually and constructively) an insubstantial percentage of our equity securities, then it is probable that the redemption of your shares would be considered “not essentially equivalent to a dividend” and, thus, would result in gain or loss to you. However,

whether a distribution is “not essentially equivalent to a dividend” depends on all of the facts and circumstances, and if you rely on any of these tests at the time of redemption, you should consult your tax advisor to determine their application to the particular situation.

Generally, if the redemption does not meet the tests described above, then the proceeds received by you from the redemption of your shares will be treated as a distribution taxable as a dividend to the extent of the allocable portion of current or accumulated earnings and profits. If the redemption is taxed as a dividend, your adjusted tax basis in the redeemed shares will be transferred to any other shareholdings in us that you own. If you own no other shareholdings in us, under certain circumstances, such basis may be transferred to a related person, or it may be lost entirely.

Gain from the sale or exchange of our shares held for more than one year is generally taxed at a maximum long-term capital gain rate of 20% in the case of stockholders who are individuals and 35% in the case of stockholders that are corporations. Pursuant to Internal Revenue Service guidance, we may classify portions of our capital gain dividends as gains eligible for the long-term capital gains rate or as gain taxable to individual stockholders at a maximum rate of 25%. Capital losses recognized by a stockholder upon the disposition of our shares held for more than one year at the time of disposition will be considered long-term capital losses, and are generally available only to offset capital gain income of the stockholder but not ordinary income (except in the case of individuals, who may offset up to \$3,000 of ordinary income each year).

An additional tax of 3.8% generally will be imposed on the “net investment income” of U.S. stockholders who meet certain requirements and are individuals, estates or certain trusts. Among other items, “net investment income” generally includes gross income from dividends and net gain attributable to the disposition of certain property, such as shares of our common stock or warrants. In the case of individuals, this tax will only apply to the extent such individual’s modified adjusted gross income exceeds \$200,000 (\$250,000 for married couples filing a joint return and surviving spouses, and \$125,000 for married individuals filing a separate return). U.S. stockholders should consult their tax advisors regarding the possible applicability of this additional tax in their particular circumstances.

*Treatment of Tax-Exempt U.S. Stockholders.* Tax-exempt entities, including qualified employee pension and profit sharing trusts and individual retirement accounts (“Exempt Organizations”), generally are exempt from federal income taxation. However, they are subject to taxation on their unrelated business taxable income (“UBTI”). The Internal Revenue Service has issued a published revenue ruling that dividend distributions from a REIT to an exempt employee pension trust do not constitute UBTI, provided that the shares of the REIT are not otherwise used in an unrelated trade or business of the exempt employee pension trust. Based on this ruling, amounts distributed by us to Exempt Organizations generally should not constitute UBTI. However, if an Exempt Organization finances its acquisition of the shares of our stock with debt, a portion of its income from us will constitute UBTI pursuant to the “debt financed property” rules. Likewise, a portion of the Exempt Organization’s income from us would constitute UBTI if we held a residual interest in a real estate mortgage investment conduit.

In addition, in certain circumstances, a pension trust that owns more than 10% of our stock is required to treat a percentage of our dividends as UBTI. This rule applies to a pension trust holding more than 10% of our stock only if: (1) the percentage of our income that is UBTI (determined as if we were a pension trust) is at least 5%; (2) we qualify as a REIT by reason of the modification of the Five or Fewer Requirement that allows beneficiaries of the pension trust to be treated as holding shares in proportion to their actuarial interests in the pension trust; and (3) either (i) one pension trust owns more than 25% of the value of our stock, or (ii) a group of pension trusts individually holding more than 10% of the value of our stock collectively own more than 50% of the value of our stock.

*Backup Withholding and Information Reporting.* Under certain circumstances, you may be subject to backup withholding at applicable rates on payments made with respect to, or cash proceeds of a sale or exchange of, shares of our stock. Backup withholding will apply only if you: (1) fail to provide a correct taxpayer identification number, which if you are an individual, is ordinarily your social security number; (2) furnish an incorrect taxpayer identification number; (3) are notified by the Internal Revenue Service that you have failed to properly report payments of interest or dividends; or (4) fail to certify, under penalties of perjury, that you have furnished a correct taxpayer identification number and that the Internal Revenue Service has not notified you that you are subject to backup withholding.

Backup withholding will not apply with respect to payments made to certain exempt recipients, such as corporations and tax-exempt organizations. You should consult with a tax advisor regarding qualification for exemption from backup withholding, and the procedure for obtaining an exemption. Backup withholding is not an additional tax. Rather, the amount of any backup withholding with respect to a payment to a stockholder will be allowed as a credit against such stockholder’s United States federal income tax liability and may entitle such stockholder to a refund, provided that the required information is provided to the Internal Revenue Service. In addition, withholding a portion of capital gain distributions made to stockholders may be required for stockholders who fail to certify their non-foreign status.

*Taxation of Foreign Stockholders.* The following summary applies to you only if you are a foreign person. The federal taxation of foreign persons is a highly complex matter that may be affected by many considerations.

Except as discussed below, distributions to you of cash generated by our real estate operations in the form of ordinary dividends, but not by the sale or exchange of our capital assets, generally will be subject to U.S. withholding tax at a rate of 30%, unless an applicable tax treaty reduces that tax and you file with us the required form evidencing the lower rate.

In general, you will be subject to United States federal income tax on a graduated rate basis rather than withholding with respect to your investment in our stock if such investment is “effectively connected” with your conduct of a trade or business in the United States. A corporate foreign stockholder that receives income that is, or is treated as, effectively connected with a United States trade or business may also be subject to the branch profits tax, which is payable in addition to regular United States corporate income tax. The following discussion will apply to foreign stockholders whose investment in us is not so effectively connected. We expect to withhold United States income tax, as described below, on the gross amount of any distributions paid to you unless (1) you file an Internal Revenue Service Form W-8ECI with us claiming that the distribution is “effectively connected” or (2) certain other exceptions apply.

Distributions by us that are attributable to gain from the sale or exchange of a United States real property interest will be taxed to you under the Foreign Investment in Real Property Tax Act of 1980 (“FIRPTA”) as if these distributions were gains “effectively connected” with a United States trade or business. Accordingly, you will be taxed at the normal capital gain rates applicable to a U.S. stockholder on these amounts, subject to any applicable alternative minimum tax and a special alternative minimum tax in the case of nonresident alien individuals. Distributions subject to FIRPTA may also be subject to a branch profits tax in the hands of a corporate foreign stockholder that is not entitled to treaty exemption.

We will be required to withhold from distributions subject to FIRPTA, and remit to the Internal Revenue Service, 35% of designated capital gain dividends, or, if greater, 35% of the amount of any distributions that could be designated as capital gain dividends. In addition, if we designate prior distributions as capital gain dividends, subsequent distributions, up to the amount of the prior distributions not withheld against, will be treated as capital gain dividends for purposes of withholding.

Any capital gain dividend with respect to any class of stock that is “regularly traded” on an established securities market will be treated as an ordinary dividend if the foreign stockholder did not own more than 5% of such class of stock at any time during the taxable year. Foreign stockholders generally will not be required to report distributions received from us on U.S. federal income tax returns and all distributions treated as dividends for U.S. federal income tax purposes (including any such capital gain dividends) will be subject to a 30% U.S. withholding tax (unless reduced under an applicable income tax treaty) as discussed above. In addition, the branch profits tax will not apply to such distributions.

Unless our shares constitute a “United States real property interest” within the meaning of FIRPTA or are effectively connected with a U.S. trade or business, a sale of our shares by you generally will not be subject to United States taxation. Our shares will not constitute a United States real property interest if we qualify as a “domestically controlled REIT.” We believe that we, and expect to continue to, qualify as a domestically controlled REIT. A domestically controlled REIT is a REIT in which at all times during a specified testing period less than 50% in value of its shares is held directly or indirectly by foreign stockholders. However, if you are a nonresident alien individual who is present in the United States for 183 days or more during the taxable year and certain other conditions apply, you will be subject to a 30% tax on such capital gains. In any event, a purchaser of our shares from you will not be required under FIRPTA to withhold on the purchase price if the purchased shares are “regularly traded” on an established securities market or if we are a domestically controlled REIT. Otherwise, under FIRPTA, the purchaser may be required to withhold 10% of the purchase price and remit such amount to the Internal Revenue Service.

Backup withholding tax and information reporting will generally not apply to distributions paid to you outside the United States that are treated as: (1) dividends to which the 30% or lower treaty rate withholding tax discussed above applies; (2) capital gains dividends; or (3) distributions attributable to gain from the sale or exchange by us of U.S. real property interests. Payment of the proceeds of a sale of stock within the United States or conducted through certain U.S. related financial intermediaries is subject to both backup withholding and information reporting unless the beneficial owner certifies under penalties of perjury that he or she is not a U.S. person (and the payor does not have actual knowledge that the beneficial owner is a U.S. person) or otherwise established an exemption. You may obtain a refund of any amounts withheld under the backup withholding rules by filing the appropriate claim for refund with the Internal Revenue Service.

Withholding tax at a rate of 30% will be imposed on certain payments to you or certain foreign financial institutions (including investment funds) and other non-US persons receiving payments on your behalf, including distributions in respect of shares of our stock and gross proceeds from the sale of shares of our stock, if you or such institutions fail to comply with certain due diligence, disclosure and reporting rules, as set forth in recently issued Treasury regulations. Accordingly, the entity through which shares of our stock are held will affect the determination of whether such withholding is required. Withholding currently applies to payments of dividends made after June 30, 2014, and will apply to payments of gross proceeds from a sale of shares of our stock made after December 31, 2016. Stockholders that are otherwise eligible for an exemption from, or reduction of, U.S. withholding taxes with respect to such dividends and proceeds will be required to seek a refund from the Internal Revenue Service to obtain the benefit of such exemption or reduction. Additional requirements and conditions may be imposed pursuant to an intergovernmental agreement, if and when entered into, between the United States and such institution’s home jurisdiction. We will not pay any additional amounts to

any stockholders in respect of any amounts withheld. You are encouraged to consult with your tax advisor regarding U.S. withholding taxes and the application of the recently issued Treasury regulations in light of your particular circumstances.

#### *U.S. Federal Income Taxation of Holders of Depositary Shares*

Owners of our depositary shares will be treated as if you were owners of the series of preferred stock represented by the depositary shares. Thus, you will be required to take into account the income and deductions to which you would be entitled if you were a holder of the underlying series of preferred stock.

*Conversion or Exchange of Shares for Preferred Stock.* No gain or loss will be recognized upon the withdrawal of preferred stock in exchange for depositary shares and the tax basis of each share of preferred stock will, upon exchange, be the same as the aggregate tax basis of the depositary shares exchanged. If you held your depositary shares as a capital asset at the time of the exchange for shares of preferred stock, the holding period for your shares of preferred stock will include the period during which you owned the depositary shares.

#### *U.S. Federal Income and Estate Taxation of Holders of Our Debt Securities*

The following is a general summary of the United States federal income tax consequences and, in the case that you are a holder that is a non-U.S. holder, as defined below, the United States federal estate tax consequences, of purchasing, owning and disposing of debt securities periodically offered under one or more indentures (the “notes”). This summary assumes that you hold the notes as capital assets. This summary applies to you only if you are the initial holder of the notes and you acquire the notes for a price equal to the issue price of the notes. The issue price of the notes is the first price at which a substantial amount of the notes is sold other than to bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers. In addition, this summary does not consider any foreign, state, local or other tax laws that may be applicable to us or a purchaser of the notes.

#### *U.S. Holders*

The following summary applies to you only if you are a U.S. holder, as defined below.

*Definition of a U.S. Holder.* A “U.S. holder” is a beneficial owner of a note or notes that is for United States federal income tax purposes:

- a citizen or resident of the United States;
- a corporation, partnership or other entity classified as a corporation or partnership for these purposes, created or organized in or under the laws of the United States or of any political subdivision of the United States, including any state;
- an estate, the income of which is subject to United States federal income taxation regardless of its source; or
- a trust, if, in general, a U.S. court is able to exercise primary supervision over the trust’s administration and one or more U.S. persons, within the meaning of the Internal Revenue Code, has the authority to control all of the trust’s substantial decisions.

*Payments of Interest.* Stated interest on the notes generally will be taxed as ordinary interest income from domestic sources at the time it is paid or accrues in accordance with your method of accounting for tax purposes.

*Sale, Exchange or Other Disposition of Notes.* The adjusted tax basis in your note acquired at a premium will generally be your cost. You generally will recognize taxable gain or loss when you sell or otherwise dispose of your notes equal to the difference, if any, between:

- the amount realized on the sale or other disposition, less any amount attributable to any accrued interest, which will be taxable in the manner described under “— Payments of Interest” above; and
- your adjusted tax basis in the notes.

Your gain or loss generally will be capital gain or loss. This capital gain or loss will be long-term capital gain or loss if at the time of the sale or other disposition you have held the notes for more than one year. Subject to limited exceptions, your capital losses cannot be used to offset your ordinary income (except in the case of individuals, who may offset up to \$3,000 of ordinary income each year).

*Backup Withholding and Information Reporting.* In general, “backup withholding” may apply to any payments made to you of principal and interest on your note, and to payment of the proceeds of a sale or other disposition of your note before maturity, if you are a non-corporate U.S. holder and: (1) fail to provide a correct taxpayer identification number, which if you are an individual, is ordinarily your social security number; (2) furnish an incorrect taxpayer identification number; (3) are notified by the Internal Revenue Service that you have failed to properly report payments of interest or dividends; or (4) fail to certify, under penalties of perjury, that you have furnished a correct taxpayer identification number and that the Internal Revenue Service has not notified you that you are subject to backup withholding.

The amount of any reportable payments, including interest, made to you (unless you are an exempt recipient) and the amount of tax withheld, if any, with respect to such payments will be reported to you and to the Internal Revenue Service for each calendar year. You should consult your tax advisor regarding your qualification for an exemption from backup withholding and the procedures for obtaining such an exemption, if applicable. The backup withholding tax is not an additional tax and will be credited against your U.S. federal income tax liability, provided that correct information is provided to the Internal Revenue Service.

#### *Non-U.S. Holders*

The following summary applies to you if you are a beneficial owner of a note and are not a U.S. holder, as defined above (a “non-U.S. holder”).

Special rules may apply to certain non-U.S. holders such as “controlled foreign corporations,” “passive foreign investment companies” and “foreign personal holding companies.” Such entities are encouraged to consult their tax advisors to determine the United States federal, state, local and other tax consequences that may be relevant to them.

*U.S. Federal Withholding Tax.* Subject to the discussion below, U.S. federal withholding tax will not apply to payments by us or our paying agent, in its capacity as such, of principal and interest on your notes under the “portfolio interest” exception of the Internal Revenue Code, provided that:

- you do not, directly or indirectly, actually or constructively, own 10% or more of the total combined voting power of all classes of our stock entitled to vote;
- you are not (1) a controlled foreign corporation for U.S. federal income tax purposes that is related, directly or indirectly, to us through sufficient stock ownership, as provided in the Internal Revenue Code, or (2) a bank receiving interest described in Section 881(c)(3)(A) of the Internal Revenue Code;
- such interest is not effectively connected with your conduct of a U.S. trade or business; and
- you provide a signed written statement, under penalties of perjury, which can reliably be related to you, certifying that you are not a U.S. person within the meaning of the Internal Revenue Code and providing your name and address to:
  - us or our paying agent; or
  - a securities clearing organization, bank or other financial institution that holds customers’ securities in the ordinary course of its trade or business and holds your notes on your behalf and that certifies to us or our paying agent under penalties of perjury that it, or the bank or financial institution between it and you, has received from you your signed, written statement and provides us or our paying agent with a copy of such statement.

Treasury regulations provide that:

- if you are a foreign partnership, the certification requirement will generally apply to your partners, and you will be required to provide certain information;
- if you are a foreign trust, the certification requirement will generally be applied to you or your beneficial owners depending on whether you are a “foreign complex trust,” “foreign simple trust,” or “foreign grantor trust” as defined in the Treasury regulations; and
- look-through rules will apply for tiered partnerships, foreign simple trusts and foreign grantor trusts.

If you are a foreign partnership or a foreign trust, you should consult your own tax advisor regarding your status under these Treasury regulations and the certification requirements applicable to you.

If you cannot satisfy the portfolio interest requirements described above, payments of interest will be subject to the 30% United States withholding tax, unless you provide us with a properly executed (1) Internal Revenue Service Form W-8BEN claiming an exemption from or reduction in withholding under the benefit of an applicable treaty or (2) Internal Revenue Service Form W-8ECI stating that interest paid on the note is not subject to withholding tax because it is effectively connected with your conduct of a trade or business in the United States. Alternative documentation may be applicable in certain circumstances.

If you are engaged in a trade or business in the United States and interest on a note is effectively connected with the conduct of that trade or business, you will be required to pay United States federal income tax on that interest on a net income basis (although you will be exempt from the 30% withholding tax provided the certification requirement described above is met) in the same manner as if you were a U.S. person, except as otherwise provided by an applicable tax treaty. If you are a foreign corporation, you may be required to pay a branch profits tax on the earnings and profits that are effectively connected to the conduct of your trade or business in the United States.

Withholding tax at a rate of 30% will be imposed on payments of interest (including original issue discount) and gross proceeds of sale in respect of debt instruments to you or certain foreign financial institutions (including investment funds) and other non-US persons receiving payments on your behalf, if you or such institutions fail to comply with certain due diligence, disclosure and reporting rules, as set forth in recently issued Treasury regulations. However, the Treasury regulations generally exempt from such withholding requirement obligations, such as debt instruments, issued before July 1, 2014, provided that any material modification of such an obligation made after such date will result in such obligation being considered newly issued as of the effective date of such modification. These withholding rules are generally effective with respect to payments of interest made after June 30, 2014, and with respect to proceeds of sales received after December 31, 2016. We will not pay any additional amounts to any holders or our debt instruments in respect of any amounts withheld. You are encouraged to consult with your tax advisor regarding U.S. withholding taxes and the application of the recently issued Treasury regulations in light of your particular circumstances.

*Sale, Exchange or other Disposition of Notes.* You generally will not have to pay U.S. federal income tax on any gain or income realized from the sale, redemption, retirement at maturity or other disposition of your notes, unless:

- in the case of gain, you are an individual who is present in the United States for 183 days or more during the taxable year of the sale or other disposition of your notes, and specific other conditions are met;
- you are subject to tax provisions applicable to certain United States expatriates; or
- the gain is effectively connected with your conduct of a U.S. trade or business.

If you are engaged in a trade or business in the United States, and gain with respect to your notes is effectively connected with the conduct of that trade or business, you generally will be subject to U.S. income tax on a net basis on the gain. In addition, if you are a foreign corporation, you may be subject to a branch profits tax on your effectively connected earnings and profits for the taxable year, as adjusted for certain items.

*U.S. Federal Estate Tax.* If you are an individual and are not a U.S. citizen or a resident of the United States, as specially defined for U.S. federal estate tax purposes, at the time of your death, your notes will generally not be subject to the U.S. federal estate tax, unless, at the time of your death (1) you owned actually or constructively 10% or more of the total combined voting power of all our classes of stock entitled to vote, or (2) interest on the notes is effectively connected with your conduct of a U.S. trade or business.

*Backup Withholding and Information Reporting.* Backup withholding will not apply to payments of principal or interest made by us or our paying agent, in its capacity as such, to you if you have provided the required certification that you are a non-U.S. holder as described in “— U.S. Federal Withholding Tax” above, and provided that neither we nor our paying agent have actual knowledge that you are a U.S. holder, as described in “— U.S. Holders” above. We or our paying agent may, however, report payments of interest on the notes.

The gross proceeds from the disposition of your notes may be subject to information reporting and backup withholding tax. If you sell your notes outside the United States through a non-U.S. office of a non-U.S. broker and the sales proceeds are paid to you outside the United States, then the U.S. backup withholding and information reporting requirements generally will not apply to that payment. However, U.S. information reporting, but not backup withholding, will apply to a payment of sales proceeds, even if that payment is made outside the United States, if you sell your notes through a non-U.S. office of a broker that:

- is a U.S. person, as defined in the Internal Revenue Code;
- derives 50% or more of its gross income in specific periods from the conduct of a trade or business in the United States;

- is a “controlled foreign corporation” for U.S. federal income tax purposes; or
- is a foreign partnership, if at any time during its tax year, one or more of its partners are U.S. persons who in the aggregate hold more than 50% of the income or capital interests in the partnership, or the foreign partnership is engaged in a U.S. trade or business, unless the broker has documentary evidence in its files that you are a non-U.S. person and certain other conditions are met or you otherwise establish an exemption. If you receive payments of the proceeds of a sale of your notes to or through a U.S. office of a broker, the payment is subject to both U.S. backup withholding and information reporting unless you provide a Form W-8BEN certifying that you are a non-U.S. person or you otherwise establish an exemption.

You should consult your own tax advisor regarding application of backup withholding in your particular circumstance and the availability of and procedure for obtaining an exemption from backup withholding. Any amounts withheld under the backup withholding rules from a payment to you will be allowed as a refund or credit against your U.S. federal income tax liability, provided the required information is furnished to the Internal Revenue Service.

#### *U.S. Federal Income and Estate Taxation of Holders of Our Warrants*

*Exercise of Warrants.* You will not generally recognize gain or loss upon the exercise of a warrant. Your basis in the debt securities, preferred stock, depository shares or common stock, as the case may be, received upon the exercise of the warrant will be equal to the sum of your adjusted tax basis in the warrant and the exercise price paid. Your holding period in the debt securities, preferred stock, depository shares or common stock, as the case may be, received upon the exercise of the warrant will not include the period during which the warrant was held by you.

*Expiration of Warrants.* Upon the expiration of a warrant, you will recognize a capital loss in an amount equal to your adjusted tax basis in the warrant.

*Sale or Exchange of Warrants.* Upon the sale or exchange of a warrant to a person other than us, you will recognize gain or loss in an amount equal to the difference between the amount realized on the sale or exchange and your adjusted tax basis in the warrant. Such gain or loss will be capital gain or loss and will be long-term capital gain or loss if the warrant was held for more than one year. Upon the sale of the warrant to us, the Internal Revenue Service may argue that you should recognize ordinary income on the sale. You are advised to consult your own tax advisors as to the consequences of a sale of a warrant to us.

#### *Potential Legislation or Other Actions Affecting Tax Consequences*

Current and prospective securities holders should recognize that the present federal income tax treatment of an investment in us may be modified by legislative, judicial or administrative action at any time and that any such action may affect investments and commitments previously made. The rules dealing with federal income taxation are constantly under review by persons involved in the legislative process and by the Internal Revenue Service and the Treasury Department, resulting in revisions of regulations and revised interpretations of established concepts as well as statutory changes. Revisions in federal tax laws and interpretations of these laws could adversely affect the tax consequences of an investment in us.

#### *State, Local and Foreign Taxes*

We, and holders of our debt and equity securities, may be subject to state, local or foreign taxation in various jurisdictions, including those in which we or they transact business, own property or reside. It should be noted that we own properties located in a number of state, local and foreign jurisdictions, and may be required to file tax returns in some or all of those jurisdictions. The state, local or foreign tax treatment of us and holders of our debt and equity securities may not conform to the U.S. federal income tax consequences discussed above. Consequently, you are urged to consult your advisor regarding the application and effect of state, local and foreign tax laws with respect to any investment in our securities.

#### **Internet Access to Our SEC Filings**

Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports, as well as our proxy statements and other materials that are filed with, or furnished to, the Securities and Exchange Commission are made available, free of charge, on the Internet at [www.hcreit.com](http://www.hcreit.com), as soon as reasonably practicable after they are filed with, or furnished to, the Securities and Exchange Commission.

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

This Annual Report on Form 10-K and the documents incorporated by reference contain statements that constitute “forward-looking statements” as that term is defined in the federal securities laws. When we use words such as “may,” “will,” “intend,” “should,” “believe,” “expect,” “anticipate,” “project,” “estimate” or similar expressions that do not relate solely to historical matters, we are making forward-looking statements. In particular, these forward-looking statements include, but are not limited to, those relating to our opportunities to acquire, develop or sell properties; our ability to close our anticipated acquisitions, investments or dispositions on currently anticipated terms, or within currently anticipated timeframes; the expected performance of our operators/tenants and properties; our expected occupancy rates; our ability to declare and to make distributions to stockholders; our investment and financing opportunities and plans; our continued qualification as a real estate investment trust (“REIT”); and our ability to access capital markets or other sources of funds.

Forward-looking statements are not guarantees of future performance and involve risks and uncertainties that may cause our actual results to differ materially from our 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;
- our 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 our properties;
- our ability to re-lease space at similar rates as vacancies occur;
- our 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 our properties;
- changes in rules or practices governing our financial reporting;
- the movement of U.S. and foreign currency exchange rates;
- our ability to maintain our qualification as a REIT;
- key management personnel recruitment and retention; and
- the risks described under “Item 1A — Risk Factors.”

We undertake no obligation to update or revise publicly any forward-looking statements, whether because of new information, future events, or otherwise.

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

This section discusses the most significant factors that affect our business, operations and financial condition. It does not describe all risks and uncertainties applicable to us, our industry or ownership of our securities. If any of the following risks, as well as other risks and uncertainties that are not yet identified or that we currently think are not material, actually occur, we could be materially adversely affected. In that event, the value of our securities could decline.

We group these risk factors into three categories:

- Risks arising from our business;
- Risks arising from our capital structure; and
- Risks arising from our status as a REIT.

#### **Risks Arising from Our Business**



***Our investments in and acquisitions of health care and seniors housing properties may be unsuccessful or fail to meet our expectations***

We are exposed to the risk that some of our acquisitions may not prove to be successful. We could encounter unanticipated difficulties and expenditures relating to any acquired properties, including contingent liabilities, and acquired properties might require significant management attention that would otherwise be devoted to our ongoing business. If we agree to provide construction funding to an operator/tenant and the project is not completed, we may need to take steps to ensure completion of the project. Such expenditures may negatively affect our results of operations. Furthermore, there can be no assurance that our anticipated acquisitions and investments, the completion of which is subject to various conditions, will be consummated in accordance with anticipated timing, on anticipated terms, or at all. We also may be unable to quickly and efficiently integrate new acquisitions, particularly acquisitions of portfolios of properties, into our existing operations, and this could have an adverse effect on our results of operations and financial condition.

***Our investments in joint ventures could be adversely affected by our lack of exclusive control over these investments, our partners' insolvency or failure to meet their obligations and disputes between us and our partners***

We have entered into, and may continue in the future to enter into, partnerships or joint ventures with other persons or entities. Joint venture investments involve risks that may not be present with other methods of ownership, including the possibility that our partner might become insolvent, refuse to make capital contributions when due or otherwise fail to meet its obligations, which may result in certain liabilities to us for guarantees and other commitments; that our partner might at any time have economic or other business interests or goals that are or become inconsistent with our interests or goals; that we could become engaged in a dispute with our partner, which could require us to expend additional resources to resolve such dispute and could have an adverse impact on the operations and profitability of the joint venture; and that our partner may be in a position to take action or withhold consent contrary to our instructions or requests. In addition, our ability to transfer our interest in a joint venture to a third party may be restricted. In some instances, we and/or our partner may have the right to trigger a buy-sell arrangement, which could cause us to sell our interest, or acquire our partner's interest, at a time when we otherwise would not have initiated such a transaction. Our ability to acquire our partner's interest may be limited if we do not have sufficient cash, available borrowing capacity or other capital resources. In such event, we may be forced to sell our interest in the joint venture when we would otherwise prefer to retain it. Joint ventures may require us to share decision-making authority with our partners, which could limit our ability to control the properties in the joint ventures. Even when we have a controlling interest, certain major decisions may require partner approval, such as the sale, acquisition or financing of a property.

***We are exposed to operational risks with respect to our seniors housing operating properties that could adversely affect our revenue and operations***

We are exposed to various operational risks with respect to our seniors housing operating properties that may increase our costs or adversely affect our ability to generate revenues. These risks include fluctuations in occupancy, Medicare and Medicaid reimbursement, if applicable, and private pay rates; economic conditions; competition; federal, state, local, and industry-regulated licensure, certification and inspection laws, regulations, and standards; the availability and increases in cost of general and professional liability insurance coverage; state regulation and rights of residents related to entrance fees; and the availability and increases in the cost of labor (as a result of unionization or otherwise). Any one or a combination of these factors may adversely affect our revenue and operations.

***Decreases in our operators' revenues or increases in our operators' expenses could affect our operators' ability to make payments to us***

Our operators' revenues are primarily driven by occupancy, private pay rates, and Medicare and Medicaid reimbursement, if applicable. Expenses for these facilities are primarily driven by the costs of labor, food, utilities, taxes, insurance and rent or debt service. Revenues from government reimbursement have, and may continue to, come under pressure due to reimbursement cuts and state budget shortfalls. Operating costs continue to increase for our operators. To the extent that any decrease in revenues and/or any increase in operating expenses result in a property not generating enough cash to make payments to us, the credit of our operator and the value of other collateral would have to be relied upon. To the extent the value of such property is reduced, we may need to record an impairment for such asset. Furthermore, if we determine to dispose of an underperforming property, such sale may result in a loss. Any such impairment or loss on sale would negatively affect our financial results.

***Increased competition may affect our operators' ability to meet their obligations to us***

The operators of our properties compete on a local and regional basis with operators of properties and other health care providers that provide comparable services. We cannot be certain that the operators of all of our facilities will be able to achieve and maintain

occupancy and rate levels that will enable them to meet all of their obligations to us. Our operators are expected to encounter increased competition in the future that could limit their ability to attract residents or expand their businesses.

***The insolvency or bankruptcy of our obligors may adversely affect our business, results of operations and financial condition***

We are exposed to the risk that our obligors may not be able to meet the rent, principal and interest or other payments due us, which may result in an obligor bankruptcy or insolvency, or that an obligor might become subject to bankruptcy or insolvency proceedings for other reasons. Although our operating lease agreements provide us with the right to evict a tenant, demand immediate payment of rent and exercise other remedies, and our loans provide us with the right to terminate any funding obligation, demand immediate repayment of principal and unpaid interest, foreclose on the collateral and exercise other remedies, the bankruptcy and insolvency laws afford certain rights to a party that has filed for bankruptcy or reorganization. An obligor in bankruptcy or subject to insolvency proceedings may be able to limit or delay our ability to collect unpaid rent in the case of a lease or to receive unpaid principal and interest in the case of a loan, and to exercise other rights and remedies.

We may be required to fund certain expenses (e.g., real estate taxes and maintenance) to preserve the value of an investment property, avoid the imposition of liens on a property and/or transition a property to a new tenant. In some instances, we have terminated our lease with a tenant and relet the property to another tenant. In some of those situations, we have provided working capital loans to and limited indemnification of the new obligor. If we cannot transition a leased property to a new tenant, we may take possession of that property, which may expose us to certain successor liabilities. Should such events occur, our revenue and operating cash flow may be adversely affected.

***We may not be able to timely reinvest our sale proceeds on terms acceptable to us***

From time to time, we will have cash available from (1) the proceeds of sales of our securities, (2) principal payments on our loans receivable and (3) the sale of properties, including non-elective dispositions, under the terms of master leases or similar financial support arrangements. In order to maintain current revenues and continue generating attractive returns, we expect to re-invest these proceeds in a timely manner. We compete for real estate investments with a broad variety of potential investors. This competition for attractive investments may negatively affect our ability to make timely investments on terms acceptable to us.

***Failure to properly manage our rapid growth could distract our management or increase our expenses***

We have experienced rapid growth and development in a relatively short period of time and expect to continue this rapid growth in the future. This growth has resulted in increased levels of responsibility for our management. Future property acquisitions could place significant additional demands on, and require us to expand, our management, resources and personnel. Our failure to manage any such rapid growth effectively could harm our business and, in particular, our financial condition, results of operations and cash flows, which could negatively affect our ability to make distributions to stockholders. Our growth could also increase our capital requirements, which may require us to issue potentially dilutive equity securities and incur additional debt.

***We depend on Genesis Healthcare, LLC (“Genesis”) for a significant portion of our revenues and any inability or unwillingness by Genesis to satisfy its obligations under its agreements with us could adversely affect us***

The properties we lease to Genesis account for a significant portion of our revenues, and because our leases with Genesis are triple-net leases, we also depend on Genesis to pay all insurance, taxes, utilities and maintenance and repair expenses in connection with the leased properties. We cannot assure you that Genesis will have sufficient assets, income and access to financing to enable it to make rental payments to us or to otherwise satisfy its obligations under our leases, and any inability or unwillingness by Genesis to do so could have an adverse effect on us. Genesis has also agreed to indemnify, defend and hold us harmless from and against various claims, litigation and liabilities arising in connection with its business, and we cannot assure you that Genesis will have sufficient assets, income, access to financing and insurance coverage to enable it to satisfy its indemnification obligations.

***The properties managed by Sunrise Senior Living, LLC account for a significant portion of our revenues and operating income and any adverse developments in its business or financial condition could adversely affect us***

Sunrise Senior Living, LLC manages our entire Sunrise property portfolio, which as of December 31, 2014, consisted of 140 seniors housing properties. These properties account for a significant portion of our revenues, and we rely on Sunrise Senior Living, LLC to manage these properties efficiently and effectively. Any adverse developments in Sunrise Senior Living, LLC’s business or financial condition could impair its ability to manage our properties efficiently and effectively, which could adversely affect us.

***Ownership of property outside the United States may subject us to different or greater risks than those associated with our domestic operations***

We have operations in Canada and the United Kingdom. International development, ownership, and operating activities involve risks that are different from those we face with respect to our domestic properties and operations. These risks include, but are not limited to, any international currency gain recognized with respect to changes in exchange rates may not qualify under the 75% gross income test or the 95% gross income test that we must satisfy annually in order to qualify and maintain our status as a REIT; challenges with respect to the repatriation of foreign earnings and cash; changes in foreign political, regulatory, and economic conditions, including regionally, nationally, and locally; challenges in managing international operations; challenges of complying with a wide variety of foreign laws and regulations, including those relating to real estate, corporate governance, operations, taxes, employment and legal proceedings; foreign ownership restrictions with respect to operations in countries; differences in lending practices and the willingness of domestic or foreign lenders to provide financing; regional or country-specific business cycles and economic instability; and failure to comply with applicable laws and regulations in the United States that affect foreign operations, including, but not limited to, the U.S. Foreign Corrupt Practices Act. If we are unable to successfully manage the risks associated with international expansion and operations, our results of operations and financial condition may be adversely affected.

***We do not know if our tenants will renew their existing leases, and if they do not, we may be unable to lease the properties on as favorable terms, or at all***

We cannot predict whether our tenants will renew existing leases at the end of their lease terms, which expire at various times. If these leases are not renewed, we would be required to find other tenants to occupy those properties or sell them. There can be no assurance that we would be able to identify suitable replacement tenants or enter into leases with new tenants on terms as favorable to us as the current leases or that we would be able to lease those properties at all.

***Our operators' may not have the necessary insurance coverage to insure adequately against losses***

In recent years, long-term/post-acute care and seniors housing operators have experienced substantial increases in both the number and size of patient care liability claims. As a result, general and professional liability costs have increased in some markets. General and professional liability insurance coverage may be restricted or very costly, which may adversely affect the property operators' future operations, cash flows and financial condition, and may have a material adverse effect on the property operators' ability to meet their obligations to us.

***Our ownership of properties through ground leases exposes us to the loss of such properties upon breach or termination of the ground leases***

We have acquired an interest in certain of our properties by acquiring a leasehold interest in the property on which the building is located, and we may acquire additional properties in the future through the purchase of interests in ground leases. As the lessee under a ground lease, we are exposed to the possibility of losing the property upon termination of the ground lease or an earlier breach of the ground lease by us.

***The requirements of, or changes to, governmental reimbursement programs, such as Medicare or Medicaid, could have a material adverse effect on our obligors' liquidity, financial condition and results of operations, which could adversely affect our obligors' ability to meet their obligations to us***

Some of our obligors' businesses are affected by government reimbursement. To the extent that an operator/tenant receives a significant portion of its revenues from government payors, primarily Medicare and Medicaid, such revenues may be subject to statutory and regulatory changes, retroactive rate adjustments, recovery of program overpayments or set-offs, court decisions, administrative rulings, policy interpretations, payment or other delays by fiscal intermediaries or carriers, government funding restrictions (at a program level or with respect to specific facilities) and interruption or delays in payments due to any ongoing government investigations and audits at such property. In recent years, government payors have frozen or reduced payments to health care providers due to budgetary pressures. Health care reimbursement will likely continue to be of paramount importance to federal and state authorities. We cannot make any assessment as to the ultimate timing or effect any future legislative reforms may have on the financial condition of our obligors and properties. There can be no assurance that adequate reimbursement levels will be available for services provided by any property operator, whether the property receives reimbursement from Medicare, Medicaid or private payors. Significant limits on the scope of services reimbursed and on reimbursement rates and fees could have a material adverse effect on an obligor's liquidity, financial condition and results of operations, which could adversely affect the ability of an obligor to meet its obligations to us. See "Item 1 — Business — Certain Government Regulations — United States — Reimbursement" above.

The Patient Protection and Affordable Care Act of 2010, as modified by the Health Care and Education Reconciliation Act of 2010 (collectively, the "Health Reform Laws"), provides those states that expand their Medicaid coverage to otherwise eligible state residents with incomes at or below 138% of the federal poverty level with an increased federal medical assistance percentage, effective January 1, 2014, when certain conditions are met. On June 28, 2012, the United States Supreme Court upheld the individual mandate of the Health Reform Laws but partially invalidated the expansion of Medicaid. The ruling on Medicaid expansion allows

states to elect not to participate in the expansion—and to forego funding for the Medicaid expansion—without losing their existing Medicaid funding. Given that the federal government substantially funds the Medicaid expansion, it is unclear how many states will ultimately pursue this option, although, as of late January 2015, roughly half of the states have expanded Medicaid coverage. The participation by states in the Medicaid expansion could have the dual effect of increasing our tenants' revenues, through new patients, but further straining state budgets and their ability to pay our tenants. While the federal government will pay for approximately 100% of those additional costs from 2014 to 2016, states will be expected to pay for part of those additional costs beginning in 2017. In light of this, at least one state that has passed legislation to allow the state to expand its Medicaid coverage has included sunset provisions in the legislation that require that the expanded benefits be reduced or eliminated if the federal government's funding for the program is decreased or eliminated, permitting the state to re-visit the issue once it begins to share financial responsibility for the expansion. With increasingly strained budgets, it is unclear how states that do not include such sunset provisions will pay their share of these additional Medicaid costs and what other health care expenditures could be reduced as a result. A significant reduction in other health care related spending by states to pay for increased Medicaid costs could affect our tenants' revenue streams. See "Item 1 — Business — Certain Government Regulations — United States — Reimbursement" above.

More generally, and because of the dynamic nature of the legislative and regulatory environment for health care products and services, and in light of existing federal deficit and budgetary concerns, we cannot predict the impact that broad-based, far-reaching legislative or regulatory changes could have on the U.S. economy, our business or that of our operators and tenants.

***Our operators' or tenants' failure to comply with federal, state, local, and industry-regulated licensure, certification and inspection laws, regulations, and standards could adversely affect such operators' or tenants' operations, which could adversely affect our operators' and tenants' ability to meet their obligations to us***

Our operators and tenants generally are subject to varying levels of federal, state, local, and industry-regulated licensure, certification and inspection laws, regulations, and standards. Our operators' or tenants' failure to comply with any of these laws, regulations, or standards could result in loss of accreditation, denial of reimbursement, imposition of fines, suspension, decertification or exclusion from federal and state health care programs, loss of license or closure of the facility. Such actions may have an effect on our operators' or tenants' ability to make lease payments to us and, therefore, adversely impact us. See "Item 1 — Business — Certain Government Regulations — United States — Other Related Laws" above.

Many of our properties may require a license, registration, and/or certificate of need ("CON") to operate. Failure to obtain a license, registration, or CON, or loss of a required license, registration, or CON would prevent a facility from operating in the manner intended by the operators or tenants. These events could materially adversely affect our operators' or tenants' ability to make rent payments to us. State and local laws also may regulate the expansion, including the addition of new beds or services or acquisition of medical equipment, and the construction or renovation of health care facilities, by requiring a CON or other similar approval from a state agency. See "Item 1 — Business — Certain Government Regulations — United States — Licensing and Certification" above.

***Illiquidity of real estate investments could significantly impede our ability to respond to adverse changes in the performance of our properties***

Real estate investments are relatively illiquid. Our ability to quickly sell or exchange any of our properties in response to changes in economic and other conditions will be limited. No assurances can be given that we will recognize full value for any property that we are required to sell for liquidity reasons. Our inability to respond rapidly to changes in the performance of our investments could adversely affect our financial condition and results of operations. In addition, we are exposed to the risks inherent in concentrating investments in real estate, and in particular, the seniors housing and health care industries. A downturn in the real estate industry could adversely affect the value of our properties and our ability to sell properties for a price or on terms acceptable to us.

***Unfavorable resolution of pending and future litigation matters and disputes could have a material adverse effect on our financial condition***

From time to time, we may be directly involved in a number of legal proceedings, lawsuits and other claims. We may also be named as defendants in lawsuits allegedly arising out of our actions or the actions of our operators/tenants or managers in which such operators/tenants or managers have agreed to indemnify, defend and hold us harmless from and against various claims, litigation and liabilities arising in connection with their respective businesses. An unfavorable resolution of pending or future litigation may have a material adverse effect on our business, results of operations and financial condition. Regardless of its outcome, litigation may result in substantial costs and expenses and significantly divert the attention of management. There can be no assurance that we will be able to prevail in, or achieve a favorable settlement of, pending or future litigation. In addition, pending litigation or future litigation, government proceedings or environmental matters could lead to increased costs or interruption of our normal business operations.

***Development, redevelopment and construction risks could affect our profitability***

At any given time, we may be in the process of constructing one or more new facilities that ultimately will require a CON and license before they can be utilized by the operator for their intended use. The operator also may need to obtain Medicare and Medicaid certification and enter into Medicare and Medicaid provider agreements and/or third party payor contracts. In the event that the operator is unable to obtain the necessary CON, licensure, certification, provider agreements or contracts after the completion of construction, there is a risk that we will not be able to earn any revenues on the facility until either the initial operator obtains a license or certification to operate the new facility and the necessary provider agreements or contracts or we find and contract with a new operator that is able to obtain a license to operate the facility for its intended use and the necessary provider agreements or contracts.

In connection with our renovation, redevelopment, development and related construction activities, we may be unable to obtain, or suffer delays in obtaining, necessary zoning, land-use, building, occupancy and other required governmental permits and authorizations. These factors could result in increased costs or our abandonment of these projects. In addition, we may not be able to obtain financing on favorable terms, which may render us unable to proceed with our development activities, and we may not be able to complete construction and lease-up of a property on schedule, which could result in increased debt service expense or construction costs.

Additionally, the time frame required for development, construction and lease-up of these properties means that we may have to wait years for significant cash returns. Because we are required to make cash distributions to our stockholders, if the cash flow from operations or refinancing is not sufficient, we may be forced to borrow additional money to fund such distributions. Newly developed and acquired properties may not produce the cash flow that we expect, which could adversely affect our overall financial performance.

In deciding whether to acquire or develop a particular property, we make assumptions regarding the expected future performance of that property. In particular, we estimate the return on our investment based on expected occupancy, rental rates and capital costs. If our financial projections with respect to a new property are inaccurate as a result of increases in capital costs or other factors, the property may fail to perform as we expected in analyzing our investment. Our estimate of the costs of repositioning or redeveloping an acquired property may prove to be inaccurate, which may result in our failure to meet our profitability goals. Additionally, we may acquire new properties that are not fully leased, and the cash flow from existing operations may be insufficient to pay the operating expenses and debt service associated with that property.

***We may experience losses caused by severe weather conditions or natural disasters, which could result in an increase of our or our tenants' cost of insurance, a decrease in our anticipated revenues or a significant loss of the capital we have invested in a property***

We maintain or require our tenants to maintain comprehensive insurance coverage on our properties with terms, conditions, limits and deductibles that we believe are appropriate given the relative risk and costs of such coverage, and we continually review our insurance programs and requirements. However, a large number of our properties are located in areas particularly susceptible to revenue loss, cost increase or damage caused by severe weather conditions or natural disasters such as hurricanes, earthquakes, tornadoes and floods. We believe, given current industry practice and analysis prepared by outside consultants, that our and our tenants' insurance coverage is appropriate to cover reasonably anticipated losses that may be caused by hurricanes, earthquakes, tornadoes, floods and other severe weather conditions and natural disasters. Nevertheless, we are always subject to the risk that such insurance will not fully cover all losses and, depending on the severity of the event and the impact on our properties, such insurance may not cover a significant portion of the losses. These losses may lead to an increase of our and our tenants' cost of insurance, a decrease in our anticipated revenues from an affected property and a loss of all or a portion of the capital we have invested in an affected property. In addition, we or our tenants may not purchase insurance under certain circumstances if the cost of insurance exceeds, in our or our tenants' judgment, the value of the coverage relative to the risk of loss.

***We may incur costs to remediate environmental contamination at our properties, which could have an adverse effect on our or our obligors' business or financial condition***

Under various federal and state laws, owners or operators of real estate may be required to respond to the presence or release of hazardous substances on the property and may be held liable for property damage, personal injuries or penalties that result from environmental contamination or exposure to hazardous substances. We may become liable to reimburse the government for damages and costs it incurs in connection with the contamination. Generally, such liability attaches to a person based on the person's relationship to the property. Our tenants or borrowers are primarily responsible for the condition of the property. Moreover, we review environmental site assessments of the properties that we own or encumber prior to taking an interest in them. Those assessments are designed to meet the "all appropriate inquiry" standard, which we believe qualifies us for the innocent purchaser defense if environmental liabilities arise. Based upon such assessments, we do not believe that any of our properties are subject to material environmental contamination. However, environmental liabilities may be present in our properties and we may incur costs to remediate contamination, which could have a material adverse effect on our business or financial condition or the business or financial condition of our obligors.

***Cybersecurity incidents could disrupt our business and result in the loss of confidential information***

Our business is at risk from and may be impacted by cybersecurity attacks, including attempts to gain unauthorized access to our confidential data, and other electronic security breaches. Such cyber attacks can range from individual attempts to gain unauthorized access to our information technology systems to more sophisticated security threats. While we employ a number of measures to prevent, detect and mitigate these threats, there is no guarantee such efforts will be successful in preventing a cyber attack. Cybersecurity incidents could disrupt our business and compromise the confidential information of our employees, operators and tenants.

***Our certificate of incorporation and by-laws contain anti-takeover provisions***

Our certificate of incorporation and by-laws contain anti-takeover provisions (restrictions on share ownership and transfer and super majority stockholder approval requirements for business combinations) that could make it more difficult for or even prevent a third party from acquiring us without the approval of our incumbent Board of Directors. Provisions and agreements that inhibit or discourage takeover attempts could reduce the market value of our common stock.

***Our success depends on key personnel whose continued service is not guaranteed***

We are dependent on key personnel. Although we have entered into employment agreements with our executive officers, losing any one of them could, at least temporarily, have an adverse impact on our operations. We believe that losing more than one could have a material adverse impact on our business.

**Risks Arising from Our Capital Structure**

***We may become more leveraged***

Permanent financing for our investments is typically provided through a combination of public offerings of debt and equity securities and the incurrence or assumption of secured debt. The incurrence or assumption of indebtedness may cause us to become more leveraged, which could (1) require us to dedicate a greater portion of our cash flow to the payment of debt service, (2) make us more vulnerable to a downturn in the economy, (3) limit our ability to obtain additional financing, or (4) negatively affect our credit ratings or outlook by one or more of the rating agencies.

***We are subject to covenants in our debt agreements that may restrict or limit our operations and acquisitions and our failure to comply with the covenants in our debt agreements could have a material adverse impact on our business, results of operations and financial condition***

Our debt agreements contain various covenants, restrictions and events of default. Among other things, these provisions 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. Breaches of these covenants could result in defaults under the instruments governing the applicable indebtedness, in addition to any other indebtedness cross-defaulted against such instruments. These defaults could have a material adverse impact on our business, results of operations and financial condition.

***Limitations on our ability to access capital could have an adverse effect on our ability to make future investments or to meet our obligations and commitments***

We cannot assure you that we will be able to raise the capital necessary to make future investments or to meet our obligations and commitments as they mature. Our access to capital depends upon a number of factors over which we have little or no control, including rising interest rates, inflation and other general market conditions; the market's perception of our growth potential and our current and potential future earnings and cash distributions; the market price of the shares of our capital stock and the credit ratings of our debt securities; the financial stability of our lenders, which might impair their ability to meet their commitments to us or their willingness to make additional loans to us; changes in the credit ratings on U.S. government debt securities; or default or delay in payment by the United States of its obligations. If our access to capital is limited by these factors or other factors, it could negatively impact our ability to acquire properties, repay or refinance our indebtedness, fund operations or make distributions to our stockholders.

***Downgrades in our credit ratings could have a material adverse impact on our cost and availability of capital***

We plan to manage the Company to maintain a capital structure consistent with our current profile, but there can be no assurance that we will be able to maintain our current credit ratings. 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.

### ***Fluctuations in the value of foreign currencies could adversely affect our results of operations and financial position***

As we expand our operations internationally, currency exchange rate fluctuations could affect our results of operations and financial position. We expect to generate an increasing portion of our revenue and expenses in such foreign currencies as the Canadian dollar and the British pound. Although we may enter into foreign exchange agreements with financial institutions and/or obtain local currency mortgage debt in order to reduce our exposure to fluctuations in the value of foreign currencies, we cannot assure you that foreign currency fluctuations will not have a material adverse effect on us.

### ***Our entry into swap agreements may not effectively reduce our exposure to changes in interest rates or foreign currency exchange rates***

We enter into swap agreements from time to time to manage some of our exposure to interest rate and foreign currency exchange rate volatility. These swap agreements involve risks, such as the risk that counterparties may fail to honor their obligations under these arrangements. In addition, these arrangements may not be effective in reducing our exposure to changes in interest rates or foreign currency exchange rates. When we use forward-starting interest rate swaps, there is a risk that we will not complete the long-term borrowing against which the swap is intended to hedge. If such events occur, our results of operations may be adversely affected.

### **Risks Arising from Our Status as a REIT**

#### ***We might fail to qualify or remain qualified as a REIT***

We intend to operate as a REIT under the Internal Revenue Code of 1986, as amended (the “Code”), and believe we have and will continue to operate in such a manner. If we lose our status as a REIT, we will face serious income tax consequences that will substantially reduce the funds available for satisfying our obligations and for distribution to our stockholders because:

- we would not be allowed a deduction for distributions to stockholders in computing our taxable income and would be subject to U.S. federal income tax at regular corporate rates;
- we could be subject to the federal alternative minimum tax and possibly increased state and local taxes; and
- unless we are entitled to relief under statutory provisions, we could not elect to be subject to tax as a REIT for four taxable years following the year during which we were disqualified.

Since REIT qualification requires us to meet a number of complex requirements, it is possible that we may fail to fulfill them, and if we do, our earnings will be reduced by the amount of U.S. federal and other income taxes owed. A reduction in our earnings would affect the amount we could distribute to our stockholders. If we do not qualify as a REIT, we would not be required to make distributions to stockholders since a non-REIT is not required to pay dividends to stockholders in order to maintain REIT status or avoid an excise tax. See “Item 1 — Business — Taxation — Federal Income Tax Considerations” above for a discussion of the provisions of the Code that apply to us and the effects of failure to qualify as a REIT.

In addition, if we fail to qualify as a REIT, all distributions to stockholders would continue to be treated as dividends to the extent of our current and accumulated earnings and profits, although corporate stockholders may be eligible for the dividends received deduction, and individual stockholders may be eligible for taxation at the rates generally applicable to long-term capital gains (currently at a maximum rate of 20%) with respect to distributions.

As a result of all these factors, our failure to qualify as a REIT also could impair our ability to implement our business strategy and would adversely affect the value of our common stock.

Qualification as a REIT involves the application of highly technical and complex Code provisions for which there are only limited judicial and administrative interpretations. The determination of various factual matters and circumstances not entirely within our control may affect our ability to remain qualified as a REIT. Although we believe that we qualify as a REIT, we cannot assure you that we will continue to qualify or remain qualified as a REIT for U.S. federal income tax purposes. See “Item 1 — Business — Taxation — Federal Income Tax Considerations” above.

#### ***Certain subsidiaries might fail to qualify or remain qualified as a REIT***

As a result of our acquisition of shares in Senior Housing Realty Trust (“SHRT”), we own a minority interest in an entity which elected to be taxed as a REIT for federal income tax purposes. Additionally, we own substantially all of the outstanding stock of a subsidiary which we consolidate for financial reporting purposes but which is treated as a separate REIT for federal income tax purposes (together with SHRT, each a “Subsidiary REIT”). To qualify as a REIT, each Subsidiary REIT must independently satisfy all of the REIT qualification requirements under the Code, together with all other rules applicable to REITs. Provided that each

Subsidiary REIT qualifies as a REIT, our interests in the Subsidiary REITs will be treated as qualifying real estate assets for purposes of the REIT asset tests. See “Item 1 – Business – Taxation – Federal Income Tax Considerations – Qualification as a REIT – Asset Tests” above. If a Subsidiary REIT fails to qualify as a REIT in any taxable year, such Subsidiary REIT will be subject to federal and state income taxes and may not be able to qualify as a REIT for the four subsequent taxable years. Any such failure could have an adverse effect on our ability to comply with the REIT income and asset tests, and thus our ability to qualify as a REIT, unless we are able to avail ourselves of certain relief provisions.

***The 90% annual distribution requirement will decrease our liquidity and may limit our ability to engage in otherwise beneficial transactions***

To comply with the 90% distribution requirement applicable to REITs and to avoid the nondeductible excise tax, we must make distributions to our stockholders. See “Item 1 — Business — Taxation — Federal Income Tax Considerations — Qualification as a REIT — Annual Distribution Requirements” above. Although we anticipate that we generally will have sufficient cash or liquid assets to enable us to satisfy the REIT distribution requirement, it is possible that, from time to time, we may not have sufficient cash or other liquid assets to meet the 90% distribution requirement, or we may decide to retain cash or distribute such greater amount as may be necessary to avoid income and excise taxation. This may be due to timing differences between the actual receipt of income and actual payment of deductible expenses, on the one hand, and the inclusion of that income and deduction of those expenses in arriving at our taxable income, on the other hand. In addition, non-deductible expenses such as principal amortization or repayments or capital expenditures in excess of non-cash deductions may cause us to fail to have sufficient cash or liquid assets to enable us to satisfy the 90% distribution requirement. In the event that timing differences occur, or we deem it appropriate to retain cash, we may borrow funds, issue additional equity securities (although we cannot assure you that we will be able to do so), pay taxable stock dividends, if possible, distribute other property or securities or engage in another transaction intended to enable us to meet the REIT distribution requirements. This may require us to raise additional capital to meet our obligations.

***The lease of qualified health care properties to a taxable REIT subsidiary is subject to special requirements***

We lease certain qualified health care properties to taxable REIT subsidiaries (or limited liability companies of which the taxable REIT subsidiaries are members), which lessees contract with managers (or related parties) to manage the health care operations at these properties. The rents from this taxable REIT subsidiary lessee structure are treated as qualifying rents from real property if (1) they are paid pursuant to an arms-length lease of a qualified health care property with a taxable REIT subsidiary and (2) the manager qualifies as an eligible independent contractor (as defined in the Code). If any of these conditions are not satisfied, then the rents will not be qualifying rents. See “Item 1 — Business — Taxation — Federal Income Tax Considerations — Qualification as a REIT — Income Tests” above.

***If certain sale-leaseback transactions are not characterized by the Internal Revenue Service as “true leases,” we may be subject to adverse tax consequences***

We have purchased certain properties and leased them back to the sellers of such properties, and we may enter into similar transactions in the future. We intend for any such sale-leaseback transaction to be structured in such a manner that the lease will be characterized as a “true lease,” thereby allowing us to be treated as the owner of the property for U.S. federal income tax purposes. However, depending on the terms of any specific transaction, the Internal Revenue Service might take the position that the transaction is not a “true lease” but is more properly treated in some other manner. In the event any sale-leaseback transaction is challenged and successfully re-characterized by the Internal Revenue Service, we would not be entitled to claim the deductions for depreciation and cost recovery generally available to an owner of property. Furthermore, if a sale-leaseback transaction were so re-characterized, we might fail to satisfy the REIT asset tests or income tests and, consequently, could lose our REIT status effective with the year of re-characterization. See “Item 1 — Business — Taxation — Federal Income Tax Considerations — Qualification as a REIT — Asset Tests” and “Item 1 — Business — Taxation — Federal Income Tax Considerations — Qualification as a REIT — Income Tests” above. Alternatively, the amount of our REIT taxable income could be recalculated, which may cause us to fail to meet the REIT annual distribution requirements for a taxable year. See “Item 1 — Business — Taxation — Federal Income Tax Considerations — Qualification as a REIT — Annual Distribution Requirements” above.

**Item 1B. Unresolved Staff Comments**

None.



## Item 2. Properties

We own our corporate headquarters located at 4500 Dorr Street, Toledo, Ohio 43615. We also lease corporate offices in Florida, California and the United Kingdom and have ground leases relating to certain of our properties. The following table sets forth certain information regarding the properties that comprise our consolidated real property and real estate loan investments as of December 31, 2014 (dollars in thousands and annualized revenues adjusted for timing of investment):

Property Location	Seniors Housing Triple-Net			Seniors Housing Operating		
	Number of Properties	Total Investment	Annualized Revenues	Number of Properties	Total Investment	Annualized Revenues
Alabama	4	\$ 36,941	\$ 3,765	-	\$ -	\$ -
Arizona	1	6,963	833	4	63,984	22,847
California	28	532,723	54,606	47	1,343,848	373,773
Colorado	3	76,048	9,645	5	148,070	37,734
Connecticut	14	179,783	19,647	14	327,746	112,555
District Of Columbia	-	-	-	1	66,257	13,790
Delaware	11	164,414	18,231	1	22,165	5,420
Florida	43	602,039	53,326	-	-	-
Georgia	8	105,483	10,121	7	126,861	35,139
Iowa	3	48,193	4,165	1	34,082	8,209
Idaho	2	34,397	3,640	-	-	-
Illinois	15	343,389	30,642	12	442,507	94,739
Indiana	30	431,753	44,737	-	-	-
Kansas	7	142,586	14,826	3	71,987	16,886
Kentucky	12	102,297	15,467	2	40,233	11,977
Louisiana	3	22,642	3,353	2	53,481	11,547
Massachusetts	31	413,211	53,334	22	558,492	139,977
Maryland	27	415,111	39,394	3	85,677	31,766
Maine	-	-	-	2	54,156	18,246
Michigan	8	121,909	10,760	5	115,759	23,310
Minnesota	3	37,186	3,438	4	118,380	24,275
Missouri	2	29,066	2,913	3	116,500	14,769
Mississippi	3	31,053	3,364	-	-	-
Montana	1	6,482	952	-	-	-
North Carolina	56	374,384	38,821	1	42,504	7,369
Nebraska	5	136,705	15,333	-	-	-
New Hampshire	12	177,255	21,987	3	79,396	18,091
New Jersey	59	1,296,969	127,150	8	249,811	65,758
New Mexico	-	-	-	1	19,468	993
Nevada	5	101,238	13,350	2	38,314	10,020
New York	9	205,222	17,685	8	307,829	72,573
Ohio	28	236,656	38,088	4	197,435	34,084
Oklahoma	18	130,829	13,173	2	39,039	3,263
Oregon	1	3,400	757	-	-	-
Pennsylvania	49	848,335	93,805	6	84,683	36,715
Rhode Island	3	45,102	5,667	3	70,499	20,827
South Carolina	5	36,129	10,287	-	-	-
Tennessee	25	184,515	26,731	2	51,167	15,219
Texas	51	614,366	71,312	13	328,093	75,905
Utah	1	5,824	887	1	17,223	11,161
Virginia	14	208,884	19,830	2	39,296	15,035
Vermont	2	26,171	3,300	1	28,749	7,183
Washington	23	408,435	40,676	7	271,099	47,110
Wisconsin	17	234,308	25,247	-	-	-
West Virginia	24	370,338	46,558	-	-	-
Total domestic	666	9,528,734	1,031,802	202	5,654,792	1,438,263
Canada	13	323,486	18,114	54	1,146,379	232,892
United Kingdom	43	581,885	42,929	41	1,537,562	309,300
Total international	56	905,371	61,043	95	2,683,941	542,192
Grand total	722	\$ 10,434,105	\$ 1,092,845	297	\$ 8,338,733	\$ 1,980,455

Property Location	Number of Properties	Total Investment	Annualized Revenues
Alaska	1	\$ 23,380	\$ 3,046
Alabama	3	31,865	5,065
Arkansas	1	25,987	2,935
Arizona	4	71,703	8,683
California	22	463,260	44,814
Colorado	1	12,738	1,990
Florida	38	485,233	50,128
Georgia	10	170,333	22,605
Iowa	1	7,080	1,394
Illinois	3	39,709	7,199
Indiana	8	157,528	17,514
Kansas	7	81,588	13,117
Maryland	2	22,549	2,293
Maine	1	22,815	2,932
Michigan	1	16,959	1,797
Minnesota	8	187,699	25,948
Missouri	7	156,324	17,768
North Carolina	3	60,114	6,856
Nebraska	2	38,619	5,658
New Hampshire	1	15,317	1,580
New Jersey	7	224,503	37,736
New Mexico	3	36,180	3,638
Nevada	5	47,452	3,512
New York	7	67,180	7,660
Ohio	8	79,612	12,321
Oklahoma	2	27,550	3,415
Oregon	1	10,038	1,363
South Carolina	1	28,101	2,259
Tennessee	7	82,061	10,276
Texas	49	898,805	89,942
Virginia	4	62,816	7,689
Washington	5	164,550	16,342
Wisconsin	18	258,710	27,700
Total	241	\$ 4,078,358	\$ 467,175

The following table sets forth occupancy, coverages and average annualized revenues for certain property types (excluding investments in unconsolidated entities):

	Occupancy <sup>(1)</sup>		Coverages <sup>(1,2)</sup>		Average Annualized Revenues <sup>(3)</sup>		
	2014	2013	2014	2013	2014	2013	
Seniors housing triple-net <sup>(4)</sup>	87.7%	87.7%	1.54x	1.58x	\$ 14,562	\$ 14,000	per bed/unit
Seniors housing operating <sup>(5)</sup>	90.3%	90.7%	n/a	n/a	67,376	65,374	per unit
Medical facilities <sup>(6)</sup>	94.4%	94.5%	n/a	n/a	33	28	per sq. ft.

(1) We use unaudited, periodic financial information provided solely by tenants/borrowers to calculate occupancy and coverages for properties other than medical office buildings and have not independently verified the information.

(2) Represents the ratio of our triple-net customers' earnings before interest, taxes, depreciation, amortization, rent and management fees to contractual rent or interest due us. Data reflects the 12 months ended September 30 for the periods presented.

(3) Represents annualized revenues divided by total beds, units or square feet as presented in the tables above.

(4) Occupancy represents average quarterly operating occupancy based on the quarters ended September 30 and excludes properties that are unstabilized, closed or for which data is not available or meaningful.

(5) Occupancy for seniors housing operating represents average occupancy for the three months ended December 31.

(6) Medical office building occupancy represents the percentage of total rentable square feet leased and occupied (including month-to-month and holdover leases and excluding terminations and discontinued operations) as of December 31.

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

	Expiration Year										
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Thereafter
<b>Seniors housing triple-net:</b>											
Properties	20	-	33	51	3	12	26	41	13	21	472
Base rent <sup>(1)</sup>	\$ 37,423	\$ -	\$ 14,907	\$ 37,421	\$ 2,973	\$ 14,870	\$ 38,293	\$ 36,309	\$ 18,442	\$ 45,602	\$ 798,931
% of base rent	3.6%	0.0%	1.4%	3.6%	0.3%	1.4%	3.7%	3.5%	1.8%	4.4%	76.4%
Units	91	-	1,467	3,151	235	1,079	3,806	5,144	1,357	2,254	52,029
% of units	0.1%	0.0%	2.1%	4.5%	0.3%	1.5%	5.4%	7.3%	1.9%	3.2%	73.7%
<b>Medical office buildings:</b>											
Square feet	711,737	790,389	1,218,498	920,688	1,070,191	968,769	1,118,555	2,108,813	1,047,083	1,367,691	2,956,912
Base rent <sup>(1)</sup>	\$ 17,440	\$ 18,299	\$ 29,078	\$ 21,994	\$ 25,896	\$ 22,791	\$ 28,386	\$ 43,663	\$ 26,007	\$ 36,446	\$ 71,813
% of base rent	5.1%	5.4%	8.5%	6.4%	7.6%	6.7%	8.3%	12.8%	7.6%	10.7%	20.9%
Leases	262	201	248	192	207	113	119	134	80	102	89
% of leases	15.0%	11.5%	14.2%	11.0%	11.8%	6.5%	6.8%	7.7%	4.6%	5.8%	5.1%

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

### Item 3. 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 4. Mine Safety Disclosures

None.

## PART II

### Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

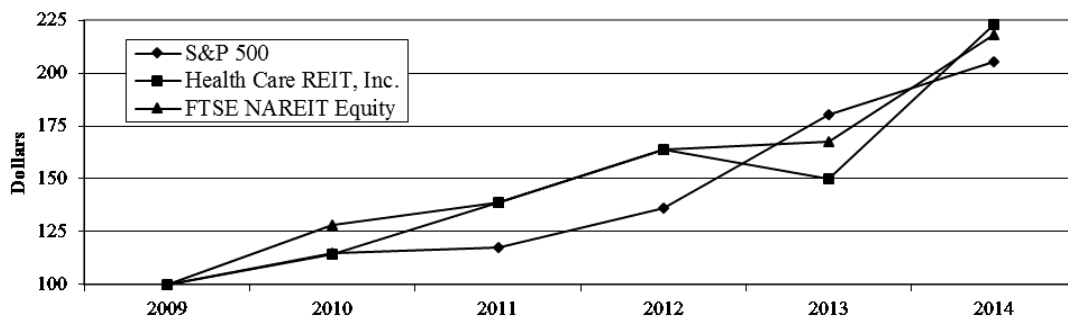
There were 4,960 stockholders of record as of January 31, 2015. The following table sets forth, for the periods indicated, the high and low prices of our common stock on the New York Stock Exchange (NYSE:HCN), and common dividends paid per share:

	Sales Price		Dividends Paid Per Share
	High	Low	
<b>2014</b>			
First Quarter	\$ 59.93	\$ 52.90	\$ 0.795
Second Quarter	65.25	58.91	0.795
Third Quarter	68.36	61.42	0.795
Fourth Quarter	78.17	62.05	0.795
<b>2013</b>			
First Quarter	\$ 67.92	\$ 60.78	\$ 0.765
Second Quarter	80.07	61.62	0.765
Third Quarter	68.79	58.16	0.765
Fourth Quarter	66.76	52.43	0.765

Our Board of Directors has approved a new quarterly cash dividend rate of \$0.825 per share of common stock per quarter, commencing with the February 2015 dividend. The declaration and payment of quarterly dividends remains subject to the review and approval of the Board of Directors.

## Stockholder Return Performance Presentation

Set forth below is a line graph comparing the yearly percentage change and the cumulative total stockholder return on our shares of common stock against the cumulative total return of the S & P Composite-500 Stock Index and the FTSE NAREIT Equity Index. As of December 31, 2014, 156 companies comprised the FTSE NAREIT Equity Index. The Index consists of REITs identified by NAREIT as equity (those REITs which have at least 75% of their investments in real property). The data are based on the closing prices as of December 31 for each of the five years. 2009 equals \$100 and dividends are assumed to be reinvested.



	<u>12/31/09</u>	<u>12/31/10</u>	<u>12/31/11</u>	<u>12/31/12</u>	<u>12/31/13</u>	<u>12/31/14</u>
S & P 500	100.00	115.06	117.49	136.30	180.44	205.14
Health Care REIT, Inc.	100.00	114.33	138.65	163.91	150.11	222.93
FTSE NAREIT Equity	100.00	127.96	138.57	163.60	167.63	218.16

Except to the extent that we specifically incorporate this information by reference, the foregoing Stockholder Return Performance Presentation shall not be deemed incorporated by reference by any general statement incorporating by reference this Annual Report on Form 10-K into any filing under the Securities Act of 1933, as amended, or under the Securities Exchange Act of 1934, as amended. This information shall not otherwise be deemed filed under such Acts.

### Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs <sup>(1)</sup>	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
October 1, 2014 through October 31, 2014	-	\$ -	-	-
November 1, 2014 through November 30, 2014	-	-	-	-
December 1, 2014 through December 31, 2014	-	-	-	-
Totals	-	\$ -	-	-

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

**Item 6. Selected Financial Data**

The following selected financial data for the five years ended December 31, 2014 are derived from our audited consolidated financial statements (in thousands, except per share data):

	Year Ended December 31,				
	2010	2011	2012	2013	2014
<b>Operating Data</b>					
Revenues <sup>(1)</sup>	\$ 559,491	\$ 1,313,182	\$ 1,805,044	\$ 2,880,608	\$ 3,343,546
Expenses <sup>(1)</sup>	<u>526,515</u>	<u>1,200,979</u>	<u>1,619,132</u>	<u>2,778,363</u>	<u>2,959,333</u>
Income from continuing operations before income taxes and income (loss) from unconsolidated entities	32,976	112,203	185,912	102,245	384,213
Income tax (expense) benefit	(364)	(1,388)	(7,612)	(7,491)	1,267
Income (loss) from unconsolidated entities	<u>6,673</u>	<u>5,772</u>	<u>2,482</u>	<u>(8,187)</u>	<u>(27,426)</u>
Income from continuing operations	39,285	116,587	180,782	86,567	358,054
Income from discontinued operations, net <sup>(1)</sup>	89,599	96,129	114,058	51,713	7,135
Gain (loss) on real estate dispositions, net	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>147,111</u>
Net income	128,884	212,716	294,840	138,280	512,300
Preferred stock dividends	21,645	60,502	69,129	66,336	65,408
Preferred stock redemption charge	-	-	6,242	-	-
Net income (loss) attributable to noncontrolling interests	<u>357</u>	<u>(4,894)</u>	<u>(2,415)</u>	<u>(6,770)</u>	<u>147</u>
Net income attributable to common stockholders	<u>\$ 106,882</u>	<u>\$ 157,108</u>	<u>\$ 221,884</u>	<u>\$ 78,714</u>	<u>\$ 446,745</u>
<b>Other Data</b>					
Average number of common shares outstanding:					
Basic	127,656	173,741	224,343	276,929	306,272
Diluted	128,208	174,401	225,953	278,761	307,747
<b>Per Share Data</b>					
Basic:					
Income from continuing operations attributable to common stockholders	\$ 0.14	\$ 0.35	\$ 0.48	\$ 0.10	\$ 1.44
Discontinued operations, net	<u>0.70</u>	<u>0.55</u>	<u>0.51</u>	<u>0.19</u>	<u>0.02</u>
Net income attributable to common stockholders *	<u>\$ 0.84</u>	<u>\$ 0.90</u>	<u>\$ 0.99</u>	<u>\$ 0.28</u>	<u>\$ 1.46</u>
Diluted:					
Income from continuing operations attributable to common stockholders	\$ 0.13	\$ 0.35	\$ 0.48	\$ 0.10	\$ 1.43
Discontinued operations, net	<u>0.70</u>	<u>0.55</u>	<u>0.50</u>	<u>0.19</u>	<u>0.02</u>
Net income attributable to common stockholders *	<u>\$ 0.83</u>	<u>\$ 0.90</u>	<u>\$ 0.98</u>	<u>\$ 0.28</u>	<u>\$ 1.45</u>
Cash distributions per common share	\$ 2.74	\$ 2.835	\$ 2.96	\$ 3.06	\$ 3.18

\* Amounts may not sum due to rounding

(1) We have reclassified the income and expenses attributable to properties sold prior to or held for sale at December 31, 2013, to discontinued operations for all periods presented. See Note 5 to our consolidated financial statements.

	December 31,				
	2010	2011	2012	2013	2014
<b>Balance Sheet Data</b>					
Net real estate investments	\$ 8,590,833	\$ 13,942,350	\$ 17,423,009	\$ 21,680,221	\$ 22,851,196
Total assets	9,451,734	14,924,606	19,549,109	23,083,957	25,014,296
Total long-term obligations	4,469,736	7,240,752	8,531,899	10,652,014	10,828,013
Total liabilities	4,714,081	7,612,309	8,993,998	11,292,587	11,454,838
Total preferred stock	291,667	1,010,417	1,022,917	1,017,361	1,006,250
Total equity	4,733,100	7,278,647	10,520,519	11,756,331	13,473,049

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The following discussion and analysis is based primarily on the consolidated financial statements of Health Care REIT, Inc. for the periods presented and should be read together with the notes thereto contained in this Annual Report on Form 10-K. Other important factors are identified in "Item 1 — Business" and "Item 1A — Risk Factors" above.

### 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, long-term/post-acute care 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 December 31, 2014:

Type of Property	Investments (in thousands) <sup>(1)</sup>	Percentage of Investments	Number of Properties
Seniors housing triple-net	\$ 10,434,105	45.7%	722
Seniors housing operating	8,338,733	36.5%	297
Medical facilities	4,078,358	17.8%	241
Totals	\$ 22,851,196	100.0%	1,260

(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 review of, among other things, tenant relations, lease expirations, the mix of health service providers, hospital/health system relationships, property performance, capital improvement needs, and market conditions. 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 year ended December 31, 2014, rental income and resident fees 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

## Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

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 credit facility, 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 credit facility, 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 generally replaces funds drawn under our primary unsecured credit facility, 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 credit facility. At December 31, 2014, we had \$473,726,000 of cash and cash equivalents, \$79,697,000 of restricted cash and \$2,428,723,000 of available borrowing capacity under our primary unsecured credit facility.

### Capital Market Outlook

The capital markets remain supportive of our investment strategy. For the year ended December 31, 2014, we raised \$3.2 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 primary unsecured credit facility, supported \$3.7 billion in gross new investments for the year. 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. In September 2014, we completed the public issuance of 17,825,000 shares of common stock for approximate gross proceeds of \$1,136,344,000. Also, for the year ended December 31, 2014, we raised \$257,055,000 through our dividend reinvestment program. In July 2014, we closed on a new primary unsecured credit facility that includes a \$2,500,000,000 unsecured revolving credit facility, a \$500,000,000 unsecured term credit facility and a \$250,000,000 Canadian-denominated unsecured term credit facility. Among other things, the primary unsecured credit 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. In November 2014, we issued £500,000,000 of 4.5% 20-year senior unsecured notes, generating approximately \$773,992,000 of net proceeds.

*Investments.* The following summarizes our acquisitions and joint venture investments made during the year ended December 31, 2014 (dollars in thousands):

	Properties	Investment Amount <sup>(1)</sup>	Capitalization Rates <sup>(2)</sup>	Book Amount <sup>(3)</sup>
Seniors housing triple-net	87	\$ 1,519,657	7.0%	\$ 1,544,441
Seniors housing operating	30	893,593	6.4%	693,953
Medical facilities	34	665,398	6.2%	677,637
Total acquisitions/JVs	151	\$ 3,078,648	6.6%	\$ 2,916,031

(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 and 7 to our consolidated financial statements for additional information.



**Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations**

*Dispositions.* The following summarizes property dispositions made during the year ended December 31, 2014 (dollars in thousands):

	Properties	Proceeds <sup>(1)</sup>	Capitalization Rates <sup>(2)</sup>	Book Amount <sup>(3)</sup>
Seniors housing triple-net	26	\$ 900,335	8.7%	\$ 747,720
Medical facilities	2	46,602	7.6%	45,695
Total property sales	28	\$ 946,937	8.7%	\$ 793,415

(1) Represents book amount plus net gains/losses. See Note 5 to our consolidated financial statements for additional information.

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

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

*Dividends.* Our Board of Directors increased the annual cash dividend to \$3.30 per common share (\$0.825 per share quarterly), as compared to \$3.18 per common share for 2014, beginning in February 2015. The dividend declared for the quarter ended December 31, 2014 represents the 175<sup>th</sup> consecutive quarterly dividend payment.

**Key Performance Indicators, Trends and Uncertainties**

We utilize several key performance indicators to evaluate the various aspects of our business. These indicators are discussed below and relate to operating performance, credit strength and concentration risk. 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):

	Year Ended December 31,		
	2012	2013	2014
Net income attributable to common stockholders	\$ 221,884	\$ 78,714	\$ 446,745
Funds from operations	697,557	924,884	1,178,330
Net operating income from continuing operations	1,237,055	1,673,795	1,940,188
Same store cash net operating income	882,885	898,909	931,255

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

**Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations**

	Year Ended December 31,		
	2012	2013	2014
Debt to book capitalization ratio	45%	48%	45%
Debt to undepreciated book capitalization ratio	41%	43%	40%
Debt to market capitalization ratio	33%	39%	29%
Adjusted interest coverage ratio	3.31x	3.23x	3.86x
Adjusted fixed charge coverage ratio	2.58x	2.56x	3.06x

*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:

	December 31,		
	2012	2013	2014
Investment mix: <sup>(1)</sup>			
Seniors housing triple-net	52%	45%	46%
Seniors housing operating	28%	39%	36%
Medical facilities	20%	16%	18%
Relationship mix: <sup>(1)</sup>			
Sunrise Senior Living <sup>(2)</sup>	6%	19%	18%
Genesis Healthcare	15%	12%	12%
Brookdale			6%
Revera <sup>(2)</sup>		5%	5%
Benchmark Senior Living	5%	4%	4%
Belmont Village	5%	4%	
Merrill Gardens	6%		
Remaining customers	63%	56%	55%
Geographic mix: <sup>(1)</sup>			
California	9%	10%	10%
England		8%	9%
Texas	9%	7%	8%
New Jersey	9%	8%	8%
Canada			6%
Florida	7%	5%	
Pennsylvania	5%		
Remaining	61%	62%	59%

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

(2) Revera owns a controlling interest in Sunrise.

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 "Item 1 — Business — Cautionary Statement Regarding Forward-Looking Statements" and "Item 1A — Risk Factors" and other sections of this Annual Report on Form 10-K. 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 "Item 1 — Business," "Item 1A — Risk Factors" and "Item 7 — Management's Discussion and Analysis of Financial Condition and Results of Operations" in this Annual Report on Form 10-K 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](http://www.hcreit.com/investor-relations/governance). The information on our website is not incorporated by reference in this Annual Report on Form 10-K, 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 credit facility, 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):

	Year Ended		One Year Change		Year Ended		One Year Change		Two Year Change	
	December, 31	December, 31	\$	%	December, 31	\$	%	\$	%	
	2012	2013			2014					
Beginning cash and cash equivalents	\$ 163,482	\$ 1,033,764	\$ 870,282	532%	\$ 158,780	\$ (874,984)	-85%	\$ (4,702)	-3%	
Cash provided from (used in):										
Operating activities	818,133	988,497	170,364	21%	1,138,670	150,173	15%	320,537	39%	
Investing activities	(3,592,979)	(3,531,593)	61,386	-2%	(2,126,206)	1,405,387	-40%	1,466,773	-41%	
Financing activities	3,645,128	1,667,670	(1,977,458)	-54%	1,303,172	(364,498)	-22%	(2,341,956)	-64%	
Effect of foreign currency translation on cash and cash equivalents	0	442	442	n/a	(690)	(1,132)	n/a	(690)	n/a	
Ending cash and cash equivalents	\$ 1,033,764	\$ 158,780	\$ (874,984)	-85%	\$ 473,726	\$ 314,946	198%	\$ (560,038)	-54%	

**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 years ended December 31, 2012, 2013 and 2014, cash flows from operations exceeded cash distributions to stockholders.

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

	Year Ended		One Year Change		Year Ended		One Year Change		Two Year Change	
	December 31,	December 31,	\$	%	December 31,	\$	%	\$	%	
	2012	2013			2014					
New development	\$ 286,410	\$ 247,560	\$ (38,850)	-14%	\$ 197,881	\$ (49,679)	-20%	\$ (88,529)	-31%	
Recurring capital expenditures, tenant improvements and lease commissions	45,175	60,984	15,809	35%	59,134	(1,850)	-3%	13,959	31%	
Renovations, redevelopments and other capital improvements	90,275	74,848	(15,427)	-17%	73,646	(1,202)	-2%	(16,629)	-18%	
Total	\$ 421,860	\$ 383,392	\$ (38,468)	-9%	\$ 330,661	\$ (52,731)	-14%	\$ (91,199)	-22%	

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.

**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/redemptions of common and preferred stock, and dividend payments which are summarized above in "Key Transactions in 2014." Please refer to Notes 9, 10 and 13 of our consolidated financial statements for additional information.

**Off-Balance Sheet Arrangements**

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

**Contractual Obligations**

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

Contractual Obligations	Total	Payments Due by Period			
		2015	2016-2017	2018-2019	Thereafter
Unsecured revolving credit facility <sup>(1)</sup>	\$ -	\$ -	\$ -	\$ -	\$ -
Senior unsecured notes and term credit facilities: <sup>(2)</sup>					
U.S. Dollar senior unsecured notes	5,465,965	-	1,150,000	1,050,000	3,265,965
Pounds Sterling senior unsecured notes <sup>(3)</sup>	1,635,690	-	-	-	1,635,690
U.S. Dollar term credit facility	500,000	-	-	500,000	-
Canadian Dollar term credit facility <sup>(3)</sup>	215,499	-	-	215,499	-
Secured debt: <sup>(2,3)</sup>					
Consolidated	2,941,765	399,813	770,271	806,956	964,725
Unconsolidated	622,220	206,281	176,558	81,073	158,308
Contractual interest obligations: <sup>(4)</sup>					
Unsecured revolving credit facility	-	-	-	-	-
Senior unsecured notes and term loans <sup>(3)</sup>	3,560,409	338,290	638,105	533,104	2,050,909
Consolidated secured debt <sup>(3)</sup>	754,363	140,101	218,789	127,354	268,119
Unconsolidated secured debt <sup>(3)</sup>	98,668	27,869	29,373	16,385	25,041
Capital lease obligations <sup>(5)</sup>	111,726	13,157	9,464	9,012	80,093
Operating lease obligations <sup>(5)</sup>	916,404	15,078	30,370	30,457	840,499
Purchase obligations <sup>(5)</sup>	308,492	140,150	151,697	6,792	9,853
Other long-term liabilities <sup>(6)</sup>	367,128	361,475	2,950	2,703	-
<b>Total contractual obligations</b>	<b>\$ 17,498,329</b>	<b>\$ 1,642,214</b>	<b>\$ 3,177,577</b>	<b>\$ 3,379,335</b>	<b>\$ 9,299,202</b>

(1) Relates to our \$2,500,000,000 unsecured revolving credit facility. See Note 9 to our 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 consolidated financial statements for additional information.

(6) Primarily relates to an unfunded commitment for a secured bridge facility with one of our operators, which is discussed in Note 12 to our consolidated financial statements, and our Supplemental Executive Retirement Plan, which is discussed in Note 19 to the 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 December 31, 2014, we were in compliance with all of the covenants under our debt agreements. Please refer to the section entitled "Non-GAAP Financial Measures" for further discussion. None of our debt agreements contain provisions for acceleration which could be triggered by our debt ratings. However, under our primary unsecured credit facility, 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 and for the year ended December 31, 2014 is as follows:

**Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations**

Covenant	Per Agreement		Actual At December 31, 2014
	Primary Unsecured Credit Facility	Senior Unsecured Notes	
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%	43%
Unsecured Debt to Unencumbered Assets maximum:	60%	n/a	38%
Adjusted Interest Coverage Ratio minimum:	n/a	1.50x	3.86x
Adjusted Fixed Charge Coverage minimum:	1.50x	n/a	3.06x

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 January 31, 2015, 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 January 31, 2015, 3,016,824 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 January 31, 2015, 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 primary unsecured credit facility.

**Results of Operations**
**Summary**

Our primary sources of revenue include rent, resident fees and services, and interest income. Our primary expenses include interest expense, depreciation and amortization, property operating expenses, transaction costs and general and administrative expenses. These revenues and expenses are reflected in our Consolidated Statements of Comprehensive Income and are discussed in further detail below. The following is a summary of our results of operations (dollars in thousands, except per share amounts):

	Year Ended		One Year Change		Year Ended		One Year Change		Two Year Change	
	December 31, 2012	December 31, 2013	Amount	%	December 31, 2014	Amount	%	Amount	%	
Net income attributable to common stockholders	\$ 221,884	\$ 78,714	\$ (143,170)	-65%	\$ 446,745	\$ 368,031	468%	\$ 224,861	101%	
Funds from operations	697,557	924,884	227,327	33%	1,178,330	253,446	27%	480,773	69%	
Adjusted EBITDA	1,264,091	1,503,715	239,624	19%	1,877,992	374,277	25%	613,901	49%	
Net operating income from continuing operations	1,237,055	1,673,795	436,740	35%	1,940,188	266,393	16%	703,133	57%	
Same store cash NOI	882,885	898,909	16,024	2%	931,255	32,346	4%	48,370	5%	
Per share data (fully diluted):										
Net income attributable to common stockholders	\$ 0.98	\$ 0.28	\$ (0.70)	-71%	\$ 1.45	\$ 1.17	418%	\$ 0.47	48%	
Funds from operations	3.09	3.32	0.23	7%	3.83	0.51	15%	0.74	24%	
Adjusted interest coverage ratio	3.31x	3.19x	-0.12x	-4%	3.86x	0.67x	21%	0.55x	17%	
Adjusted fixed charge coverage ratio	2.58x	2.52x	-0.06x	-2%	3.06x	0.54x	21%	0.48x	19%	

The following table represents the changes in outstanding common stock for the period from January 1, 2012 to December 31, 2014 (in thousands):

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	Year Ended			Totals
	December 31, 2012	December 31, 2013	December 31, 2014	
Beginning balance	192,275	260,374	289,564	192,275
Public offerings	64,400	23,000	33,925	121,325
Dividend reinvestment plan issuances	2,136	3,430	4,123	9,689
Senior note conversions	1,040	988	259	2,287
Preferred stock conversions	-	117	233	350
Issuances in acquisitions of noncontrolling interests	-	1,109	-	1,109
Option exercises	341	214	498	1,053
Other, net	182	332	188	702
Ending balance	260,374	289,564	328,790	328,790
Average number of shares outstanding:				
Basic	224,343	276,929	306,272	
Diluted	225,953	278,761	307,747	

During the past three years, inflation has not significantly affected our earnings because of the moderate inflation rate. Additionally, our earnings are primarily long-term investments with predictable rates of return. These investments are mainly financed with a combination of equity, senior unsecured notes, secured debt and borrowings under our primary unsecured credit facility. During inflationary periods, which generally are accompanied by rising interest rates, our ability to grow may be adversely affected because the yield on new investments may increase at a slower rate than new borrowing costs. Presuming the current inflation rate remains moderate and long-term interest rates do not increase significantly, we believe that inflation will not impact the availability of equity and debt financing for us.

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 consolidated financial statements for additional information.

**Seniors Housing Triple-net**

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

	Year Ended		One Year Change		Year Ended		One Year Change		Two Year Change	
	December 31,	December 31,	\$	%	December 31,	\$	%	\$	%	
	2012	2013			2014					
SSCNOI <sup>(1)</sup>	\$ 589,912	\$ 598,235	\$ 8,323	1%	\$ 618,672	\$ 20,437	3%	\$ 28,760	5%	
Non-cash NOI attributable to same store properties <sup>(1)</sup>	34,176	33,745	(431)	-1%	53,133	19,388	57%	18,957	55%	
NOI attributable to non same store properties <sup>(2)</sup>	170,923	262,641	91,718	54%	355,329	92,688	35%	184,406	108%	
NOI	\$ 795,011	\$ 894,621	\$ 99,610	13%	\$ 1,027,134	\$ 132,513	15%	\$ 232,123	29%	

(1) Change is due to increases in cash and non-cash NOI (described below) related to 453 same store properties.

(2) Change is primarily due to the acquisition of 195 properties, the conversion of 13 construction projects into revenue-generating properties subsequent to January 1, 2012 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):

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	Year Ended		One Year Change		Year Ended	One Year Change		Two Year Change		
	December 31,	December 31,	\$	%	December 31,	\$	%	\$	%	
	2012	2013			2014					
<b>Revenues:</b>										
Rental income	\$ 762,968	\$ 866,138	\$ 103,170	14%	\$ 992,638	\$ 126,500	15%	\$ 229,670	30%	
Interest income	30,654	28,214	(2,440)	-8%	32,255	4,041	14%	1,601	5%	
Other income	2,471	1,504	(967)	-39%	2,973	1,469	98%	502	20%	
	796,093	895,856	99,763	13%	1,027,866	132,010	15%	231,773	29%	
Property operating expenses	1,082	1,235	153	14%	732	(503)	-41%	(350)	-32%	
Net operating income from continuing operations (NOI)	795,011	894,621	99,610	13%	1,027,134	131,507	15%	232,123	29%	
<b>Other expenses:</b>										
Interest expense	1,745	23,322	21,577	1237%	38,460	15,138	65%	36,715	2104%	
Loss (gain) on derivatives, net	96	4,877	4,781	4980%	(1,770)	(6,647)	-136%	(1,866)	-1944%	
Depreciation and amortization	223,921	249,913	25,992	12%	273,296	23,383	9%	49,375	22%	
Transaction costs	35,705	24,426	(11,279)	-32%	45,146	20,720	85%	9,441	26%	
Loss (gain) on extinguishment of debt, net	2,405	40	(2,365)	-98%	98	58	145%	(2,307)	-96%	
Provision for loan losses	27,008	2,110	(24,898)	-92%	-	(2,110)	-100%	(27,008)	-100%	
Other expenses	-	-	-	n/a	8,825	8,825	n/a	8,825	n/a	
	290,880	304,688	13,808	5%	364,055	59,367	19%	73,175	25%	
Income from continuing operations before income taxes and income (loss) from unconsolidated entities	504,131	589,933	85,802	17%	663,079	73,146	12%	158,948	32%	
Income tax benefit (expense)	(2,852)	(1,817)	1,035	-36%	6,141	7,958	-438%	8,993	-315%	
Income (loss) from unconsolidated entities	(33)	5,035	5,068	n/a	5,423	388	8%	5,456	-16533%	
Income from continuing operations	501,246	593,151	91,905	18%	674,643	81,492	14%	173,397	35%	
<b>Discontinued operations:</b>										
Gain (loss) on sales of properties, net	112,309	56,625	(55,684)	-50%	6,411	(50,214)	-89%	(105,898)	-94%	
Impairment of assets	(20,612)	-	20,612	-100%	-	-	n/a	20,612	-100%	
Income from discontinued operations, net	38,356	1,117	(37,239)	-97%	724	(393)	-35%	(37,632)	-98%	
Discontinued operations, net	130,053	57,742	(72,311)	-56%	7,135	(50,607)	-88%	(122,918)	-95%	
Gain (loss) on real estate dispositions, net	-	-	-	n/a	146,205	146,205	n/a	146,205	n/a	
Net income	631,299	650,893	19,594	3%	827,983	177,090	27%	196,684	31%	
Less: Net income attributable to noncontrolling interests	511	1,558	1,047	205%	1,874	316	20%	1,363	267%	
Net income attributable to common stockholders	\$ 630,788	\$ 649,335	\$ 18,547	3%	\$ 826,109	\$ 176,774	27%	\$ 195,321	31%	

The increase in rental income is primarily attributable to the acquisitions of new properties, the transition of 38 properties from our seniors housing operating segment and the conversion of newly constructed seniors housing triple-net properties from which we receive rent. Certain of our leases contain annual rental escalators that are contingent upon changes in the Consumer Price Index and/or changes in the gross operating revenues of the tenant's properties. These escalators are not fixed, so no straight-line rent is recorded; however, rental income is recorded based on the contractual cash rental payments due for the period. If gross operating revenues at our facilities and/or the Consumer Price Index do not increase, a portion of our revenues may not continue to increase. Sales of real property would offset revenue increases and, to the extent that they exceed new acquisitions, could result in decreased revenues. Our leases could renew above or below current rent rates, resulting in an increase or decrease in rental income. For the three months ended December 31, 2014, we had no lease renewals but we had 12 leases with rental rate increasers ranging from 0.14% to 0.33% in our seniors housing triple-net portfolio. The increase in interest income is attributable to investments in new loans and draws on existing loans in the current year (see Note 6 to our consolidated financial statements for additional information).

During the year ended December 31, 2014, we completed four seniors housing triple-net construction projects representing \$71,569,000 or \$185,896 per bed/unit plus expansion projects totaling \$18,053,000. The following is a summary of seniors housing triple-net construction projects pending as of December 31, 2014 (dollars in thousands):

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Location	Units/Beds	Commitment	Balance	Est. Completion
Upper Providence, PA	96	\$ 29,030	\$ 22,718	2Q15
Mahwah, NJ	96	28,259	16,208	2Q15
Haddonfield, NJ	52	18,815	11,323	2Q15
Derby, England	74	11,501	6,885	2Q15
Edmond, OK	142	24,500	3,007	1Q16
Carrollton, TX	104	18,900	3,063	1Q16
Bracknell, England	64	15,671	6,281	2Q16
Piscataway, NJ	124	30,600	15,067	4Q15
Frederick, MD	130	19,000	11,030	4Q15
Raleigh, NC	225	93,000	17,827	4Q16
Total	1,107	\$ 289,276	\$ 113,409	

Total interest expense represents secured debt interest expense and interest expense on capital lease obligations offset by interest allocated to discontinued operations. The change in secured debt interest expense is due to the net effect and timing of assumptions, segment transitions, extinguishments and principal amortizations. The following is a summary of our seniors housing triple-net secured debt principal activity (dollars in thousands):

	Year Ended December 31, 2012		Year Ended December 31, 2013		Year Ended December 31, 2014	
	Amount	Weighted Avg. Interest Rate	Amount	Weighted Avg. Interest Rate	Amount	Weighted Avg. Interest Rate
Beginning balance	\$ 259,000	5.105%	\$ 218,741	5.393%	\$ 587,136	5.394%
Debt transitioned	-	0.000%	367,997	5.298%	-	0.000%
Debt issued	9,387	4.080%	13,800	5.480%	-	0.000%
Debt assumed	83,002	5.304%	9,578	5.582%	120,352	5.404%
Debt extinguished	(128,818)	4.743%	(16,482)	3.304%	(22,970)	6.235%
Foreign currency	-	0.000%	-	0.000%	(2,180)	5.317%
Principal payments	(3,830)	5.556%	(6,498)	5.698%	(11,569)	5.564%
Ending balance	\$ 218,741	5.393%	\$ 587,136	5.394%	\$ 670,769	5.337%
Monthly averages	\$ 216,314	5.254%	\$ 339,129	5.394%	\$ 596,941	5.381%

The change in loss on debt extinguishment is attributable to the volume of debt payoffs each year. Derivative gains and losses are related to certain foreign currency forward exchange contracts related to properties acquired. Please refer to Note 11 to our consolidated financial statements for further discussion.

Depreciation and amortization increased primarily as a result of new property acquisitions and the conversions of newly constructed properties. 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, and termination of pre-existing relationships computed based on the fair value of the assets acquired), lease termination fees and other similar costs.

The increase in other expenses is primarily related to the reversal of the indemnification asset recorded in connection with the Genesis acquisition. An income tax benefit was recorded in the same amount to reverse the unrecognized tax benefits related to the transaction. Please refer to Note 18 to our consolidated financial statements for further discussion.

Changes in gains on sales of properties are related to the volume of property sales and the sales prices. We recognized impairment losses on certain held-for-sale properties in prior years as the fair value less estimated costs to sell exceeded our carrying values. Please refer to Note 5 to our consolidated financial statements for further discussion. The following illustrates the reclassification impact as a result of classifying the properties sold prior to or held for sale at December 31, 2014 as discontinued operations for the periods presented (dollars in thousands):



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	Year Ended December 31,		
	2012	2013	2014
Rental income	\$ 71,044	\$ 8,987	\$ 881
Expenses:			
Interest expense	13,723	2,566	157
Property operating expenses	215	-	-
Provision for depreciation	18,750	5,304	-
Income (loss) from discontinued operations, net	<u>\$ 38,356</u>	<u>\$ 1,117</u>	<u>\$ 724</u>

During the year ended December 31, 2012, we wrote off one loan related to an entrance fee community. During the year ended December 31, 2013, we wrote off one loan related to an active adult community. During the year ended December 31, 2014, we did not record a provision for loan loss or have any loan write-offs. The provision for loan losses is related to our critical accounting estimate for the allowance for loan losses and is discussed in "Critical Accounting Policies" and Note 6 to our consolidated financial statements.

A portion of our seniors housing triple-net properties were formed through partnerships. Income or loss from unconsolidated entities represents our share of net income or losses from partnerships where we are the noncontrolling partner. Net income attributable to noncontrolling interests represents our partners' share of net income relating to those partnerships where we are the controlling partner.

**Seniors Housing Operating**

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

	Year Ended		One Year Change		Year Ended		One Year Change		Two Year Change	
	December 31, 2012	December 31, 2013	\$	%	December 31, 2014	\$	%	\$	%	
SSCNOI <sup>(1)</sup>	\$ 140,968	\$ 146,624	\$ 5,656	4%	\$ 156,072	\$ 9,448	6%	\$ 15,104	11%	
NOI attributable to non same store properties <sup>(2)</sup>	91,056	381,539	290,483	319%	475,191	93,652	25%	384,135	422%	
NOI	<u>\$ 232,024</u>	<u>\$ 528,163</u>	<u>\$ 296,139</u>	<u>128%</u>	<u>\$ 631,263</u>	<u>\$ 103,100</u>	<u>20%</u>	<u>\$ 399,239</u>	<u>172%</u>	

(1) Due to increases in cash revenues (described below) related to 74 same store properties.

(2) Primarily due to the acquisition of 221 properties subsequent to January 1, 2012 and the transition of 38 properties to our seniors housing triple-net segment on September 1, 2013.

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

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	Year Ended		One Year Change		Year Ended		One Year Change		Two Year Change	
	December 31,	December 31,			December 31,					
	2012	2013	\$	%	2014	\$	%	\$	%	
<b>Revenues:</b>										
Resident fees and services	\$ 697,494	\$ 1,616,290	\$ 918,796	132%	\$ 1,892,237	\$ 275,947	17%	\$ 1,194,743	171%	
Interest income	6,208	757	(5,451)	-88%	2,119	1,362	180%	(4,089)	-66%	
Other income	-	355	355	n/a	3,215	2,860	806%	3,215	n/a	
	703,702	1,617,402	913,700	130%	1,897,571	280,169	17%	1,193,869	170%	
Property operating expenses	471,678	1,089,239	617,561	131%	1,266,308	177,069	16%	794,630	168%	
Net operating income from continuing operations (NOI)	232,024	528,163	296,139	128%	631,263	103,100	20%	399,239	172%	
<b>Other expenses:</b>										
Interest expense	67,524	92,148	24,624	36%	113,099	20,951	23%	45,575	67%	
Loss (gain) on derivatives, net	(1,921)	(407)	1,514	-79%	275	682	-168%	2,196	-114%	
Depreciation and amortization	165,798	478,007	312,209	188%	418,199	(59,808)	-13%	252,401	152%	
Transaction costs	12,756	107,066	94,310	739%	16,880	(90,186)	-84%	4,124	32%	
Loss (gain) on extinguishment of debt, net	(2,697)	(3,372)	(675)	25%	383	3,755	-111%	3,080	-114%	
Other expenses	-	-	-	n/a	1,437	1,437	n/a	1,437	n/a	
	241,460	673,442	431,982	179%	550,273	(123,169)	-18%	308,813	128%	
(Loss) income from continuing operations before income from unconsolidated entities	(9,436)	(145,279)	(135,843)	1440%	80,990	226,269	-156%	90,426	-958%	
Income tax expense	(1,086)	(5,337)	(4,251)	391%	(3,047)	2,290	-43%	(1,961)	181%	
(Loss) income from unconsolidated entities	(6,364)	(22,695)	(16,331)	257%	(38,204)	(15,509)	68%	(31,840)	500%	
Net income (loss)	(16,886)	(173,311)	(156,425)	926%	39,739	213,050	-123%	56,625	-335%	
Less: Net income (loss) attributable to noncontrolling interests	(3,015)	(8,639)	(5,624)	187%	(2,335)	6,304	-73%	680	-23%	
Net income (loss) attributable to common stockholders	\$ (13,871)	\$ (164,672)	\$ (150,801)	1087%	\$ 42,074	\$ 206,746	-126%	\$ 55,945	-403%	

Fluctuations in revenues and property operating expenses are primarily a result of acquisitions subsequent to January 1, 2012, partially offset by the transition of 38 properties to seniors housing triple-net on September 1, 2013. Interest income for the years ended December 31, 2012 and 2013 relates to the Sunrise loan funded during the three months ended December 31, 2012 and acquired in January 2013 (please refer to Note 6 to our consolidated financial statements for additional information). The fluctuations in depreciation and amortization are due to the net impact of 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. Losses from unconsolidated entities are primarily attributable to depreciation and amortization of short-lived intangible assets related to our investments in unconsolidated joint ventures with Chartwell in 2012, Sunrise in 2013 and Senior Resource Group in 2014.

The following is a summary of our seniors housing operating construction projects, excluding expansions, pending as of December 31, 2014 (dollars in thousands):

Location	Units/Beds	Commitment	Balance	Est. Completion
Edgbaston, England	70	\$ 20,820	\$ 19,571	2Q15
Camberley, England	102	21,613	11,142	4Q15
Total	172	\$ 42,433	\$ 30,713	

Interest expense represents secured debt interest expense as well as interest expense related to our Canadian-denominated unsecured term credit facility and Sterling-denominated senior unsecured notes. The increases in interest expense are attributed primarily to the £550,000,000 Sterling-dominated senior unsecured notes issued in November 2013 and the £500,000,000 Sterling-dominated senior unsecured notes issued in November 2014. Please refer to Note 10 to our consolidated financial statements for additional information. The following is a summary of our seniors housing operating property secured debt principal activity (dollars in thousands):

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	Year Ended December 31, 2012		Year Ended December 31, 2013		Year Ended December 31, 2014	
	Amount	Weighted Avg.	Amount	Weighted Avg.	Amount	Weighted Avg.
		Interest Rate		Interest Rate		Interest Rate
Beginning balance	\$ 1,318,599	4.665%	\$ 1,369,526	4.874%	\$ 1,714,714	4.622%
Debt issued	148,031	4.220%	75,408	4.891%	109,503	3.374%
Debt assumed	115,371	5.512%	1,228,706	4.063%	18,484	4.359%
Debt extinguished	(193,962)	4.395%	(548,876)	3.597%	(114,793)	3.626%
Debt transitioned	-	0.000%	(367,997)	5.298%	-	0.000%
Foreign currency	187	5.624%	(10,361)	4.013%	(39,379)	3.727%
Principal payments	(18,700)	4.850%	(31,692)	4.643%	(33,998)	4.296%
Ending balance	<u>\$ 1,369,526</u>	<u>4.874%</u>	<u>\$ 1,714,714</u>	<u>4.622%</u>	<u>\$ 1,654,531</u>	<u>4.422%</u>
Monthly averages	\$ 1,366,758	4.866%	\$ 1,723,122	4.820%	\$ 1,657,416	4.515%

The fluctuations in gains/losses on debt extinguishments is primarily attributable the volume of extinguishments and terms of the related secured debt. Derivative gains relate primarily to foreign currency forward exchange contracts entered into in conjunction with international investments made during the respective years. Please refer to Note 11 to our consolidated financial statements for further discussion.

Transaction costs 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 similar costs. The change in transaction costs from year to year is primarily a function of investment volume. The majority of our seniors housing operating properties are formed through partnership interests. Net income attributable to noncontrolling interests represents our partners' share of net income or loss related to those partnerships where we are the controlling partner.

**Medical Facilities**

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

	Year Ended		One Year Change		Year Ended		One Year Change		Two Year Change	
	December 31, 2012	December 31, 2013	\$	%	December 31, 2014	\$	%	\$	%	
SSCNOI <sup>(1)</sup>	\$ 152,005	\$ 154,050	\$ 2,045	1%	\$ 156,511	\$ 2,461	2%	\$ 4,506	3%	
Non-cash NOI attributable to same store properties <sup>(1)</sup>	5,720	5,248	(472)	-8%	3,290	(1,958)	-37%	(2,430)	-42%	
NOI attributable to non same store properties <sup>(2)</sup>	51,383	91,417	40,034	78%	121,313	29,896	33%	69,930	136%	
NOI	<u>\$ 209,108</u>	<u>\$ 250,715</u>	<u>\$ 41,607</u>	<u>20%</u>	<u>\$ 281,114</u>	<u>\$ 30,399</u>	<u>12%</u>	<u>\$ 72,006</u>	<u>34%</u>	

(1) Due to increases in cash and non-cash revenues (described below) related to 138 same store properties.

(2) Primarily due to the acquisition of 74 properties and conversions of construction projects into 19 revenue-generating properties subsequent to January 1, 2012.

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

	Year Ended		One Year Change		Year Ended		One Year Change		Two Year Change	
	December 31,	December 31,	\$	%	December 31,	\$	%	\$	%	
	2012	2013			2014					
<b>Revenues:</b>										
Rental income	\$ 300,246	\$ 361,451	\$ 61,205	20%	\$ 413,129	\$ 51,678	14%	\$ 112,883	38%	
Interest income	2,203	3,692	1,489	68%	3,293	(399)	-11%	1,090	49%	
Other income	1,888	1,911	23	1%	1,010	(901)	-47%	(878)	-47%	
	304,337	367,054	62,717	21%	417,432	50,378	14%	113,095	37%	
<b>Property operating expenses</b>	95,229	116,339	21,110	22%	136,318	19,979	17%	41,089	43%	
Net operating income from continuing operations (NOI)	209,108	250,715	41,607	20%	281,114	30,399	12%	72,006	34%	
<b>Other expenses:</b>										
Interest expense	28,878	36,823	7,945	28%	32,904	(3,919)	-11%	4,026	14%	
Depreciation and amortization	116,501	137,880	21,379	18%	152,635	14,755	11%	36,134	31%	
Transaction costs	13,148	1,909	(11,239)	-85%	7,512	5,603	294%	(5,636)	-43%	
Loss (gain) on extinguishment of debt, net	(483)	-	483	-100%	405	405	n/a	888	n/a	
	158,044	176,612	18,568	12%	193,456	16,844	10%	35,412	22%	
Income from continuing operations before income taxes and income (loss) from unconsolidated entities	51,064	74,103	23,039	45%	87,658	13,555	18%	36,594	72%	
Income tax expense	(2,381)	(270)	2,111	-89%	(1,827)	(1,557)	577%	554	-23%	
Income (loss) from unconsolidated entities	8,879	9,473	594	7%	5,355	(4,118)	-43%	(3,524)	-40%	
Income from continuing operations	57,562	83,306	25,744	45%	91,186	7,880	9%	33,624	58%	
<b>Discontinued operations:</b>										
Gain (loss) on sales of properties, net	(11,759)	(7,487)	4,272	-36%	-	7,487	-100%	11,759	-100%	
Impairment of assets	(8,676)	-	8,676	-100%	-	-	n/a	8,676	-100%	
Income (loss) from discontinued operations, net	4,440	1,458	(2,982)	-67%	-	(1,458)	-100%	(4,440)	-100%	
Discontinued operations, net	(15,995)	(6,029)	9,966	-62%	-	6,029	-100%	15,995	-100%	
Gain (loss) on real estate dispositions, net	-	-	-	n/a	906	906	n/a	906	n/a	
Net income (loss)	41,567	77,277	35,710	86%	92,092	14,815	19%	50,525	122%	
Less: Net income (loss) attributable to noncontrolling interests	89	310	221	248%	608	298	96%	519	583%	
Net income (loss) attributable to common stockholders	\$ 41,478	\$ 76,967	\$ 35,489	86%	\$ 91,484	\$ 14,517	19%	\$ 50,006	121%	

The increase in rental income is primarily attributable to the acquisitions of new properties and the conversion of newly constructed medical facility properties 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 December 31, 2014, our consolidated medical office building portfolio signed 72,159 square feet of new leases and 251,399 square feet of renewals. The weighted-average term of these leases was six years, with a rate of \$26.25 per square foot and tenant improvement and lease commission costs of \$21.23 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%.

During the year ended December 31, 2014, we completed seven medical office building construction projects representing \$127,290,000 or \$243 per square foot. The following is a summary of medical office building construction projects pending as of December 31, 2014 (dollars in thousands):

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Location	Square Feet	Commitment	Balance	Est. Completion
Houston, TX	51,057	\$ 17,600	\$ 12,801	1Q15
Bel Air, MD	99,184	26,386	2,391	1Q16
Total	150,241	\$ 43,986	\$ 15,192	

Total interest expense represents secured debt interest expense offset by interest allocated to discontinued operations. The change in secured debt interest expense is primarily due to the net effect and timing of assumptions, extinguishments and principal amortizations. The following is a summary of our medical facility secured debt principal activity (dollars in thousands):

	Year Ended December 31, 2012		Year Ended December 31, 2013		Year Ended December 31, 2014	
	Amount	Weighted Avg. Interest Rate	Amount	Weighted Avg. Interest Rate	Amount	Weighted Avg. Interest Rate
Beginning balance	\$ 520,066	5.981%	\$ 713,720	5.950%	\$ 700,427	5.999%
Debt assumed	246,371	5.888%	52,574	6.126%	66,113	3.670%
Debt extinguished	(37,622)	5.858%	(49,017)	5.357%	(141,796)	5.567%
Principal payments	(15,095)	6.180%	(16,850)	6.193%	(15,476)	5.797%
Ending balance	<u>\$ 713,720</u>	<u>5.950%</u>	<u>\$ 700,427</u>	<u>5.999%</u>	<u>\$ 609,268</u>	<u>5.838%</u>
Monthly averages	\$ 669,753	5.952%	\$ 708,107	5.956%	\$ 626,797	5.928%

The increases in property operating expenses and depreciation and amortization are primarily attributable to acquisitions and construction conversions of new medical facilities for which we incur certain property operating expenses offset by discontinued operations.

Transaction costs 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 similar costs. The fluctuations in transaction costs are primarily due to acquisition volume fluctuations in the relevant years.

Income from unconsolidated entities represents our share of net income or losses 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 decrease is primarily attributable to lower occupancy in the current year.

Changes in gains/losses on sales of properties are related to volume of property sales and the sales prices. We recognized impairment losses on certain held for sale properties in prior years as the fair value less estimated costs to sell exceeded our carrying values. Please refer to Note 5 to our consolidated financial statements for further discussion. The following illustrates the reclassification impact as a result of classifying the properties sold prior to or held for sale at December 31, 2014 as discontinued operations for the periods presented (dollars in thousands):

	Year Ended December 31,	
	2012	2013
Rental income	\$ 25,334	\$ 9,390
Expenses:		
Interest expense	8,013	1,681
Property operating expenses	4,267	3,396
Provision for depreciation	8,614	2,855
Income (loss) from discontinued operations, net	<u>\$ 4,440</u>	<u>\$ 1,458</u>

A portion of our medical facility properties were formed through partnerships. Net income attributable to noncontrolling interests represents our partners' share of net income or loss relating to those partnerships where we are the controlling partner.

*Non-Segment/Corporate*

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

	Year Ended		One Year Change		Year Ended		One Year Change		Two Year Change	
	December 31, 2012	December 31, 2013	\$	%	December 31, 2014	\$	%	\$	%	
Revenues:										
Other income	\$ 912	\$ 296	\$ (616)	-68%	\$ 677	\$ 381	129%	\$ (235)	-26%	
Expenses:										
Interest expense	263,418	306,067	42,649	16%	296,576	(9,491)	-3%	33,158	13%	
General and administrative	97,341	108,318	10,977	11%	142,943	34,625	32%	45,602	47%	
Loss (gain) on extinguishments of debt, net	-	2,423	2,423	n/a	8,672	6,249	258%	8,672	n/a	
	<u>360,759</u>	<u>416,808</u>	<u>56,049</u>	<u>16%</u>	<u>448,191</u>	<u>31,383</u>	<u>8%</u>	<u>87,432</u>	<u>24%</u>	
Loss from continuing operations before income taxes	(359,847)	(416,512)	(56,665)	16%	(447,514)	(31,002)	7%	(87,667)	24%	
Income tax expense	(1,293)	(67)	1,226	-95%	-	67	-100%	1,293	-100%	
Net loss	<u>(361,140)</u>	<u>(416,579)</u>	<u>(55,439)</u>	<u>15%</u>	<u>(447,514)</u>	<u>(30,935)</u>	<u>7%</u>	<u>(86,374)</u>	<u>24%</u>	
Preferred stock dividends	69,129	66,336	(2,793)	-4%	65,408	(928)	-1%	(3,721)	-5%	
Preferred stock redemption charge	6,242	-	(6,242)	-100%	-	-	n/a	(6,242)	-100%	
Net loss attributable to common stockholders	<u>\$ (436,511)</u>	<u>\$ (482,915)</u>	<u>\$ (46,404)</u>	<u>11%</u>	<u>\$ (512,922)</u>	<u>\$ (30,007)</u>	<u>6%</u>	<u>\$ (76,411)</u>	<u>18%</u>	

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

	Year Ended		One Year Change		Year Ended		One Year Change		Two Year Change	
	December 31, 2012	December 31, 2013	\$	%	December 31, 2014	\$	%	\$	%	
Senior unsecured notes	\$ 249,564	\$ 279,617	\$ 30,053	12%	\$ 280,037	\$ 420	0%	\$ 30,473	12%	
Secured debt	557	495	(62)	-11%	460	(35)	-7%	(97)	-17%	
Primary unsecured credit facility	11,769	15,498	3,729	32%	8,914	(6,584)	-42%	(2,855)	-24%	
Capitalized interest	(9,777)	(6,700)	3,077	-31%	(7,150)	(450)	7%	2,627	-27%	
Interest SWAP savings	(96)	(14)	82	-85%	(14)	(0)	3%	82	-85%	
Loan expense	11,401	17,171	5,770	51%	14,329	(2,842)	-17%	2,928	26%	
Totals	<u>\$ 263,418</u>	<u>\$ 306,067</u>	<u>\$ 42,649</u>	<u>16%</u>	<u>\$ 296,576</u>	<u>\$ (9,491)</u>	<u>-3%</u>	<u>\$ 33,158</u>	<u>13%</u>	

The change in interest expense on senior unsecured notes is due to the net effect of issuances and extinguishments, excluding our Sterling-denominated senior unsecured notes, both of which are in our seniors housing operating segment. Please refer to Note 10 to our 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. The change in capitalized interest is due to both changes in construction fundings and in our weighted-average cost of financing. Please see Note 11 to our 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 our primary unsecured credit facility is due primarily to the net effect and timing of draws, paydowns and variable interest rate changes. Please refer to Note 9 of our consolidated financial statements for additional information regarding our primary unsecured credit facility.

General and administrative expenses as a percentage of consolidated revenues (including revenues from discontinued operations)

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for the years ended December 31, 2014, 2013 and 2012 were 4.27%, 3.74% and 5.12%, respectively. The increase in general and administrative expenses is primarily related to costs associated with our initiatives to attract and retain appropriate personnel to achieve our business objectives and \$19,688,000 of CEO transition costs. The changes in percent of revenue are primarily related to the increasing revenue base as a result of our acquisitions. The loss on extinguishment of debt is due to the refinancing of our primary unsecured credit facility and the redemption of convertible senior notes. Please see Notes 9 and 13 to our consolidated financial statements for additional information. The changes in preferred stock dividends and redemption charge are primarily attributable to the net effect of issuances, redemptions and conversions. Please see Note 13 to our consolidated financial statements for additional information.

### Other

#### *Non-GAAP Financial Measures*

We believe that net income, as defined by U.S. GAAP, is the most appropriate earnings measurement. However, we consider FFO to be a useful supplemental measure of our operating performance. Historical cost accounting for real estate assets in accordance with U.S. GAAP implicitly assumes that the value of real estate assets diminishes predictably over time as evidenced by the provision for depreciation. However, since real estate values have historically risen or fallen with market conditions, many industry investors and analysts have considered presentations of operating results for real estate companies that use historical cost accounting to be insufficient. In response, the National Association of Real Estate Investment Trusts ("NAREIT") created FFO as a supplemental measure of operating performance for REITs that excludes historical cost depreciation from net income. FFO, as defined by NAREIT, means net income 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 full three year reporting period. Any properties acquired, developed, transitioned or classified in discontinued operations during that period are excluded from the same store amounts. We believe NOI and SSCNOI provide investors relevant and useful information because they measure 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 credit facility 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 unsecured credit

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facility 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.

	Year Ended December 31,		
	2012	2013	2014
<b>FFO Reconciliation:</b>			
Net income attributable to common stockholders	\$ 221,884	\$ 78,714	\$ 446,745
Depreciation and amortization	533,585	873,960	844,130
Impairment of assets	29,287	-	-
Loss (gain) on sales of properties	(100,549)	(49,138)	(153,522)
Noncontrolling interests	(21,058)	(36,304)	(37,852)
Unconsolidated entities	34,408	57,652	74,580
Funds from operations	\$ 697,557	\$ 924,884	\$ 1,174,081
Average common shares outstanding:			
Basic	224,343	276,929	306,272
Diluted	225,953	278,761	307,747
Per share data:			
Net income attributable to common stockholders			
Basic	\$ 0.99	\$ 0.28	\$ 1.46
Diluted	0.98	0.28	1.45
Funds from operations			
Basic	\$ 3.11	\$ 3.34	\$ 3.83
Diluted	3.09	3.32	3.82



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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.

	Year Ended December 31,		
	2012	2013	2014
<b>Adjusted EBITDA Reconciliation:</b>			
Net income	\$ 294,840	\$ 138,280	\$ 512,300
Interest expense	383,300	462,606	481,196
Income tax expense (benefit)	7,612	7,491	(1,267)
Depreciation and amortization	533,585	873,960	844,130
Stock-based compensation expense	18,521	20,177	32,075
Provision for loan losses	27,008	2,110	-
Loss (gain) on extinguishment of debt	(775)	(909)	9,558
Adjusted EBITDA	\$ 1,264,091	\$ 1,503,715	\$ 1,877,992
<b>Adjusted Interest Coverage Ratio:</b>			
Interest expense	\$ 383,300	\$ 462,606	\$ 481,196
Capitalized interest	9,777	6,700	7,150
Non-cash interest expense	(11,395)	(4,044)	(2,427)
Total interest	381,682	465,262	485,919
Adjusted EBITDA	\$ 1,264,091	\$ 1,503,715	\$ 1,877,992
Adjusted interest coverage ratio	3.31x	3.23x	3.86x
<b>Adjusted Fixed Charge Coverage Ratio:</b>			
Interest expense	\$ 383,300	\$ 462,606	\$ 481,196
Capitalized interest	9,777	6,700	7,150
Non-cash interest expense	(11,395)	(4,044)	(2,427)
Secured debt principal payments	38,744	56,205	62,280
Preferred dividends	69,129	66,336	65,408
Total fixed charges	489,555	587,803	613,607
Adjusted EBITDA	\$ 1,264,091	\$ 1,503,715	\$ 1,877,992
Adjusted fixed charge coverage ratio	2.58x	2.56x	3.06x

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

	Year Ended December 31,		
	2012	2013	2014
<b>NOI Reconciliation:</b>			
Total revenues:			
Seniors housing triple-net	\$ 796,093	\$ 895,856	\$ 1,027,866
Seniors housing operating	703,702	1,617,402	1,897,571
Medical facilities	304,337	367,054	417,432
Non-segment/corporate	912	296	677
Total revenues	1,805,044	2,880,608	3,343,546
Property operating expenses:			
Seniors housing triple-net	1,082	1,235	732
Seniors housing operating	471,678	1,089,239	1,266,308
Medical facilities	95,229	116,339	136,318
Total property operating expenses	567,989	1,206,813	1,403,358
Net operating income:			
Seniors housing triple-net	795,011	894,621	1,027,134
Seniors housing operating	232,024	528,163	631,263
Medical facilities	209,108	250,715	281,114
Non-segment/corporate	912	296	677
Net operating income from continuing operations	\$ 1,237,055	\$ 1,673,795	\$ 1,940,188
Reconciling items:			
Interest expense	(361,565)	(458,360)	(481,039)
Gain (loss) on derivatives, net	1,825	(4,470)	1,495
Depreciation and amortization	(506,220)	(865,800)	(844,130)
General and administrative	(97,341)	(108,318)	(142,943)
Transaction costs	(61,609)	(133,401)	(69,538)
Gain (loss) on extinguishment of debt, net	775	909	(9,558)
Other expenses	-	-	(10,262)
Provision for loan losses	(27,008)	(2,110)	-
Income tax benefit (expense)	(7,612)	(7,491)	1,267
Income (loss) from unconsolidated entities	2,482	(8,187)	(27,426)
Income (loss) from discontinued operations, net	114,058	51,713	7,135
Gain (loss) on real estate dispositions, net	-	-	147,111
Preferred dividends	(69,129)	(66,336)	(65,408)
Preferred stock redemption charge	(6,242)	-	-
Loss (income) attributable to noncontrolling interests	2,415	6,770	(147)
	(1,015,171)	(1,595,081)	(1,493,443)
Net income (loss) attributable to common stockholders	\$ 221,884	\$ 78,714	\$ 446,745

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	Year Ended December 31,		
	2012	2013	2014
<b>Same Store Cash NOI Reconciliation:</b>			
Net operating income from continuing operations:			
Seniors housing triple-net	\$ 795,011	\$ 894,621	\$ 1,027,134
Seniors housing operating	232,024	528,163	631,263
Medical facilities	209,108	250,715	281,114
Total	1,236,143	1,673,499	1,939,511
Adjustments:			
Seniors housing triple-net:			
Non-cash NOI on same store properties	(34,176)	(33,747)	(53,136)
NOI attributable to non same store properties	(170,923)	(262,639)	(355,326)
Subtotal	(205,099)	(296,386)	(408,462)
Seniors housing operating:			
NOI attributable to non same store properties	(91,056)	(381,539)	(475,191)
Subtotal	(91,056)	(381,539)	(475,191)
Medical facilities:			
Non-cash NOI on same store properties	(5,720)	(5,248)	(3,290)
NOI attributable to non same store properties	(51,383)	(91,417)	(121,313)
Subtotal	(57,103)	(96,665)	(124,603)
Total	(353,258)	(774,590)	(1,008,256)
Same store cash net operating income:			
Seniors housing triple-net	589,912	598,235	618,672
Seniors housing operating	140,968	146,624	156,072
Medical facilities	152,005	154,050	156,511
Total	\$ 882,885	\$ 898,909	\$ 931,255

**Same Store Cash NOI Property Reconciliation:**

Total properties	1,260
Acquisitions	(490)
Developments	(32)
Disposals/Held-for-sale	(21)
Segment transitions	(40)
Other <sup>(1)</sup>	(12)
Same store properties	665

(1) Includes nine land parcels and three loans.

**Critical Accounting Policies**

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

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

Management has discussed the development and selection of its critical accounting policies with the Audit Committee of the Board of Directors and the Audit Committee has reviewed the disclosure presented below relating to them. Management believes the current assumptions and other considerations used to estimate amounts reflected in our consolidated financial statements are appropriate and are not reasonably likely to change in the future. However, since these estimates require assumptions to be made that were uncertain at the time the estimate was made, they bear the risk of change. If actual experience differs from the assumptions and other considerations used in estimating amounts reflected in our consolidated financial statements, the resulting changes could have a material adverse effect on our consolidated results of operations, liquidity and/or financial condition. Please refer to Note 1 to our consolidated financial statements for further information on significant accounting policies that impact us. There were no material changes to these policies in 2014.

The following table presents information about our critical accounting policies, as well as the material assumptions used to develop each estimate:

Nature of Critical Accounting Estimate	Assumptions/Approach Used
<p><u>Principles of Consolidation</u></p> <p>The consolidated financial statements include our accounts, the accounts of our wholly-owned subsidiaries and the accounts of joint venture entities in which we own a majority voting interest with the ability to control operations and where no substantive participating rights or substantive kick out rights have been granted to the noncontrolling interests. In addition, we consolidate those entities deemed to be variable interest entities (VIEs) in which we are determined to be the primary beneficiary. All material intercompany transactions and balances have been eliminated in consolidation.</p>	<p>We make judgments about which entities are VIEs based on an assessment of whether (i) the equity investors as a group, if any, do not have a controlling financial interest, or (ii) the equity investment at risk is insufficient to finance that entity's activities without additional subordinated financial support. We make judgments with respect to our level of influence or control of an entity and whether we are (or are not) the primary beneficiary of a VIE. Consideration of various factors includes, but is not limited to, our ability to direct the activities that most significantly impact the entity's economic performance, our form of ownership interest, our representation on the entity's governing body, the size and seniority of our investment, our ability and the rights of other investors to participate in policy making decisions, replace the manager and/or liquidate the entity, if applicable. Our ability to correctly assess our influence or control over an entity at inception of our involvement or on a continuous basis when determining the primary beneficiary of a VIE affects the presentation of these entities in our consolidated financial statements. If we perform a primary beneficiary analysis at a date other than at inception of the variable interest entity, our assumptions may be different and may result in the identification of a different primary beneficiary.</p>
<p><u>Income Taxes</u></p> <p>As part of the process of preparing our consolidated financial statements, significant management judgment is required to evaluate our compliance with REIT requirements.</p>	<p>Our determinations are based on interpretation of tax laws, and our conclusions may have an impact on the income tax expense recognized. Adjustments to income tax expense may be required as a result of: (i) audits conducted by federal and state tax authorities, (ii) our ability to qualify as a REIT, (iii) the potential for built-in-gain recognized related to prior-tax-free acquisitions of C corporations and (iv) changes in tax laws. Adjustments required in any given period are included in income.</p>

**Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations**

Nature of Critical Accounting Estimate	Assumptions/Approach Used
<p><u>Business Combinations</u></p> <p>Real property developed by us is recorded at cost, including the capitalization of construction period interest. The cost of real property acquired is allocated to net tangible and identifiable intangible assets based on their respective fair values. Tangible assets primarily consist of land, buildings and improvements. The remaining purchase price is allocated among identifiable intangible assets primarily consisting of the above or below market component of in-place leases and the value of in-place leases. The total amount of other intangible assets acquired is further allocated to in-place lease values and customer relationship values based on management's evaluation of the specific characteristics of each tenant's lease and the Company's overall relationship with that respective tenant.</p>	<p>We make estimates as part of our allocation of the purchase price of acquisitions to the various components of the acquisition based upon the relative fair value of each component. The most significant components of our allocations are typically the allocation of fair value to the buildings as-if-vacant, land and in-place leases. In the case of the fair value of buildings and the allocation of value to land and other intangibles, our estimates of the values of these components will affect the amount of depreciation and amortization we record over the estimated useful life of the property acquired or the remaining lease term. In the case of the value of in-place leases, we make our best estimates based on our evaluation of the specific characteristics of each tenant's lease. Factors considered include estimates of carrying costs during hypothetical expected lease-up periods, market conditions and costs to execute similar leases. Our assumptions affect the amount of future revenue that we will recognize over the remaining lease term for the acquired in-place leases.</p> <p>We compute depreciation and amortization on our properties using the straight-line method based on their estimated useful lives which range from 15 to 40 years for buildings and five to 15 years for improvements. Amortization periods for intangibles are based on the remaining life of the lease.</p>
<p><u>Allowance for Loan Losses</u></p> <p>We maintain an allowance for loan losses in accordance with U.S. GAAP. The allowance for loan losses is maintained at a level believed adequate to absorb potential losses in our loans receivable. The determination of the allowance is based on a quarterly evaluation of all outstanding loans. If this evaluation indicates that there is a greater risk of loan charge-offs, additional allowances or placement on non-accrual status may be required. A loan is impaired when, based on current information and events, it is probable that we will be unable to collect all amounts due as scheduled according to the contractual terms of the original loan agreement. Consistent with this definition, all loans on non-accrual are deemed impaired. To the extent circumstances improve and the risk of collectability is diminished, we will return these loans to full accrual status.</p>	<p>The determination of the allowance is based on a quarterly evaluation of all outstanding loans, including general economic conditions and estimated collectability of loan payments and principal. We evaluate the collectability of our loans receivable based on a combination of factors, including, but not limited to, delinquency status, historical loan charge-offs, financial strength of the borrower and guarantors and value of the underlying property.</p>
<p><u>Fair Value of Derivative Instruments</u></p> <p>The valuation of derivative instruments is accounted for in accordance with U.S. GAAP, which requires companies to record derivatives at fair market value on the balance sheet as assets or liabilities.</p>	<p>The valuation of derivative instruments requires us to make estimates and judgments that affect the fair value of the instruments. Fair values of our forward exchange contracts are estimated using pricing models that consider forward currency spot rates, forward trade rates and discount rates. Fair values of our interest rate swaps are estimated by utilizing pricing models that consider forward yield curves, discount rates and counterparty credit risk. Such amounts and their recognition are subject to significant estimates which may change in the future.</p>

**Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations**

<p align="center"><b>Nature of Critical Accounting Estimate</b></p>	<p align="center"><b>Assumptions/Approach Used</b></p>
<p><u>Revenue Recognition</u></p> <p>Revenue is recorded in accordance with U.S. GAAP, which requires that revenue be recognized after four basic criteria are met. These four criteria include persuasive evidence of an arrangement, the rendering of service, fixed and determinable income and reasonably assured collectability. If the collectability of revenue is determined incorrectly, the amount and timing of our reported revenue could be significantly affected. Interest income on loans is recognized as earned based upon the principal amount outstanding subject to an evaluation of collectability risk. Substantially all of our operating leases contain fixed and/or contingent escalating rent structures. Leases with fixed annual rental escalators are generally recognized on a straight-line basis over the initial lease period, subject to a collectability assessment. Rental income related to leases with contingent rental escalators is generally recorded based on the contractual cash rental payments due for the period. We recognize resident fees and services, other than move-in fees, monthly as services are provided. Lease agreements with residents generally have a term of one year and are cancelable by the resident with 30 days' notice.</p>	<p>We evaluate the collectability of our revenues and related receivables on an on-going basis. We evaluate collectability based on assumptions and other considerations including, but not limited to, the certainty of payment, payment history, the financial strength of the investment's underlying operations as measured by cash flows and payment coverages, the value of the underlying collateral and guaranties and current economic conditions.</p> <p>If our evaluation indicates that collectability is not reasonably assured, we may place an investment on non-accrual or reserve against all or a portion of current income as an offset to revenue.</p>
<p><u>Impairment of Long-Lived Assets</u></p> <p>We review our long-lived assets for potential impairment in accordance with U.S. GAAP. An impairment charge must be recognized when the carrying value of a long-lived asset is not recoverable. The carrying value is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. If it is determined that a permanent impairment of a long-lived asset has occurred, the carrying value of the asset is reduced to its fair value and an impairment charge is recognized for the difference between the carrying value and the fair value.</p>	<p>The net book value of long-lived assets is reviewed quarterly on a property by property basis to determine if there are indicators of impairment. These indicators may include anticipated operating losses at the property level, the tenant's inability to make rent payments, a decision to dispose of an asset before the end of its estimated useful life and changes in the market that may permanently reduce the value of the property. If indicators of impairment exist, then the undiscounted future cash flows from the most likely use of the property are compared to the current net book value. This analysis requires us to determine if indicators of impairment exist and to estimate the most likely stream of cash flows to be generated from the property during the period the property is expected to be held.</p>

Item 7A. 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 a discussion of the risks associated with potential fluctuations in interest rates and foreign currency exchange rates. For additional information, see "Item 7 — Management's Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Policies" and Notes 11 and 16 to our consolidated financial statements.

We historically borrow on our primary unsecured credit facility 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 primary unsecured credit facility. 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):

	December 31, 2014		December 31, 2013	
	Principal balance	Fair value change	Principal balance	Fair value change
Senior unsecured notes	\$ 7,817,154	\$ (547,358)	\$ 7,421,707	\$ (408,790)
Secured debt	2,673,480	(93,580)	2,787,236	(102,211)
Totals	\$ 10,490,634	\$ (640,938)	\$ 10,208,943	\$ (511,001)

Our variable rate debt, including our unsecured line of credit arrangements, is reflected at fair value. At December 31, 2014, we had \$983,783,000 outstanding related to our variable rate debt. Assuming no changes in outstanding balances, a 1% increase in interest rates would result in increased annual interest expense of \$9,838,000. At December 31, 2013, we had \$1,089,362,000 outstanding related to 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 twelve months ended December 31, 2014, if these exchange rates were to increase or decrease by 100 basis points, our net income from these investments would decrease or increase, as applicable, by less than \$500,000 for the twelve-month period. We seek to mitigate these underlying foreign currency exposures with non-U.S. denominated borrowings and gains and losses on derivative contracts hedging these exposures. If we increase our international presence through investments in, or acquisitions or development of, seniors housing and health care properties outside the United States, we may also decide to transact additional business or borrow funds in currencies other than the U.S. Dollar, 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, excluding cross currency hedge activity (dollars in thousands):

	December 31, 2014		December 31, 2013	
	Carrying value	Fair value change	Carrying value	Fair value change
Foreign currency exchange contracts	\$ 54,247	\$ 4,242	\$ 4,066	\$ (2,964)
Debt designated as hedges	1,851,189	13,000	1,146,596	8,002
Totals	\$ 1,905,436	\$ 17,242	\$ 1,150,662	\$ 5,038

**Item 8. Financial Statements and Supplementary Data**

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Board of Directors and Shareholders of Health Care REIT, Inc.

We have audited the accompanying consolidated balance sheets of Health Care REIT, Inc. as of December 31, 2014 and 2013, and the related consolidated statements of comprehensive income, equity, and cash flows for each of the three years in the period ended December 31, 2014. Our audits also included the financial statement schedules listed in Item 15(a)(2) of this Form 10-K. These financial statements and schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedules based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Health Care REIT, Inc. at December 31, 2014 and 2013, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2014, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedules, when considered in relation to the basic financial statements taken as a whole, present fairly in all material respects the information set forth therein.

As discussed in Note 2 to the consolidated financial statements, the Company changed its method for reporting discontinued operations effective January 1, 2014.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Health Care REIT, Inc.'s internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 20, 2015 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

Toledo, Ohio  
February 20, 2015



	December 31, 2014	December 31, 2013
(In thousands)		
Assets		
Real estate investments:		
Real property owned:		
Land and land improvements	\$ 2,046,541	\$ 1,878,877
Buildings and improvements	21,799,313	20,625,515
Acquired lease intangibles	1,135,936	1,070,754
Real property held for sale, net of accumulated depreciation	323,818	18,502
Construction in progress	186,327	141,085
Gross real property owned	<u>25,491,935</u>	<u>23,734,733</u>
Less accumulated depreciation and amortization	<u>(3,020,908)</u>	<u>(2,386,658)</u>
Net real property owned	22,471,027	21,348,075
Real estate loans receivable	<u>380,169</u>	<u>332,146</u>
Net real estate investments	22,851,196	21,680,221
Other assets:		
Investments in unconsolidated entities	744,151	479,629
Goodwill	68,321	68,321
Deferred loan expenses	69,282	70,875
Cash and cash equivalents	473,726	158,780
Restricted cash	79,697	72,821
Receivables and other assets	727,923	553,310
Total other assets	<u>2,163,100</u>	<u>1,403,736</u>
Total assets	<u>\$ 25,014,296</u>	<u>\$ 23,083,957</u>
Liabilities and equity		
Liabilities:		
Borrowings under primary unsecured credit facility	\$ -	\$ 130,000
Senior unsecured notes	7,766,251	7,379,308
Secured debt	2,977,713	3,058,248
Capital lease obligations	84,049	84,458
Accrued expenses and other liabilities	626,825	640,573
Total liabilities	<u>11,454,838</u>	<u>11,292,587</u>
Redeemable noncontrolling interests	86,409	35,039
Equity:		
Preferred stock	1,006,250	1,017,361
Common stock	328,835	289,461
Capital in excess of par value	14,740,712	12,418,520
Treasury stock	(35,241)	(21,263)
Cumulative net income	2,842,022	2,329,869
Cumulative dividends	(5,635,923)	(4,600,854)
Accumulated other comprehensive income (loss)	(77,009)	(24,531)
Other equity	5,507	6,020
Total Health Care REIT, Inc. stockholders' equity	<u>13,175,153</u>	<u>11,414,583</u>
Noncontrolling interests	297,896	341,748
Total equity	<u>13,473,049</u>	<u>11,756,331</u>
Total liabilities and equity	<u>\$ 25,014,296</u>	<u>\$ 23,083,957</u>

See accompanying notes

**CONSOLIDATED BALANCE SHEETS**  
**HEALTH CARE REIT, INC. AND SUBSIDIARIES**

	Year Ended December 31,		
	2014	2013	2012
<b>Revenues:</b>			
Rental income	\$ 1,405,767	\$ 1,227,589	\$ 1,063,214
Resident fees and services	1,892,237	1,616,290	697,494
Interest income	37,667	32,663	39,065
Other income	7,875	4,066	5,271
Total revenues	<u>3,343,546</u>	<u>2,880,608</u>	<u>1,805,044</u>
<b>Expenses:</b>			
Interest expense	481,039	458,360	361,565
Property operating expenses	1,403,358	1,206,813	567,989
Depreciation and amortization	844,130	865,800	506,220
General and administrative	142,943	108,318	97,341
Transaction costs	69,538	133,401	61,609
Loss (gain) on derivatives, net	(1,495)	4,470	(1,825)
Loss (gain) on extinguishment of debt, net	9,558	(909)	(775)
Provision for loan losses	-	2,110	27,008
Other expenses	10,262	-	-
Total expenses	<u>2,959,333</u>	<u>2,778,363</u>	<u>1,619,132</u>
Income from continuing operations before income taxes and income from unconsolidated entities	384,213	102,245	185,912
Income tax (expense) benefit	1,267	(7,491)	(7,612)
Income (loss) from unconsolidated entities	(27,426)	(8,187)	2,482
Income from continuing operations	<u>358,054</u>	<u>86,567</u>	<u>180,782</u>
<b>Discontinued operations:</b>			
Gain (loss) on sales of properties, net	6,411	49,138	100,549
Impairment of assets	-	-	(29,287)
Income (loss) from discontinued operations, net	724	2,575	42,796
Discontinued operations, net	<u>7,135</u>	<u>51,713</u>	<u>114,058</u>
Gain (loss) on real estate dispositions, net	147,111	-	-
Net income	<u>512,300</u>	<u>138,280</u>	<u>294,840</u>
Less: Preferred stock dividends	65,408	66,336	69,129
Less: Preferred stock redemption charge	-	-	6,242
Less: Net income (loss) attributable to noncontrolling interests <sup>(1)</sup>	147	(6,770)	(2,415)
Net income attributable to common stockholders	<u>\$ 446,745</u>	<u>\$ 78,714</u>	<u>\$ 221,884</u>
<b>Average number of common shares outstanding:</b>			
Basic	306,272	276,929	224,343
Diluted	307,747	278,761	225,953
<b>Earnings per share:</b>			
<b>Basic:</b>			
Income from continuing operations attributable to common stockholders	\$ 1.44	\$ 0.10	\$ 0.48
Discontinued operations, net	0.02	0.19	0.51
Net income attributable to common stockholders*	<u>\$ 1.46</u>	<u>\$ 0.28</u>	<u>\$ 0.99</u>
<b>Diluted:</b>			
Income from continuing operations attributable to common stockholders	\$ 1.43	\$ 0.10	\$ 0.48
Discontinued operations, net	0.02	0.19	0.50
Net income attributable to common stockholders*	<u>\$ 1.45</u>	<u>\$ 0.28</u>	<u>\$ 0.98</u>

\* Amounts may not sum due to rounding

(1) Includes amounts attributable to redeemable noncontrolling interests

See accompanying notes

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

(In thousands, except per share data)

	Year Ended December 31,		
	2014	2013	2012
Net income	\$ 512,300	\$ 138,280	\$ 294,840
Other comprehensive income (loss):			
Unrecognized gain/(loss) on equity investments	389	(173)	403
Unrecognized gain/(loss) on cash flow hedges	4,409	1,898	1,604
Unrecognized actuarial gain/(loss)	(137)	1,522	(226)
Foreign currency translation gain/(loss)	(71,964)	(23,247)	(881)
Total other comprehensive income (loss)	<u>(67,303)</u>	<u>(20,000)</u>	<u>900</u>
Total comprehensive income	444,997	118,280	295,740
Total comprehensive income attributable to noncontrolling interests <sup>(1)</sup>	<u>(14,678)</u>	<u>(13,267)</u>	<u>(2,415)</u>
Total comprehensive income attributable to stockholders	<u>\$ 430,319</u>	<u>\$ 105,013</u>	<u>\$ 293,325</u>

(1) Includes amounts attributable to redeemable noncontrolling interests.

See accompanying notes

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

(In thousands)

(in thousands)

	Preferred Stock	Common Stock	Capital in Excess of Par Value	Treasury Stock	Cumulative Net Income	Cumulative Dividends	Accumulated Other Comprehensive Income	Other Equity	Noncontrolling Interests	Total
Balances at December 31, 2011	\$ 1,010,417	\$ 192,299	\$ 7,019,714	\$ (13,535)	\$ 1,893,806	\$ (2,972,129)	\$ (11,928)	\$ 6,120	\$ 153,883	\$ 7,278,647
Comprehensive income:										
Net income					297,255				(1,480)	295,775
Other comprehensive income:							900			900
Total comprehensive income										296,675
Net change in noncontrolling interests			(7,136)						73,315	66,179
Distributions to noncontrolling interests										
Amounts related to issuance of common stock										
from dividend reinvestment and stock incentive plans, net of forfeitures		2,658	149,955	(4,340)				(2,534)		145,739
Net proceeds from sale of common stock		64,400	3,382,532							3,446,932
Equity component of convertible debt		1,039	2,236							3,275
Proceeds from issuance of preferred shares	287,500		(9,813)							277,687
Redemption of preferred stock	(275,000)		6,202		(6,242)					(275,040)
Option compensation expense								2,875		2,875
Cash dividends paid:										
Common stock cash dividends						(653,321)				(653,321)
Preferred stock cash dividends						(69,129)				(69,129)
Balances at December 31, 2012	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					145,050				(5,487)	139,563
Other comprehensive income:							(13,503)		(6,497)	(20,000)
Total comprehensive income										119,563
Net change in noncontrolling interests		1,109	23,815						128,014	152,938
Distributions to noncontrolling interests										
Amounts related to issuance of common stock										
from dividend reinvestment and stock incentive plans, net of forfeitures		3,852	239,837	(3,388)				(1,555)		238,746
Net proceeds from sale of common stock		23,000	1,607,281							1,630,281
Equity component of convertible debt		988	(1,543)							(555)
Conversion of preferred stock	(5,556)	116	5,440							-
Option compensation expense								1,114		1,114
Cash dividends paid:										
Common stock cash dividends						(839,939)				(839,939)
Preferred stock cash dividends						(66,336)				(66,336)
Balances at December 31, 2013	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					512,153				(342)	511,811
Other comprehensive income:							(52,478)		(14,825)	(67,303)
Total comprehensive income										444,508
Net change in noncontrolling interests			(17,653)						(28,685)	(46,338)
Amounts related to issuance of common stock										
from dividend reinvestment and stock incentive plans, net of forfeitures		4,958	297,975	(13,978)				(1,425)		287,530
Net proceeds from sale of common stock		33,925	2,030,057							2,063,982
Equity component of convertible debt		258	935							1,193
Conversion of preferred stock	(11,111)	233	10,878							-
Option compensation expense								912		912
Cash dividends paid:										
Common stock cash dividends						(969,661)				(969,661)
Preferred stock cash dividends						(65,408)				(65,408)
Balances at December 31, 2014	\$ 1,006,250	\$ 328,835	\$ 14,740,712	\$ (35,241)	\$ 2,842,022	\$ (5,635,923)	\$ (77,009)	\$ 5,507	\$ 297,896	\$ 13,473,049

See accompanying notes

**CONSOLIDATED STATEMENTS OF EQUITY  
HEALTH CARE REIT, INC. AND SUBSIDIARIES**

(In thousands)	Year Ended December 31,		
	2014	2013	2012
Operating activities			
Net income	\$ 512,300	\$ 138,280	\$ 294,840
Adjustments to reconcile net income to net cash provided from (used in) operating activities:			
Depreciation and amortization	844,130	873,960	533,585
Other amortization expenses	6,971	8,097	15,185
Provision for loan losses	-	2,110	27,008
Impairment of assets	-	-	29,287
Stock-based compensation expense	32,075	20,177	18,521
Loss (gain) on derivatives, net	(1,495)	4,470	(1,825)
Loss (gain) on extinguishment of debt, net	9,558	(909)	(775)
Loss (income) from unconsolidated entities	27,426	8,187	(2,482)
Rental income in excess of cash received	(74,552)	(46,068)	(32,362)
Amortization related to above (below) market leases, net	739	460	165
Loss (gain) on sales of properties, net	(153,522)	(49,138)	(100,549)
Distributions by unconsolidated entities	9,060	8,885	17,607
Increase (decrease) in accrued expenses and other liabilities	(48,381)	67,557	38,213
Decrease (increase) in receivables and other assets	(25,639)	(47,571)	(18,285)
Net cash provided from (used in) operating activities	1,138,670	988,497	818,133
Investing activities			
Cash disbursed for acquisitions	(2,210,600)	(3,597,955)	(2,923,251)
Cash disbursed for capital improvements to existing properties	(132,780)	(135,832)	(135,450)
Cash disbursed for construction in progress	(197,881)	(247,560)	(286,410)
Capitalized interest	(7,150)	(6,700)	(9,777)
Investment in real estate loans receivable	(202,207)	(117,059)	(665,094)
Other investments, net of payments	(100,033)	(15,634)	25,425
Principal collected on real estate loans receivable	105,496	102,886	35,020
Contributions to unconsolidated entities	(353,496)	(99,769)	(227,735)
Distributions by unconsolidated entities	57,183	30,853	13,136
Proceeds from (payments on) derivatives	10,269	(6,803)	6,652
Decrease (increase) in restricted cash	(6,072)	79,957	(35,766)
Proceeds from sales of real property	911,065	482,023	610,271
Net cash provided from (used in) investing activities	(2,126,206)	(3,531,593)	(3,592,979)
Financing activities			
Net increase (decrease) under unsecured lines of credit arrangements	(130,000)	130,000	(610,000)
Proceeds from issuance of senior unsecured notes	773,992	1,756,192	2,025,708
Payments to extinguish senior unsecured notes	(365,188)	(517,625)	(370,524)
Net proceeds from the issuance of secured debt	109,503	89,208	157,418
Payments on secured debt	(341,839)	(674,103)	(406,210)
Net proceeds from the issuance of common stock	2,343,868	1,854,637	3,581,292
Net proceeds from the issuance of preferred stock	-	-	277,687
Redemption of preferred stock	-	-	(275,000)
Decrease (increase) in deferred loan expenses	(16,782)	(13,503)	(7,152)
Contributions by noncontrolling interests <sup>(1)</sup>	9,962	5,072	24,115
Distributions to noncontrolling interests <sup>(1)</sup>	(43,691)	(35,592)	(29,353)
Acquisitions of non-controlling interests	(1,175)	(23,247)	-
Cash distributions to stockholders	(1,035,069)	(906,275)	(722,450)
Other financing activities	(409)	2,906	(403)
Net cash provided from (used in) financing activities	1,303,172	1,667,670	3,645,128
Effect of foreign currency translation on cash and cash equivalents	(690)	442	-
Increase (decrease) in cash and cash equivalents	314,946	(874,984)	870,282
Cash and cash equivalents at beginning of period	158,780	1,033,764	163,482
Cash and cash equivalents at end of period	\$ 473,726	\$ 158,780	\$ 1,033,764
Supplemental cash flow information:			
Interest paid	\$ 504,165	\$ 447,108	\$ 369,511
Income taxes paid	18,548	12,110	3,071

(1) Includes amounts attributable to redeemable noncontrolling interests.

See accompanying notes.

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

**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 December 31, 2014, our diversified portfolio consisted of 1,328 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**

*Principles of Consolidation*

The consolidated financial statements include the accounts of our wholly-owned subsidiaries and joint venture entities that we control, through voting rights or other means. All material intercompany transactions and balances have been eliminated in consolidation.

At inception of joint venture transactions, we identify entities for which control is achieved through means other than voting rights (“variable interest entities” or “VIEs”) and determine which business enterprise is the primary beneficiary of its operations. A VIE is broadly defined as an entity where either (i) the equity investors as a group, if any, do not have a controlling financial interest, or (ii) the equity investment at risk is insufficient to finance that entity’s activities without additional subordinated financial support. We consolidate investments in VIEs when we are determined to be the primary beneficiary. Accounting Standards Codification Topic 810, *Consolidations* (“ASC 810”), requires enterprises to perform a qualitative approach to determining whether or not a VIE will need to be consolidated on a continuous basis. This evaluation is based on an enterprise’s ability to direct and influence the activities of a VIE that most significantly impact that entity’s economic performance.

For investments in joint ventures, we evaluate the type of rights held by the limited partner(s), which may preclude consolidation in circumstances in which the sole general partner would otherwise consolidate the limited partnership. The assessment of limited partners’ rights and their impact on the presumption of control over a limited partnership by the sole general partner should be made when an investor becomes the sole general partner and should be reassessed if (i) there is a change to the terms or in the exercisability of the rights of the limited partners, (ii) the sole general partner increases or decreases its ownership in the limited partnership, or (iii) there is an increase or decrease in the number of outstanding limited partnership interests. We similarly evaluate the rights of managing members of limited liability companies.

*Use of Estimates*

The preparation of the financial statements in conformity with U.S. generally accepted accounting principles (“U.S. GAAP”) requires us to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

*Revenue Recognition*

Revenue is recorded in accordance with U.S. GAAP, which requires that revenue be recognized after four basic criteria are met. These four criteria include persuasive evidence of an arrangement, the rendering of service, fixed and determinable income and reasonably assured collectability. Interest income on loans is recognized as earned based upon the principal amount outstanding subject to an evaluation of collectability risk. Substantially all of our operating leases contain 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. Leases in our medical office building portfolio typically include some form of operating expense reimbursement by the tenant. Certain payments made to operators are treated as lease incentives and amortized as a reduction of revenue over the lease term. We recognize resident fees and services, other than move-in fees, monthly as services are provided. Lease agreements with residents generally have a term of one year and are cancelable by the resident with 30 days’ notice.

*Cash and Cash Equivalents*

Cash and cash equivalents consist of all highly liquid investments with an original maturity of three months or less.

*Restricted Cash*

Restricted cash primarily consists of amounts held by lenders to provide future payments for real estate taxes, insurance, tenant and capital improvements and amounts held in escrow relating to acquisitions we are entitled to receive over a period of time as outlined in the escrow agreement.

*Deferred Loan Expenses*

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

Deferred loan expenses are costs incurred by us in connection with the issuance, assumption and amendments of debt arrangements. We amortize these costs over the term of the debt using the straight-line method, which approximates the effective interest method.

*Investments in Unconsolidated Entities*

Investments in less than majority owned entities are reported under the equity method of accounting when our interests represent either (1) general partnership interests subject to substantive participating or kick-out rights that have been granted to the limited partners, or (2) limited partnership interests with no control over major operating and financial policies of the entities. Under the equity method of accounting, our share of the investee's earnings or losses is included in our consolidated results of operations. To the extent that our cost basis is different from the basis reflected at the entity level, the basis difference is generally amortized over the lives of the related assets and liabilities, and such amortization is included in our share of equity in earnings of the entity. The initial carrying value of investments in unconsolidated entities is based on the amount paid to purchase the entity interest or the estimated fair value of the assets prior to the sale of interests in the entity. We evaluate our equity method investments for impairment based upon a comparison of the estimated fair value of the equity method investment to its carrying value. When we determine a decline in the estimated fair value of such an investment below its carrying value is other-than-temporary, an impairment is recorded.

*Redeemable Noncontrolling Interests*

Certain noncontrolling interests are redeemable at fair value. Accordingly, we record the carrying amount of the noncontrolling interests at the greater of (i) the initial carrying amount, increased or decreased for the noncontrolling interest's share of net income or loss and its share of other comprehensive income or loss and dividends or (ii) the redemption value. In accordance with ASC 810, the redeemable noncontrolling interests were classified outside of permanent equity, as a mezzanine item, in the balance sheet.

During 2014, we entered into a DownREIT partnership which gives a real estate seller the ability to exchange its property on a tax deferred basis for equity membership interests ("OP units"). The OP units may be redeemed any time following the first anniversary of the date of issuance at the election of the holders for one share of our common stock per unit or, at our option, cash.

*Real Property Owned*

Real property developed by us is recorded at cost, including the capitalization of construction period interest. Expenditures for repairs and maintenance are expensed as incurred. Property acquisitions are accounted for as business combinations where we measure the assets acquired, liabilities (including assumed debt and contingencies) and any noncontrolling interests at their fair values on the acquisition date. The cost of real property acquired, which represents substantially all of the purchase price, is allocated to net tangible and identifiable intangible assets based on their respective fair values. These properties are depreciated on a straight-line basis over their estimated useful lives which range from 15 to 40 years for buildings and 5 to 15 years for improvements. Tangible assets primarily consist of land, buildings and improvements, including those related to capital leases. We consider costs incurred in conjunction with re-leasing properties, including tenant improvements and lease commissions, to represent the acquisition of productive assets and, accordingly, such costs are reflected as investment activities in our statement of cash flows.

The remaining purchase price is allocated among identifiable intangible assets primarily consisting of the above or below market component of in-place leases and the value associated with the presence of in-place tenants or residents. The value allocable to the above or below market component of the acquired in-place lease is determined based upon the present value (using a discount rate which reflects the risks associated with the acquired leases) of the difference between (i) the contractual amounts to be paid pursuant to the lease over its remaining term, and (ii) management's estimate of the amounts that would be paid using fair market rates over the remaining term of the lease. The amounts allocated to above market leases are included in acquired lease intangibles and below market leases are included in other liabilities in the balance sheet and are amortized to rental income over the remaining terms of the respective leases.

The total amount of other intangible assets acquired is further allocated to in-place lease values and customer relationship values for in-place tenants based on management's evaluation of the specific characteristics of each tenant's lease and our overall relationship with that respective tenant. Characteristics considered by management in allocating these values include the nature and extent of our existing business relationships with the tenant, growth prospects for developing new business with the tenant, the tenant's credit quality and expectations of lease renewals, among other factors. The total amount of other intangible assets acquired is further allocated to in-place lease values for in-place residents with such value representing (i) value associated with lost revenue related to tenant reimbursable operating costs that would be incurred in an assumed re-leasing period, and (ii) value associated with lost rental revenue from existing leases during an assumed re-leasing period. This intangible asset will be amortized over the remaining life of the lease.

The net book value of long-lived assets is reviewed quarterly on a property by property basis to determine if facts and circumstances suggest that the assets may be impaired or that the depreciable life may need to be changed. We consider external

factors relating to each asset and the existence of a master lease which may link the cash flows of an individual asset to a larger portfolio of assets leased to the same tenant. If these factors and the projected undiscounted cash flows of the asset over the remaining depreciation period indicate that the asset will not be recoverable, the carrying value is reduced to the estimated fair market value. In addition, we are exposed to the risks inherent in concentrating investments in real estate, and in particular, the seniors housing and health care industries. A downturn in the real estate industry could adversely affect the value of our properties and our ability to sell properties for a price or on terms acceptable to us.

#### *Capitalization of Construction Period Interest*

We capitalize interest costs associated with funds used for the construction of properties owned directly by us. The amount capitalized is based upon the balance outstanding during the construction period using the rate of interest which approximates our cost of financing. We capitalize interest costs related to construction of real property owned by us. Our interest expense reflected in the consolidated statements of comprehensive income has been reduced by the amounts capitalized.

#### *Gain on Sale of Assets*

We recognize sales of assets only upon the closing of the transaction with the purchaser. Payments received from purchasers prior to closing are recorded as deposits and classified as other assets on our consolidated balance sheets. Gains on assets sold are recognized using the full accrual method upon closing when (i) the collectability of the sales price is reasonably assured, (ii) we are not obligated to perform significant activities after the sale to earn the profit, (iii) we have received adequate initial investment from the purchaser and (iv) other profit recognition criteria have been satisfied. Gains may be deferred in whole or in part until the sales satisfy the requirements of gain recognition on sales of real estate.

#### *Real Estate Loans Receivable*

Real estate loans receivable consist of mortgage loans and other real estate loans. Interest income on loans is recognized as earned based upon the principal amount outstanding subject to an evaluation of collectability risks. The loans are primarily collateralized by a first, second or third mortgage lien, a leasehold mortgage on, or an assignment of the partnership interest in, the related properties, corporate guaranties and/or personal guaranties.

#### *Allowance for Losses on Loans Receivable*

The allowance for losses on loans receivable is maintained at a level believed adequate to absorb potential losses in our loans receivable. The determination of the allowance is based on a quarterly evaluation of these loans, including general economic conditions and estimated collectability of loan payments. We evaluate the collectability of our loans receivable based on a combination of factors, including, but not limited to, delinquency status, historical loan charge-offs, financial strength of the borrower and guarantors and value of the underlying collateral. If such factors indicate that there is greater risk of loan charge-offs, additional allowances or placement on non-accrual status may be required. A loan is impaired when, based on current information and events, it is probable that we will be unable to collect all amounts due as scheduled according to the contractual terms of the original loan agreement. Consistent with this definition, all loans on non-accrual are deemed impaired. To the extent circumstances improve and the risk of collectability is diminished, we will return these loans to full accrual status. While a loan is on non-accrual status, any cash receipts are applied against the outstanding principal balance.

#### *Goodwill*

We account for goodwill in accordance with U.S. GAAP. Goodwill is tested annually for impairment and is tested for impairment more frequently if events and circumstances indicate that the asset might be impaired. An impairment loss is recognized to the extent that the carrying amount, including goodwill, exceeds the reporting unit's fair value and the implied fair value of goodwill is less than the carrying amount of that goodwill. We have not had any goodwill impairments.

#### *Fair Value of Derivative Instruments*

Derivatives are recorded at fair value on the balance sheet as assets or liabilities. The valuation of derivative instruments requires us to make estimates and judgments that affect the fair value of the instruments. Fair values of our derivatives are estimated by pricing models that consider the forward yield curves and discount rates. The fair value of our forward exchange contracts are estimated by pricing models that consider foreign currency spot rates, forward trade rates and discount rates. Such amounts and the recognition of such amounts are subject to significant estimates that may change in the future. See Note 11 for additional information.

#### *Federal Income Tax*

We have elected to be treated as a REIT under the applicable provisions of the Internal Revenue Code of 1986, as amended (the "Code"), commencing with our first taxable year, and made no provision for federal income tax purposes prior to our acquisition of our "taxable REIT subsidiaries." As a result of these as well as subsequent acquisitions, we now record income tax expense or benefit



**HEALTH CARE REIT, INC.**  
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with respect to certain of our entities that are taxed as taxable REIT subsidiaries under provisions similar to those applicable to regular corporations and not under the REIT provisions.

We account for deferred income taxes using the asset and liability method and recognize deferred tax assets and liabilities for the expected future tax consequences of events that have been included in our financial statements or tax returns. Under this method, we determine deferred tax assets and liabilities based on the differences between the financial reporting and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. Any increase or decrease in the deferred tax liability that results from a change in circumstances, and that causes a change in our judgment about expected future tax consequences of events, is included in the tax provision when such changes occur. Deferred income taxes also reflect the impact of operating loss and tax credit carryforwards. A valuation allowance is provided if we believe it is more likely than not that all or some portion of the deferred tax asset will not be realized. Any increase or decrease in the valuation allowance that results from a change in circumstances, and that causes a change in our judgment about the realizability of the related deferred tax asset, is included in the tax provision when such changes occur. See Note 18 for additional information.

*Foreign Currency*

Certain of our subsidiaries' functional currencies are the local currencies of their respective countries. We translate the results of operations of our foreign subsidiaries into U.S. dollars using average rates of exchange in effect during the period, and we translate balance sheet accounts using exchange rates in effect at the end of the period. We record resulting currency translation adjustments in accumulated other comprehensive income, a component of stockholders' equity, on our consolidated balance sheets. We record transaction gains and losses in our consolidated statements of comprehensive income.

*Earnings Per Share*

Basic earnings per share is computed by dividing net income available to common stockholders by the weighted-average number of shares outstanding for the period adjusted for non-vested shares of restricted stock. The computation of diluted earnings per share is similar to basic earnings per share, except that the number of shares is increased to include the number of additional common shares that would have been outstanding if the potentially dilutive common shares had been issued.

*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.

*Reclassifications*

Certain amounts in prior years have been reclassified to conform to current year presentation.

### 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. During the year ended December 31, 2014, we finalized our purchase price allocation of certain previously reported acquisitions and there were no material changes from those previously disclosed.

#### *Seniors Housing Triple-net Activity*

The following provides our purchase price allocations and other seniors housing triple-net real property investment activity for the periods presented (in thousands):

	Year Ended December 31,		
	2014 <sup>(1)</sup>	2013	2012
Land and land improvements	\$ 141,387	\$ 54,596	\$ 87,372
Buildings and improvements	1,365,638	360,594	1,000,278
Acquired lease intangibles	19,196	-	-
Restricted cash	-	189	-
Receivables and other assets	4,895	1,020	119
Total assets acquired <sup>(2)</sup>	<u>1,531,116</u>	<u>416,399</u>	<u>1,087,769</u>
Secured debt	(130,638)	(9,810)	(89,881)
Senior unsecured notes	(48,567)	-	-
Accrued expenses and other liabilities	(9,067)	(540)	(3,542)
Total liabilities assumed	<u>(188,272)</u>	<u>(10,350)</u>	<u>(93,423)</u>
Capital in excess of par	-	-	921
Noncontrolling interests	-	-	(17,215)
Non-cash acquisition related activity <sup>(3)</sup>	(3,453)	(12,207)	(616)
Cash disbursed for acquisitions	<u>1,339,391</u>	<u>393,842</u>	<u>977,436</u>
Construction in progress additions	135,349	145,624	180,009
Less: Capitalized interest	(4,582)	(4,828)	(6,042)
Accruals Foreign currency translation	421	-	-
Non-cash related activity	(14,459)	-	-
Cash disbursed for construction in progress	<u>116,729</u>	<u>140,796</u>	<u>173,967</u>
Capital improvements to existing properties	18,901	35,912	67,026
Total cash invested in real property, net of cash acquired	<u>\$ 1,475,021</u>	<u>\$ 570,550</u>	<u>\$ 1,218,429</u>

(1) Includes acquisitions with an aggregate purchase price of \$1,081,607,000 for which the allocation of the purchase price consideration is preliminary and subject to change.

(2) Excludes \$1,382,000, \$0, and \$2,031,000 of cash acquired during the year ended December 31, 2014, 2013 and 2012, respectively.

(3) For the year ended December 31, 2013, relates to an asset swap transaction. Please refer to Note 5 for additional information.

#### *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 for information regarding our foreign currency policies.

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

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	Year Ended December 31,		
	2014 <sup>(1)</sup>	2013	2012
Land and land improvements	\$ 57,534	\$ 445,152	\$ 146,332
Buildings and improvements	297,314	4,275,046	1,341,560
Acquired lease intangibles	12,983	396,444	118,077
Construction in progress	27,957	-	-
Restricted cash	804	44,427	1,296
Receivables and other assets	9,327	79,564	10,125
Total assets acquired <sup>(2)</sup>	405,919	5,240,633	1,617,390
Secured debt	(19,834)	(1,275,245)	(124,190)
Accrued expenses and other liabilities	(17,802)	(96,709)	(17,347)
Total liabilities assumed	(37,636)	(1,371,954)	(141,537)
Noncontrolling interests	(482)	(232,575)	(56,884)
Non-cash acquisition related activity <sup>(3)</sup>	-	(555,563)	-
Cash disbursed for acquisitions	367,801	3,080,541	1,418,969
Construction in progress additions	12,291	3,894	-
Less: Capitalized interest	(714)	(57)	-
Less: Foreign currency translation	(2,012)	-	-
Cash disbursed for construction in progress	9,565	3,837	-
Capital improvements to existing properties	86,803	72,258	21,751
Total cash invested in real property, net of cash acquired	\$ 464,169	\$ 3,156,636	\$ 1,440,720

(1) Includes an aggregate purchase price of \$368,313,000 relating to acquisitions for which the allocation of the purchase price consideration is preliminary and subject to change.

(2) Excludes \$9,060,000, \$92,148,000 and \$20,691,000 of cash acquired during the years ended December 31, 2014, 2013 and 2012, respectively.

(3) Represents Sunrise loan and noncontrolling interest acquisitions during the first quarter of 2013.

*Medical Facilities Activity*

Accrued contingent consideration related to certain medical facility acquisitions was \$27,374,000, \$26,187,000 and \$34,692,000 as of December 31, 2014, 2013 and 2012, respectively. Of the amount recognized, \$12,500,000 is required to be settled in the Company's common stock upon the achievement of certain performance thresholds. The following is a summary of our medical facilities real property investment activity for the periods presented (in thousands):

**HEALTH CARE REIT, INC.**  
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	Year Ended December 31,		
	2014 <sup>(1)</sup>	2013	2012
Land and land improvements	\$ 63,129	\$ 14,515	\$ 68,489
Buildings and improvements	567,847	156,087	632,208
Acquired lease intangibles	46,661	9,432	115,233
Restricted cash	-	505	975
Receivables and other assets	-	344	4,469
Total assets acquired	677,637	180,883	821,374
Secured debt	(66,113)	(55,884)	(267,527)
Accrued expenses and other liabilities	(22,293)	(1,041)	(25,928)
Total liabilities assumed	(88,406)	(56,925)	(293,455)
Noncontrolling interests	(39,987)	(386)	(193)
Non-cash acquisition related activity <sup>(2)</sup>	(45,836)	-	(880)
Cash disbursed for acquisitions	503,408	123,572	526,846
Construction in progress additions	99,878	123,494	134,505
Less: Capitalized interest	(1,854)	(1,815)	(3,735)
Accruals <sup>(3)</sup>	(26,437)	(18,752)	(18,327)
Cash disbursed for construction in progress	71,587	102,927	112,443
Capital improvements to existing properties	27,076	27,662	46,673
Total cash invested in real property, net of cash acquired	\$ 602,071	\$ 254,161	\$ 685,962

(1) Includes acquisitions with an aggregate purchase price of \$489,042,000 for which the allocation of the purchase price consideration is preliminary and subject to change.

(2) For the year ended December 31, 2014, relates to an acquisition of assets previously financed as real estate loans. Please refer to Note 6 for additional information.

(3) Represents non-cash consideration 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:

	Year Ended		
	December 31, 2014	December 31, 2013	December 31, 2012
Development projects:			
Seniors housing triple-net	\$ 71,569	\$ 133,181	\$ 146,913
Medical facilities	127,290	127,363	189,135
Total development projects	198,859	260,544	336,048
Expansion projects	24,804	26,395	4,983
Total construction in progress conversions	\$ 223,663	\$ 286,939	\$ 341,031

At December 31, 2014, future minimum lease payments receivable under operating leases (excluding properties in our seniors housing operating partnerships and excluding any operating expense reimbursements) are as follows (in thousands):

2015	\$	1,283,484
2016		1,259,168
2017		1,250,683
2018		1,243,452
2019		1,209,371
Thereafter		9,576,144
Totals	\$	15,822,302

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

**4. Real Estate Intangibles**

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

	December 31, 2014	December 31, 2013
<b>Assets:</b>		
In place lease intangibles	\$ 988,290	\$ 937,357
Above market tenant leases	65,684	55,939
Below market ground leases	62,426	59,165
Lease commissions	19,536	18,293
Gross historical cost	1,135,936	1,070,754
Accumulated amortization	(776,501)	(571,008)
Net book value	<u>\$ 359,435</u>	<u>\$ 499,746</u>
Weighted-average amortization period in years	17.7	16.7
<b>Liabilities:</b>		
Below market tenant leases	\$ 91,168	\$ 76,381
Above market ground leases	7,859	9,490
Gross historical cost	99,027	85,871
Accumulated amortization	(40,891)	(34,434)
Net book value	<u>\$ 58,136</u>	<u>\$ 51,437</u>
Weighted-average amortization period in years	14.4	14.3

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

	Year Ended December 31,		
	2014	2013	2012
Rental income related to above/below market tenant leases, net	\$ 509	\$ 748	\$ 1,120
Property operating expenses related to above/below market ground leases, net	(1,248)	(1,208)	(1,285)
Depreciation and amortization related to in place lease intangibles and lease commissions	(214,966)	(246,938)	(103,044)

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

	Assets		Liabilities	
2015	\$	58,224	\$	3,278
2016		56,656		9,513
2017		54,241		10,795
2018		53,715		7,758
2019		23,038		6,474
Thereafter		113,561		20,318
Totals	<u>\$</u>	<u>359,435</u>	<u>\$</u>	<u>58,136</u>

**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. Impairment of assets as reflected in our consolidated statements of comprehensive income relate to properties designated as held for sale and represent the charges necessary to adjust the carrying values to estimated fair values less costs to sell based on current sales price expectations. The following is a summary of our real property disposition activity for the periods presented (in thousands):

**HEALTH CARE REIT, INC.**  
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	Year Ended		
	December 31, 2014	December 31, 2013	December 31, 2012
Real property dispositions:			
Seniors housing triple-net	\$ 747,720	\$ 189,572	\$ 372,378
Medical facilities	45,695	259,367	149,344
Total dispositions	793,415	448,939	521,722
Gain (loss) on sales of real property, net	153,522	49,138	100,549
Seller financing on sales of real property	-	(3,850)	(12,000)
Non-cash disposition activity	(35,872)	(12,204)	-
Proceeds from real property sales	<u>\$ 911,065</u>	<u>\$ 482,023</u>	<u>\$ 610,271</u>

*Discontinued Operations*

As discussed in Note 2, we adopted ASU 2014-08 effective January 1, 2014. During the year-ended December 31, 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):

	Year Ended December 31,		
	2014	2013	2012
Revenues:			
Rental income	\$ 881	\$ 18,377	\$ 96,378
Expenses:			
Interest expense	157	4,246	21,735
Property operating expenses	-	3,396	4,482
Provision for depreciation	-	8,160	27,365
Income (loss) from discontinued operations, net	<u>\$ 724</u>	<u>\$ 2,575</u>	<u>\$ 42,796</u>

*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):

	Year Ended		
	December 31,		
	2014	2013	2012
Revenues:			
Rental income	\$ 90,541	\$ 108,133	\$ 104,478
Expenses:			
Interest expense	20,339	22,119	23,298
Property operating expenses	1,755	3,024	2,716
Provision for depreciation	26,715	32,128	31,238
Total expenses	<u>48,809</u>	<u>57,271</u>	<u>57,252</u>
Income (loss) from real estate dispositions, net	<u>\$ 41,732</u>	<u>\$ 50,862</u>	<u>\$ 47,226</u>

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

The following is a summary of our real estate loans receivable (in thousands):

	December 31,	
	2014	2013
Mortgage loans	\$ 188,651	\$ 146,987
Other real estate loans	191,518	185,159
Totals	<u>\$ 380,169</u>	<u>\$ 332,146</u>

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

	Year Ended																																																																																																																																																																			
	December 31, 2014			December 31, 2013			December 31, 2012																																																																																																																																																													
	Seniors		Totals	Seniors		Totals	Seniors		Seniors		Totals																																																																																																																																																									
	Housing	Medical		Housing	Medical		Housing	Housing	Medical																																																																																																																																																											
Triple-net	Facilities		Triple-net	Facilities		Triple-net	Operating <sup>(2)</sup>	Facilities																																																																																																																																																												
Advances on real estate loans receivable:											Investments in new loans	\$ 61,730	\$ 60,902	\$ 122,632	\$ 41,180	\$ 4,095	\$ 45,275	\$ 2,220	\$ 580,834	\$ 38,336	\$ 621,390	Draws on existing loans	59,420	20,155	79,575	71,315	4,319	75,634	43,645	-	59	43,704	Sub-total	121,150	81,057	202,207	112,495	8,414	120,909	45,865	580,834	38,395	665,094	Less: Seller financing on property sales	-	-	-	(3,850)	-	(3,850)	-	-	-	-	Net cash advances on real estate loans	121,150	81,057	202,207	108,645	8,414	117,059	45,865	580,834	38,395	665,094	Receipts on real estate loans receivable:											Loan payoffs	71,004	48,258	119,262	69,596	-	69,596	12,555	-	-	12,555	Principal payments on loans	31,998	72	32,070	33,216	74	33,290	22,395	-	70	22,465	Sub-total	103,002	48,330	151,332	102,812	74	102,886	34,950	-	70	35,020	Less: Non-cash activity <sup>(1)</sup>	-	(45,836)	(45,836)	-	-	-	-	-	-	-	Net cash receipts on real estate loans	103,002	2,494	105,496	102,812	74	102,886	34,950	-	70	35,020	Net cash advances (receipts) on real estate loans	18,148	78,563	96,711	5,833	8,340	14,173	10,915	580,834	38,325	630,074	Change in balance due to foreign currency translation	(2,852)	-	(2,852)	1,402	-	1,402	-	-	-	-	Net change in real estate loans receivable	<u>\$ 15,296</u>	<u>\$ 32,727</u>	<u>\$ 48,023</u>	<u>\$ 7,235</u>	<u>\$ 8,340</u>	<u>\$ 15,575</u>	<u>\$ 10,915</u>	<u>\$ 580,834</u>	<u>\$ 38,325</u>	<u>\$ 630,074</u>
Investments in new loans	\$ 61,730	\$ 60,902	\$ 122,632	\$ 41,180	\$ 4,095	\$ 45,275	\$ 2,220	\$ 580,834	\$ 38,336	\$ 621,390																																																																																																																																																										
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(1) Represents loan to Sunrise Senior Living, Inc. that was acquired upon merger consummation on January 9, 2013.

(2) Represents an acquisition of assets previously financed as a real estate loan.

The following is a summary of the allowance for losses on loans receivable for the periods presented (in thousands):

	Year Ended December 31,		
	2014	2013	2012
Balance at beginning of year	\$ -	\$ -	\$ -
Provision for loan losses	-	2,110	27,008
Charge-offs	-	(2,110)	(27,008)
Balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The following is a summary of our loan impairments (in thousands):

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	Year Ended December 31,		
	2014	2013	2012
Balance of impaired loans at end of year	\$ 21,000	\$ 500	\$ 4,230
Allowance for loan losses	-	-	-
Balance of impaired loans not reserved	<u>\$ 21,000</u>	<u>\$ 500</u>	<u>\$ 4,230</u>
Average impaired loans for the year	\$ 10,750	\$ 2,365	\$ 5,237
Interest recognized on impaired loans <sup>(1)</sup>	757	206	44

(1) Represents interest recognized prior to placement on non-accrual status.

**7. Investments in Unconsolidated Entities**

We participate in a number of joint ventures, which generally invest in seniors housing and health care real estate. The results of operations for these properties have been included in our consolidated results of operations from the date of acquisition by the joint ventures and are reflected in our statements of comprehensive income as income or loss from unconsolidated entities. The following is a summary of our investments in unconsolidated entities (dollars in thousands):

	Percentage Ownership	December 31, 2014		December 31, 2013	
		\$		\$	
Seniors housing triple-net <sup>(1)</sup>	10% to 49%	\$ 31,511		\$ 27,513	
Seniors housing operating	10% to 50%	539,147		263,838	
Medical facilities	36% to 49%	173,493		188,278	
Total		<u>\$ 744,151</u>		<u>\$ 479,629</u>	

(1) As of December 31, 2013, asset amounts include an available-for-sale equity investment. See Note 16 for additional information.

At December 31, 2014, the aggregate unamortized basis difference of our joint venture investments of \$175,369,000 is primarily attributable to appreciation of the underlying properties and transaction costs. This difference will be amortized over the remaining useful life of the related properties and included in the reported amount of income from unconsolidated entities.

Summarized combined financial information for our investments in unconsolidated entities held as of December 31, 2014 is as follows (dollars in thousands):

	Year Ended December 31,	
	2014	2013
Net real estate investments	\$ 2,470,623	\$ 1,589,590
Other assets	998,648	564,109
Total assets	3,469,271	2,153,699
Total liabilities	1,778,540	1,227,053
Redeemable noncontrolling interests	40,525	29,482
Total equity	<u>\$ 1,650,206</u>	<u>\$ 897,164</u>

	Year Ended December 31,		
	2014 <sup>(1)</sup>	2013 <sup>(2)</sup>	2012
Total revenues	\$ 1,875,744	\$ 1,678,485	\$ 324,941
Net income (loss)	316,139	(17,064)	10,702

(1) Beginning February 28, 2014, includes the financial information for the Senior Resource Group unconsolidated entities.

(2) Beginning January 9, 2013, includes the financial information for the Sunrise management company and the unconsolidated Sunrise Senior Living properties.



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**8. Credit Concentration**

The following table summarizes certain information about our credit concentration as of December 31, 2014, excluding our share of investments in unconsolidated entities. See Note 7 for additional information (dollars in thousands):

Concentration by investment: <sup>(1)</sup>	Number of Properties	Total Investment	Percent of Investment <sup>(2)</sup>
Sunrise Senior Living <sup>(3)</sup>	136	\$ 4,130,125	18%
Genesis Healthcare	181	2,657,907	12%
Brookdale	146	1,401,834	6%
Revera	48	1,038,099	5%
Benchmark	39	917,995	4%
Remaining portfolio	710	12,705,236	55%
Totals	1,260	\$ 22,851,196	100%

(1) Genesis is in our seniors housing triple-net segment. Sunrise Senior Living and Revera are in our seniors housing operating segment. Brookdale and Benchmark are in both our seniors housing triple-net and seniors housing operating segments.

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

(3) For the year ended December 31, 2014, we recognized \$895,897,000 of revenue from Sunrise Senior Living.

**9. Borrowings Under Credit Facilities and Related Items**

On July 25, 2014, we closed on a new primary unsecured credit facility with a consortium of 28 banks that includes a \$2,500,000,000 unsecured revolving credit facility, a \$500,000,000 unsecured term credit facility and a \$250,000,000 Canadian-denominated unsecured term credit facility. We have an option to upsize the unsecured revolving credit facility and the \$500,000,000 unsecured term credit facility by up to an additional \$1,000,000,000 and the \$250,000,000 Canadian-denominated unsecured term credit facility by up to an additional \$250,000,000 through an accordion feature. The primary unsecured credit facility also allows us to borrow up to \$500,000,000 in alternative currencies (none outstanding at December 31, 2014). Borrowings under the unsecured revolving credit facility are subject to interest payable at the applicable margin over LIBOR interest rate (1.22% at December 31, 2014). The applicable margin is based on certain of our debt ratings and was 1.150% at December 31, 2014. In addition, we pay a facility fee quarterly to each bank based on the bank's respective commitment amount. The facility fee depends on certain of our debt ratings and was 0.200% at December 31, 2014. The primary unsecured credit 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.

The following information relates to aggregate borrowings under our primary unsecured credit facility for the periods presented (dollars in thousands):

	Year Ended December 31,		
	2014	2013	2012
Balance outstanding at year end <sup>(1)</sup>	\$ -	\$ 130,000	\$ -
Maximum amount outstanding at any month end	\$ 637,000	\$ 1,019,050	\$ 897,000
Average amount outstanding (total of daily principal balances divided by days in period)	\$ 207,452	\$ 488,842	\$ 191,378
Weighted-average interest rate (actual interest expense divided by average borrowings outstanding)	1.50%	1.45%	1.80%

(1) As of December 31, 2014, letters of credit in the aggregate amount of \$71,276,000 have been issued which reduce the available borrowing capacity on the primary unsecured credit facility.

**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

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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 December 31, 2014, the annual principal payments due on these debt obligations were as follows (in thousands):

	Senior Unsecured Notes <sup>(1,2)</sup>	Secured Debt <sup>(1,3)</sup>	Totals
	\$	\$	\$
2015	-	399,813	399,813
2016	700,000	412,248	1,112,248
2017	450,000	358,023	808,023
2018	450,000	436,884	886,884
2019 <sup>(4,5)</sup>	1,315,499	370,072	1,685,571
Thereafter <sup>(6,7)</sup>	4,901,655	964,725	5,866,380
<b>Totals</b>	<b>\$ 7,817,154</b>	<b>\$ 2,941,765</b>	<b>\$ 10,758,919</b>

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

(2) Annual interest rates range from 1.32% to 6.5%.

(3) Annual interest rates range from 1.0% to 7.98%. Carrying value of the properties securing the debt totaled \$5,424,956,000 at December 31, 2014.

(4) On July 25, 2014, we refinanced the funding on a \$250,000,000 Canadian-denominated unsecured term credit facility (approximately \$215,498,664 based on the Canadian/U.S. Dollar exchange rate on December 31, 2014). The loan matures on October 31, 2018 (with an option to extend for an additional year at our discretion) and bears interest at the Canadian Dealer Offered Rate plus 115 basis points (2.4% at December 31, 2014).

(5) On July 25, 2014, we refinanced the funding on a \$500,000,000 unsecured term credit facility. The loan matures on October 31, 2018 (with an option to extend for one additional year at our discretion) and bears interest at LIBOR plus 115 basis points (1.32% at December 31, 2014).

(6) On November 20, 2013, we completed funding on £550,000,000 (approximately \$853,790,000 based on the Sterling/U.S. Dollar exchange rate on December 31, 2014) of 4.8% senior unsecured notes due 2028.

(7) On November 25, 2014, we completed funding on £500,000,000 (approximately \$781,900,000 based on the Sterling/U.S. Dollar exchange rate on December 31, 2014) of 4.5% senior unsecured notes due 2034.

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

	Year Ended					
	December 31, 2014		December 31, 2013		December 31, 2012	
	Amount	Weighted Avg. Interest Rate	Amount	Weighted Avg. Interest Rate	Amount	Weighted Avg. Interest Rate
Beginning balance	\$ 7,421,707	4.395%	\$ 5,894,403	4.675%	\$ 4,464,927	5.133%
Debt issued	838,804	4.572%	2,036,930	3.824%	1,800,000	3.691%
Debt extinguished	(298,567)	5.855%	(300,000)	6.000%	(76,853)	8.000%
Debt redeemed	(59,143)	3.000%	(219,295)	3.000%	(293,671)	4.750%
Foreign currency	(85,647)	4.222%	9,669	3.993%	-	0.000%
<b>Ending balance</b>	<b>\$ 7,817,154</b>	<b>4.385%</b>	<b>\$ 7,421,707</b>	<b>4.395%</b>	<b>\$ 5,894,403</b>	<b>4.675%</b>

During the twelve months ended December 31, 2010, we issued \$494,403,000 of 3.00% senior unsecured convertible notes due December 2029. The notes are convertible, in certain circumstances, into cash and, if applicable, shares of common stock at an initial conversion rate of 19.5064 shares per \$1,000 principal amount of notes, which represents an initial conversion price of \$51.27 per share. In general, upon conversion, the holder of each note would receive, in respect of the conversion value of such note, cash up to the principal amount of such note and common stock for the note’s conversion value in excess of such principal amount. In addition, on each of December 1, 2019 and December 1, 2024, holders may require us to purchase all or a portion of their notes at a purchase price in cash equal to 100% of the principal amount of the notes to be purchased, plus any accrued and unpaid interest. The notes are bifurcated into a debt component and an equity component since they may be settled in cash upon conversion. The value of the debt component is based upon the estimated fair value of a similar debt instrument without the conversion feature at the time of issuance. The difference between the contractual principal on the debt and the value allocated to the debt of \$29,925,000 was recorded as an equity component and represents the conversion feature of the instrument. The excess of the contractual principal amount of the debt over its estimated fair value is amortized to interest expense using the effective interest method over the period used to estimate the fair value. During the year ended December 31, 2014, we received notice of conversion from holders of \$59,143,000 of the senior

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unsecured convertible notes. These notes were converted into 258,542 shares of common stock and we recognized a loss on extinguishment of \$974,000, which is reflected on the consolidated statement of comprehensive income. Subsequent to December 31, 2014, we received notices of conversion from holders of \$142,238,000 of the senior unsecured convertible notes which are expected to settle by March 31, 2015.

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

	Year Ended					
	December 31, 2014		December 31, 2013		December 31, 2012	
	Amount	Weighted Avg. Interest Rate	Amount	Weighted Avg. Interest Rate	Amount	Weighted Avg. Interest Rate
Beginning balance	\$ 3,010,711	5.095%	\$ 2,311,586	5.140%	\$ 2,108,384	5.285%
Debt issued	109,503	3.374%	89,208	4.982%	157,418	4.212%
Debt assumed	204,949	4.750%	1,290,858	4.159%	444,744	5.681%
Debt extinguished	(279,559)	4.824%	(614,375)	3.730%	(360,403)	4.672%
Principal payments	(62,280)	4.930%	(56,205)	5.248%	(38,744)	5.456%
Foreign currency	(41,559)	3.811%	(10,361)	4.013%	187	5.637%
Ending balance	<u>\$ 2,941,765</u>	<u>4.940%</u>	<u>\$ 3,010,711</u>	<u>5.095%</u>	<u>\$ 2,311,586</u>	<u>5.140%</u>

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

## 11. Derivative Instruments

We are exposed to various market risks, including the potential loss arising from adverse changes in interest rates. We may elect to use financial derivative instruments to hedge interest rate exposure. These decisions are principally based on our policy to manage the 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 have elected to manage these risks through the use of forward exchange contracts and issuing debt in the foreign currency.

### *Interest 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 \$1,137,000 of gains, 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):

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	December 31, 2014		December 31, 2013	
Derivatives designated as net investment hedges:				
Denominated in Canadian Dollars	\$	900,000	\$	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	£	1,050,000	£	550,000
Derivatives designated as cash flow hedges				
Denominated in U.S. Dollars	\$	57,000	\$	57,000
Denominated in Canadian Dollars	\$	58,000	\$	-
Denominated in Pounds Sterling	£	40,000	£	-
Derivative instruments not designated:				
Denominated in Canadian Dollars	\$	12,000	\$	-

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

	Location	Year Ended		
		December 31, 2014	December 31, 2013	December 31, 2012
Gain (loss) on interest rate swap recognized in OCI (effective portion)	OCI	\$ (15)	\$ (16)	\$ 3,200
Gain (loss) on interest rate swaps reclassified from AOCI into income (effective portion)	Interest expense	(1,799)	(1,914)	(1,596)
Gain (loss) on forward exchange contracts recognized in income	Gain (loss) on derivatives, net	1,495	(4,470)	1,921
Gain (loss) on interest rate swaps recognized in income	Gain (loss) on derivatives, net	-	-	(96)
Gain on release of cumulative translation adjustment related to net investment hedge of an equity investment	Income (loss) from unconsolidated entities	528	-	-
Gain (loss) on forward exchange contracts and term loans designated as net investment hedge recognized in OCI	OCI	103,140	(28,244)	(5,134)

## 12. Commitments and Contingencies

At December 31, 2014, we had eight outstanding letter of credit obligations totaling \$82,456,000 and expiring between 2015 and 2018. At December 31, 2014, we had outstanding construction in process of \$186,327,000 for leased properties and were committed to providing additional funds of approximately \$227,618,000 to complete construction. At December 31, 2014, we had contingent purchase obligations totaling \$80,874,000. 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. At December 31, 2014, we had an unfunded commitment of \$360,000,000 related to a secured bridge facility with one of our operators for which we are receiving a commitment fee.

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We evaluate our leases for operating versus capital lease treatment in accordance with 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 December 31, 2014, we had operating lease obligations of \$916,404,000 relating to certain ground leases and Company office space. Regarding the ground leases, we have sublease agreements with certain of our operators that require the operators to reimburse us for our monthly operating lease obligations. At December 31, 2014, aggregate future minimum rentals to be received under these noncancelable subleases totaled \$27,190,000.

At December 31, 2014, future minimum lease payments due under operating and capital leases are as follows (in thousands):

	Operating Leases	Capital Leases <sup>(1)</sup>
2015	\$ 15,078	\$ 13,157
2016	15,158	4,732
2017	15,212	4,732
2018	15,249	4,679
2019	15,208	4,333
Thereafter	840,499	80,093
Totals	<u>\$ 916,404</u>	<u>\$ 111,726</u>

(1) Amounts above represent principal and interest obligations under capital lease arrangements. Related assets with a gross value of \$185,250,000 and accumulated depreciation of \$17,953,000 are recorded in real property.

### 13. Stockholders' Equity

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

	December 31, 2014	December 31, 2013
Preferred Stock, \$1.00 par value:		
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	329,487,615	290,024,789
Outstanding shares	328,790,066	289,563,651

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

	Year Ended					
	December 31, 2014		December 31, 2013		December 31, 2012	
	Shares	Weighted Avg. Dividend Rate	Shares	Weighted Avg. Dividend Rate	Shares	Weighted Avg. Dividend Rate
Beginning balance	26,108,236	6.496%	26,224,854	6.493%	25,724,854	7.013%
Shares issued	-	0.000%	-	0.000%	11,500,000	6.500%
Shares redeemed	-	0.000%	-	0.000%	(11,000,000)	7.716%
Shares converted	(233,236)	6.000%	(116,618)	6.000%	-	0.000%
Ending balance	<u>25,875,000</u>	<u>6.500%</u>	<u>26,108,236</u>	<u>6.496%</u>	<u>26,224,854</u>	<u>6.493%</u>

During the three months ended December 31, 2010, we issued 349,854 shares of 6.00% Series H Cumulative Convertible and

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Redeemable Preferred Stock in connection with a business combination. During the years ended December 31, 2013 and 2014, all shares were converted into common stock, leaving zero shares outstanding.

During the three months ended March 31, 2011, we issued 14,375,000 of 6.50% Series I Cumulative Convertible Perpetual Preferred Stock. These shares have a liquidation value of \$50.00 per share. Dividends are payable quarterly in arrears. The preferred stock is not redeemable by us. The preferred shares are convertible, at the holder's option, into 0.8460 shares of common stock (equal to an initial conversion price of approximately \$59.10).

During the three months ended March 31, 2012, we issued 11,500,000 of 6.50% Series J Cumulative Redeemable Preferred Stock. Dividends are payable quarterly in arrears. The preferred stock, which has no stated maturity, may be redeemed by us at a redemption price of \$25.00 per share, plus accrued and unpaid dividends on such shares to the redemption date, on or after March 7, 2017.

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

	Shares Issued	Average Price	Gross Proceeds	Net Proceeds
February 2012 public issuance	20,700,000	\$ 53.50	\$ 1,107,450	\$ 1,062,256
August 2012 public issuance	13,800,000	58.75	810,750	778,011
September 2012 public issuance	29,900,000	56.00	1,674,400	1,606,665
2012 Dividend reinvestment plan issuances	2,136,140	56.37	120,411	120,411
2012 Option exercises	341,371	40.86	13,949	13,949
2012 Senior note conversions	1,039,721		-	-
2012 Totals	<u>67,917,232</u>		<u>\$ 3,726,960</u>	<u>\$ 3,581,292</u>
May 2013 public issuance	23,000,000	\$ 73.50	\$ 1,690,500	\$ 1,630,281
2013 Dividend reinvestment plan issuances	3,429,928	62.78	215,346	215,346
2013 Option exercises	213,724	42.16	9,010	9,010
2013 Senior note conversions	988,007		-	-
2013 Preferred stock conversions	116,618		-	-
2013 Equity issued in acquisition of noncontrolling interest	1,108,917		-	-
2013 Totals	<u>28,857,194</u>		<u>\$ 1,914,856</u>	<u>\$ 1,854,637</u>
June 2014 public issuance	16,100,000	62.35	1,003,835	968,517
September 2014 public issuance	17,825,000	63.75	1,136,344	1,095,465
2014 Dividend reinvestment plan issuances	4,122,941	62.35	257,055	257,055
2014 Option exercises	498,549	45.79	22,831	22,831
2014 Preferred stock conversions	233,236		-	-
2014 Stock incentive plans, net of forfeitures	188,147		-	-
2014 Senior note conversions	258,542		-	-
2014 Totals	<u>39,226,415</u>		<u>\$ 2,420,065</u>	<u>\$ 2,343,868</u>

During the twelve months ended December 31, 2013, we acquired the remaining 20% noncontrolling interest in an existing partnership for \$91,000,000 which consisted of \$23,247,000 of cash and 1,108,917 shares of common stock. In connection with the acquisition, we incurred \$2,732,000 of transaction costs, which we have included as a reduction to additional paid in capital.

*Dividends.* The increase in dividends is primarily attributable to increases in our common shares outstanding as described above. Please refer to Notes 2 and 18 for information related to federal income tax of dividends. The following is a summary of our dividend payments (in thousands, except per share amounts):

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	Year Ended					
	December 31, 2014		December 31, 2013		December 31, 2012	
	Per Share	Amount	Per Share	Amount	Per Share	Amount
Common Stock	\$ 3.18000	\$ 969,661	\$ 3.06000	\$ 839,939	\$ 2.96000	\$ 653,321
Series D Preferred Stock	-	-	-	-	0.50301	2,012
Series F Preferred Stock	-	-	-	-	0.48715	3,410
Series H Preferred Stock	0.00794	1	2.85840	930	2.85840	1,000
Series I Preferred Stock	3.25000	46,719	3.25000	46,719	3.25000	46,719
Series J Preferred Stock	1.62510	18,688	1.62510	18,687	1.39038	15,988
Totals		<u>\$ 1,035,069</u>		<u>\$ 906,275</u>		<u>\$ 722,450</u>

*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:					Total
	Foreign Currency Translation	Equity Investments	Actuarial losses	Cash Flow Hedges		
Balance at December 31, 2013	\$ (17,631)	\$ (389)	\$ (1,452)	\$ (5,059)	\$ (24,531)	
Other comprehensive income before reclassification adjustments	(56,611)	389	(137)	2,610	(53,749)	
Reclassification amount to net income	(528)	-	-	1,799 <sup>(1)</sup>	1,271	
Net current-period other comprehensive income	(57,139)	389	(137)	4,409	(52,478)	
Balance at December 31, 2014	<u>\$ (74,770)</u>	<u>\$ -</u>	<u>\$ (1,589)</u>	<u>\$ (650)</u>	<u>\$ (77,009)</u>	
Balance at December 31, 2012	\$ (881)	\$ (216)	\$ (2,974)	\$ (6,957)	\$ (11,028)	
Other comprehensive income before reclassification adjustments	(16,750)	(173)	1,522	(16)	(15,417)	
Reclassification amount to net income	-	-	-	1,914 <sup>(1)</sup>	1,914	
Net current-period other comprehensive income	(16,750)	(173)	1,522	1,898	(13,503)	
Balance at December 31, 2013	<u>\$ (17,631)</u>	<u>\$ (389)</u>	<u>\$ (1,452)</u>	<u>\$ (5,059)</u>	<u>\$ (24,531)</u>	

(1) Please see Note 11 for additional information.

*Other Equity.* Other equity consists of accumulated option compensation expense, which represents the amount of amortized compensation costs related to stock options awarded to employees and directors.

#### 14. Stock Incentive Plans

Our Amended and Restated 2005 Long-Term Incentive Plan authorizes up to 6,200,000 shares of common stock to be issued at the discretion of the Compensation Committee of the Board of Directors. The 2005 Plan replaced the 1995 Stock Incentive Plan and the Stock Plan for Non-Employee Directors. The options granted to officers and key employees under the 1995 Plan 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. Under our long-term incentive plan, certain restricted stock awards are performance based. Compensation expense for these performance grants is measured based on the probability of achievement of certain objective and subjective performance goals and is recognized over both the performance period and vesting period. If the estimated number of performance based restricted stock to be earned changes, an adjustment will be recorded to recognize the accumulated difference between the revised and previous estimates. Vesting periods for options, deferred stock units and restricted shares generally range from one to three years for non-employee directors and from three to five years for officers and key employees. Options expire ten years from the date of grant.

The following table summarizes compensation expense recognized for the periods presented (in thousands):

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	Year Ended December 31,		
	2014	2013	2012
Stock options	\$ 912	\$ 1,113	\$ 2,777
Restricted stock	31,163	19,064	15,744
	<u>\$ 32,075</u>	<u>\$ 20,177</u>	<u>\$ 18,521</u>

*Stock Options*

We have not granted stock options since the year ended December 31, 2012 but some remain outstanding. As of December 31, 2014, there was \$1,147,000 of total unrecognized compensation expense related to unvested stock options that is expected to be recognized over a weighted-average period of two years. Stock options outstanding at December 31, 2014 have an aggregate intrinsic value of \$19,358,000.

*Restricted Stock*

The fair value of the restricted stock is equal to the market price of the company's common stock on the date of grant and is amortized over the vesting periods. As of December 31, 2014, there was \$30,692,000 of total unrecognized compensation expense related to unvested restricted stock that is expected to be recognized over a weighted-average period of three years. The following table summarizes information about non-vested restricted stock incentive awards as of and for the year ended December 31, 2014:

	Restricted Stock	
	Number of Shares (000's)	Weighted-Average Grant Date Fair Value
Non-vested at December 31, 2013	788	\$ 56.92
Vested	(553)	56.29
Granted	324	57.59
Terminated	(5)	57.20
Non-vested at December 31, 2014	<u>554</u>	<u>\$ 57.94</u>

**15. Earnings Per Share**

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

	Year Ended December 31,		
	2014	2013	2012
Numerator for basic and diluted earnings per share - net income attributable to common stockholders	<u>\$ 446,745</u>	<u>\$ 78,714</u>	<u>\$ 221,884</u>
Denominator for basic earnings per share: weighted-average shares	306,272	276,929	224,343
Effect of dilutive securities:			
Employee stock options	188	226	231
Non-vested restricted shares	500	457	312
Convertible senior unsecured notes	787	1,149	1,067
Dilutive potential common shares	<u>1,475</u>	<u>1,832</u>	<u>1,610</u>
Denominator for diluted earnings per share: adjusted-weighted average shares	<u>307,747</u>	<u>278,761</u>	<u>225,953</u>
Basic earnings per share	<u>\$ 1.46</u>	<u>\$ 0.28</u>	<u>\$ 0.99</u>
Diluted earnings per share	<u>\$ 1.45</u>	<u>\$ 0.28</u>	<u>\$ 0.98</u>

The diluted earnings per share calculations exclude the dilutive effect of 0, 0, and 182,000 stock options for the years ended December 31, 2014, 2013 and 2012, respectively, because the exercise prices were more than the average market price. The Series H



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Cumulative Convertible and Redeemable Preferred Stock and the Series I Cumulative Convertible Perpetual Preferred Stock were excluded from the calculations as the effect of the conversions were anti-dilutive.

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

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

*Mortgage Loans and Other Real Estate Loans Receivable* — The fair value of mortgage loans and other real estate loans receivable is generally estimated by using level two and level three inputs such as discounting the estimated future cash flows using the current rates at which similar loans would be made to borrowers with similar credit ratings and for the 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 one publicly available trading prices.

*Borrowings Under Primary Unsecured Credit Facility* — The carrying amount of the primary unsecured credit facility approximates fair value because the borrowings are interest rate adjustable.

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

*Secured Debt* — The fair value of fixed rate secured debt is estimated using level two inputs by discounting the estimated future cash flows using the current rates at which similar loans would be made with similar credit ratings and for the same remaining maturities. The carrying amount of variable rate secured debt approximates fair value because the 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 two 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 two inputs by estimating the future value of the currency pair based on existing exchange rates, comprised of current spot and traded forward points, and calculating a present value of the net amount using a discount factor based on observable traded interest rates.

*Redeemable OP Unitholder Interests* — The fair value of our redeemable unitholder interests are recorded on the balance sheet at fair value using Level 2 inputs. The fair value is measured using the closing price of our common stock, as units may be redeemed at the election of the holder for cash or, at our option, one share of our common stock per unit, subject to adjustment in certain circumstances.

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

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	December 31, 2014		December 31, 2013	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>Financial Assets:</b>				
Mortgage loans receivable	\$ 188,651	\$ 194,935	\$ 146,987	\$ 148,088
Other real estate loans receivable	191,518	195,375	185,159	188,920
Available-for-sale equity investments	-	-	1,211	1,211
Cash and cash equivalents	473,726	473,726	158,780	158,780
Foreign currency forward contracts	57,087	57,087	-	-
<b>Financial Liabilities:</b>				
Borrowings under unsecured lines of credit arrangements	\$ -	\$ -	\$ 130,000	\$ 130,000
Senior unsecured notes	7,766,251	8,613,702	7,379,308	7,743,730
Secured debt	2,977,713	3,053,067	3,058,248	3,168,775
Foreign currency forward contracts	1,495	1,495	11,637	11,637
Redeemable OP unitholder interests	\$ 46,722	\$ 46,722	\$ -	\$ -

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 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.

*Items Measured at Fair Value on a Recurring Basis*

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

	Fair Value Measurements as of December 31, 2014			
	Total	Level 1	Level 2	Level 3
Foreign currency forward contracts <sup>(1)</sup>	\$ 55,592	\$ -	\$ 55,592	\$ -
Redeemable OP unitholder interests	46,722	-	46,722	-
Totals	<u>\$ 102,314</u>	<u>\$ -</u>	<u>\$ 102,314</u>	<u>\$ -</u>

(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 (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 four operating segments: seniors housing triple-net, seniors housing operating, medical office buildings and life science. During 2014, we realigned our corporate structure and operating segment designations. Accordingly, the segment information provided in this note has been reclassified to conform to the current presentation for all periods presented. As part of the change in presentation, we removed the “hospitals” operating segment. Amounts previously classified within “hospitals” and aggregated into the medical facilities reporting segment have been reclassified to seniors housing triple-net properties.

Our seniors housing triple-net properties include long-term/post-acute care facilities, hospitals, assisted living facilities, independent living/continuing care retirement communities, care homes (United Kingdom), independent support living facilities (Canada), 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 that are owned and/or operated through RIDEA structures (see Notes 3 and 18).

Our medical facility properties include medical office buildings 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 life science investment represents an investment in an unconsolidated entity (see Note 7).

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 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.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies (see Note 2). 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.

Summary information for the reportable segments (which excludes unconsolidated entities) during the years ended December 31, 2014, 2013 and 2012 is as follows (in thousands):

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Year Ended December 31, 2014:	Seniors Housing Triple-net	Seniors Housing Operating	Medical Facilities	Non-segment / Corporate	Total
Rental income	\$ 992,638	\$ -	\$ 413,129	\$ -	\$ 1,405,767
Resident fees and services	-	1,892,237	-	-	1,892,237
Interest income	32,255	2,119	3,293	-	37,667
Other income	2,973	3,215	1,010	677	7,875
Total revenues	<u>1,027,866</u>	<u>1,897,571</u>	<u>417,432</u>	<u>677</u>	<u>3,343,546</u>
Property operating expenses	732	1,266,308	136,318	-	1,403,358
Net operating income from continuing operations	<u>1,027,134</u>	<u>631,263</u>	<u>281,114</u>	<u>677</u>	<u>1,940,188</u>
Reconciling items:					
Interest expense	38,460	113,099	32,904	296,576	481,039
(Loss) gain on derivatives, net	(1,770)	275	-	-	(1,495)
Depreciation and amortization	273,296	418,199	152,635	-	844,130
General and administrative	-	-	-	142,943	142,943
Transaction costs	45,146	16,880	7,512	-	69,538
(Loss) gain on extinguishment of debt, net	98	383	405	8,672	9,558
Other expenses	<u>8,825</u>	<u>1,437</u>	<u>-</u>	<u>-</u>	<u>10,262</u>
Income (loss) from continuing operations before income taxes and income (loss) from unconsolidated entities	663,079	80,990	87,658	(447,514)	384,213
Income tax expense	6,141	(3,047)	(1,827)	-	1,267
(Loss) income from unconsolidated entities	5,423	(38,204)	5,355	-	(27,426)
Income (loss) from continuing operations	<u>674,643</u>	<u>39,739</u>	<u>91,186</u>	<u>(447,514)</u>	<u>358,054</u>
Income (loss) from discontinued operations	7,135	-	-	-	7,135
Gain (loss) on real estate dispositions, net	146,205	-	906	-	147,111
Net income (loss)	<u>\$ 827,983</u>	<u>\$ 39,739</u>	<u>\$ 92,092</u>	<u>\$ (447,514)</u>	<u>\$ 512,300</u>
Total assets	\$ 10,958,269	\$ 9,531,608	\$ 4,465,130	\$ 59,287	\$ 25,014,296

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Year Ended December 31, 2013:	Seniors Housing Triple-net	Seniors Housing Operating	Medical Facilities	Non-segment / Corporate	Total
Rental income	\$ 866,138	\$ -	\$ 361,451	\$ -	\$ 1,227,589
Resident fees and services	-	1,616,290	-	-	1,616,290
Interest income	28,214	757	3,692	-	32,663
Other income	1,504	355	1,911	296	4,066
Total revenues	895,856	1,617,402	367,054	296	2,880,608
Property operating expenses	1,235	1,089,239	116,339	-	1,206,813
Net operating income from continuing operations	894,621	528,163	250,715	296	1,673,795
Reconciling items:					
Interest expense	23,322	92,148	36,823	306,067	458,360
(Loss) gain on derivatives, net	4,877	(407)	-	-	4,470
Depreciation and amortization	249,913	478,007	137,880	-	865,800
General and administrative	-	-	-	108,318	108,318
Transaction costs	24,426	107,066	1,909	-	133,401
(Loss) gain on extinguishment of debt, net	40	(3,372)	-	2,423	(909)
Provision for loan losses	2,110	-	-	-	2,110
Income (loss) from continuing operations before income taxes and income (loss) from unconsolidated entities	589,933	(145,279)	74,103	(416,512)	102,245
Income tax expense	(1,817)	(5,337)	(270)	(67)	(7,491)
(Loss) income from unconsolidated entities	5,035	(22,695)	9,473	-	(8,187)
Income (loss) from continuing operations	593,151	(173,311)	83,306	(416,579)	86,567
Income (loss) from discontinued operations	57,742	-	(6,029)	-	51,713
Net income (loss)	\$ 650,893	\$ (173,311)	\$ 77,277	\$ (416,579)	\$ 138,280
Total assets	\$ 10,121,813	\$ 8,984,316	\$ 3,829,547	\$ 148,281	\$ 23,083,957

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Year Ended December 31, 2012	Seniors Housing Triple-net	Seniors Housing Operating	Medical Facilities	Non-segment / Corporate	Total
Rental income	\$ 762,968	\$ -	\$ 300,246	\$ -	\$ 1,063,214
Resident fees and services	-	697,494	-	-	697,494
Interest income	30,654	6,208	2,203	-	39,065
Other income	2,471	-	1,888	912	5,271
<b>Total revenues</b>	<b>796,093</b>	<b>703,702</b>	<b>304,337</b>	<b>912</b>	<b>1,805,044</b>
Property operating expenses	1,082	471,678	95,229	-	567,989
<b>Net operating income from continuing operations</b>	<b>795,011</b>	<b>232,024</b>	<b>209,108</b>	<b>912</b>	<b>1,237,055</b>
Reconciling items:					
Interest expense	1,745	67,524	28,878	263,418	361,565
Loss (gain) on derivatives, net	96	(1,921)	-	-	(1,825)
Depreciation and amortization	223,921	165,798	116,501	-	506,220
General and administrative	-	-	-	97,341	97,341
Transaction costs	35,705	12,756	13,148	-	61,609
Loss (gain) on extinguishment of debt, net	2,405	(2,697)	(483)	-	(775)
Provision for loan losses	27,008	-	-	-	27,008
Income (loss) from continuing operations before income taxes and income (loss) from unconsolidated entities	504,131	(9,436)	51,064	(359,847)	185,912
Income tax expense	(2,852)	(1,086)	(2,381)	(1,293)	(7,612)
(Loss) income from unconsolidated entities	(33)	(6,364)	8,879	-	2,482
<b>Income from continuing operations</b>	<b>501,246</b>	<b>(16,886)</b>	<b>57,562</b>	<b>(361,140)</b>	<b>180,782</b>
Income (loss) from discontinued operations	130,053	-	(15,995)	-	114,058
<b>Net income (loss)</b>	<b>\$ 631,299</b>	<b>\$ (16,886)</b>	<b>\$ 41,567</b>	<b>\$ (361,140)</b>	<b>\$ 294,840</b>

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 the periods presented (dollars in thousands):

	Year Ended					
	December 31, 2014		December 31, 2013		December 30, 2012	
	Amount	%	Amount	%	Amount	%
Revenues:						
United States	\$ 2,801,474	83.8%	\$ 2,489,196	86.4%	\$ 1,778,507	98.5%
International	542,072	16.2%	391,412	13.6%	26,537	1.5%
<b>Total</b>	<b>\$ 3,343,546</b>	<b>100.0%</b>	<b>\$ 2,880,608</b>	<b>100.0%</b>	<b>\$ 1,805,044</b>	<b>100.0%</b>

	As of					
	December 31, 2014		December 31, 2013			
	Amount	%	Amount	%		
Assets:						
United States	\$ 20,728,477	82.9%	\$ 19,759,945	85.6%		
International	4,285,819	17.1%	3,324,012	14.4%		
<b>Total</b>	<b>\$ 25,014,296</b>	<b>100.0%</b>	<b>\$ 23,083,957</b>	<b>100.0%</b>		

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

**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 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.

Cash distributions paid to common stockholders, for federal income tax purposes, are as follows for the periods presented:

	Year Ended December 31,		
	2014	2013	2012
Per Share:			
Ordinary income	\$ 1.7861	\$ 1.4928	\$ 1.5000
Return of capital	0.8368	1.4176	1.3376
Long-term capital gains	0.1638	0.0448	0.1176
Unrecaptured section 1250 gains	0.3933	0.1048	0.0048
Totals	<u>\$ 3.1800</u>	<u>\$ 3.0600</u>	<u>\$ 2.9600</u>

Our consolidated provision for income taxes is as follows for the periods presented (dollars in thousands):

	Year Ended December 31,		
	2014	2013	2012
Current	\$ 2,672	\$ 12,389	\$ 4,785
Deferred	(3,939)	(4,898)	2,827
Totals	<u>\$ (1,267)</u>	<u>\$ 7,491</u>	<u>\$ 7,612</u>

REITs generally are not subject to U.S. federal income taxes on that portion of REIT taxable income or capital gain that is distributed to stockholders. For the tax year ended December 31, 2014, as a result of acquisitions located in Canada and the United Kingdom, we were subject to foreign income taxes under the respective tax laws of these jurisdictions.

The provision for income taxes for the year ended December 31, 2014 primarily relates to state taxes, foreign taxes, and taxes based on income generated by entities that are structured as taxable REIT subsidiaries. During 2014, we established certain new wholly-owned direct and indirect subsidiaries in Luxembourg and Jersey and transferred interests in certain foreign investments into this new holding company structure. The new structure includes a property holding company that is tax resident in the United Kingdom. No material adverse current tax consequences in Luxembourg, Jersey or the United Kingdom resulted from the creation of this new holding company structure and all of the subsidiary entities in the structure are treated as disregarded entities of the company for U.S. federal income tax purposes. The company will reflect current and deferred tax liabilities for any such withholding taxes incurred as a result of this holding company structure in its consolidated financial statements.

For the tax year ended December 31, 2014 and 2013, the Canadian and United Kingdom tax benefit amount included in the consolidated provision for income taxes was \$6,069,000 and \$484,000, respectively. The income tax benefit in 2014 is due primarily to the elimination of deferred tax liabilities in certain United Kingdom property holding companies which offsets the current year tax provision. For the tax year ended December 31, 2012, the Canadian and United Kingdom tax expense amount included in the consolidated provision for income taxes was \$596,000.

A reconciliation of income tax expense, which is computed by applying the federal corporate tax rate for the years ended December 31, 2014, 2013 and 2012, to the income tax provision/(benefit) is as follows for the periods presented (dollars in thousands):

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

	Year Ended December 31,		
	2014	2013	2012
Tax at statutory rate on earnings from continuing operations before unconsolidated entities, noncontrolling interests and income taxes	\$ 178,862	\$ 51,020	\$ 64,979
Increase / (decrease) in valuation allowance <sup>(1)</sup>	9,133	18,444	9,234
Tax at statutory rate on earnings not subject to federal income taxes	(189,070)	(88,762)	(72,640)
Foreign permanent depreciation	4,383	22,313	-
Other differences	(4,575)	4,476	6,039
Totals	<u>\$ (1,267)</u>	<u>\$ 7,491</u>	<u>\$ 7,612</u>

(1) Excluding purchase price accounting.

Each TRS and foreign entity subject to income taxes is a tax paying component for purposes of classifying deferred tax assets and liabilities. The tax effects of taxable and deductible temporary differences, as well as tax attributes, are summarized as follows for the periods presented (dollars in thousands):

	Year Ended December 31,		
	2014	2013	2012
Investments and property, primarily differences in investment basis, depreciation and amortization, the basis of land assets and the treatment of interests and certain costs	\$ (1,020)	\$ (34,236)	\$ (2,144)
Operating loss and interest deduction carryforwards	47,528	67,215	8,552
Expense accruals and other	26,191	19,309	4,372
Valuation allowance	(85,207)	(71,955)	(12,199)
Totals	<u>\$ (12,508)</u>	<u>\$ (19,667)</u>	<u>\$ (1,419)</u>

We assess the available positive and negative evidence to estimate if sufficient future taxable income will be generated to use the existing deferred tax assets. As required under the provisions of ASC 740, we apply the concepts on an entity-by-entity, jurisdiction-by-jurisdiction basis. With respect to the analysis of certain entities in multiple jurisdictions, a significant piece of objective negative evidence evaluated was the cumulative loss incurred over the three-year period ended December 31, 2014. Such objective evidence limits the ability to consider other subjective evidence such as our projections for future growth.

On the basis of the evaluations performed as required by the codification, valuation allowances totaling \$85,207,000 were recorded on U.S. taxable REIT subsidiaries as well as entities in other jurisdictions to limit the deferred tax assets to the amount that we believe is more likely that not realizable. However, the amount of the deferred tax asset considered realizable could be adjusted if (i) estimates of future taxable income during the carryforward period are reduced or increased or (ii) objective negative evidence in the form of cumulative losses is no longer present (and additional weight may be given to subjective evidence such as our projections for growth). The valuation allowance rollforward is summarized as follows for the periods presented (dollars in thousands):

	Year Ended December 31,		
	2014	2013	2012
Beginning balance	\$ 71,955	\$ 12,199	\$ 2,965
Additions:			
Purchase price accounting	4,119	41,312	-
Expense	9,133	18,444	9,234
Ending balance	<u>\$ 85,207</u>	<u>\$ 71,955</u>	<u>\$ 12,199</u>

As a result of certain acquisitions, we are subject to corporate level taxes for any related asset dispositions that may occur during the ten-year period immediately after such assets were owned by a C corporation ("built-in gains tax"). The amount of income



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

potentially subject to this special corporate level tax is generally equal to the lesser of (a) the excess of the fair value of the asset over its adjusted tax basis as of the date it became a REIT asset, or (b) the actual amount of gain. Some but not all gains recognized during this period of time could be offset by available net operating losses and capital loss carryforwards. During the year ended December 31, 2014, we acquired certain additional assets with built-in gains as of the date of acquisition that could be subject to the built-in gains tax if disposed of prior to the expiration of the applicable ten-year period. We have not recorded a deferred tax liability as a result of the potential built-in gains tax based on our intentions with respect to such properties and available tax planning strategies.

Under the provisions of the REIT Investment Diversification and Empowerment Act of 2007 (“RIDEA”), for taxable years beginning after July 30, 2008, the REIT may lease “qualified health care properties” on an arm’s-length basis to a TRS if the property is operated on behalf of such subsidiary by a person who qualifies as an “eligible independent contractor.” Generally, the rent received from the TRS will meet the related party rent exception and will be treated as “rents from real property.” A “qualified health care property” includes real property and any personal property that is, or is necessary or incidental to the use of, a hospital, nursing facility (our long-term/post-acute care facilities), 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 consolidated financial statements and are subject to federal and state income taxes as the operations of such facilities are included in a TRS. Certain net operating loss carryforwards could be utilized to offset taxable income in future years.

Given the applicable statute of limitations, we generally are subject to audit by the Internal Revenue Service (“IRS”) for the year ended December 31, 2011 and subsequent years, by the Canada Revenue Agency (“CRA”) and provincial authorities for acquisitions subsequent to May 2102, and by Her Majesty Revenue & Customs (“HMRC”) for acquisitions subsequent to August 2012. The statute of limitations may vary in the states in which we own properties or conduct business. We do not expect to be subject to audit by state taxing authorities for any year prior to the year ended December 31, 2008.

At December 31, 2014, we had a net operating loss (“NOL”) carryforward related to the REIT of \$378,791,000. These amounts can be used to offset future taxable income (and/or taxable income for prior years if an audit determines that tax is owed), if any. The REIT will be entitled to utilize NOLs and tax credit carryforwards only to the extent that REIT taxable income exceeds our deduction for dividends paid. The NOL carryforwards will expire through 2034.

At December 31, 2014, 2013 and 2012, we had a net operating loss carryforward related to Canadian entities of \$32,085,000, \$50,958,000 and \$4,275,000, respectively. These Canadian losses have a 20-year carryforward period. At December 31, 2014 and 2013, we had a net operating loss carryforward related to United Kingdom entities of \$177,079,000 and \$238,741,000, respectively. These United Kingdom losses do not have a finite carryforward period. On the basis of evaluations performed as required by the codification, valuation allowances were recorded to limit the deferred tax assets for the related net operating loss carryforwards to the amount that we believe is more likely than not realizable.

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 taxing authority. The following table summarizes the activity related to our unrecognized tax benefits for the periods presented (dollars in thousands):

	Year Ended December 31,	
	2014	2013
Gross unrecognized tax benefits at beginning of year	\$ 6,413	\$ 6,098
Increases (decreases) in unrecognized tax benefits related to a prior year	-	76
Increases (decreases) in unrecognized tax benefits related to the current year	-	260
Lapse in statute of limitations for assessment	(5,556)	(21)
Gross unrecognized tax benefits at end of year	\$ 857	\$ 6,413

The balance of our unrecognized tax benefits as of December 31, 2014 and 2013 was \$857,000 and \$6,413,000, respectively. During 2014, \$6,976,000 (including penalties and interest) relating to the April 1, 2011 Genesis Healthcare Corporation transaction (“Genesis Acquisition”) expired due to the applicable statute of limitations. As a part of the Genesis Acquisition, we received a full

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

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 was recorded in receivables and other assets on the consolidated balance sheet and was reversed during 2014.

There is no amount of unrecognized tax benefits, currently accrued for, that would have a material impact on the effective tax rate to the extent that would be recognized. There were insignificant uncertain tax positions as of December 31, 2014 for which it is reasonably possible that the amount of unrecognized tax benefits would decrease during 2015. Interest and penalties totaled \$137,000 and \$253,000, respectively, for the year ended December 31, 2014 and are included in income tax expense.

**19. Retirement Arrangements**

Under the retirement plan and trust (the "401(k) Plan"), eligible employees may make contributions, and we may make matching contributions and a profit sharing contribution. Our contributions to the 401(k) Plan totaled \$2,701,000, \$2,562,000, and \$2,140,000 in 2014, 2013 and 2012, respectively.

We have a Supplemental Executive Retirement Plan ("SERP"), a non-qualified defined benefit pension plan, which provides one executive officer with supplemental deferred retirement benefits. The SERP provides an opportunity for the participant to receive retirement benefits that cannot be paid under our tax-qualified plans because of the restrictions imposed by ERISA and the Internal Revenue Code of 1986, as amended. Benefits are based on compensation and length of service and the SERP is unfunded. Benefit payments are expected to total \$7,128,000 during the next five fiscal years. We use a December 31 measurement date for the SERP. The accrued liability on our balance sheet for the SERP was \$6,882,000 at December 31, 2014 (\$6,453,000 at December 31, 2013).

On April 13, 2014, George L. Chapman, formerly 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 year ended December 31, 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.

**20. Quarterly Results of Operations (Unaudited)**

The following is a summary of our unaudited quarterly results of operations for the years ended December 31, 2014 and 2013 (in thousands, except per share data). The sum of individual quarterly amounts may not agree to the annual amounts included in the consolidated statements of income due to rounding.

	Year Ended December 31, 2014			
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Revenues	\$ 801,807	\$ 826,446	\$ 847,523	\$ 867,770
Net income (loss) attributable to common stockholders	50,022	71,829	136,255	188,639
Net income (loss) attributable to common stockholders per share:				
Basic	\$ 0.17	\$ 0.24	\$ 0.44	\$ 0.58
Diluted	0.17	0.24	0.44	0.57

	Year Ended December 31, 2013			
	1st Quarter	2nd Quarter <sup>(2)</sup>	3rd Quarter	4th Quarter
Revenues - as reported	\$ 633,915	\$ 682,125	\$ 786,930	\$ 788,577
Discontinued operations	(4,129)	(3,592)	(3,217)	-
Revenues - as adjusted <sup>(1)</sup>	\$ 629,786	\$ 678,533	\$ 783,713	\$ 788,577
Net income attributable to common stockholders	\$ 55,058	\$ (8,508)	\$ 20,691	\$ 11,473
Net income attributable to common stockholders per share:				
Basic	\$ 0.21	\$ (0.03)	\$ 0.07	\$ 0.04
Diluted	0.21	(0.03)	0.07	0.04

(1) We have reclassified the income attributable to the properties sold prior to or held for sale at December 31, 2013 to discontinued operations. See Note 5 for additional information.

(2) The decrease in net income and amounts per share are primarily attributable to gains on sales of real estate of \$82,492,000 for the first quarter as compared to losses of \$29,997,000 for the second quarter.

**Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

Not applicable.

**Item 9A. Controls and Procedures**

**Disclosure Controls and Procedures**

An evaluation was carried out under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the disclosure controls and procedures (as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the disclosure controls and procedures were effective as of the end of the period covered by this report.

**Management's Report on Internal Control over Financial Reporting**

Management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) of the Securities Exchange Act of 1934, as amended). The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles. The Company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management has assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2014 based on the criteria established by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) in a report entitled Internal Control — Integrated Framework.

The scope of management's assessment as of December 31, 2014 did not include an assessment of the internal control over financial reporting for the Gracewell Healthcare acquisition because the business combination occurred during the year ended December 31, 2014. The acquired businesses represent 1% of total assets at December 31, 2014 and less than 1% of revenues and net operating income for the year then ended. The scope of management's assessment on internal control over financial reporting for the year ended December 31, 2015 will include the aforementioned acquired operations.

Based on this assessment, using the criteria above, management concluded that the Company's system of internal control over financial reporting was effective as of December 31, 2014.

The independent registered public accounting firm of Ernst & Young LLP, as auditors of the Company's consolidated financial statements, has issued an attestation report on the Company's internal control over financial reporting.

**Changes in Internal Control over Financial Reporting**

No change in our internal control over financial reporting (as defined in Rule 13a-15(f) of the Securities Exchange Act of 1934, as amended) occurred during the fourth quarter of the one-year period covered by this report that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## Report of Independent Registered Public Accounting Firm on Internal Control over Financial Reporting

The Board of Directors and Shareholders of Health Care REIT, Inc.

We have audited Health Care REIT, Inc.'s internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria, 2013 framework). Health Care REIT, Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As indicated in the accompanying Management's Report on Internal Control over Financial Reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of the Gracewell Healthcare acquisition, which is included in the 2014 consolidated financial statements of Health Care REIT, Inc. and cumulatively constitute 1% of total assets at December 31, 2014 and less than 1% of revenues and net operating income for the year then ended. Our audit of the internal control over financial reporting of Health Care REIT, Inc. also did not include an evaluation of the internal control over financial reporting of the aforementioned relationship.

In our opinion, Health Care REIT, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Health Care REIT, Inc. as of December 31, 2014 and 2013, and the related consolidated statements of comprehensive income, equity, and cash flows for each of the three years in the period ended December 31, 2014 and our report dated February 20, 2015 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

Toledo, Ohio  
February 20, 2015

### Item 9B. Other Information

#### *Preferred Stock – Certificates of Elimination*

On February 18, 2015, we filed certificates of elimination with the Delaware Secretary of State, which became effective upon filing, to eliminate from our Second Restated Certificate of Incorporation, as amended, all matters set forth in the certificates of designation for the Junior Participating Preferred Stock, Series A (the "Series A Stock"), and the 6% Series H Cumulative Convertible and Redeemable Preferred Stock (the "Series H Stock"). No shares of the Series A Stock or the Series H Stock were issued or outstanding at the time of the filing of the certificates of elimination.

**Item 10. *Directors, Executive Officers and Corporate Governance***

The information required by this Item is incorporated herein by reference to the information under the headings “Election of Directors,” “Corporate Governance,” “Executive Officers,” and “Security Ownership of Directors and Management and Certain Beneficial Owners — Section 16(a) Beneficial Ownership Reporting Compliance” in our definitive proxy statement, which will be filed with the Securities and Exchange Commission (the “Commission”) prior to April 30, 2015.

We have adopted a Code of Business Conduct & Ethics that applies to our directors, officers and employees. The code is posted on the Internet at [www.hcreit.com/investor-relations/governance](http://www.hcreit.com/investor-relations/governance). Any amendment to, or waivers from, the code that relate to any officer or director of the Company will be promptly disclosed on the Internet at [www.hcreit.com](http://www.hcreit.com).

In addition, the Board has adopted charters for the Audit, Compensation and Nominating/Corporate Governance Committees. These charters are posted on the Internet at [www.hcreit.com/investor-relations/governance](http://www.hcreit.com/investor-relations/governance).

The information on our website is not incorporated by reference in this Annual Report on Form 10-K, and our web address is included as an inactive textual reference only.

**Item 11. *Executive Compensation***

The information required by this Item is incorporated herein by reference to the information under the headings “Executive Compensation” and “Director Compensation” in our definitive proxy statement, which will be filed with the Commission prior to April 30, 2015.

**Item 12. *Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters***

The information required by this Item is incorporated herein by reference to the information under the headings “Security Ownership of Directors and Management and Certain Beneficial Owners” and “Equity Compensation Plan Information” in our definitive proxy statement, which will be filed with the Commission prior to April 30, 2015.

**Item 13. *Certain Relationships and Related Transactions, and Director Independence***

The information required by this Item is incorporated herein by reference to the information under the headings “Corporate Governance — Independence and Meetings” and “Security Ownership of Directors and Management and Certain Beneficial Owners — Certain Relationships and Related Transactions” in our definitive proxy statement, which will be filed with the Commission prior to April 30, 2015.

**Item 14. *Principal Accounting Fees and Services***

The information required by this Item is incorporated herein by reference to the information under the heading “Ratification of the Appointment of the Independent Registered Public Accounting Firm” in our definitive proxy statement, which will be filed with the Commission prior to April 30, 2015.

**Item 15. Exhibits and Financial Statement Schedules**

(a) 1. *Our Consolidated Financial Statements are included in Part II, Item 8:*

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Consolidated Balance Sheets – December 31, 2014 and 2013	72
Consolidated Statements of Comprehensive Income — Years ended December 31, 2014, 2013 and 2012	73
Consolidated Statements of Equity — Years ended December 31, 2014, 2013 and 2012	75
Consolidated Statements of Cash Flows — Years ended December 31, 2014, 2013 and 2012	76
Notes to Consolidated Financial Statements	77

2. *The following Financial Statement Schedules are included in Item 15(c):*

- III – Real Estate and Accumulated Depreciation
- IV – Mortgage Loans on Real Estate

The financial statement schedule required by Item 15(a) (Schedule II, Valuation and Qualifying Accounts) is included in Item 8 of this Annual Report on Form 10-K.

3. *Exhibit Index:*

The information required by this item is set forth on the Exhibit Index that follows the Financial Statement Schedules to this Annual Report on Form 10-K.

(b) *Exhibits:*

The exhibits listed on the Exhibit Index are either filed with this Form 10-K or incorporated by reference in accordance with Rule 12b-32 of the Securities Exchange Act of 1934.

(c) *Financial Statement Schedules:*

Financial statement schedules are included beginning on page 111.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

Date: February 20, 2015

### HEALTH CARE REIT, INC.

By: /s/ THOMAS J. DeROSA  
Thomas J. DeRosa,  
Chief Executive Officer and Director

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below on February 20, 2015 by the following persons on behalf of the Registrant and in the capacities indicated.

/s/ JEFFREY H. DONAHUE \*\*  
Jeffrey H. Donahue, Chairman of the Board

/s/ JUDITH C. PELHAM \*\*  
Judith C. Pelham, Director

/s/ WILLIAM C. BALLARD, JR. \*\*  
William C. Ballard, Jr., Director

/s/ SERGIO D. RIVERA \*\*  
Sergio D. Rivera, Director

/s/ PETER J. GRUA \*\*  
Peter J. Grua, Director

/s/ R. SCOTT TRUMBULL \*\*  
R. Scott Trumbull, Director

/s/ FRED S. KLIPSCH \*\*  
Fred S. Klipsch, Director

/s/ THOMAS J. DeROSA  
Thomas J. DeRosa, Chief Executive Officer  
and Director  
(Principal Executive Officer)

/s/ GEOFFREY G. MEYERS \*\*  
Geoffrey G. Meyers, Director

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

/s/ TIMOTHY J. NAUGHTON \*\*  
Timothy J. Naughton, Director

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

/s/ SHARON M. OSTER \*\*  
Sharon M. Oster, Director

**\*\*By:** /s/ THOMAS J. DeROSA  
Thomas J. DeRosa, Attorney-in-Fact















West Worthington, OH	-	510	5,090	-	510	5,090	1,330	2006	1980	111 Lazelle Rd., E.
Westworth Village, TX	-	2,060	31,296	-	2,060	31,296	69	2014	2014	25 Leonard Trail
Waxahachie, TX	-	650	5,763	-	650	5,763	1,045	2007	2008	1329 Brown St.
Wyncote, PA	-	2,700	22,244	148	2,700	22,392	2,372	2011	1960	1245 Church Road
Wyncote, PA	-	1,610	21,256	214	1,610	21,470	2,170	2011	1962	8100 Washington Lane
Wyncote, PA	-	900	7,811	32	900	7,843	827	2011	1889	240 Barker Road
Youngsville, NC	-	380	10,694	-	380	10,694	38	2014	2013	100 Sunset Drive
York, England	-	3,739	10,437	-	3,739	10,437	24	2014	2006	Rosetta Way, Boroughbridge Road
Zionsville, IN	-	1,610	22,400	1,691	1,610	24,091	2,636	2010	2009	11755 N Michigan Rd

**Seniors Housing Triple-Net Total**      \$      593,414      \$      900,397      \$      9,683,752      \$      365,636      \$      912,535      \$      10,037,249      \$      1,262,419











Yorkton, SK	4,172	552	10,218	-	552	10,218	1,252	2013	2001	94 Russell Drive
Yonkers, NY	-	3,962	50,107	356	3,967	50,459	5,226	2013	2005	65 Crisfield Street

<b>Seniors Housing Operating</b>														
<b>Total</b>	\$	1,654,531	\$	773,492	\$	8,293,454	\$	348,816	\$	788,969	\$	8,626,789	\$	1,110,393







Temple, TX	-	2,900	9,954	-	2,900	9,954	620	2011	2012	2601 Thornton Lane				
Tucson, AZ	-	1,302	4,925	824	1,302	5,749	1,906	2008	1995	2055 W. Hospital Dr.				
Van Nuys, CA	-	-	36,187	-	-	36,187	5,468	2009	1991	6815 Noble Ave.				
Virginia Beach, VA	-	924	19,168	-	924	19,168	3,725	2011	2007	828 Health Way				
Voorhees, NJ	-	6,404	24,251	1,387	6,477	25,564	6,638	2006	1997	900 Centennial Blvd.				
Voorhees, NJ	-	6	96,075	-	6	96,075	10,205	2010	2012	200 Bowman Drive				
Wellington, FL	-	107	16,933	1,880	107	18,813	4,290	2006	2000	10115 Forest Hill Blvd.				
Wellington, FL	-	388	13,697	414	388	14,111	3,470	2007	2003	1395 State Rd. 7				
West Allis, WI	3,267	1,106	3,309	-	1,106	3,309	777	2010	1961	11333 W. National Ave.				
West Palm Beach, FL	-	628	14,740	121	628	14,861	4,448	2006	1993	5325 Greenwood Ave.				
West Palm Beach, FL	-	610	14,618	404	610	15,023	4,853	2006	1991	927 45th St.				
West Seneca, NY	-	917	22,435	2,114	1,642	23,824	6,666	2007	1990	550 Orchard Park Rd				
Westerville, OH	-	2,122	5,641	-	2,122	5,641	681	2012	2001	444 N Cleveland Avenue				
Zephyrhills, FL	-	3,875	27,270	-	3,875	27,270	3,134	2011	1974	38135 Market Square Dr				
<b>Medical facilities total:</b>	\$	609,268	\$	330,140	\$	4,143,585	\$	142,524	\$	345,036	\$	4,271,211	\$	648,096

Assets held for sale:													
Bellaire, TX	\$	-	\$	4,551	\$	46,105	\$	-	\$	-	2006	2005	5410 W. Loop S.
Bellaire, TX	-	-	-	2,972	-	33,445	-	-	-	-	2006	2005	5420 W. Loop S.
Denton, TX	-	-	-	-	-	19,407	-	-	-	-	2007	2005	2900 North I-35
Stafford, VA	-	-	-	-	-	11,260	-	-	9,422	-	2008	2009	125 Hospital Center Blvd
Bellevue, NE	-	-	4,500	-	-	109,719	-	-	101,627	-	2008	2010	2500 Bellevue Medical Center Dr
Bridgeton, MO	-	-	-	-	-	30,221	-	-	-	-	2011	2011	12380 DePaul Drive
Akron, OH	-	-	-	300	-	20,200	-	-	-	-	2009	2008	200 E. Market St.
Amelia Island, FL	-	-	-	3,290	-	24,310	-	-	-	-	2005	1998	48 Osprey Village Dr.
Austin, TX	9,658	-	-	730	-	18,970	-	-	15,750	-	2007	2006	3200 W. Slaughter Lane
Bellevue, WI	-	-	-	1,740	-	18,260	-	-	16,473	-	2006	2004	1660 Hoffman Rd.
Baytown, TX	9,059	-	-	450	-	6,150	-	-	4,360	-	2002	2000	3921 N. Main St.
Baytown, TX	-	-	-	540	-	11,110	-	-	9,987	-	2009	2008	2000 West Baker Lane
Corpus Christi, TX	-	-	-	400	-	1,916	-	-	-	-	2005	1985	1101 S. Alameda
DeForest, WI	-	-	-	250	-	5,350	-	-	4,862	-	2007	2006	6902 Parkside Circle
Denver, CO	-	-	-	2,530	-	9,514	-	-	-	-	2005	1986	3701 W. Radcliffe Ave.
Frisco, TX	-	-	-	130	-	16,445	-	-	-	-	2012	2010	2990 Legacy Drive
Grand Blanc, MI	-	-	-	700	-	7,843	-	-	-	-	2011	2012	5400 East Baldwin
Greenfield, WI	-	-	-	600	-	6,626	-	-	6,337	-	2006	2006	3933 S. Prairie Hill Lane
Greenville, SC	-	-	-	5,400	-	100,523	-	-	-	-	2006	2009	10 Fountainview Terrace
Houston, TX	9,656	-	-	860	-	18,715	-	-	15,927	-	2007	2006	8702 South Course Drive
Houston, TX	10,002	-	-	630	-	5,970	-	-	4,978	-	2002	1995	3625 Green Crest Dr.
Kenosha, WI	-	-	-	1,500	-	9,139	-	-	9,197	-	2007	2009	6300 67th Street
Lapeer, MI	-	-	-	220	-	7,625	-	-	-	-	2011	2012	2323 Demille Road
Melbourne, FL	-	-	-	2,540	-	21,319	-	-	-	-	2010	2012	3260 N Harbor City Blvd
McHenry, IL	-	-	-	3,550	-	15,300	3,012	-	21,862	-	2006	2004	3300 Charles Miller Rd.
Merrillville, IN	-	-	-	643	-	7,084	-	-	-	-	1997	1999	101 W. 87th Ave.
Merrillville, IN	-	-	-	1,080	-	3,413	-	-	-	-	2010	2011	300 W. 89th Ave.
Mount Airy, NC	-	-	-	270	-	6,430	-	-	-	-	2005	1998	1000 Ridgecrest Lane
Murrieta, CA	-	-	-	8,800	-	202,412	-	-	-	-	2008	2010	28062 Baxter Road
Myrtle Beach, SC	-	-	-	6,890	-	41,526	-	-	-	-	2007	2009	101 Brightwater Dr.
Neenah, WI	-	-	-	630	-	15,120	-	-	14,126	-	2010	1991	131 E. North Water St.
Oshkosh, WI	-	-	-	900	-	3,800	2,178	-	6,878	-	2006	2005	711 Bayshore Drive
Oshkosh, WI	-	-	-	400	-	23,237	-	-	20,069	-	2007	2008	631 Hazel Street
Overland Park, KS	-	-	-	1,120	-	8,360	-	-	-	-	2005	1970	7541 Switzer St.
Pasadena, TX	9,679	-	-	720	-	24,080	-	-	19,862	-	2007	2005	3434 Watters Rd.
Pawleys Island, SC	-	-	-	2,020	-	32,590	-	-	-	-	2005	1997	120 Lakes at Litchfield Dr.
Scituate, MA	-	-	-	1,740	-	10,640	-	-	-	-	2005	1976	309 Driftway
Sheboygan, WI	-	-	-	80	-	5,320	2,203	-	7,603	-	2006	2006	4221 Kadlec Dr.
Saint Simons Island, GA	-	-	-	6,440	-	50,060	-	-	-	-	2008	2007	136 Marsh's Edge Lane
San Antonio, TX	10,455	-	-	560	-	7,315	-	-	5,190	-	2002	2000	5437 Eisenhour Rd.
San Antonio, TX	9,637	-	-	640	-	13,360	-	-	11,138	-	2007	2004	8503 Mystic Park
Spartanburg, SC	-	-	-	3,350	-	15,750	-	-	-	-	2005	1997	110 Summit Hills Dr.
Tucson, AZ	-	-	-	930	-	13,399	-	-	-	-	2005	1985	6211 N. La Cholla Blvd.
Waukesha, WI	-	-	-	1,100	-	14,910	-	-	14,042	-	2008	2009	400 Merrill Hills Rd.
Webster, TX	-	-	9,210	-	-	360	-	-	4,128	-	2002	2000	17231 Mill Forest
Winston-Salem, NC	\$	-	\$	5,700	\$	13,550	\$	-	\$	-	2005	1997	2101 Homestead Hills
<b>Assets held for sale total</b>	\$	77,355	\$	82,756	\$	1,093,737	\$	7,393	\$	323,818	-	-	-



<b>Summary:</b>														
Seniors housing triple-net	\$	593,414	\$	900,397	\$	9,683,752	\$	365,636	\$	912,536	\$	10,037,249	\$	1,262,419
Seniors housing operating		1,654,531		773,492		8,293,454		348,816		788,969		8,626,789		1,110,393
Medical facilities		609,268		330,140		4,143,585		142,524		345,036		4,271,211		648,096
Construction in progress		-		-		186,327		-		-		186,327		-
<b>Total continuing operating properties</b>		<b>2,857,213</b>		<b>2,004,029</b>		<b>22,307,118</b>		<b>856,976</b>		<b>2,046,541</b>		<b>23,121,576</b>		<b>3,020,908</b>
Assets held for sale		77,355		82,756		1,093,737		7,393		-		323,818		-
<b>Total investments in real property owned</b>	\$	<b>2,934,568</b>	\$	<b>2,086,785</b>	\$	<b>23,400,855</b>	\$	<b>864,369</b>	\$	<b>2,046,541</b>	\$	<b>23,445,394</b>	\$	<b>3,020,908</b>

(1) Please see Note 2 to our consolidated financial statements for information regarding lives used for depreciation and amortization.

(2) Represents real property asset associated with a capital lease.

	Year Ended December 31,		
	2014	2013	2012
(in thousands)			
Reconciliation of real property:			
Investment in real estate:			
Balance at beginning of year	\$ 23,734,733	\$ 18,082,399	\$ 14,844,319
Additions:			
Acquisitions	2,210,600	3,597,955	2,923,251
Improvements	380,298	408,844	449,964
Assumed other items, net	160,897	772,972	108,404
Assumed debt	265,152	1,340,939	481,598
Total additions	3,016,947	6,154,628	3,969,299
Deductions:			
Cost of real estate sold	(916,997)	(498,564)	(581,696)
Reclassification of accumulated depreciation and amortization for assets held for sale	(64,476)	(3,730)	(120,236)
Impairment of assets	-	-	(29,287)
Total deductions	(981,473)	(502,294)	(731,219)
Foreign currency translation	(278,272)	33,918	6,082
Balance at end of year <sup>(3)</sup>	<u>\$ 25,491,935</u>	<u>\$ 23,734,733</u>	<u>\$ 18,082,399</u>
Accumulated depreciation:			
Balance at beginning of year	\$ 2,386,658	\$ 1,555,055	\$ 1,194,476
Additions:			
Depreciation and amortization expenses	844,130	873,960	533,585
Amortization of above market leases	7,935	7,831	7,204
Total additions	852,065	881,791	540,789
Deductions:			
Sale of properties	(123,582)	(49,625)	(59,974)
Reclassification of accumulated depreciation and amortization for assets held for sale	(64,476)	(3,730)	(120,236)
Total deductions	(188,058)	(53,355)	(180,210)
Foreign currency translation	(29,757)	3,167	-
Balance at end of year	<u>\$ 3,020,908</u>	<u>\$ 2,386,658</u>	<u>\$ 1,555,055</u>

(3) The aggregate cost for tax purposes for real property equals \$21,621,760,000, \$20,260,297,000, and \$14,788,080,000 at December 31, 2014, 2013 and 2012, respectively.

**Health Care REIT, Inc.**  
**Schedule IV - Mortgage Loans on Real Estate**  
**December 31, 2014**

(in thousands)

Location	Segment	Interest Rate	Final Maturity Date	Monthly Payment Terms	Prior Liens	Face Amount of Mortgages	Carrying Amount of Mortgages	Principal Amount of Loans Subject to Delinquent Principal or Interest
<b>First mortgages relating to 1 property located in:</b>								
California	Medical office buildings	6.08%	12/22/17	\$ 314,464	\$ -	\$ 65,000	\$ 60,902	\$ -
United Kingdom	Seniors housing triple-net	7.00%	04/19/18	126,205	-	22,588	21,258	-
United Kingdom	Seniors housing triple-net	7.00%	11/21/18	110,898	-	21,653	18,912	-
Massachusetts	Seniors housing triple-net	7.86%	12/31/16	112,065	-	21,000	16,787	-
United Kingdom	Seniors housing triple-net	7.00%	12/31/19	19,605	-	28,664	4,264	-
Texas	Seniors housing triple-net	7.75%	10/31/18	26,419	-	8,800	4,014	-
Texas	Seniors housing triple-net	7.75%	10/31/18	20,734	-	8,800	3,150	-
United Kingdom	Seniors housing triple-net	8.50%	05/01/16	11,930	-	10,601	1,534	-
United Kingdom	Seniors housing triple-net	7.54%	07/31/15	9,605	-	3,116	1,500	-
Oklahoma	Seniors housing triple-net	8.11%	10/28/19	5,455	-	11,610	936	-
<b>First mortgage relating to multiple properties:</b>								
Five properties in the United Kingdom	Seniors housing triple-net	7.50%	11/30/19	83,130	-	16,356	13,050	-
<b>Second mortgages relating to 1 property located in:</b>								
Connecticut	Seniors housing triple-net	8.11%	04/01/18	36,406	15,583	5,300	5,258	-
Texas	Seniors housing triple-net	12.17%	05/01/19	32,042	5,293	3,100	3,100	-
Florida	Seniors housing triple-net	12.17%	07/01/18	27,908	9,283	2,700	2,700	-
Florida	Seniors housing triple-net	12.17%	11/01/18	27,908	7,861	2,700	2,700	-
Colorado	Seniors housing triple-net	9.00%	05/01/16	15,500	7,972	2,000	2,000	-
Indiana	Seniors housing triple-net	9.00%	05/01/16	11,625	7,864	1,500	1,500	-
Canada	Seniors housing triple-net	7.24%	12/31/16	-	12,413	86	86	-
<b>Second mortgage relating to multiple properties:</b>								
Eleven properties in four states	Seniors housing triple-net	10.00%	12/30/18	\$ 212,329	29,677	25,000	25,000	-
<b>Totals</b>					<b>\$ 95,946</b>	<b>\$ 260,574</b>	<b>\$ 188,651</b>	<b>\$ -</b>

	Year Ended December 31,		
	2014	2013	2012
(in thousands)			
Reconciliation of mortgage loans:			
Balance at beginning of year	\$ 146,987	\$ 87,955	\$ 63,934
Additions:			
New mortgage loans	113,997	68,530	40,641
Draws on existing loans	26,330	-	-
Total additions	140,326	68,530	40,641
Deductions:			
Collections of principal	(49,973)	(8,790)	(11,819)
Conversions to real property	(45,836)	-	(3,300)
Charge-offs	-	(2,110)	(1,501)
Total deductions	(95,810)	(10,900)	(16,620)
Change in balance due to foreign currency translation	(2,852)	1,402	-
Balance at end of year	\$ 188,651	\$ 146,987	\$ 87,955

## EXHIBIT INDEX

- 1.1(a) Form of Equity Distribution Agreement, dated as of November 12, 2010, entered into by and between the Company and each of UBS Securities LLC, RBS Securities Inc., KeyBanc Capital Markets Inc. and Credit Agricole Securities (USA) Inc. (filed with the Commission as Exhibit 1.1 to the Company's Form 8-K filed November 15, 2010 (File No. 001-08923), and incorporated herein by reference thereto).
- 1.1(b) Form of Amendment No. 1, dated September 1, 2011, to the Equity Distribution Agreements entered into by and between the Company and each of UBS Securities LLC, RBS Securities Inc., KeyBanc Capital Markets Inc. and Credit Agricole Securities (USA) Inc. (filed with the Commission as Exhibit 1.1 to the Company's Form 8-K filed September 8, 2011 (File No. 001-08923), and incorporated herein by reference thereto).
- 2.1 Agreement and Plan of Merger, dated as of August 21, 2012, by and among Sunrise Senior Living, Inc., Brewer Holdco, Inc., Brewer Holdco Sub, Inc., the Company and Red Fox, Inc. (the exhibits and schedules to the Agreement and Plan of Merger have been omitted pursuant to Item 601(b)(2) of Regulation S-K) (filed with the Commission as Exhibit 2.1 to the Company's Form 8-K filed August 22, 2012 (File No. 001-08923), and incorporated herein by reference thereto).
- 3.1(a) Second Restated Certificate of Incorporation of the Company (filed with the Commission as Exhibit 3.1 to the Company's Form 10-K filed March 20, 2000 (File No. 001-08923), and incorporated herein by reference thereto).
- 3.1(b) Certificate of Amendment of Second Restated Certificate of Incorporation of the Company (filed with the Commission as Exhibit 3.1 to the Company's Form 10-K filed March 20, 2000 (File No. 001-08923), and incorporated herein by reference thereto).
- 3.1(c) Certificate of Amendment of Second Restated Certificate of Incorporation of the Company (filed with the Commission as Exhibit 3.1 to the Company's Form 8-K filed June 13, 2003 (File No. 001-08923), and incorporated herein by reference thereto).
- 3.1(d) Certificate of Amendment of Second Restated Certificate of Incorporation of the Company (filed with the Commission as Exhibit 3.9 to the Company's Form 10-Q filed August 9, 2007 (File No. 001-08923), and incorporated herein by reference thereto).
- 3.1(e) Certificate of Change of Location of Registered Office and of Registered Agent of the Company (filed with the Commission as Exhibit 3.1 to the Company's Form 10-Q filed August 6, 2010 (File No. 001-08923), and incorporated herein by reference thereto).
- 3.1(f) Certificate of Designation of 6.50% Series I Cumulative Convertible Perpetual Preferred Stock of the Company (filed with the Commission as Exhibit 3.1 to the Company's Form 8-K filed March 7, 2011 (File No. 001-08923), and incorporated herein by reference thereto).
- 3.1(g) Certificate of Amendment of Second Restated Certificate of Incorporation of the Company (filed with the Commission as Exhibit 3.1 to the Company's Form 8-K filed May 10, 2011 (File No. 001-08923), and incorporated herein by reference thereto).
- 3.1(h) Certificate of Designation of 6.50% Series J Cumulative Redeemable Preferred Stock of the Company (filed with the Commission as Exhibit 3.1 to the Company's Form 8-K filed March 8, 2012 (File No. 001-08923), and incorporated herein by reference thereto).
- 3.1(i) Certificate of Amendment of Second Restated Certificate of Incorporation of the Company (filed with the 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).
- 3.1(j) Certificate of Elimination of Junior Participating Preferred Stock, Series A, of the Company.
- 3.1(k) Certificate of Elimination of 6% Series H Cumulative Convertible and Redeemable Preferred Stock of the Company.

- 3.2 Fourth Amended and Restated By-Laws of the Company (filed with the Commission as Exhibit 3.1 to the Company's Form 8-K filed November 1, 2011 (File No. 001-08923), and incorporated herein by reference thereto).
- 4.1(a) Indenture for Senior Debt Securities, dated as of September 6, 2002, between the Company and Fifth Third Bank (filed with the Commission as Exhibit 4.1 to the Company's Form 8-K filed September 9, 2002 (File No. 001-08923), and incorporated herein by reference thereto).
- 4.1(b) Supplemental Indenture No. 1, dated as of September 6, 2002, to Indenture for Senior Debt Securities, dated as of September 6, 2002, between the Company and Fifth Third Bank (filed with the Commission as Exhibit 4.2 to the Company's Form 8-K filed September 9, 2002 (File No. 001-08923), and incorporated herein by reference thereto).
- 4.1(c) Amendment No. 1, dated March 12, 2003, to Supplemental Indenture No. 1, dated as of September 6, 2002, to Indenture for Senior Debt Securities, dated as of September 6, 2002, between the Company and Fifth Third Bank (filed with the Commission as Exhibit 4.1 to the Company's Form 8-K filed March 14, 2003 (File No. 001-08923), and incorporated herein by reference thereto).
- 4.1(d) Supplemental Indenture No. 2, dated as of September 10, 2003, to Indenture for Senior Debt Securities, dated as of September 6, 2002, between the Company and Fifth Third Bank (filed with the Commission as Exhibit 4.2 to the Company's Form 8-K filed September 24, 2003 (File No. 001-08923), and incorporated herein by reference thereto).
- 4.1(e) Amendment No. 1, dated September 16, 2003, to Supplemental Indenture No. 2, dated as of September 10, 2003, to Indenture for Senior Debt Securities, dated as of September 6, 2002, between the Company and Fifth Third Bank (filed with the Commission as Exhibit 4.4 to the Company's Form 8-K filed September 24, 2003 (File No. 001-08923), and incorporated herein by reference thereto).
- 4.1(f) Supplemental Indenture No. 3, dated as of October 29, 2003, to Indenture for Senior Debt Securities, dated as of September 6, 2002, between the Company and Fifth Third Bank (filed with the Commission as Exhibit 4.1 to the Company's Form 8-K filed October 30, 2003 (File No. 001-08923), and incorporated herein by reference thereto).
- 4.1(g) Amendment No. 1, dated September 13, 2004, to Supplemental Indenture No. 3, dated as of October 29, 2003, to Indenture for Senior Debt Securities, dated as of September 6, 2002, between the Company and The Bank of New York Trust Company, N.A., as successor to Fifth Third Bank (filed with the Commission as Exhibit 4.1 to the Company's Form 8-K filed September 13, 2004 (File No. 001-08923), and incorporated herein by reference thereto).
- 4.1(h) Supplemental Indenture No. 4, dated as of April 27, 2005, to Indenture for Senior Debt Securities, dated as of September 6, 2002, between the Company and The Bank of New York Trust Company, N.A. (filed with the Commission as Exhibit 4.1 to the Company's Form 8-K filed April 28, 2005 (File No. 001-08923), and incorporated herein by reference thereto).
- 4.1(i) Supplemental Indenture No. 5, dated as of November 30, 2005, to Indenture for Senior Debt Securities, dated as of September 6, 2002, between the Company and The Bank of New York Trust Company, N.A. (filed with the Commission as Exhibit 4.1 to the Company's Form 8-K filed November 30, 2005 (File No. 001-08923), and incorporated herein by reference thereto).
- 4.2(a) Indenture, dated as of March 15, 2010, between the Company and The Bank of New York Mellon Trust Company, N.A. (filed with the Commission as Exhibit 4.1 to the Company's Form 8-K filed March 15, 2010 (File No. 001-08923), and incorporated herein by reference thereto).
- 4.2(b) Supplemental Indenture No. 1, dated as of March 15, 2010, between the Company and The Bank of New York Mellon Trust Company, N.A. (filed with the Commission as Exhibit 4.2 to the Company's Form 8-K filed March 15, 2010 (File No. 001-08923), and incorporated herein by reference thereto).
- 4.2(c) Amendment No. 1 to Supplemental Indenture No. 1, dated as of June 18, 2010, between the Company and The Bank of New York Mellon Trust Company, N.A. (filed with the Commission as Exhibit 4.3 to the Company's Form 8-K filed June 18, 2010 (File No. 001-08923), and incorporated herein by reference thereto).

- 4.2(d) Supplemental Indenture No. 2, dated as of April 7, 2010, between the Company and The Bank of New York Mellon Trust Company, N.A. (filed with the Commission as Exhibit 4.2 to the Company's Form 8-K filed April 7, 2010 (File No. 001-08923), and incorporated herein by reference thereto).
- 4.2(e) Amendment No. 1 to Supplemental Indenture No. 2, dated as of June 8, 2010, between the Company and The Bank of New York Mellon Trust Company, N.A. (filed with the Commission as Exhibit 4.3 to the Company's Form 8-K filed June 8, 2010 (File No. 001-08923), and incorporated herein by reference thereto).
- 4.2(f) Supplemental Indenture No. 3, dated as of September 10, 2010, between the Company and The Bank of New York Mellon Trust Company, N.A. (filed with the Commission as Exhibit 4.2 to the Company's Form 8-K filed September 13, 2010 (File No. 001-08923), and incorporated herein by reference thereto).
- 4.2(g) Supplemental Indenture No. 4, dated as of November 16, 2010, between the Company and The Bank of New York Mellon Trust Company, N.A. (filed with the Commission as Exhibit 4.2 to the Company's Form 8-K filed November 16, 2010 (File No. 001-08923), and incorporated herein by reference thereto).
- 4.2(h) Supplemental Indenture No. 5, dated as of March 14, 2011, between the Company and The Bank of New York Mellon Trust Company, N.A. (filed with the Commission as Exhibit 4.2 to the Company's Form 8-K filed March 14, 2011 (File No. 001-08923), and incorporated herein by reference thereto).
- 4.2(i) Supplemental Indenture No. 6, dated as of April 3, 2012, between the Company and The Bank of New York Mellon Trust Company, N.A. (filed with the Commission as Exhibit 4.2 to the Company's Form 8-K filed April 4, 2012 (File No. 001-08923), and incorporated herein by reference thereto).
- 4.2(j) Supplemental Indenture No. 7, dated as of December 6, 2012, between the Company and The Bank of New York Mellon Trust Company, N.A. (filed with the Commission as Exhibit 4.2 to the Company's Form 8-K filed December 11, 2012 (File No. 001-08923), and incorporated herein by reference thereto).
- 4.2(k) Supplemental Indenture No. 8, dated as of October 7, 2013, between the Company and The Bank of New York Mellon Trust Company, N.A. (filed with the Commission as Exhibit 4.2 to the Company's Form 8-K filed October 9, 2013 (File No. 001-08923), and incorporated herein by reference thereto).
- 4.2(l) Supplemental Indenture No. 9, dated as of November 20, 2013, between the Company and The Bank of New York Mellon Trust Company, N.A. (filed with the Commission as Exhibit 4.2 to the Company's Form 8-K filed November 20, 2013 (File No. 001-08923), and incorporated herein by reference thereto).
- 4.2(m) Supplemental Indenture No. 10, dated as of November 25, 2014, between the Company and The Bank of New York Mellon Trust Company, N.A. (filed with the Commission as Exhibit 4.2 to the Company's Form 8-K filed November 25, 2014 (File No. 001-08923), and incorporated herein by reference thereto).
- 4.3 Form of Indenture for Senior Subordinated Debt Securities (filed with the Commission as Exhibit 4.9 to the Company's Form S-3 (File No. 333-73936) filed November 21, 2001, and incorporated herein by reference thereto).
- 4.4 Form of Indenture for Junior Subordinated Debt Securities (filed with the Commission as Exhibit 4.10 to the Company's Form S-3 (File No. 333-73936) filed November 21, 2001, 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 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).

- 10.2 Equity Purchase Agreement, dated as of February 28, 2011, by and among the Company, FC-GEN Investment, LLC and FC-GEN Operations Investment, LLC (filed with the Commission as Exhibit 10.1 to the Company's Form 8-K filed February 28, 2011 (File No. 001-08923), and incorporated herein by reference thereto).
- 10.3(a) Amended and Restated Health Care REIT, Inc. 2005 Long-Term Incentive Plan (filed with the Commission as Appendix A to the Company's Proxy Statement for the 2009 Annual Meeting of Stockholders, filed March 25, 2009 (File No. 001-08923), and incorporated herein by reference thereto).\*
- 10.3(b) Form of Stock Option Agreement (with Dividend Equivalent Rights) for the Chief Executive Officer under the 2005 Long-Term Incentive Plan (filed with the Commission as Exhibit 10.18 to the Company's Form 10-K filed March 10, 2006 (File No. 001-08923), and incorporated herein by reference thereto).\*
- 10.3(c) Form of Amendment to Stock Option Agreements (with Dividend Equivalent Rights) for the Chief Executive Officer under the 2005 Long-Term Incentive Plan (filed with the Commission as Exhibit 10.6 to the Company's Form 8-K filed January 5, 2009 (File No. 001-08923), and incorporated herein by reference thereto).\*
- 10.3(d) Form of Stock Option Agreement (with Dividend Equivalent Rights) for the Chief Executive Officer under the 2005 Long-Term Incentive Plan (filed with the Commission as Exhibit 10.8 to the Company's Form 8-K filed January 5, 2009 (File No. 001-08923), and incorporated herein by reference thereto).\*
- 10.3(e) Form of Stock Option Agreement (with Dividend Equivalent Rights) for Executive Officers under the 2005 Long-Term Incentive Plan (filed with the Commission as Exhibit 10.19 to the Company's Form 10-K filed March 10, 2006 (File No. 001-08923), and incorporated herein by reference thereto).\*
- 10.3(f) Form of Amendment to Stock Option Agreements (with Dividend Equivalent Rights) for Executive Officers under the 2005 Long-Term Incentive Plan (filed with the Commission as Exhibit 10.7 to the Company's Form 8-K filed January 5, 2009 (File No. 001-08923), and incorporated herein by reference thereto).\*
- 10.3(g) Form of Stock Option Agreement (with Dividend Equivalent Rights) for Executive Officers under the 2005 Long-Term Incentive Plan (filed with the Commission as Exhibit 10.9 to the Company's Form 8-K filed January 5, 2009 (File No. 001-08923), and incorporated herein by reference thereto).\*
- 10.3(h) Form of Stock Option Agreement (without Dividend Equivalent Rights) for the Chief Executive Officer under the 2005 Long-Term Incentive Plan (filed with the Commission as Exhibit 10.20 to the Company's Form 10-K filed March 10, 2006 (File No. 001-08923), and incorporated herein by reference thereto).\*
- 10.3(i) Form of Stock Option Agreement (without Dividend Equivalent Rights) for the Chief Executive Officer under the Amended and Restated 2005 Long-Term Incentive Plan (filed with the Commission as Exhibit 10.1 to the Company's Form 10-Q filed May 10, 2010 (File No. 001-08923), and incorporated herein by reference thereto).\*
- 10.3(j) Form of Stock Option Agreement (without Dividend Equivalent Rights) for Executive Officers under the 2005 Long-Term Incentive Plan (filed with the Commission as Exhibit 10.21 to the Company's Form 10-K filed March 10, 2006 (File No. 001-08923), and incorporated herein by reference thereto).\*
- 10.3(k) Form of Stock Option Agreement (without Dividend Equivalent Rights) for Executive Officers under the Amended and Restated 2005 Long-Term Incentive Plan (filed with the Commission as Exhibit 10.2 to the Company's Form 10-Q filed May 10, 2010 (File No. 001-08923), and incorporated herein by reference thereto).\*
- 10.3(l) Form of Restricted Stock Agreement for the Chief Executive Officer under the 2005 Long-Term Incentive Plan (filed with the Commission as Exhibit 10.22 to the Company's Form 10-K filed March 10, 2006 (File No. 001-08923), and incorporated herein by reference thereto).\*
- 10.3(m) Form of Restricted Stock Agreement for Executive Officers under the 2005 Long-Term Incentive Plan (filed with the Commission as Exhibit 10.23 to the Company's Form 10-K filed March 10, 2006 (File No. 001-08923), and incorporated herein by reference thereto).\*

- 10.3(n) Form of Restricted Stock Agreement for the Chief Executive Officer under the Amended and Restated 2005 Long-Term Incentive Plan (filed with the Commission as Exhibit 10.3 to the Company's Form 10-Q filed May 10, 2010 (File No. 001-08923), and incorporated herein by reference thereto).\*
- 10.3(o) Form of Restricted Stock Agreement for Executive Officers under the Amended and Restated 2005 Long-Term Incentive Plan (filed with the Commission as Exhibit 10.4 to the Company's Form 10-Q filed May 10, 2010 (File No. 001-08923), and incorporated herein by reference thereto).\*
- 10.3(p) Form of Deferred Stock Unit Grant Agreement for Non-Employee Directors under the 2005 Long-Term Incentive Plan (filed with the Commission as Exhibit 10.24 to the Company's Form 10-K filed March 10, 2006 (File No. 001-08923), and incorporated herein by reference thereto).\*
- 10.3(q) Form of Amendment to Deferred Stock Unit Grant Agreements for Non-Employee Directors under the 2005 Long-Term Incentive Plan (filed with the Commission as Exhibit 10.10 to the Company's Form 8-K filed January 5, 2009 (File No. 001-08923), and incorporated herein by reference thereto).\*
- 10.3(r) Form of Deferred Stock Unit Grant Agreement for Non-Employee Directors under the 2005 Long-Term Incentive Plan (filed with the Commission as Exhibit 10.11 to the Company's Form 8-K filed January 5, 2009 (File No. 001-08923), and incorporated herein by reference thereto).\*
- 10.3(s) Form of Deferred Stock Unit Grant Agreement for Non-Employee Directors under the Amended and Restated 2005 Long-Term Incentive Plan (filed with the Commission as Exhibit 10.5 to the Company's Form 10-Q filed May 10, 2010 (File No. 001-08923), and incorporated herein by reference thereto).\*
- 10.4(a) Sixth Amended and Restated Employment Agreement, dated July 16, 2013, by and between the Company and George L. Chapman (filed with the Commission as Exhibit 10.1 to the Company's Form 8-K filed July 17, 2013 (File No. 001-08923), and incorporated herein by reference thereto).\*
- 10.4(b) Retirement and Consulting Agreement, dated April 13, 2014, between the Company and George L. Chapman (filed with the Commission as Exhibit 10.1 to the Company's Form 10-Q filed May 8, 2014 (File No. 001-08923), and incorporated herein by reference thereto).\*
- 10.5(a) Amended and Restated Employment Agreement, dated December 28, 2014, between the Company and Thomas J. DeRosa.\*
- 10.5(b) Performance-Based Restricted Stock Unit Grant Agreement, dated effective as of July 30, 2014, between the Company and Thomas J. DeRosa (filed with the Commission as Exhibit 10.2 to the Company's Form 10-Q filed November 4, 2014 (File No. 001-08923), and incorporated herein by reference thereto).\*
- 10.6 Second Amended and Restated Employment Agreement, dated December 29, 2008, between the Company and Scott A. Estes (filed with the Commission as Exhibit 10.4 to the Company's Form 8-K filed January 5, 2009 (File No. 001-08923), and incorporated herein by reference thereto).\*
- 10.7 Second Amended and Restated Employment Agreement, dated December 29, 2008, between the Company and Charles J. Herman, Jr. (filed with the Commission as Exhibit 10.3 to the Company's Form 8-K filed January 5, 2009 (File No. 001-08923), and incorporated herein by reference thereto).\*
- 10.8 Amended and Restated Employment Agreement, dated December 29, 2008, between the Company and Jeffrey H. Miller (filed with the Commission as Exhibit 10.8 to the Company's Form 10-K filed March 2, 2009 (File No. 001-08923), and incorporated herein by reference thereto).\*
- 10.9 Employment Agreement, dated March 11, 2013, by and between the Company and Scott M. Brinker (filed with the Commission as Exhibit 10.3 to the Company's Form 10-Q filed May 7, 2013 (File No. 001-08923), and incorporated herein by reference thereto).\*



- 10.10 Third Amended and Restated Employment Agreement, dated December 29, 2008, between the Company and Erin C. Ibele (filed with the Commission as Exhibit 10.11 to the Company's Form 10-K filed March 2, 2009 (File No. 001-08923), and incorporated herein by reference thereto).\*
- 10.11 Amended and Restated Health Care REIT, Inc. Supplemental Executive Retirement Plan, dated December 29, 2008 (filed with the Commission as Exhibit 10.12 to the Company's Form 8-K filed January 5, 2009 (File No. 001-08923), and incorporated herein by reference thereto).\*
- 10.12 Form of Indemnification Agreement between the Company and each director, executive officer and officer of the Company (filed with the Commission as Exhibit 10.1 to the Company's Form 8-K filed February 18, 2005 (File No. 001-08923), and incorporated herein by reference thereto).\*
- 10.13 Summary of Director Compensation.\*
- 10.14 Health Care REIT, Inc. 2013-2015 Long-Term Incentive Program, as Amended and Restated (filed with the Commission as Exhibit 10.3 to the Company's Form 10-Q filed May 8, 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).
- 21 Subsidiaries of the Company.
- 23 Consent of Ernst & Young LLP, independent registered public accounting firm.
- 24 Powers of Attorney.
- 31.1 Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer.
- 31.2 Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer.
- 32.1 Certification pursuant to 18 U.S.C. Section 1350 by Chief Executive Officer.
- 32.2 Certification pursuant to 18 U.S.C. Section 1350 by Chief Financial Officer.
- 101.INS XBRL Instance Document\*\*
- 101.SCH XBRL Taxonomy Extension Schema Document\*\*
- 101.CAL XBRL Taxonomy Extension Calculation Linkbase Document\*\*
- 101.LAB XBRL Taxonomy Extension Label Linkbase Document\*\*
- 101.PRE XBRL Taxonomy Extension Presentation Linkbase Document\*\*
- 101.DEF XBRL Taxonomy Extension Definition Linkbase Document\*\*

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\* Management Contract or Compensatory Plan or Arrangement.

\*\* Attached as Exhibit 101 to this Annual Report on Form 10-K are the following materials, formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Balance Sheets at December 31, 2014 and 2013, (ii) the Consolidated Statements of Comprehensive Income for the years ended December 31, 2014, 2013 and 2012, (iii) the Consolidated Statements of Equity for the years ended December 31, 2014, 2013 and 2012, (iv) the Consolidated Statements of Cash Flows for the years ended December 31, 2014, 2013 and 2012, (v) the Notes to Consolidated Financial Statements, (vi) Schedule III – Real Estate and Accumulated Depreciation and (vii) Schedule IV – Mortgage Loans on Real Estate.

**CERTIFICATE OF ELIMINATION  
OF  
JUNIOR PARTICIPATING PREFERRED STOCK, SERIES A  
OF  
HEALTH CARE REIT, INC.**

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

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

1. That, pursuant to Section 151 of the General Corporation Law of the State of Delaware, the Board of Directors of the Company adopted the resolutions set forth below on February 6, 2015, authorizing a decrease in the number of shares designated as Junior Participating Preferred Stock, Series A, \$1.00 par value per share ("Series A Stock"), from 13,000 shares to zero shares.
2. That, pursuant to Section 151 of the General Corporation Law of the State of Delaware, such resolutions shall have the effect of eliminating from the certificate of incorporation of the Company all matters set forth in the Certificate of Designation, Preferences and Rights of the Series A Stock (the "Certificate of Designation").
3. That no shares of Series A Stock remain issued and outstanding.

**RESOLUTIONS ADOPTED BY THE BOARD OF DIRECTORS**

**NOW, THEREFORE, BE IT RESOLVED**, that no further shares of Series A Stock shall be issued subject to the Certificate of Designation of the Series A Stock previously filed with the Secretary of State of the State of Delaware.

**RESOLVED FURTHER**, that the number of shares designated as Series A Stock be reduced to zero, which is the number issued and outstanding, in order to allow the 13,000 shares to resume their status as authorized but undesignated shares of preferred stock of the Company, par value \$1.00 per share, pursuant to Section 151 of the General Corporation Law of the State of Delaware, such shares thereafter to be available for designation in the future as part of a different series.

**RESOLVED FURTHER**, that the executive officers be, and each of them hereby is, authorized and directed in the name and on behalf of the Company, to execute a Certificate of Elimination of the Series A Stock, as well as such other certificates or instruments as may be required, to be filed with the Secretary of State of the State of Delaware to evidence the reduction in the number of shares designated as Series A Stock and the elimination from the certificate of incorporation of the Company all matters set forth in the Certificate of Designation of the Series A Stock, such elimination to be effective upon the filing with the Secretary of State of the State of Delaware of such Certificate of Elimination of the Series A Stock.

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**RESOLVED FURTHER**, that any specific resolutions that may be required to have been adopted by the Board in connection with the actions contemplated by the foregoing resolutions be, and they hereby are, adopted, and the executive officers of the Company be, and each of them hereby is, authorized to certify as to the adoption of any and all such resolutions and attach such resolutions hereto.

**RESOLVED FURTHER**, that all actions heretofore taken by any executive officer of the Company in connection with, or otherwise in contemplation of, the transactions contemplated by any of the foregoing resolutions be, and they hereby are, ratified, confirmed and approved.

**RESOLVED FURTHER**, that the executive officers of the Company be, and each of them hereby is, authorized and empowered on behalf of the Company and in its name to take or cause to be taken all actions and to execute and deliver all such instruments that the executive officers of the Company, or any one or more of them, approve as necessary or desirable in connection with the foregoing resolutions, such approval to be conclusively evidenced by the taking of such action or the execution and delivery of any such instrument by an executive officer of the Company.

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**IN WITNESS WHEREOF**, the undersigned has executed and subscribed this certificate and does affirm the foregoing as true under the penalties of perjury this 18th day of February, 2015.

/s/ Scott A. Estes  
Scott A. Estes  
Executive Vice President and Chief Financial Officer

ATTEST:

/s/ Erin C. Ibele  
Erin C. Ibele  
Executive Vice President, Head of Human  
Capital and Corporate Secretary

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**CERTIFICATE OF ELIMINATION  
OF  
6% SERIES H CUMULATIVE CONVERTIBLE  
AND REDEEMABLE  
PREFERRED STOCK  
OF  
HEALTH CARE REIT, INC.**

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

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

1. That, pursuant to Section 151 of the General Corporation Law of the State of Delaware, the Board of Directors of the Company adopted the resolutions set forth below on February 7, 2014, authorizing a decrease in the number of shares designated as 6% Series H Cumulative Convertible and Redeemable Preferred Stock, \$1.00 par value per share ("Series H Stock"), from 349,854 shares to zero shares.
2. That, pursuant to Section 151 of the General Corporation Law of the State of Delaware, such resolutions shall have the effect of eliminating from the certificate of incorporation of the Company all matters set forth in the Certificate of Designation of the Series H Stock.
3. That no shares of Series H Stock remain issued and outstanding.

**RESOLUTIONS ADOPTED BY THE BOARD OF DIRECTORS**

**NOW, THEREFORE, BE IT RESOLVED**, that no further shares of Series H Stock shall be issued subject to the Certificate of Designation of the Series H Stock previously filed with the Secretary of State of the State of Delaware.

**RESOLVED FURTHER**, that the number of shares designated as Series H Stock be reduced to zero, which is the number issued and outstanding as a result of the conversion of all the shares of Series H Stock by the holders of the Series H Stock, in order to allow the 349,854 redeemed shares to resume their status as authorized but undesignated shares of preferred stock of the Company, par value \$1.00 per share, pursuant to Section 151 of the General Corporation Law of the State of Delaware, such shares thereafter to be available for designation in the future as part of a different series.

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

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

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**IN WITNESS WHEREOF**, the undersigned has executed and subscribed this certificate and does affirm the foregoing as true under the penalties of perjury this 18th day of February, 2015.

/s/ Scott A. Estes  
Scott A. Estes  
Executive Vice President and Chief Financial Officer

ATTEST:

/s/ Erin C. Ibele  
Erin C. Ibele  
Executive Vice President, Head of Human  
Capital and Corporate Secretary

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**AMENDED AND RESTATED  
EMPLOYMENT AGREEMENT**

**THIS AMENDED AND RESTATED EMPLOYMENT AGREEMENT**, dated this 28th day of December, 2014 (the “Agreement”), is entered into by and between HEALTH CARE REIT, INC., a Delaware corporation, (the “Corporation”), and THOMAS J. DEROSA (the “Executive”) and is effective April 13, 2014 (the “Effective Date”).

**WHEREAS**, Executive and the Company previously entered into an Employment Agreement, as amended from time to time, dated April 13, 2014 (the “Employment Agreement”); and

**WHEREAS**, the Parties desire to clarify the provisions of Section 4(g) of the Employment Agreement and to amend and restate the employment agreement on the terms and conditions set forth herein.

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

**1. EMPLOYMENT**

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

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

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

**2. TERM OF AGREEMENT**

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

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

**3. BASE COMPENSATION AND BONUS**

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

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

**4. ADDITIONAL COMPENSATION AND BENEFITS**

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

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

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

(b) Health Insurance. During the Term of this Agreement, the Corporation shall provide the Executive and his dependents with health insurance coverage no less favorable than that from time to time made available to other key employees.

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

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

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

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

(g) Other Benefits. In addition to the benefits provided pursuant to the preceding paragraphs of this Section 4, the Executive shall be eligible to participate in such other executive compensation and retirement plans of the Corporation as are applicable generally to other executive officers, and in such welfare plans, programs, practices and policies of the Corporation as are generally applicable to other executive officers, unless such participation would duplicate, directly or indirectly, benefits already accorded to the Executive. To the extent that the Corporation no longer maintains the group health plan in which Executive is participating on May 1, 2014 and Executive elects not to participate in any other group health plan sponsored or maintained by the Company, he will receive a cash payment in lieu of such benefits in an amount equal to the cost that the Company would otherwise have incurred to provide such benefits to the Executive, but in any event not to exceed \$2000 per month.

## **5. PAYMENTS UPON TERMINATION**

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

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

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

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

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

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

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

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(vii) all stock options, restricted stock or other equity awards with time-based vesting granted to the Executive under this Agreement shall become fully vested and earned and, in the case of stock options, exercisable in full and all stock options, restricted stock or other equity awards with performance-based vesting granted to the Executive under this Agreement shall become vested based upon a determination of actual level of achievement of performance goals by the Compensation Committee of the Board as of the end of the quarter immediately preceding the Executive's termination or as otherwise expressly provided in the applicable award agreement;

(viii) continued coverage under any group health plan maintained by the Corporation in which the Executive participated at the time of his termination for the period during which the Executive elects to receive continuation coverage under Section 4980B of the Code at an after-tax cost to the Executive comparable to the cost that the Executive would have incurred for the same coverage had he remained employed during such period; and

(ix) a series of semi-monthly severance payments for twenty-four (24) months (the "Severance Period"), each in an amount equal to one-twenty fourth (1/24th) of the sum of (A) the Executive's Base Compensation, as in effect on the date of termination, and (B) the Executive's target annual cash bonus opportunity at the time of termination, to be paid in accordance with the Corporation's normal payroll practices.

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

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

For purposes of this Agreement, "Cause" shall mean: (1) any action by the Executive involving willful disloyalty to the Corporation, such as embezzlement, fraud, misappropriation of corporate assets or a breach of the covenants set forth in Section 9 or 10 herein; (2) the Executive being convicted of a felony; (3) the Executive being convicted of any crime or offense that is not a felony but was (x) committed in connection with the performance of his duties hereunder or (y) involved moral turpitude; or (4) the intentional and willful failure by the Executive to substantially perform his duties hereunder as directed by the Board (other than any such failure resulting from the Executive's incapacity due to physical or mental disability) after a demand for substantial performance is made by the Board. A termination of employment shall not be deemed for Cause unless and until (x) there shall have been delivered to the Executive a notice describing in reasonable detail the particulars giving rise to a termination for Cause, and (y) in the case of termination pursuant to clause (4) above, if no cure has occurred by the fifteenth (15th) day after notice was given.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(v) any expenses owed to the Executive under Section 4(d).

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

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

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

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

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

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

(v) any expenses owed to the Executive under Section 4(d).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(vi) the pro-rated portion of the target annual bonus that the Executive would have earned for the year in which the termination occurs (if he had remained employed for the entire year), based on the number of days in such year that had elapsed as of the termination date;

(vii) all stock options, restricted stock or other equity awards with time-based vesting granted to the Executive under this Agreement shall become fully vested and earned and, in the case of stock options, exercisable in full and all stock options, restricted stock or other equity awards with performance-based vesting granted to the Executive under this Agreement shall become vested based upon a determination of actual level of achievement of performance goals by the Compensation Committee of the Board as of immediately prior to the occurrence of the Change of Corporate Control or as otherwise expressly provided in the applicable award agreements;

(viii) continued coverage under any group health plan maintained by the Corporation in which the Executive participated at the time of his termination for the period during which the Executive elects to receive continuation coverage under Section 4980B of the Code at an after-tax cost to the Executive comparable to the cost that the Executive would have incurred for the same coverage had he remained employed during such period; and

(ix) a lump sum severance payment equal to the present value of a series of monthly severance payments for thirty-six (36) months, each in an amount equal to one-twelfth (1/12th) of the sum of (A) the Executive's Base Compensation, as in effect at the time of the Change in Corporate Control, and (B) the average of annual bonuses paid to the Executive for the last three (3) or, if applicable, fewer fiscal years of the Corporation ending prior to the Change in Corporate Control. Such present value shall be calculated using a discount rate equal to the interest rate on 90-day Treasury bills, as reported in The Wall Street Journal (or similar publication) on the date of the Change in Corporate Control. For purposes of this subsection (ix), the amount of any annual bonus paid for a portion of a fiscal year shall be annualized and if no such bonuses have been paid, then the Executive's target annual bonus at the time of termination shall be used.

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

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

(i) The acquisition in one or more transactions of more than twenty percent (20%) of the Corporation's outstanding common stock (or the equivalent in voting power of any class or classes of securities of the Corporation entitled to vote in

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elections of directors) by any corporation, or other person or group (within the meaning of Section 14(d)(3) of the Securities Exchange Act of 1934, as amended), except for acquisitions of the Corporation's outstanding common stock by (A) the Corporation or an affiliate or subsidiary of the Corporation, (B) an employee benefit plan (or any trust forming a part thereof) of the Corporation, or (C) an underwriter temporarily holding securities of the Corporation pursuant to an offering of such securities;

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

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

(iv) During any twenty-four (24) month period, individuals who, as of the beginning of such period, constitute the Board (the "Continuing Directors") cease for any reason to constitute at least a majority of the Board. For this purpose, any person who is nominated for election as a member of the Board after April 14, 2014 shall also be considered a "Continuing Director" if, and only if, his or her nomination for election to the Board is approved or recommended by a majority of the members of the Board (or of the Nominating Committee of the Board) and at least five (5) members of the Board are themselves Continuing Directors at the time of such nomination; provided, however, that a director elected to the Board as part of a threatened or actual proxy contest, including by reason of an agreement intended to avoid or settle any threatened or actual proxy contest, shall not be considered a "Continuing Director" even if his or her nomination for election to the Board is approved or recommended by a majority of the members of the Board (or of the Nominating Committee of the Board); or

(v) The liquidation or dissolution of the Corporation.

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

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

## **7. DEATH**

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

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

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

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

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

(b) This Agreement is intended to comply with the requirements of Section 409A of the Code, and shall be interpreted and construed consistently with such intent. The payments to the Executive pursuant to this Agreement are also intended to be exempt from Section 409A of the Code to the maximum extent possible, under either the separation pay exemption pursuant to Treasury Regulation Section 1.409A-1(b)(9)(iii), as short-term deferrals pursuant to Treasury Regulation Section 1.409A-1(b)(4), or otherwise. In the event the terms of this Agreement would subject the Executive to additional income taxes, interest or penalties under Section 409A of the Code ("409A Penalties"), the Corporation and the Executive shall cooperate diligently to amend the terms of the Agreement to avoid such 409A Penalties, to the extent possible. To the extent any amounts under this Agreement are payable by reference to Executive's "termination," "termination of employment," or similar phrases, such term shall be deemed to refer to the Executive's "separation from service" (as defined in Treasury Regulation Section 1.409A-1(h) (without regard to any permissible alternative definition thereunder) with the Corporation and all entities treated as a single employer with the Corporation under Sections 414(b) and (c) of the Code but substituting a 50% ownership level for the 80% ownership level set forth therein). Notwithstanding any other provision in this Agreement, including but not limited to Sections 5 and 6, if the Executive is a "Specified Employee" (as defined Treasury Regulation Section 1.409A-1(i) on December 31st of the prior calendar year), as of the date of the Executive's separation from service, then to the extent any amount payable under this Agreement (i) constitutes the payment of nonqualified deferred compensation, within the meaning of Section 409A of the Code, (ii) is payable upon the Executive's separation from service, and (iii) under the terms of this Agreement would be payable prior to the six-month anniversary of the Executive's separation from service, such payment shall be delayed and paid to the Executive, on the first day of the first calendar month beginning at least six months following the date of termination, or, if earlier, within ninety (90) days following the Executive's death to the Executive's surviving spouse (or such other beneficiary as the Executive may designate in writing). Any reimbursement or advancement payable to the Executive pursuant to this Agreement shall be conditioned on the submission by the Executive of all expense reports reasonably required by the Corporation under any applicable expense reimbursement policy, and shall be paid to the Executive within thirty (30) days following receipt of such expense reports, but in no event later than the last day of the calendar year following the calendar year in which the Executive incurred the reimbursable expense. Any amount of expenses eligible for reimbursement, or in-kind benefit provided, during a calendar year shall not affect the amount of expenses eligible for reimbursement, or in-kind benefit to be provided, during any other calendar year. The right to any reimbursement or in-kind benefit pursuant to this Agreement shall not be subject to liquidation or exchange for any other benefit.

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

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

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

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

The Executive hereby agrees that he will not, either during the Term or at all times until one year from the time his employment ceases, or, if later, during any period in which he is receiving any severance or change in control payments under Sections 5(a) or 6 (the "Restricted Period"), engage in any business activities on behalf of any enterprise which competes with the Corporation in the business of (i) ownership or operation of Health Care Facilities (defined below); (ii) investment in or lending to health care related enterprises (including, without limitation, owners or developers of Health Care Facilities); (iii) management of Health Care Facilities; or (iv) provision of any planning or development services for Health Care Facilities. "Health Care Facilities" means any senior housing facilities or facilities used or intended primarily for the delivery of health care services, including, without limitation, any active adult communities, independent living facilities, assisted living facilities, skilled nursing facilities, inpatient rehabilitation facilities, ambulatory surgery centers, medical office buildings, hospitals of any kind, or any similar types of facilities or projects. The Executive will be deemed to be engaged in such competitive business activities if he participates in such a business enterprise as an employee, officer, director, consultant, agent, partner, proprietor, or other participant; provided that the ownership of no more than two percent (2%) of the stock of a publicly traded corporation engaged in a competitive business shall not be deemed to be engaging in competitive business activities.

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

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

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

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

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

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**12. NOTICES**

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

If to the Corporation:

Health Care REIT, Inc.  
4500 Dorr Street  
Toledo, OH 43615  
Attention: General Counsel

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

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

**13. SEPARABILITY**

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

**14. ASSIGNMENT**

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

**15. ENTIRE AGREEMENT**

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

**16. GOVERNING LAW**

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

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

**HEALTH CARE REIT, INC.**

By: /s/ Erin C. Ibele

Erin C. Ibele, Executive Vice President, Head of Human  
Capital and Corporate Secretary

**EXECUTIVE:**

/s/ Thomas J. DeRosa

Thomas J. DeRosa

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**HEALTH CARE REIT, INC.****Summary of Director Compensation**

For each calendar year, each non-employee member of the Board of Directors of Health Care REIT, Inc. (the “Company”) will receive an annual retainer of \$75,000, payable in equal quarterly installments. If there is a non-employee director serving as the Chairman of the Board, such individual will receive an additional retainer of \$125,000. Additionally, the chairs of the Audit Committee, the Compensation Committee and the Nominating/Corporate Governance Committee will receive additional retainers of \$25,000, \$20,000 and \$15,000, respectively. If the Board of Directors holds more than four meetings in a year, each non-employee member of the Board will receive \$1,500 for each meeting attended in excess of four meetings. With respect to the Audit, Compensation, Executive and Nominating/Corporate Governance Committees, if any of these committees holds more than four meetings in a year, each non-employee member of these committees will receive \$1,000 for each meeting attended in excess of four meetings.

Each of the non-employee directors will receive, in each calendar year, a grant of deferred stock units with a value of \$125,000, pursuant to the Company’s Amended and Restated 2005 Long-Term Incentive Plan. The deferred stock units will be convertible into shares of common stock of the Company on the anniversary of the date of the grant. Recipients of the deferred stock units also will be entitled to dividend equivalent rights.

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

(dollars in thousands)	Year Ended December 31,				
	2010	2011	2012	2013	2014
<b>Earnings:</b>					
Pretax income from continuing operations before adjustment for income or loss from equity investees <sup>(1)</sup>	\$ 32,976	\$ 112,203	\$ 185,912	\$ 102,245	\$ 384,213
Fixed charges	134,905	290,240	359,947	460,918	485,762
Capitalized interest	(20,792)	(13,164)	(9,777)	(6,700)	(7,150)
Amortized premiums, discounts and capitalized expenses related to indebtedness	13,945	13,905	11,395	4,142	2,427
Noncontrolling interest in pre-tax income of subsidiaries that have not incurred fixed charges	(357)	4,894	2,415	6,770	(147)
<b>Earnings</b>	<b>\$ 160,677</b>	<b>\$ 408,078</b>	<b>\$ 549,892</b>	<b>\$ 567,375</b>	<b>\$ 865,105</b>
<b>Fixed charges:</b>					
Interest expense <sup>(1)</sup>	\$ 128,058	\$ 290,981	\$ 361,565	\$ 458,360	\$ 481,039
Capitalized interest	20,792	13,164	9,777	6,700	7,150
Amortized premiums, discounts and capitalized expenses related to indebtedness	(13,945)	(13,905)	(11,395)	(4,142)	(2,427)
<b>Fixed charges</b>	<b>\$ 134,905</b>	<b>\$ 290,240</b>	<b>\$ 359,947</b>	<b>\$ 460,918</b>	<b>\$ 485,762</b>
Consolidated ratio of earnings to fixed charges	1.19	1.41	1.53	1.23	1.78
<b>Earnings:</b>					
Pretax income from continuing operations before adjustment for income or loss from equity investees <sup>(1)</sup>	\$ 32,976	\$ 112,203	\$ 185,912	\$ 102,245	\$ 384,213
Fixed charges	134,905	290,240	359,947	460,918	485,762
Capitalized interest	(20,792)	(13,164)	(9,777)	(6,700)	(7,150)
Amortized premiums, discounts and capitalized expenses related to indebtedness	13,945	13,905	11,395	4,142	2,427
Noncontrolling interest in pre-tax income of subsidiaries that have not incurred fixed charges	(357)	4,894	2,415	6,770	(147)
<b>Earnings</b>	<b>\$ 160,677</b>	<b>\$ 408,078</b>	<b>\$ 549,892</b>	<b>\$ 567,375</b>	<b>\$ 865,105</b>
<b>Fixed charges:</b>					
Interest expense <sup>(1)</sup>	\$ 128,058	\$ 290,981	\$ 361,565	\$ 458,360	\$ 481,039
Capitalized interest	20,792	13,164	9,777	6,700	7,150
Amortized premiums, discounts and capitalized expenses related to indebtedness	(13,945)	(13,905)	(11,395)	(4,142)	(2,427)
Fixed charges	134,905	290,240	359,947	460,918	485,762
Preferred stock dividends	21,645	60,502	69,129	66,336	65,408
<b>Combined fixed charges and preferred stock dividends</b>	<b>\$ 156,550</b>	<b>\$ 350,742</b>	<b>\$ 429,076</b>	<b>\$ 527,254</b>	<b>\$ 551,170</b>
Consolidated ratio of earnings to combined fixed charges and preferred stock dividends	1.03	1.16	1.28	1.08	1.57

(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.

Subsidiary Name	Jurisdiction of Organization
1 Sutphin Drive Associates, LLC	West Virginia
10 Devon Drive Acton LLC	Delaware
100 Knoedler Road, LLC	Delaware
101 Bickford Extension Avon LLC	Delaware
101 Membership Company of Maryland, Inc.	Maryland
101 Membership Company of West Virginia, Inc.	West Virginia
101 Membership Holding Company I of Pennsylvania, Inc.	Pennsylvania
1011 E. Pecan Grove Road, LLC	Delaware
10225 Cypresswood Drive, LLC	Delaware
10475 Wilshire Boulevard Borrower, LLC	Delaware
10475 Wilshire Boulevard, LLC	Delaware
111 Lazelle Road East, LLC	Delaware
111 South Shore Drive East Haven LLC	Delaware
1110 E. Westview Court, LLC	Delaware
1111 W. College Parkway, LLC	Delaware
1118 N. Stoneman Avenue, LLC	Delaware
11320 North Council Road, LLC	Delaware
1133 Black Rock Road, LLC	Delaware
1160 Elm Street Rocky Hill LLC	Delaware
1185 Davidson Road, LLC	Delaware
1205 North Church Street, LLC	Delaware
1221 Seventh Street, LLC	Delaware
12429 Scofield Farms Drive, LLC	Delaware
1250 West Pioneer Parkway, LLC	Delaware
130 Buena Vista Street, LLC	Delaware
13075 Evening Creek Drive South, LLC	Delaware
132 Warwick Road, LLC	Delaware
13200 South May Avenue, LLC	Delaware
1329 Brown Street, LLC	Delaware
1340 N. Washington Boulevard, LLC	Delaware
1405 Limekiln Pike, LLC	Delaware
1425 Yorkland Road LLC	Delaware
143 West Franklin Avenue, LLC	Delaware
1460 Johnson Ferry Road, LLC	Delaware
14707 Northville Road, LLC	Delaware
15 Edison Road, LLC	Delaware
1500 Borden Road, LLC	Delaware
153 Cardinal Drive Agawam LLC	Delaware
1530 Needmore Holdings, LLC	Delaware
15401 North Pennsylvania Avenue, LLC	Delaware
155 Raymond Road, LLC	Delaware
1565 Virginia Ranch Road, LLC	Delaware
1600 Center Road, LLC	Delaware
1625 W. Spring Street, LLC	Delaware
1710 S.W. Health Parkway, LLC	Delaware
17231 Mill Forest Road, LLC	Delaware
1730 10 Avenue Property Inc.	British Columbia, Canada
1785 Freshley Avenue, LLC	Delaware
180 Scott Road Waterbury LLC	Delaware
1818 Martin Drive, LLC	Delaware
1850 Crown Park Court, LLC	Delaware
1920 Cleveland Road West, LLC	Delaware
1931 Southwest Arvon Place, LLC	Delaware
1936 Brookdale Road, LLC	Delaware
2 Technology Drive North Chelmsford LLC	Delaware
20 Academy Lane LLC	Delaware
200 E. Village Road, LLC	Delaware
2003 Falls Boulevard Quincy LLC	Delaware
2005 Route 22 West, LLC	Delaware
2021 Highway 35, LLC	Delaware
2050 North Webb Road, LLC	Delaware
209 Merriman Road, L.L.C.	Delaware
21 Bradley Road Woodbridge LLC	Delaware
2101 New Hope Street, LLC	Delaware
2151 Green Oaks Road, LLC	Delaware
22 Richardson Road Centerville LLC	Delaware
220 North Clark Drive, LLC	Delaware
222 East Beech Street - Jefferson, L.L.C.	Delaware
2281 Country Club Drive, LLC	Delaware
22955 Eastex Freeway, LLC	Delaware
23 Southpointe Drive, LLC	Delaware
2300 Washington Street Newton LLC	Delaware
2325 Rockwell Drive, LLC	Delaware
2341 W. Norvell Bryant Highway, LLC	Delaware
2387 Boston Road Wilbraham LLC	Delaware
240 E. Third Street, LLC	Delaware
2416 Brentwood Street, LLC	Delaware
242 Main Street Salem LLC	Delaware
246A Federal Road Brookfield LLC	Delaware
25 Cobb Street Mansfield LLC	Delaware
2695 Valleyview Boulevard, LLC	Delaware
27 Forest Falls Drive Yarmouth LLC	Delaware
2750 Reservoir Avenue Trumbull LLC	Delaware
280 Newtonville Avenue Newton LLC	Delaware
2800 60th Avenue West, LLC	Delaware
2860 Country Drive, LLC	Delaware
2929 West Holcombe Boulevard, LLC	Delaware
300 Pleasant Street Concord LLC	Delaware
300 St. Albans Drive, LLC	Delaware
303 Valley Road Middletown LLC	Delaware
311 E. Hawkins Parkway, LLC	Delaware
311 Route 73, LLC	Delaware
3117 E. Chaser Lane, LLC	Delaware

3200 West Slaughter Lane, LLC	Delaware
3213 45th Street Court NW, LLC	Washington
3220 Peterson Road, LLC	Delaware
3300 57 Avenue Property Inc.	British Columbia, Canada
331 Holt Lane Associates, LLC	West Virginia
340 May Street Worcester LLC	Delaware
3434 Watters Road, LLC	Delaware
35 Fenton Street, LLC	Delaware
35 Hamden Hills Drive Hamden LLC	Delaware
350 Locust Drive, LLC	Delaware
3535 Manchester Avenue Borrower, LLC	Delaware
3535 Manchester Avenue, LLC	Delaware
36101 Seaside Boulevard, LLC	Delaware
3625 Green Crest Street, LLC	Delaware
3650 Southeast 18th Avenue, LLC	Delaware
3902 47 Street Property Inc.	British Columbia, Canada
3921 North Main Street, LLC	Delaware
4 Forge Hill Road Franklin LLC	Delaware
4004 40 Street Property Inc.	British Columbia, Canada
402 South Colonial Drive, LLC	Delaware
41 Springfield Avenue, LLC	Delaware
415 Sierra College Drive, LLC	Delaware
417 Main Street Niantic LLC	Delaware
4206 Stammer Place, LLC	Delaware
422 23rd Street Associates, LLC	West Virginia
430 Centre Street Newton LLC	Delaware
430 North Union Road, LLC	Delaware
4315 Johns Creek Parkway, LLC	Delaware
432 Buckland Road South Windsor LLC	Delaware
438 23rd Street Associates, LLC	West Virginia
4400 West 115th Street, LLC	Delaware
4402 South 129th Avenue West, LLC	Delaware
4500 Dorr Street Holdings, LLC	Delaware
4775 Village Drive, LLC	Delaware
4855 Snyder Lane, LLC	Delaware
5 Corporate Drive Bedford LLC	Delaware
5 Rolling Meadows Associates, LLC	West Virginia
50 Sutherland Road Brighton LLC	Delaware
50 Town Court, LLC	Delaware
500 Seven Fields Boulevard, LLC	Delaware
504 North River Road, LLC	Delaware
505 North Maize Road, LLC	Delaware
511 Kensington Avenue Meriden LLC	Delaware
515 Jack Martin Boulevard, LLC	Delaware
5165 Summit Ridge Court, LLC	Delaware
5166 Spanson Drive SE, LLC	Delaware
5301 Creedmoor Road, LLC	Delaware
5430 37A Avenue Property Inc.	British Columbia, Canada
5437 Eisenhauer Road, LLC	Delaware
5455 Glenridge Drive, NE, LLC	Delaware
5521 Village Creek Drive, LLC	Delaware
5550 Old Jacksonville Highway, LLC	Delaware
5600 Sunrise Crescent Property Inc.	British Columbia, Canada
5700 Karl Road, LLC	Delaware
5902 North Street, LLC	Delaware
616 Lilly Road NE, LLC	Washington
645 Saybrook Road Middletown LLC	Delaware
655 Mansell Road, LLC	Delaware
660 7 Street Property Inc.	British Columbia, Canada
6605 Quail Hollow Road, LLC	Delaware
680 Mountain Boulevard, LLC	Delaware
6821 50 Avenue Property Inc.	British Columbia, Canada
687 Harbor Road Shelburne LLC	Delaware
6949 Main Street, LLC	Delaware
699 South Park Associates, LLC	West Virginia
700 Chickering Road North Andover LLC	Delaware
700 Smith Street Providence LLC	Delaware
7001 Forest Avenue, LLC	Delaware
701 Market Street, LLC	Delaware
721 Hickory Street, LLC	Delaware
7231 East Broadway, LLC	Delaware
731 Old Buck Lane, LLC	Delaware
75 Minnesota Avenue Warwick LLC	Delaware
750 North Collegiate Drive, LLC	Delaware
7610 Isabella Way, LLC	Delaware
77 Plains Road LLC	Delaware
7900 Creedmoor Road, LLC	Delaware
7950 Baybranch Drive, LLC	Delaware
799 Yellowstone Drive, LLC	Delaware
800 Canadian Trails Drive, LLC	Delaware
800 Oregon Street, LLC	Delaware
8010 East Mississippi Avenue, LLC	Delaware
8220 Natures Way, LLC	Delaware
831 Santa Barbara Boulevard, LLC	Delaware
8503 Mystic Park, LLC	Delaware
867 York Road Associates, LLC	Pennsylvania
8702 South Course Drive, LLC	Delaware
90 Avenue S.W. Property Inc.	British Columbia, Canada
901 Florsheim Drive, LLC	Delaware
9131-6844 Quebec Inc.	Quebec, Canada
935 Union Lake Road, LLC	Delaware
965 Hager Drive, LLC	Delaware
9802 48th Drive NE, LLC	Delaware
Acacia Lodge Ltd	Island of Jersey
Acacia Mews Ltd	Island of Jersey
Academy Nursing Home, Inc.	Massachusetts

Acer Court Ltd	Island of Jersey
Acer House Ltd	Island of Jersey
Acorn Lodge Ltd	Island of Jersey
ADS/Multicare, Inc.	Delaware
AL California GP, LLC	Delaware
AL California GP-II, LLC	Delaware
AL California GP-III, LLC	Delaware
AL Santa Monica Senior Housing, LP	Delaware
AL U.S. Development Venture, LLC	Delaware
AL U.S. Pool One, LLC	Delaware
AL U.S. Pool Three, LLC	Delaware
AL U.S. Pool Two, LLC	Delaware
AL U.S./Bonita II Senior Housing, L.P.	California
AL U.S./GP Woods II Senior Housing, LLC	Delaware
AL U.S./Huntington Beach Senior Housing, L.P.	California
AL U.S./LaJolla II Senior Housing, L.P.	California
AL U.S./LaPalma II Senior Housing, L.P.	California
AL U.S./Playa Vista Senior Housing, L.P.	California
AL U.S./Sacramento II Senior Housing, L.P.	California
AL U.S./San Gabriel Senior Housing, L.P.	California
AL U.S./Seal Beach Senior Housing, L.P.	California
AL U.S./Studio City Senior Housing, L.P.	California
AL U.S./Woodland Hills Senior Housing, L.P.	California
Alberta Acres Facility Inc.	Ontario, Canada
Alex & Main, L.P.	Indiana
AMCO I, LLC	Wisconsin
Apple Valley Operating Corp.	Massachusetts
ARC Denver Monaco, LLC	Delaware
ARC Minnetonka, LLC	Delaware
ARC Overland Park, LLC	Delaware
ARC Roswell, LLC	Delaware
ARC Sun City West, LLC	Delaware
ARC Tanglewood, LLC	Delaware
ARC Tucson, LLC	Delaware
Arcadia Associates	Massachusetts
Amprior Villa Facility Inc.	Ontario, Canada
ASL, Inc.	Massachusetts
AU-HCU Holdings, LLC	Delaware
Badger RE Portfolio I, LLC	Wisconsin
Badger RE Portfolio II, LLC	Wisconsin
Badger RE Portfolio III, LLC	Wisconsin
Badger RE Portfolio IV, LLC	Wisconsin
Badger RE Portfolio V, LLC	Wisconsin
BAL Colts Neck LLC	Delaware
BAL Fenwick Island LLC	Delaware
BAL Governor's Crossing LLC	Delaware
BAL Holdings I, LLC	Delaware
BAL Holdings II, LLC	Delaware
BAL Holdings III, LLC	Delaware
BAL Holdings VII, LLC	Delaware
BAL Howell LLC	Delaware
BAL Longwood LLC	Pennsylvania
BAL Reflections LLC	Delaware
BAL Savoy Little Neck LLC	Delaware
BAL Sycamore LLC	Delaware
BAL Toms River LLC	Delaware
Ballard Healthcare Investors, LLC	Delaware
Baton Rouge LA Senior Living Owner, LLC	Delaware
Bayfield Court Operations Limited	United Kingdom
Bel Air Healthcare Investors, LLC	Delaware
Bel Air Property Development, LLC	Delaware
Bellevue Healthcare Properties, LLC	Delaware
Bellevue Physicians, LLC	Delaware
Belmont Village Buckhead Tenant, LLC	Delaware
Belmont Village Buffalo Grove Tenant, LLC	Delaware
Belmont Village Buffalo Grove, L.L.C.	Delaware
Belmont Village Burbank Tenant, LLC	Delaware
Belmont Village Burbank, LLC	Delaware
Belmont Village California Holdings, L.L.C.	Delaware
Belmont Village Cardiff Tenant, LLC	Delaware
Belmont Village Carol Stream, L.L.C.	Delaware
Belmont Village Encino Tenant, LLC	Delaware
Belmont Village Encino, LLC	Delaware
Belmont Village Geneva Road Tenant, LLC	Delaware
Belmont Village Glenview Tenant, LLC	Delaware
Belmont Village Glenview, L.L.C.	Delaware
Belmont Village Green Hills Tenant, LLC	Delaware
Belmont Village Hollywood Tenant, LLC	Delaware
Belmont Village Hollywood, LLC	Delaware
Belmont Village Johns Creek Tenant, LLC	Delaware
Belmont Village Landlord 3, LLC	Delaware
Belmont Village Landlord, LLC	Delaware
Belmont Village Memphis Tenant, LLC	Delaware
Belmont Village Oak Park Tenant, LLC	Delaware
Belmont Village Oak Park, L.L.C.	Delaware
Belmont Village Rancho Palos Verdes Tenant, LLC	Delaware
Belmont Village RPV, LLC	Delaware
Belmont Village Sabre Springs Tenant, LLC	Delaware
Belmont Village San Jose Tenant, LLC	Delaware
Belmont Village San Jose, LLC	Delaware
Belmont Village St. Matthews Tenant, LLC	Delaware
Belmont Village St. Matthews, L.L.C.	Delaware
Belmont Village Sunnyvale Tenant, LLC	Delaware
Belmont Village Sunnyvale, LLC	Delaware
Belmont Village Tenant 2, LLC	Delaware
Belmont Village Tenant 3, LLC	Delaware

Belmont Village Tenant, LLC	Delaware
Belmont Village West University Tenant, LLC	Delaware
Belmont Village Westwood Tenant, LLC	Delaware
Benchmark Investments X LLC	Delaware
Benchmark Investments XI LLC	Delaware
Berkeley Haven Limited Partnership	West Virginia
Berks Nursing Homes, Inc.	Pennsylvania
Bettendorf Physicians, LLC	Delaware
BKD-HCN Landlord, LLC	Delaware
BKD-HCN Tenant, LLC	Delaware
Bloomfield South MI Senior Living Owner, LLC	Delaware
Boardman Physicians LLC	Delaware
Boulder Assisted Living, L.L.C.	Delaware
Brandall Central Avenue, LLC	Delaware
Brewer Holdco, Inc.	Delaware
Breyut Convalescent Center, L.L.C.	New Jersey
Bridgeton Healthcare Investors, LLC	Delaware
Brierbrook Partners, LLC	Tennessee
Brinton Manor, Inc.	Delaware
Broomfield CO Senior Living Owner, LLC	Delaware
BSL Huntington Terrace LLC	Delaware
Buckhead GA Senior Living Owner, LLC	Delaware
Burlington Woods Convalescent Center, Inc.	New Jersey
Burnsville Healthcare Properties, LLC	Delaware
B-X Agawam LLC	Delaware
B-X Avon LLC	Delaware
B-X Brighton LLC	Delaware
B-X Brookfield LLC	Delaware
B-X Centerville LLC	Delaware
B-X Concord LLC	Delaware
B-X Danvers LLC	Delaware
B-X East Haven LLC	Delaware
B-X Hamden LLC	Delaware
B-X Mansfield LLC	Delaware
B-X Meriden LLC	Delaware
B-X Middletown CT LLC	Delaware
B-X Middletown RI LLC	Delaware
B-X Milford LLC	Delaware
B-X Mystic LLC	Delaware
B-X Newton LLC	Delaware
B-X Newton Lower Falls LLC	Delaware
B-X Newtonville LLC	Delaware
B-X Niantic LLC	Delaware
B-X North Andover LLC	Delaware
B-X North Chelmsford LLC	Delaware
B-X Operations Holding Company LLC	Delaware
B-X Providence LLC	Delaware
B-X Quincy LLC	Delaware
B-X Rocky Hill LLC	Delaware
B-X Salem LLC	Delaware
B-X Shelburne LLC	Delaware
B-X South Windsor LLC	Delaware
B-X Trumbull LLC	Delaware
B-X Warwick LLC	Delaware
B-X Waterbury LLC	Delaware
B-X Wilbraham LLC	Delaware
B-X Willows Cottages LLC	Delaware
B-X Willows Cottages Trustee LLC	Delaware
B-X Woodbridge LLC	Delaware
B-X Worcester LLC	Delaware
B-X Yarmouth LLC	Delaware
B-XI Acton LLC	Delaware
B-XI Bedford LLC	Delaware
B-XI Franklin LLC	Delaware
B-XI Operations Holding Company LLC	Delaware
CAL-GAT Limited Partnership	Florida
CAL-LAK Limited Partnership	Florida
Canoga Park Assisted Living L.L.C.	Delaware
Canterbury of Shepherdstown Limited Partnership	West Virginia
Cassils Road West Property Inc.	British Columbia, Canada
Castle Rock Healthcare Investors, LLC	Delaware
Catonsville Meridian Limited Partnership	Maryland
CC3 Acquisition TRS Corp.	Delaware
CC3 Acquisition, LLC	Delaware
CC3 Facility Owner GP, LLC	Delaware
CC3 Facility Owner Holding, LLC	Delaware
CC3 MEZZ A, LLC	Delaware
CC3 MEZZ B, LLC	Delaware
CC3 MEZZ C, LLC	Delaware
CC3 MEZZ D, LLC	Delaware
CC3 MEZZ E, LLC	Delaware
Churchill Facility Inc.	Ontario, Canada
Cincinnati Physicians, LLC	Delaware
Claremont Facility Inc.	Ontario, Canada
Cliftonville Ltd	Island of Jersey
Colson & Colson Limited	United Kingdom
Columbia Boulevard West Property Inc.	British Columbia, Canada
Concord Health Group, Inc.	Delaware
Coon Rapids Healthcare Investors, LLC	Delaware
Cooper Holding, LLC	Florida
Cooper, LLC	Delaware
Crestview Convalescent Home, Inc.	Pennsylvania
Crestview North, Inc.	Pennsylvania
CRP/BWN Litchfield, L.L.C.	Delaware
CSH-HCN (Alexander) Inc.	Ontario, Canada
CSH-HCN (Avondale) Inc.	Ontario, Canada

CSH-HCN (Belcourt) Inc.	Ontario, Canada
CSH-HCN (Christopher) Inc.	Ontario, Canada
CSH-HCN (Fountains) Inc.	Ontario, Canada
CSH-HCN (Gordon) Inc.	Ontario, Canada
CSH-HCN (Heritage) Inc.	Ontario, Canada
CSH-HCN (Kingsville) Inc.	Ontario, Canada
CSH-HCN (Lansing) Inc.	Ontario, Canada
CSH-HCN (Leamington) Inc.	Ontario, Canada
CSH-HCN (Livingston) Inc.	Ontario, Canada
CSH-HCN (Marquis) Inc.	Ontario, Canada
CSH-HCN (McConnell) Inc.	Ontario, Canada
CSH-HCN (Pines) Inc.	Ontario, Canada
CSH-HCN (Rideau) Inc.	Ontario, Canada
CSH-HCN (Royalcliffe) Inc.	Ontario, Canada
CSH-HCN (Scarlett) Inc.	Ontario, Canada
CSH-HCN (Tranquility) Inc.	Ontario, Canada
CSH-HCN Lessee (Alexander) GP Inc.	Ontario, Canada
CSH-HCN Lessee (Alexander) LP	Ontario, Canada
CSH-HCN Lessee (Archer) GP Inc.	Ontario, Canada
CSH-HCN Lessee (Archer) LP	Ontario, Canada
CSH-HCN Lessee (Avondale) GP Inc.	Ontario, Canada
CSH-HCN Lessee (Avondale) LP	Ontario, Canada
CSH-HCN Lessee (Belcourt) GP Inc.	Ontario, Canada
CSH-HCN Lessee (Belcourt) LP	Ontario, Canada
CSH-HCN Lessee (Boulogne) GP Inc.	Ontario, Canada
CSH-HCN Lessee (Boulogne) LP	Ontario, Canada
CSH-HCN Lessee (Chicoutimi) GP Inc.	Ontario, Canada
CSH-HCN Lessee (Chicoutimi) LP	Ontario, Canada
CSH-HCN Lessee (Christopher) GP Inc.	Ontario, Canada
CSH-HCN Lessee (Christopher) LP	Ontario, Canada
CSH-HCN Lessee (Ecores) GP Inc.	Ontario, Canada
CSH-HCN Lessee (Ecores) LP	Ontario, Canada
CSH-HCN Lessee (Fountains) GP Inc.	Ontario, Canada
CSH-HCN Lessee (Fountains) LP	Ontario, Canada
CSH-HCN Lessee (Giffard) GP Inc.	Ontario, Canada
CSH-HCN Lessee (Giffard) LP	Ontario, Canada
CSH-HCN Lessee (Gordon) GP Inc.	Ontario, Canada
CSH-HCN Lessee (Gordon) LP	Ontario, Canada
CSH-HCN Lessee (Harmonie) GP Inc.	Ontario, Canada
CSH-HCN Lessee (Harmonie) LP	Ontario, Canada
CSH-HCN Lessee (Heritage) GP Inc.	Ontario, Canada
CSH-HCN Lessee (Heritage) LP	Ontario, Canada
CSH-HCN Lessee (Imperial) GP Inc.	Ontario, Canada
CSH-HCN Lessee (Imperial) LP	Ontario, Canada
CSH-HCN Lessee (Jonquiere) GP Inc.	Ontario, Canada
CSH-HCN Lessee (Jonquiere) LP	Ontario, Canada
CSH-HCN Lessee (Kingsville) GP Inc.	Ontario, Canada
CSH-HCN Lessee (Kingsville) LP	Ontario, Canada
CSH-HCN Lessee (Lachine) GP Inc.	Ontario, Canada
CSH-HCN Lessee (Lachine) LP	Ontario, Canada
CSH-HCN Lessee (Lansing) GP Inc.	Ontario, Canada
CSH-HCN Lessee (Lansing) LP	Ontario, Canada
CSH-HCN Lessee (l'Atrium) GP Inc.	Ontario, Canada
CSH-HCN Lessee (l'Atrium) LP	Ontario, Canada
CSH-HCN Lessee (Laviolette) GP Inc.	Ontario, Canada
CSH-HCN Lessee (Laviolette) LP	Ontario, Canada
CSH-HCN Lessee (Leamington) GP Inc.	Ontario, Canada
CSH-HCN Lessee (Leamington) LP	Ontario, Canada
CSH-HCN Lessee (l'Ermitage) GP Inc.	Ontario, Canada
CSH-HCN Lessee (l'Ermitage) LP	Ontario, Canada
CSH-HCN Lessee (L'Estrie) GP Inc.	Ontario, Canada
CSH-HCN Lessee (L'Estrie) LP	Ontario, Canada
CSH-HCN Lessee (Livingston) GP Inc.	Ontario, Canada
CSH-HCN Lessee (Livingston) LP	Ontario, Canada
CSH-HCN Lessee (Marquis) GP Inc.	Ontario, Canada
CSH-HCN Lessee (Marquis) LP	Ontario, Canada
CSH-HCN Lessee (McConnell) GP Inc.	Ontario, Canada
CSH-HCN Lessee (McConnell) LP	Ontario, Canada
CSH-HCN Lessee (Notre-Dame) GP Inc.	Ontario, Canada
CSH-HCN Lessee (Notre-Dame) LP	Ontario, Canada
CSH-HCN Lessee (Pines) GP Inc.	Ontario, Canada
CSH-HCN Lessee (Pines) LP	Ontario, Canada
CSH-HCN Lessee (Pointe-aux-Trembles) GP Inc.	Ontario, Canada
CSH-HCN Lessee (Pointe-aux-Trembles) LP	Ontario, Canada
CSH-HCN Lessee (Renaissance) GP Inc.	Ontario, Canada
CSH-HCN Lessee (Renaissance) LP	Ontario, Canada
CSH-HCN Lessee (Rideau) GP Inc.	Ontario, Canada
CSH-HCN Lessee (Rideau) LP	Ontario, Canada
CSH-HCN Lessee (Rive-Sud) GP Inc.	Ontario, Canada
CSH-HCN Lessee (Rive-Sud) LP	Ontario, Canada
CSH-HCN Lessee (Royalcliffe) GP Inc.	Ontario, Canada
CSH-HCN Lessee (Royalcliffe) LP	Ontario, Canada
CSH-HCN Lessee (Saguenay) GP Inc.	Ontario, Canada
CSH-HCN Lessee (Saguenay) LP	Ontario, Canada
CSH-HCN Lessee (Saint-Jerome) GP Inc.	Ontario, Canada
CSH-HCN Lessee (Saint-Jerome) LP	Ontario, Canada
CSH-HCN Lessee (Scarlett) GP Inc.	Ontario, Canada
CSH-HCN Lessee (Scarlett) LP	Ontario, Canada
CSH-HCN Lessee (Tranquility) GP Inc.	Ontario, Canada
CSH-HCN Lessee (Tranquility) LP	Ontario, Canada
CSH-HCN Lessee (Trembles) GP Inc.	Ontario, Canada
CSH-HCN Lessee (Trembles) LP	Ontario, Canada
CSH-HCN Lessee (Wellesley) GP Inc.	Ontario, Canada
CSH-HCN Lessee (Wellesley) LP	Ontario, Canada
Cumberland Associates of Rhode Island, L.P.	Delaware
CW Property Inc.	British Columbia, Canada

Dawn General Partner Limited	Island of Jersey
Dawn HoldCo II Limited	Island of Jersey
Dawn HoldCo Limited	Island of Jersey
Dawn Limited Partnership	Island of Jersey
Dawn Opco II Limited	United Kingdom
Dawn Opco Limited	United Kingdom
DELM Nursing, Inc.	Pennsylvania
Denver Tenant, LLC	Delaware
DePaul Physicians, LLC	Delaware
Derby House Ltd	Island of Jersey
Dover ALF, LLC	Delaware
Dover Health Care Associates, Inc.	Delaware
DRF Boardman LLC	Minnesota
DRF Bridgeton LLC	Minnesota
DRF Durango LLC	Minnesota
DRF Fenton LLC	Minnesota
DRF Great Falls LLC	Minnesota
DRF Lakewood LLC	Minnesota
DRF Lenexa LLC	Minnesota
DRF Lincoln LLC	Minnesota
DRF LSL LLC	Minnesota
DRF Merriam LLC	Minnesota
DRF Monticello Medical Building LLC	Minnesota
DRF Oklahoma City LLC	Minnesota
DRF Shawnee Mission LLC	Minnesota
DRF South Valley LLC	Minnesota
DRF Southwest Medical Building LLC	Minnesota
DRF Westminster LLC	Minnesota
DSG-2010 Loans I, Inc.	Delaware
Dublin Senior Community DRV, LLC	Oklahoma
Dublin Senior Community WPP, LLC	Oklahoma
East Meadow A.L., LLC	Delaware
Easton Meridian Limited Partnership	Maryland
Edella Street Associates	Pennsylvania
Edgemont Facility Inc.	Ontario, Canada
Edison NJ Propco, LLC	Delaware
Element Acquisition Sub. 3, LLC	Delaware
Element Acquisition Sub. 4, LLC	Delaware
Elstree Properties Limited	Island of Jersey
Encare of Mendham, L.L.C.	New Jersey
Encare of Pennypack, Inc.	Pennsylvania
Encare of Quakertown, Inc.	Pennsylvania
Encare of Wyncote, Inc.	Pennsylvania
FC-GEN Acquisition Holding, LLC	Delaware
FC-GEN Acquisition, Inc.	Delaware
FC-GEN Real Estate, LLC	Delaware
FC-JEN Leasing, LLC	Delaware
FHC Mount Vernon LLC	Minnesota
Fieldgate Facility Inc.	Ontario, Canada
FLA-PALM COURT Limited Partnership	Florida
Fleetwood Villa Facility Inc.	Ontario, Canada
Frauenshuh Ballard LLC	Minnesota
Frauenshuh Bridgeton LLC	Minnesota
Frauenshuh Burleson LLC	Delaware
Frauenshuh Greeneville LLC	Minnesota
Frauenshuh Harker Heights, LLC	Delaware
Frauenshuh HealthCare Properties III, LLC	Delaware
Frauenshuh HealthCare Properties, LLC	Delaware
Frauenshuh HealthCare Real Estate Solutions, LLC	Minnesota
Frauenshuh HealthCare Venture Properties, LLC	Delaware
Frauenshuh Jackson LLC	Minnesota
Frauenshuh Killeen LLC	Minnesota
Frauenshuh Tacoma LLC	Delaware
Frauenshuh Temple LLC	Delaware
Frognal Properties Limited	Island of Jersey
G.P. Woods Assisted Living, LLC	Delaware
Gemini Davenport, LLC	Oklahoma
Gemini Las Colinas, L.L.C.	Oklahoma
Gemini Romeoville, LLC	Oklahoma
Gemini SS Lessee, LLC	Oklahoma
Gemini Villa Ventura, L.L.C.	Oklahoma
Gemini Wexford, L.L.C.	Oklahoma
Genesis ElderCare Centers - Harston, Inc.	Pennsylvania
Genesis ElderCare Corp.	Delaware
Genesis Eldercare National Centers, Inc.	Florida
Genesis Health Ventures of Bloomfield, Inc.	Pennsylvania
Genesis Health Ventures of Clarks Summit, Inc.	Pennsylvania
Genesis Health Ventures of Massachusetts, Inc.	Pennsylvania
Genesis Health Ventures of Naugatuck, Inc.	Pennsylvania
Genesis Health Ventures of Salisbury, Inc.	Pennsylvania
Genesis Health Ventures of West Virginia, Inc.	Pennsylvania
Genesis Health Ventures of West Virginia, L.P.	Pennsylvania
Genesis Health Ventures of Wilkes-Barre, Inc.	Pennsylvania
Genesis HealthCare Centers Holdings, Inc.	Delaware
Genesis HealthCare Corporation	Pennsylvania
Genesis HealthCare Holding Company I, Inc.	Delaware
Genesis HealthCare Holding Company II, Inc.	Delaware
Genesis Meridian 7 Leasing Properties Limited Partnership, L.L.P.	Virginia
Genesis Meridian 7 Partnership Holding Company L.L.C.	Delaware
Genesis Properties of Delaware Corporation	Delaware
Genesis Properties of Delaware Ltd. Partnership, L.P.	Delaware
Genesis/Harbor, LLC	Delaware
Geriatric & Medical Companies, Inc.	Delaware
Geriatric and Medical Services, Inc.	New Jersey
Geri-Med Corp.	Pennsylvania
Gilbert AZ Senior Living Owner, LLC	Delaware



Glenmark Associates, Inc.	West Virginia
Glenmark Associates-Dawnview Manor, Inc.	West Virginia
Glenmark Properties I, Limited Partnership	West Virginia
Glenmark Properties, Inc.	West Virginia
GMA Partnership Holding Company, Inc.	West Virginia
GMA-Brightwood, Inc.	West Virginia
GMA-Madison, Inc.	West Virginia
GMA-Uniontown, Inc.	Pennsylvania
Grace Lodge Care Holdings S.a.r.l.	Luxembourg
Grace Lodge Care Operating S.a.r.l.	Luxembourg
Grace Lodge Care S.a.r.l.	Luxembourg
Gracewell (Newmarket) Limited	United Kingdom
Gracewell Healthcare 1 Limited	United Kingdom
Gracewell Healthcare 2 Limited	United Kingdom
Gracewell Healthcare 3 Limited	United Kingdom
Gracewell Healthcare 4 Limited	United Kingdom
Gracewell Investment No.2 S.a.r.l.	Luxembourg
Gracewell Investment No.3 S.a.r.l.	Luxembourg
Gracewell Investment No.4 S.a.r.l.	Luxembourg
Gracewell Operations Holding Limited	United Kingdom
Gracewell Properties (Abercorn) S.a.r.l.	Luxembourg
Gracewell Properties (Birmingham) S.a.r.l.	Luxembourg
Gracewell Properties (Church Crookham) S.a.r.l.	Luxembourg
Gracewell Properties (Fareham) S.a.r.l.	Luxembourg
Gracewell Properties (Frome) S.a.r.l.	Luxembourg
Gracewell Properties (Hamilton) S.a.r.l.	Luxembourg
Gracewell Properties (Horley) S.a.r.l.	Luxembourg
Gracewell Properties (Kentford) S.a.r.l.	Luxembourg
Gracewell Properties (Pines) S.a.r.l.	Luxembourg
Gracewell Properties (Salisbury) S.a.r.l.	Luxembourg
Gracewell Properties (Shelbourne) S.a.r.l.	Luxembourg
Gracewell Properties (Weymouth) S.a.r.l.	Luxembourg
Gracewell Properties Holding S.a.r.l.	Luxembourg
Grand Ledge I, LLC	Delaware
Great Falls Clinic-Frauenschuh, LLC	Minnesota
Greeneville Healthcare Investors, LLC	Delaware
Greenspring Meridian Limited Partnership	Maryland
Groton Associates of Connecticut, L.P.	Delaware
GWC-Crestwood, Inc.	Virginia
GWC-Glen Cove, Inc.	Virginia
Habitation Domaine des Trembles Inc.	Quebec, Canada
Habitation Faubourg Giffard Inc.	Quebec, Canada
Hammes Company Green Bay I, LLC	Wisconsin
Hammes Company Green Bay II, LLC	Wisconsin
Hammonds Lane Meridian Limited Partnership	Maryland
Hanford Court Ltd	Island of Jersey
Harbor Crest Tenant, LLC	Delaware
Harnett Health Investors, LLC	Virginia
Hawthorns Braintree Limited	United Kingdom
Hawthorns Clevedon Limited	United Kingdom
Hawthorns Eastbourne Limited	United Kingdom
Hawthorns Retirement Group UK Limited	United Kingdom
Hawthorns Retirement Management Limited	United Kingdom
Hawthorns Retirement UK Limited	United Kingdom
HBLR Operating, LLC	Delaware
HBLR/Burlington Operating, LLC	Delaware
HBLR/Highland Park Operating, LLC	Delaware
HBLR/Lynnfield Operating, LLC	Delaware
HBLR/Randolph Operating, LLC	Delaware
HC Mill Creek I, LLC	Wisconsin
HC Redmond I, LLC	Wisconsin
HC Summit I, LLC	Wisconsin
HCN (Pembroke) Property Inc.	British Columbia, Canada
HCN (Stonehaven) Property Inc.	British Columbia, Canada
HCN Access Holdings, LLC	Delaware
HCN Access Las Vegas I, LLC	Delaware
HCN Canadian Holdings GP-1 Ltd.	British Columbia, Canada
HCN Canadian Holdings LP-1 Ltd.	British Columbia, Canada
HCN Canadian Holdings-1 LP	Ontario, Canada
HCN Canadian Investment-1 LP	Ontario, Canada
HCN Canadian Investment-2 LP	Ontario, Canada
HCN Canadian Investment-4 LP	Ontario, Canada
HCN Canadian Investment-5 LP	Ontario, Canada
HCN Canadian Investment-5 ULC	British Columbia, Canada
HCN Canadian Leasing (British Columbia) Ltd.	British Columbia, Canada
HCN Canadian Leasing Ltd.	British Columbia, Canada
HCN Canadian Leasing-2 Ltd.	British Columbia, Canada
HCN Canadian Leasing-3 Ltd.	British Columbia, Canada
HCN Canadian Leasing-4 Ltd.	British Columbia, Canada
HCN Canadian Management Services Ltd.	British Columbia, Canada
HCN Canadian Properties, Inc.	New Brunswick, CA
HCN Capital Holdings II, LLC	Delaware
HCN Capital Holdings, LLC	Delaware
HCN Development Services Group, Inc.	Indiana
HCN Emerald Holdings, LLC	Delaware
HCN FCE Life Sciences, LLC	Delaware
HCN Fountains Leasing Ltd.	British Columbia, Canada
HCN G&L DownREIT LLC	Delaware
HCN G&L Holy Cross Sub, LLC	Delaware
HCN G&L Santa Clarita Sub, LLC	Delaware
HCN G&L Valencia Sub, LLC	Delaware
HCN Hancock Investments, Ltd	Delaware
HCN Hancock Leicester Ltd.	Island of Jersey
HCN Hancock Loxley Park Ltd.	Island of Guernsey
HCN Hancock Miramar Ltd.	Island of Guernsey
HCN Imperial Leasing Ltd.	British Columbia, Canada

HCN Interra Lake Travis LTACH, LLC	Delaware
HCN Investment GP-1 Ltd.	British Columbia, Canada
HCN Investment GP-2 Ltd.	British Columbia, Canada
HCN Investment GP-4 Ltd.	British Columbia, Canada
HCN Investment GP-5 Ltd	British Columbia, Canada
HCN Investment LP-1 Ltd.	British Columbia, Canada
HCN Investment LP-2 Ltd.	British Columbia, Canada
HCN Lake Travis Holdings, LLC	Delaware
HCN Lake Travis Property One, LLC	Delaware
HCN Lake Travis Property Two, LLC	Delaware
HCN Lessee (Pembroke) GP Inc.	British Columbia, Canada
HCN Lessee (Pembroke) LP	Ontario, Canada
HCN Lessee (Ross) GP Inc.	British Columbia, Canada
HCN Lessee (Ross) LP	Ontario, Canada
HCN Lessee (Stonehaven) GP Inc.	British Columbia, Canada
HCN Lessee (Stonehaven) LP	Ontario, Canada
HCN Medicus Holdings, LLC	Delaware
HCN Navvis Clarkson Valley, LLC	Delaware
HCN Renaissance Leasing Ltd.	British Columbia, Canada
HCN Rendina Holdings, LLC	Delaware
HCN Rendina Merced, LLC	Delaware
HCN Ross Leasing Ltd.	British Columbia, Canada
HCN UK Holdco Limited	Island of Jersey
HCN UK Investments Limited	Island of Jersey
HCN UK Management Services Limited	United Kingdom
HCN UK Saints Investments Ltd	Island of Jersey
HCN-Revera (Appleby Place) Inc.	Ontario, Canada
HCN-Revera (Bough Beeches Place) Inc.	Ontario, Canada
HCN-Revera (Centennial Park Place) Inc.	Ontario, Canada
HCN-Revera (Churchill Place) Inc.	Ontario, Canada
HCN-Revera (Colonel By) Inc.	Ontario, Canada
HCN-Revera (Constitution Place) Inc.	Ontario, Canada
HCN-Revera (Don Mills/Donway Place) Inc.	Ontario, Canada
HCN-Revera (Fergus Place) Inc.	Ontario, Canada
HCN-Revera (Glynnwood) Inc.	Ontario, Canada
HCN-Revera (Hollyburn House) Inc.	Ontario, Canada
HCN-Revera (Kensington) Inc.	Ontario, Canada
HCN-Revera (Parkwood Court) Inc.	Ontario, Canada
HCN-Revera (Parkwood Manor) Inc.	Ontario, Canada
HCN-Revera (Parkwood Place) Inc.	Ontario, Canada
HCN-Revera (Rayoak Place) Inc.	Ontario, Canada
HCN-Revera (River Ridge) Inc.	Ontario, Canada
HCN-Revera (Victoria Place) Inc.	Ontario, Canada
HCN-Revera (Wellington) Inc.	Ontario, Canada
HCN-Revera (Whitecliff) Inc.	Ontario, Canada
HCN-Revera Joint Venture GP Inc.	Ontario, Canada
HCN-Revera Joint Venture Limited Partnership	Ontario, Canada
HCN-Revera Lessee (Appleby Place) GP Inc.	Ontario, Canada
HCN-Revera Lessee (Appleby Place) LP	Ontario, Canada
HCN-Revera Lessee (Arnprior Villa) GP Inc.	Ontario, Canada
HCN-Revera Lessee (Arnprior Villa) LP	Ontario, Canada
HCN-Revera Lessee (Bentley Moose Jaw) GP Inc.	Ontario, Canada
HCN-Revera Lessee (Bentley Moose Jaw) LP	Ontario, Canada
HCN-Revera Lessee (Bentley Regina) GP Inc.	Ontario, Canada
HCN-Revera Lessee (Bentley Regina) LP	Ontario, Canada
HCN-Revera Lessee (Bentley Saskatoon) GP Inc.	Ontario, Canada
HCN-Revera Lessee (Bentley Saskatoon) LP	Ontario, Canada
HCN-Revera Lessee (Bentley Swift Current) GP Inc.	Ontario, Canada
HCN-Revera Lessee (Bentley Swift Current) LP	Ontario, Canada
HCN-Revera Lessee (Bentley Yorkton) GP Inc.	Ontario, Canada
HCN-Revera Lessee (Bentley Yorkton) LP	Ontario, Canada
HCN-Revera Lessee (Bough Beeches Place) GP Inc.	Ontario, Canada
HCN-Revera Lessee (Bough Beeches Place) LP	Ontario, Canada
HCN-Revera Lessee (Cedarcroft Place) GP Inc.	Ontario, Canada
HCN-Revera Lessee (Cedarcroft Place) LP	Ontario, Canada
HCN-Revera Lessee (Centennial Park Place) GP Inc.	Ontario, Canada
HCN-Revera Lessee (Centennial Park Place) LP	Ontario, Canada
HCN-Revera Lessee (Chateau Renoir) GP Inc.	Ontario, Canada
HCN-Revera Lessee (Chateau Renoir) LP	Ontario, Canada
HCN-Revera Lessee (Churchill Place) GP Inc.	Ontario, Canada
HCN-Revera Lessee (Churchill Place) LP	Ontario, Canada
HCN-Revera Lessee (Claremont) GP Inc.	Ontario, Canada
HCN-Revera Lessee (Claremont) LP	Ontario, Canada
HCN-Revera Lessee (Colonel By) GP Inc.	Ontario, Canada
HCN-Revera Lessee (Colonel By) LP	Ontario, Canada
HCN-Revera Lessee (Constitution Place) GP Inc.	Ontario, Canada
HCN-Revera Lessee (Constitution Place) LP	Ontario, Canada
HCN-Revera Lessee (Don Mills) GP Inc.	Ontario, Canada
HCN-Revera Lessee (Don Mills) LP	Ontario, Canada
HCN-Revera Lessee (Donway Place) GP Inc.	Ontario, Canada
HCN-Revera Lessee (Donway Place) LP	Ontario, Canada
HCN-Revera Lessee (Dorchester) GP Inc.	Ontario, Canada
HCN-Revera Lessee (Dorchester) LP	Ontario, Canada
HCN-Revera Lessee (Edgemont) GP Inc.	Ontario, Canada
HCN-Revera Lessee (Edgemont) LP	Ontario, Canada
HCN-Revera Lessee (Fergus Place) GP Inc.	Ontario, Canada
HCN-Revera Lessee (Fergus Place) LP	Ontario, Canada
HCN-Revera Lessee (Fleetwood Villa) GP Inc.	Ontario, Canada
HCN-Revera Lessee (Fleetwood Villa) LP	Ontario, Canada
HCN-Revera Lessee (Franklin) GP Inc.	Ontario, Canada
HCN-Revera Lessee (Franklin) LP	Ontario, Canada
HCN-Revera Lessee (Glynnwood) GP Inc.	Ontario, Canada
HCN-Revera Lessee (Glynnwood) LP	Ontario, Canada
HCN-Revera Lessee (Heritage Lodge) GP Inc.	Ontario, Canada
HCN-Revera Lessee (Heritage Lodge) LP	Ontario, Canada
HCN-Revera Lessee (Highland Place) GP Inc.	Ontario, Canada

HCN-Revera Lessee (Highland Place) LP	Ontario, Canada
HCN-Revera Lessee (Hollyburn House) GP Inc.	Ontario, Canada
HCN-Revera Lessee (Hollyburn House) LP	Ontario, Canada
HCN-Revera Lessee (Hunt Club Manor) GP Inc.	Ontario, Canada
HCN-Revera Lessee (Hunt Club Manor) LP	Ontario, Canada
HCN-Revera Lessee (Kensington) GP Inc.	Ontario, Canada
HCN-Revera Lessee (Kensington) LP	Ontario, Canada
HCN-Revera Lessee (Landmark Court) GP Inc.	Ontario, Canada
HCN-Revera Lessee (Landmark Court) LP	Ontario, Canada
HCN-Revera Lessee (Marian Chateau) GP Inc.	Ontario, Canada
HCN-Revera Lessee (Marian Chateau) LP	Ontario, Canada
HCN-Revera Lessee (McKenzie Towne) GP Inc.	Ontario, Canada
HCN-Revera Lessee (McKenzie Towne) LP	Ontario, Canada
HCN-Revera Lessee (Ogilvie Villa) GP Inc.	Ontario, Canada
HCN-Revera Lessee (Ogilvie Villa) LP	Ontario, Canada
HCN-Revera Lessee (Parkwood Court) GP Inc.	Ontario, Canada
HCN-Revera Lessee (Parkwood Court) LP	Ontario, Canada
HCN-Revera Lessee (Parkwood Manor) GP Inc.	Ontario, Canada
HCN-Revera Lessee (Parkwood Manor) LP	Ontario, Canada
HCN-Revera Lessee (Parkwood Place) GP Inc.	Ontario, Canada
HCN-Revera Lessee (Parkwood Place) LP	Ontario, Canada
HCN-Revera Lessee (Queenswood Villa) GP Inc.	Ontario, Canada
HCN-Revera Lessee (Queenswood Villa) LP	Ontario, Canada
HCN-Revera Lessee (Rayoak Place) GP Inc.	Ontario, Canada
HCN-Revera Lessee (Rayoak Place) LP	Ontario, Canada
HCN-Revera Lessee (River Ridge) GP Inc.	Ontario, Canada
HCN-Revera Lessee (River Ridge) LP	Ontario, Canada
HCN-Revera Lessee (Riverbend) GP Inc.	Ontario, Canada
HCN-Revera Lessee (Riverbend) LP	Ontario, Canada
HCN-Revera Lessee (Scenic Acres) GP Inc.	Ontario, Canada
HCN-Revera Lessee (Scenic Acres) LP	Ontario, Canada
HCN-Revera Lessee (Stittsville Villa) GP Inc.	Ontario, Canada
HCN-Revera Lessee (Stittsville Villa) LP	Ontario, Canada
HCN-Revera Lessee (Terrace Gardens) GP Inc.	Ontario, Canada
HCN-Revera Lessee (Terrace Gardens) LP	Ontario, Canada
HCN-Revera Lessee (The Churchill) GP Inc.	Ontario, Canada
HCN-Revera Lessee (The Churchill) LP	Ontario, Canada
HCN-Revera Lessee (Trafalgar Lodge) GP Inc.	Ontario, Canada
HCN-Revera Lessee (Trafalgar Lodge) LP	Ontario, Canada
HCN-Revera Lessee (Victoria Place) GP Inc.	Ontario, Canada
HCN-Revera Lessee (Victoria Place) LP	Ontario, Canada
HCN-Revera Lessee (Waverley/Rosewood) GP Inc.	Ontario, Canada
HCN-Revera Lessee (Waverley/Rosewood) LP	Ontario, Canada
HCN-Revera Lessee (Wellington) GP Inc.	Ontario, Canada
HCN-Revera Lessee (Wellington) LP	Ontario, Canada
HCN-Revera Lessee (Whitecliff) GP Inc.	Ontario, Canada
HCN-Revera Lessee (Whitecliff) LP	Ontario, Canada
HCN-TH Wisconsin I, LLC	Delaware
HCN-TH Wisconsin II, LLC	Delaware
HCN-TH Wisconsin III, LLC	Delaware
HCN-TH Wisconsin IV, LLC	Delaware
HCN-TH Wisconsin V, LLC	Delaware
HCN-TH Wisconsin VI, LLC	Delaware
HCN-TH Wisconsin VII, LLC	Delaware
HCN-TH Wisconsin VIII, LLC	Delaware
HCRE Solutions, LLC	Delaware
HCRI 10301 Hagen Ranch Holdings, LLC	Delaware
HCRI 10301 Hagen Ranch Properties II, LLC	Delaware
HCRI 10301 Hagen Ranch Properties, LLC	Delaware
HCRI 1950 Sunny Crest Drive, LLC	Delaware
HCRI 3400 Old Milton, LLC	Delaware
HCRI 5670 Peachtree Dunwoody, LLC	Delaware
HCRI 975 Johnson Ferry, LLC	Delaware
HCRI Abingdon Holdings, Inc.	North Carolina
HCRI Abingdon Properties, LP	North Carolina
HCRI Akron Properties, LLC	Delaware
HCRI AL U.S. Bonita Subtenant, LLC	Delaware
HCRI AL U.S. Boulder Subtenant, LLC	Delaware
HCRI AL U.S. G.P. Woods Subtenant, LLC	Delaware
HCRI AL U.S. GP Woods II Subtenant, LLC	Delaware
HCRI AL U.S. Huntington Beach Subtenant, LLC	Delaware
HCRI AL U.S. La Jolla Subtenant, LLC	Delaware
HCRI AL U.S. La Palma Subtenant, LLC	Delaware
HCRI AL U.S. Newtown Square Subtenant, LLC	Delaware
HCRI AL U.S. Playa Vista Subtenant, LLC	Delaware
HCRI AL U.S. Sacramento Subtenant, LLC	Delaware
HCRI AL U.S. San Gabriel Subtenant, LLC	Delaware
HCRI AL U.S. Seal Beach Subtenant, LLC	Delaware
HCRI AL U.S. Studio City Subtenant, LLC	Delaware
HCRI AL U.S. Wilmington Subtenant, LLC	Delaware
HCRI AL U.S. Woodland Hills Subtenant, LLC	Delaware
HCRI Allen Medical Facility, LLC	Delaware
HCRI Ancillary TRS, Inc.	Delaware
HCRI Asheboro Holdings, Inc.	North Carolina
HCRI Asheboro Properties, LP	North Carolina
HCRI Baylor Grapevine ASC, LLC	Delaware
HCRI Baylor Grapevine Medical Plaza, LLC	Delaware
HCRI Beachwood, Inc.	Ohio
HCRI Boardman Properties, LLC	Delaware
HCRI Braintree Subtenant, LLC	Delaware
HCRI Broadview, Inc.	Ohio
HCRI Burlington Manor Holdings, Inc.	North Carolina
HCRI Burlington Manor Properties, LP	North Carolina
HCRI Carmel Building A Medical Facility, LLC	Delaware
HCRI Carmel Building B Medical Facility, LLC	Delaware
HCRI Cold Spring Properties, LLC	Delaware

HCRI Concord Place Holdings, Inc.	North Carolina
HCRI Concord Place Properties, LP	North Carolina
HCRI Connecticut Avenue Subtenant, LLC	Delaware
HCRI Crestwood Subtenant, LLC	Delaware
HCRI Cumberland Properties, LLC	Delaware
HCRI Dallas Medical Facility, LLC	Delaware
HCRI Dayton Place-Denver Properties, LLC	Delaware
HCRI Deerfield Beach Medical Facility, LLC	Delaware
HCRI Draper Place Properties Trust	Massachusetts
HCRI Drum Hill Properties, LLC	Delaware
HCRI Eden Holdings, Inc.	North Carolina
HCRI Eden Properties, LP	North Carolina
HCRI Edison Subtenant, LLC	Delaware
HCRI Emerald Holdings III, LLC	Delaware
HCRI Emerald Holdings, LLC	Delaware
HCRI Exchange Management I, LLC	Delaware
HCRI Exchange Properties I, LLC	Delaware
HCRI Fairfax Subtenant, LLC	Delaware
HCRI Fairmont Properties, LLC	Delaware
HCRI Financial Services, LLC	Delaware
HCRI Financing, Inc.	Delaware
HCRI Fore River Medical Facility, LLC	Delaware
HCRI Fort Bend Clinic, LLC	Delaware
HCRI Fort Wayne Medical Facility, LLC	Delaware
HCRI Fox Hill (HCU) Subtenant, LLC	Delaware
HCRI Fullerton Subtenant, LLC	Delaware
HCRI Gardner Park Tenant TRS, LLC	Delaware
HCRI Gardner Park TRS, LLC	Delaware
HCRI Gaston Manor Holdings, Inc.	North Carolina
HCRI Gaston Manor Properties, LP	North Carolina
HCRI Health Lease US, LLC	Delaware
HCRI Henderson Subtenant, LLC	Delaware
HCRI Hermosa Beach TRS, LLC	Delaware
HCRI High Point Manor Holdings, Inc.	North Carolina
HCRI High Point Manor Properties, LP	North Carolina
HCRI Holdings Trust	Massachusetts
HCRI Hunters Glen Properties, LLC	Delaware
HCRI Illinois Properties II, LLC	Delaware
HCRI Illinois Properties, LLC	Delaware
HCRI Indiana Properties, Inc.	Delaware
HCRI Indiana Properties, LLC	Indiana
HCRI Investments, Inc.	Delaware
HCRI Kansas Properties, LLC	Delaware
HCRI Karrington TRS, LLC	Delaware
HCRI Kentucky Properties, LLC	Kentucky
HCRI Kirkland Properties, LLC	Delaware
HCRI Leominster TRS, LLC	Delaware
HCRI Limited Holdings, Inc.	Delaware
HCRI Logistics, Inc.	Delaware
HCRI Louisiana Properties, L.P.	Delaware
HCRI Marina Place Properties Trust	Massachusetts
HCRI Massachusetts Properties Trust	Massachusetts
HCRI Massachusetts Properties Trust II	Massachusetts
HCRI Massachusetts Properties, Inc.	Delaware
HCRI McLean TRS, LLC	Delaware
HCRI Merrillville Medical Facility, LLC	Delaware
HCRI Missouri Properties, LLC	Delaware
HCRI Monterey Subtenant, LLC	Delaware
HCRI MSH Gardner Park, LLC	Delaware
HCRI Nassau Bay Medical Facility, LLC	Delaware
HCRI Nevada Properties, Inc.	Nevada
HCRI New Hampshire Properties, LLC	Delaware
HCRI North Carolina Properties I, Inc.	North Carolina
HCRI North Carolina Properties II, Inc.	North Carolina
HCRI North Carolina Properties III, Limited Partnership	North Carolina
HCRI North Carolina Properties, LLC	Delaware
HCRI NY-NJ Properties, LLC	Delaware
HCRI Pennsylvania Properties Holding Company	Delaware
HCRI Pennsylvania Properties, Inc.	Pennsylvania
HCRI Plano Medical Facility, LLC	Delaware
HCRI Prestonwood Medical Facility, LLC	Delaware
HCRI Provider Properties, LLC	Delaware
HCRI Purchasing, LLC	Delaware
HCRI Raleigh Medical Facility, LLC	Delaware
HCRI Red Fox ManCo, LLC	Delaware
HCRI Red Fox OpCo, LLC	Delaware
HCRI Ridgeland Pointe Properties, LLC	Delaware
HCRI Rogers Medical Facility, LLC	Delaware
HCRI Roswell I Medical Facility, LLC	Delaware
HCRI Roswell II Medical Facility, LLC	Delaware
HCRI Roswell III Medical Facility, LLC	Delaware
HCRI Senior Housing Properties, Inc.	Delaware
HCRI SL II TRS Corp.	Delaware
HCRI SL III TRS Corp.	Delaware
HCRI SL IV TRS Corp.	Delaware
HCRI Southern Investments I, Inc.	Delaware
HCRI Southlake Medical Facility, LLC	Delaware
HCRI Statesville Place Holdings I, Inc.	North Carolina
HCRI Statesville Place Holdings II, Inc.	North Carolina
HCRI Statesville Place Properties I, LP	North Carolina
HCRI Statesville Place Properties II, LP	North Carolina
HCRI Summit Properties, LLC	Delaware
HCRI Sun Development TRS, LLC	Delaware
HCRI Sun GP I, LLC	Delaware
HCRI Sun I Braintree MA Senior Living, LLC	Delaware
HCRI Sun I Fullerton CA Senior Living, LP	Delaware

HCRI Sun I Henderson NV Senior Living, LLC	Delaware
HCRI Sun III Dresher Senior Living, LP	Delaware
HCRI Sun III Golden Valley Senior Living, LLC	Delaware
HCRI Sun III GP, LLC	Delaware
HCRI Sun III Lenexa Senior Living, LLC	Delaware
HCRI Sun III Minnetonka Senior Living, LLC	Delaware
HCRI Sun III Palo Alto Senior Living, LP	Delaware
HCRI Sun III Plano Senior Living, LP	Delaware
HCRI Sun III Shelby Senior Living, LLC	Delaware
HCRI Sun III Tenant Acquisition, LLC	Delaware
HCRI Sun III Tenant GP, LLC	Delaware
HCRI Sun III Tenant, LP	Delaware
HCRI Sun III TRS, LLC	Delaware
HCRI Sun Partners II, LLC	Delaware
HCRI Sun Partners III, LLC	Delaware
HCRI Sun Partners IV, LLC	Delaware
HCRI Sun Three Lombard IL Senior Living, LLC	Delaware
HCRI Sun Three Pool One, LLC	Delaware
HCRI Sun Two Baton Rouge LA Senior Living, LLC	Delaware
HCRI Sun Two Broomfield CO Senior Living, LLC	Delaware
HCRI Sun Two Gilbert AZ Senior Living, LLC	Delaware
HCRI Sun Two McCandless PA Senior Living, LP	Delaware
HCRI Sun Two Metairie LA Senior Living, LLC	Delaware
HCRI Sun Two Pool One GP, LLC	Delaware
HCRI Sun Two Pool One, LLC	Delaware
HCRI Sun Two Pool Two, LLC	Delaware
HCRI Sun Two Simi Valley CA Senior Living, LP	Delaware
HCRI Tallahassee Medical Facility, LLC	Delaware
HCRI Tennessee Properties, Inc.	Delaware
HCRI Tennessee Properties, LLC	Delaware
HCRI Texas Health Southlake Hospital Medical Facility, LLC	Delaware
HCRI Texas Properties, Inc.	Delaware
HCRI Texas Properties, Ltd.	Texas
HCRI TRS Acquirer II, LLC	Delaware
HCRI TRS Acquirer, LLC	Delaware
HCRI TRS Trident Investment, LLC	Delaware
HCRI Tucson Properties, Inc.	Delaware
HCRI Van Nuys Medical Facility, LLC	Delaware
HCRI Virginia Beach Medical Facility, LLC	Delaware
HCRI Webb Gin Subtenant, LLC	Delaware
HCRI Weddington Park Holdings, Inc.	North Carolina
HCRI Weddington Park Properties, LP	North Carolina
HCRI Westgate Medical Facility, LLC	Delaware
HCRI Westlake, Inc.	Ohio
HCRI Westover Hills Baptist Medical Facility II, LLC	Delaware
HCRI Westover Hills Baptist Medical Facility, LLC	Delaware
HCRI Wilburn Gardens Properties, LLC	Delaware
HCRI Wisconsin Properties, LLC	Wisconsin
HCRI/SRZ Master OpCo, LLC	Delaware
HCRIX Houston, LLC	Delaware
HCRIX Royal, LLC	Delaware
Health Resources of Cedar Grove, Inc.	New Jersey
Health Resources of Cinnaminson, Inc.	New Jersey
Health Resources of Cranbury, L.L.C.	New Jersey
Health Resources of Cumberland, Inc.	Delaware
Health Resources of Eatontown, L.L.C.	New Jersey
Health Resources of Emery, L.L.C.	New Jersey
Health Resources of Englewood, Inc.	New Jersey
Health Resources of Fair Lawn, L.L.C.	New Jersey
Health Resources of Gardner, Inc.	Delaware
Health Resources of Glastonbury, Inc.	Connecticut
Health Resources of Groton, Inc.	Delaware
Health Resources of Middletown (RI), Inc.	Delaware
Health Resources of Ridgewood, L.L.C.	New Jersey
Health Resources of Rockville, Inc.	Delaware
Health Resources of South Brunswick, L.L.C.	New Jersey
Health Resources of Wallingford, Inc.	Delaware
Health Resources of Warwick, Inc.	Delaware
Health Resources of West Orange, L.L.C.	New Jersey
Healthcare Property Managers of America, LLC	Florida
Healthcare Resources Corp.	Pennsylvania
Healthlease Properties Administration Company ULC	British Columbia, Canada
HealthLease U.S. GP, Inc.	Delaware
HealthLease U.S., Inc.	Delaware
Heat Merger Sub, LLC	Delaware
Heat OP TRS, Inc.	Delaware
Hempstalls Hall Ltd	Island of Jersey
HH Florida, LLC	Delaware
Highcliffe Ltd	Island of Jersey
Highland Healthcare Investors, LLC	Delaware
Hilltop Health Care Center, Inc.	Delaware
Hinckley House Ltd	Island of Jersey
HL GP, LLC	Indiana
Holiday Retirement (Clevedon) Limited	United Kingdom
Holly Manor Associates of New Jersey, L.P.	Delaware
Horizon Associates, Inc.	West Virginia
Horse Fair Ltd	Island of Jersey
HRWV Huntington, Inc.	West Virginia
Hudson MOB Holdings, Inc.	Delaware
Hunt Club Manor Facility Inc.	Ontario, Canada
I.L.S. Care Communities Inc.	Ontario, Canada
Imperial Place Residence Inc. / Residence Place Imperiale Inc.	Quebec, Canada
Jackson Investors, LLC	Delaware
Johns Creek GA Senior Living Owner, LLC	Delaware
Jupiter Landlord, LLC	Delaware
Kaiser Gemini Burgundy, LLC	Oklahoma

Kaiser Gemini Woodland, LLC	Oklahoma
Keystone Nursing Home, Inc.	Delaware
Killeen Healthcare Investors, LLC	Delaware
Kirkstall Aire View Ltd	Island of Jersey
Knollwood Manor, Inc.	Pennsylvania
KSL Landlord, LLC	Delaware
Lake Mead Medical Investors Limited Partnership	Florida
Landmark Facility Inc.	Ontario, Canada
Laurel Health Resources, Inc.	Delaware
Lawrence Care (Maids Moreton) Limited	United Kingdom
Le Wellesley Inc.	Quebec, Canada
Leawood Tenant, LLC	Delaware
Lehigh Nursing Homes, Inc.	Pennsylvania
Lenexa Investors II, LLC	Delaware
Lenexa Investors, LLC	Delaware
Leon Dorchester Facility Inc.	Ontario, Canada
Les Belvederes de Lachine Inc.	Canada
Les Jardins Laviolette Inc.	Quebec, Canada
Les Residences-Hotellerie Harmonie Inc.	Quebec, Canada
Lillington AL Investors, LLC	Virginia
LLUMCM, LLC	Delaware
Lombard IL Senior Living Owner, LLC	Delaware
Louisville KY Senior Living Owner, LLC	Delaware
Mabri Convalescent Center, Inc.	Connecticut
Maids Moreton Operations Limited	United Kingdom
Manoir Archer Inc.	Quebec, Canada
Manoir Bois de Boulogne Inc.	Quebec, Canada
Manoir et Cours de l'Atrium Inc.	Quebec, Canada
Manoir Pointe-aux-Trembles Inc.	Quebec, Canada
Manoir St-Jerome Inc.	Quebec, Canada
Markglen, Inc.	West Virginia
Marlinton Associates Limited Partnership	West Virginia
Marlinton Associates, Inc.	Pennsylvania
Marlinton Partnership Holding Company, Inc.	Pennsylvania
Master HCRI Sun Dev I, LLC	Delaware
Master HCRI Sun III GP, LLC	Delaware
Master HCRI Sun III, LP	Delaware
Master HCRI Sun Manager I, LLC	Delaware
Master MetSun GP, LLC	Delaware
Master MetSun Three GP, LLC	Delaware
Master MetSun Three, LP	Delaware
Master MetSun Two GP, LLC	Delaware
Master MetSun Two, LP	Delaware
Master MetSun, LP	Delaware
McCandless PA Senior Living Owner, LLC	Delaware
McKenzie Towne Facility Inc.	Ontario, Canada
McKerley Health Care Center - Concord Limited Partnership	New Hampshire
McKerley Health Care Center-Concord, Inc.	New Hampshire
McKerley Health Care Centers, Inc.	New Hampshire
McKerley Health Facilities	New Hampshire
Med Properties Asset Group, L.L.C.	Indiana
Medical Real Estate Property Managers of America, LLC	Florida
Mercerville Associates of New Jersey, L.P.	Delaware
Meridian Edgewood Limited Partnership	Maryland
Meridian Health, Inc.	Pennsylvania
Meridian Healthcare, Inc.	Pennsylvania
Meridian Perring Limited Partnership	Maryland
Meridian Valley Limited Partnership	Maryland
Meridian Valley View Limited Partnership	Maryland
Meridian/Constellation Limited Partnership	Maryland
Metairie LA Senior Living Owner, LLC	Delaware
Metropolitan Senior Housing, LLC	Delaware
Metropolitan/Bellevue Senior Housing, LLC	Delaware
Metropolitan/Cohasset Senior Housing, LLC	Delaware
Metropolitan/Decatur Senior Housing, LLC	Delaware
Metropolitan/Glen Cove Senior Housing, LLC	Delaware
Metropolitan/Hunter Mill Senior Housing, LLC	Delaware
Metropolitan/Oakland Hills GP, LLC	Delaware
Metropolitan/Paramus Senior Housing, LLC	Delaware
Metropolitan/Walnut Creek Senior Housing, LLC	Delaware
Metropolitan/Wayland Senior Housing, LLC	Delaware
Metropolitan/West Essex Senior Housing, LLC	Delaware
MetSun Barrington IL Senior Living, LLC	Delaware
MetSun Bon Air VA Senior Living, LLC	Delaware
MetSun Chandler AZ Senior Living, LLC	Delaware
MetSun Cinco Ranch TX Senior Living, LP	Delaware
MetSun Fort Worth TX Senior Living, LP	Delaware
MetSun GP, LLC	Delaware
MetSun Grand Rapids MI Senior Living, LLC	Delaware
MetSun Highland SLC UT Senior Living, LLC	Delaware
MetSun Jackson NJ Senior Living, LLC	Delaware
MetSun Leawood KS Senior Living, LLC	Delaware
MetSun Overland Park KS Senior Living, LLC	Delaware
MetSun Three Franklin MA Senior Living, LLC	Delaware
MetSun Three Kingwood TX Senior Living, LP	Delaware
MetSun Three Mundelein IL Senior Living, LLC	Delaware
MetSun Three Pool Three GP, LLC	Delaware
MetSun Three Pool Three, LLC	Delaware
MetSun Three Pool Two GP, LLC	Delaware
MetSun Three Pool Two, LLC	Delaware
MetSun Three Sabre Springs CA Senior Living, LP	Delaware
MetSun Tucson AZ Senior Living, LLC	Delaware
MetSun Two Carmel IN Senior Living, LLC	Delaware
MetSun Two Carmichael CA Senior Living, LP	Delaware
MetSun Two Frisco TX Senior Living, LP	Delaware
MetSun Two Jacksonville FL Senior Living, LLC	Delaware

MetSun Two Pool Three GP, LLC	Delaware
MetSun Two Pool Three, LLC	Delaware
MG Landlord II, LLC	Delaware
MG Landlord, LLC	Delaware
MG Tenant, LLC	Delaware
MGP 41, LLC	Delaware
MGP 42, LLC	Delaware
MGP 43, LLC	Delaware
MGP 44, LLC	Delaware
MGP 45, LLC	Delaware
MGP 46, LLC	Delaware
MGP 47, LLC	Delaware
MGP 48, LLC	Delaware
MGP 49, LLC	Delaware
MGP 50, LLC	Delaware
MGP 51, LLC	Delaware
MGP 52, LLC	Delaware
MGP I, LLC	Washington
MGP V, LLC	Washington
MGP VI, LLC	Washington
MGP X, LLC	Washington
MGP XI, LLC	Washington
MGP XII, LLC	Washington
MGP XIII, LLC	Washington
MGP XIV, LLC	Washington
MGP XIX, LLC	Washington
MGP XL, LLC	Washington
MGP XV, LLC	Washington
MGP XVI, LLC	Washington
MGP XVII, LLC	Washington
MGP XXIX, LLC	Washington
MGP XXV, LLC	Washington
MGP XXXII, LLC	Washington
MGP XXXIII, LLC	Washington
MGP XXXIX, LLC	Washington
MGP XXXVII, LLC	Washington
MGP XXXVIII, LLC	Washington
Middletown (RI) Associates of Rhode Island, L.P.	Delaware
Midland I, LLC	Delaware
Midpark Way S.E. Property Inc.	British Columbia, Canada
Midwest 108th & Q, LLC	Delaware
Midwest Ames, LLC	Delaware
Midwest Miracle Hills, LLC	Delaware
Midwest Prestwick, LLC	Delaware
Midwest Van Dorn, LLC	Delaware
Midwest Village of Columbus, LLC	Delaware
Midwest Windermere, LLC	Delaware
Midwest Woodbridge, LLC	Delaware
Milford ALF, LLC	Delaware
Mill Creek Real Estate Partners, LLC	Delaware
Millville Meridian Limited Partnership	Maryland
Minnetonka Tenant, LLC	Delaware
ML Marion, L.P.	Indiana
Moline Physicians, LLC	Delaware
Montgomery Nursing Homes, Inc.	Pennsylvania
Monticello Healthcare Properties, LLC	Delaware
Moorestown Physicians, LLC	Delaware
Mount Vernon Physicians, LLC	Delaware
Mountain View Tenant, LLC	Delaware
MPG Crawfordsville, L.P.	Indiana
MPG Healthcare, L.P.	Indiana
MS Arlington, L.P.	Indiana
MS Avon, L.P.	Indiana
MS Bradner, L.P.	Indiana
MS Brecksville, L.P.	Indiana
MS Brookville, L.P.	Indiana
MS Castleton, L.P.	Indiana
MS Chatham, L.P.	Indiana
MS Chesterfield, L.P.	Indiana
MS Currituck, L.P.	Indiana
MS Danville, L.P.	Indiana
MS Highland, L.P.	Indiana
MS Kokomo, L.P.	Indiana
MS Lexington, L.P.	Indiana
MS Mishawaka, L.P.	Indiana
MS Springfield, L.P.	Indiana
MS Stafford, L.P.	Indiana
MS Wabash, L.P.	Indiana
MS Westfield, L.P.	Indiana
MSH Operating, LLC	Delaware
MSH/Bellevue Operating, LLC	Delaware
MSH/Cohasset Operating, LLC	Delaware
MSH/Decatur Operating, LLC	Delaware
MSH/Glen Cove Operating, LLC	Delaware
MSH/Hunter Mill Operating, LLC	Delaware
MSH/Malvern Operating, LLC	Delaware
MSH/Oakland Hills GP, LLC	Delaware
MSH/Oakland Hills Operating, L.P.	California
MSH/Paramus Operating, LLC	Delaware
MSH/Walnut Creek Operating, LLC	Delaware
MSH/Wayland Operating, LLC	Delaware
MSH/West Essex Operating, LLC	Delaware
MSH/Whitemarsh Operating, LLC	Delaware
Murrieta Healthcare Investors, LLC	Delaware
Murrieta Healthcare Properties, LLC	Delaware
Newcross Ltd	Island of Jersey

Newtown Square Senior Living, L.L.C.	Delaware
NNA Akron Property, LLC	Delaware
North Cape Convalescent Center Associates, L.P.	Pennsylvania
North Pointe Tenant, LLC	Delaware
Northwest Total Care Center Associates L.P.	New Jersey
Nursing and Retirement Center of the Andovers, Inc.	Massachusetts
Oakland Care Centre Limited	United Kingdom
Ogilvie Facility Inc.	Ontario, Canada
One Veronica Drive Danvers LLC	Delaware
Oshawa Facility Inc.	Ontario, Canada
Overland Park Tenant, LLC	Delaware
Paramount Real Estate Services, Inc.	Delaware
Parthenon Property Holdings, LLC	Delaware
Pearland Shadow Creek Investors, LLC	Delaware
Pendleton Physicians, LLC	Delaware
Petoskey I, LLC	Delaware
Petoskey II, LLC	Delaware
Philadelphia Avenue Associates	Pennsylvania
Philadelphia Avenue Corporation	Pennsylvania
Pleasant View Retirement Limited Liability Company	Delaware
Plymouth I, LLC	Delaware
Pompton Associates, L.P.	New Jersey
Pompton Care, L.L.C.	New Jersey
Prescott Nursing Home, Inc.	Massachusetts
Providence Health Care, Inc.	Delaware
PS UK II GP Limited	Island of Jersey
PVL Landlord - BC, LLC	Delaware
PVL Landlord - Hattiesburg, LLC	Delaware
PVL Landlord - STL Hills, LLC	Delaware
PVL Landlord - Webster, LLC	Delaware
Queenswood Facility Inc.	Ontario, Canada
Raleigh Manor Limited Partnership	West Virginia
Redmond Partners, LLC	Delaware
Renoir Facility Inc.	Ontario, Canada
Residence l'Ermitage Inc.	Quebec, Canada
Residence Notre-Dame (Victoriaville) Inc.	Quebec, Canada
Rest Haven Nursing Home, Inc.	West Virginia
Ridgmar Tenant, LLC	Delaware
River Street Associates	Pennsylvania
Riverbend Facility Inc.	Ontario, Canada
Rose View Manor, Inc.	Pennsylvania
Ross Place Retirement Residence Inc. / Residence Pour Retraites Ross Place Inc.	British Columbia, Canada
Roswell Tenant, LLC	Delaware
RRR SAS Facilities Inc.	Ontario, Canada
RSF REIT V GP, L.L.C.	Texas
RSF REIT V SP GP, L.L.C.	Texas
RSF REIT V SP, L.L.C.	Delaware
RSF REIT V, LLC	Maryland
RSF SP Alamance V L.P.	Texas
RSF SP Canton V L.P.	Texas
RSF SP Chapel Hill V L.P.	Texas
RSF SP Franklin V L.P.	Texas
RSF SP Guilford V L.P.	Texas
RSF SP Harnett V, L.P.	Texas
RSF SP Liberty Ridge V L.P.	Texas
RSF SP Lillington AL V, L.P.	Texas
RSF SP Meadowview V L.P.	Texas
RSF SP Mitchell V L.P.	Texas
RSF SP Oakwood V, L.P.	Texas
RSF SP Scranton AL V, L.P.	Texas
RSF SP Scranton V, L.P.	Texas
RSF SP Smithfield V L.P.	Texas
RSF SP Stroudsburg V, L.P.	Texas
RSF SP Wilmington V L.P.	Texas
RSF SP Wrightsville V L.P.	Texas
RVNR, Inc.	Delaware
S&R Property SPE, LLC	Delaware
Saints Investments Limited	United Kingdom
Santa Monica AL, LLC	Delaware
Santa Monica Assisted Living Owner, LLC	Delaware
Santa Monica GP, LLC	Delaware
Sarah Brayton General Partnership	Massachusetts
Schuylkill Nursing Homes, Inc.	Pennsylvania
Scranton AL Investors, LLC	Virginia
Scranton Health Investors, LLC	Virginia
SENIOR LIVING MEZZ B, LLC	Delaware
SENIOR LIVING MEZZ C, LLC	Delaware
SENIOR LIVING MEZZ D, LLC	Delaware
SENIOR LIVING MEZZ E, LLC	Delaware
Senior Living Ventures, Inc.	Pennsylvania
Senior Star Investments I, LLC	Delaware
Senior Star Investments Kenwood, LLC	Delaware
Senior Star Kenwood Holdco, LLC	Delaware
Senior Star Tenant Kenwood, LLC	Delaware
Senior Star Tenant, LLC	Delaware
Shawnee Mission Investors II, LLC	Delaware
Shawnee Mission Investors, LLC	Delaware
Shelbourne Senior Living Limited	United Kingdom
SHP-ARC II, LLC	Delaware
Signature at Loxley Park (Property) Limited	United Kingdom
Signature at the Miramar (Property) Limited	United Kingdom
Signature Senior Landlord, LLC	Delaware
Silverado Senior Living Alhambra, Inc.	California
Silverado Senior Living Azusa, Inc.	California
Silverado Senior Living Calabasas, Inc.	California
Silverado Senior Living Costa Mesa, Inc.	California



Silverado Senior Living Dallas, Inc.	Delaware
Silverado Senior Living Encinitas, Inc.	California
Silverado Senior Living Escondido, Inc.	California
Silverado Senior Living Houston, Inc.	Delaware
Silverado Senior Living Las Colinas, Inc.	Delaware
Silverado Senior Living Los Angeles, Inc.	California
Silverado Senior Living of Cypresswood, Inc.	Delaware
Silverado Senior Living of Kingwood, Inc.	Delaware
Silverado Senior Living of Sugarland, Inc.	Delaware
Silverado Senior Living of Woodlands, Inc.	Delaware
Silverado Senior Living Redondo Beach, Inc.	California
Silverado Senior Living Salt Lake City, Inc.	Delaware
Silverado Senior Living San Juan Capistrano, Inc.	California
Silverado Senior Living Scottsdale, Inc.	Delaware
Silverado Senior Living Turtle Creek, Inc.	Delaware
Silverado Senior Living Tustin, Inc.	California
Silverado Senior Living, Inc.	California
Silvermere Ltd	Island of Jersey
Simi Valley CA Senior Living Owner, LLC	Delaware
SIPL Finco S.a.r.l	Luxembourg
SIPL Hancock Propco S.a.r.l	Luxembourg
SIPL Holdco S.a.r.l	Luxembourg
SIPL Investments S.a.r.l	Luxembourg
SIPL Partner 1 S.a.r.l	Luxembourg
SIPL Partner 10 S.a.r.l	Luxembourg
SIPL Partner 11 S.a.r.l	Luxembourg
SIPL Partner 2 S.a.r.l	Luxembourg
SIPL Partner 3 S.a.r.l	Luxembourg
SIPL Partner 4 S.a.r.l	Luxembourg
SIPL Partner 5 S.a.r.l	Luxembourg
SIPL Partner 6 S.a.r.l	Luxembourg
SIPL Partner 7 S.a.r.l	Luxembourg
SIPL Partner 8 S.a.r.l	Luxembourg
SIPL Partner 9 S.a.r.l	Luxembourg
SIPL Saints Propco S.a.r.l	Luxembourg
SIPL Sunrise Propco S.a.r.l	Luxembourg
Solomont Family Fall River Venture, Inc.	Massachusetts
Somerset Ridge General Partnership	Massachusetts
South Valley Medical Building L.L.C.	Minnesota
South Valley Venture, LLC	Minnesota
Southern Ocean GP, LLC	New Jersey
SP Green Ridge, LLC	Virginia
SP Harnett, LLC	Virginia
SP Lillington, LLC	Virginia
SP Virginia Beach, LLC	Virginia
SP Whitestone, LLC	Virginia
Spencer House Ltd	Island of Jersey
SR-73 and Lakeside Ave LLC	Delaware
SSL Aspen Park SPE LLC	Delaware
SSL Landlord, LLC	Delaware
SSL Sponsor, LLC	Delaware
SSL Tenant, LLC	Delaware
St. Anthony Physicians, LLC	Delaware
St. Clare Physicians II, LLC	Delaware
St. Clare Physicians, LLC	Delaware
St. Joseph Physicians, LLC	Delaware
St. Paul Healthcare Investors, LLC	Delaware
Stafford Associates of N.J., L.P.	New Jersey
Stafford Care Home Ltd	Island of Jersey
Stafford Convalescent Center, Inc.	Delaware
Stafford Medical Office Pavilion, LLC	Delaware
Sterling Investment Partners Ltd	Island of Jersey
Stittsville Facility Inc.	Ontario, Canada
Stroudsburg Health Investors, LLC	Virginia
Subtenant 10225 Cypresswood Drive, LLC	Delaware
Subtenant 1118 N. Stoneman Avenue, LLC	Delaware
Subtenant 11330 Farrah Lane, LLC	Delaware
Subtenant 1221 Seventh Street, LLC	Delaware
Subtenant 125 W. Sierra Madre Avenue, LLC	Delaware
Subtenant 1301 Ralston Avenue, LLC	Delaware
Subtenant 1430 East 4500 South, LLC	Delaware
Subtenant 1500 Borden Road, LLC	Delaware
Subtenant 22955 Eastex Freeway, LLC	Delaware
Subtenant 240 E. Third Street, LLC	Delaware
Subtenant 25100 Calabasas Road, LLC	Delaware
Subtenant 30311 Camino Capistrano, LLC	Delaware
Subtenant 330 North Hayworth Avenue, LLC	Delaware
Subtenant 335 Saxony Road, LLC	Delaware
Subtenant 350 W. Bay Street, LLC	Delaware
Subtenant 3611 Dickason Avenue, LLC	Delaware
Subtenant 514 N. Prospect Avenue, LLC	Delaware
Subtenant 5521 Village Creek Drive, LLC	Delaware
Subtenant 7950 Baybranch Drive, LLC	Delaware
Subtenant 8855 West Valley Ranch Parkway, LLC	Delaware
Subtenant 9410 E. Thunderbird, LLC	Delaware
Sun City West Tenant, LLC	Delaware
Sun IV LLC	Delaware
Sunrise at Froggnal House Limited	Island of Jersey
Sunrise at Gardner Park Limited Partnership	Massachusetts
Sunrise Basking Ridge Assisted Living, L.L.C.	New Jersey
Sunrise Belmont Assisted Living, L.L.C.	California
Sunrise Bethesda (SL-AU), LLC	Delaware
Sunrise Bethesda (SL-HCU), LLC	Delaware
Sunrise Bloomfield South MI Senior Living, LLC	Delaware
Sunrise Buckhead GA Senior Living, LLC	Delaware
Sunrise Burlington Senior Living, LLC	Delaware

Sunrise Chesterfield Assisted Living, L.L.C.	Missouri
Sunrise Connecticut Avenue Assisted Living Owner, L.L.C.	Virginia
Sunrise Edison Owner, LLC	Delaware
Sunrise Fairfax Assisted Living, L.L.C.	Virginia
Sunrise First Euro Holdings (Jersey) Limited	Island of Jersey
Sunrise First Euro Properties GP Limited	Island of Jersey
Sunrise First Euro Properties LP	Island of Jersey
Sunrise Flossmoor Assisted Living, L.L.C.	Illinois
Sunrise Gahanna Assisted Living, L.L.C.	Ohio
Sunrise Gardner Park GP, Inc.	Massachusetts
Sunrise HBLR, LLC	Delaware
Sunrise Highland Park Senior Living, L.L.C.	Illinois
Sunrise Home Help Services Limited	United Kingdom
Sunrise Jersey Holdings II Limited	Island of Jersey
Sunrise Jersey Holdings III Limited	Island of Jersey
Sunrise Jersey Holdings IV Limited	Island of Jersey
Sunrise Johns Creek GA Senior Living, LLC	Georgia
Sunrise Kennebunk ME Senior Living, LLC	Delaware
Sunrise Lafayette Hills Assisted Living, L.P.	Pennsylvania
Sunrise Lafayette Hills Senior Living GP, LLC	Delaware
Sunrise Louisville KY Senior Living, LLC	Kentucky
Sunrise Lower Makefield PA Senior Living, LP	Delaware
Sunrise Lynnfield Senior Living, LLC	Delaware
Sunrise Marlboro Assisted Living, L.L.C.	New Jersey
SUNRISE MEZZ A, LLC	Delaware
SUNRISE MEZZ B, LLC	Delaware
SUNRISE MEZZ C, LLC	Delaware
SUNRISE MEZZ D, LLC	Delaware
SUNRISE MEZZ E, LLC	Delaware
Sunrise Monterey Senior Living, LP	Delaware
Sunrise Monterey, LLC	Delaware
Sunrise North Naperville Assisted Living, L.L.C.	Illinois
Sunrise NY Tenant, LLC	Delaware
Sunrise Oakland Assisted Living Limited Partnership	California
Sunrise of Bagshot II Limited	Island of Jersey
Sunrise of Banstead Limited	Island of Jersey
Sunrise of Bassett Limited	Island of Jersey
Sunrise of Beaconsfield G.P. Inc.	New Brunswick, CA
Sunrise of Beaconsfield Limited	Island of Jersey
Sunrise of Beaconsfield, LP	Ontario, Canada
Sunrise of Blainville G.P. Inc.	New Brunswick, CA
Sunrise of Blainville, LP	Ontario, Canada
Sunrise of Bramhall II Limited	Island of Jersey
Sunrise of Cardiff Limited	Island of Jersey
Sunrise of Chorleywood Limited	Island of Jersey
Sunrise of Dollard des Ormeaux G.P. Inc.	New Brunswick, CA
Sunrise of Dollard des Ormeaux, LP	Ontario, Canada
Sunrise of Eastbourne Limited	Island of Jersey
Sunrise of Edgbaston Limited	Island of Jersey
Sunrise of Elstree Limited	Island of Jersey
Sunrise of Esher Limited	Island of Jersey
Sunrise of Fleet Limited	Island of Jersey
Sunrise of Guildford Limited	Island of Jersey
Sunrise of Hale Barns Limited	Island of Jersey
Sunrise of Knowle Limited	Island of Jersey
Sunrise of Mobberley Limited	Island of Jersey
Sunrise of Purley Limited	Island of Jersey
Sunrise of Sevenoaks Limited	Island of Jersey
Sunrise of Solihull Limited	Island of Jersey
Sunrise of Sonning Limited	Island of Jersey
Sunrise of Southbourne Limited	Island of Jersey
Sunrise of Tettenhall Limited	Island of Jersey
Sunrise of Virginia Water Limited	Island of Jersey
Sunrise of Westbourne Limited	Island of Jersey
Sunrise of Weybridge Limited	Island of Jersey
Sunrise of Winchester Limited	Island of Jersey
Sunrise Operations Bagshot II Limited	United Kingdom
Sunrise Operations Banstead Limited	United Kingdom
Sunrise Operations Bassett Limited	United Kingdom
Sunrise Operations Beaconsfield Limited	United Kingdom
Sunrise Operations Bramhall II Limited	United Kingdom
Sunrise Operations Cardiff Limited	United Kingdom
Sunrise Operations Chorleywood Limited	United Kingdom
Sunrise Operations Eastbourne Limited	United Kingdom
Sunrise Operations Edgbaston Limited	United Kingdom
Sunrise Operations Elstree Limited	United Kingdom
Sunrise Operations Esher Limited	United Kingdom
Sunrise Operations Fleet Limited	United Kingdom
Sunrise Operations Guildford Limited	United Kingdom
Sunrise Operations Hale Barns Limited	United Kingdom
Sunrise Operations Knowle Limited	United Kingdom
Sunrise Operations Mobberley Limited	United Kingdom
Sunrise Operations Purley Limited	United Kingdom
Sunrise Operations Sevenoaks Limited	United Kingdom
Sunrise Operations Solihull Limited	United Kingdom
Sunrise Operations Sonning Limited	United Kingdom
Sunrise Operations Southbourne Ltd.	United Kingdom
Sunrise Operations Tettenhall Ltd.	United Kingdom
Sunrise Operations UK Limited	United Kingdom
Sunrise Operations V.W. Limited	United Kingdom
Sunrise Operations Westbourne Limited	United Kingdom
Sunrise Operations Weybridge Limited	United Kingdom
Sunrise Operations Winchester Limited	United Kingdom
Sunrise Paoli Assisted Living, L.P.	Pennsylvania
Sunrise Paoli Senior Living GP, LLC	Delaware
Sunrise Randolph Senior Living, L.L.C.	Delaware

Sunrise Senior Living International Limited Partnership	Island of Jersey
Sunrise Senior Living Investments, LLC	Virginia
Sunrise Senior Living Jersey Limited	Island of Jersey
Sunrise Third (Pool I) GP, LLC	Delaware
Sunrise Third (Pool I), LLC	Delaware
Sunrise Third (Pool I), LP	California
Sunrise Third (Pool II), LLC	Delaware
Sunrise Third (Pool III) GP, LLC	Delaware
Sunrise Third (Pool III), LLC	Delaware
Sunrise Third (Pool III), LP	California
Sunrise Third (Pool IV) GP, LLC	Delaware
Sunrise Third (Pool IV), LLC	Delaware
Sunrise Third (Pool IV), LP	California
Sunrise Third (Pool V), LLC	Delaware
Sunrise Third Alta Loma SL, LP	California
Sunrise Third Claremont SL, LP	California
Sunrise Third Crystal Lake SL, LLC	Illinois
Sunrise Third Dix Hills SL, LLC	New York
Sunrise Third East Setauket SL, LLC	New York
Sunrise Third Edgewater SL, LLC	New Jersey
Sunrise Third Gurnee SL, LLC	Illinois
Sunrise Third Holbrook SL, LLC	New York
Sunrise Third Lincroft SL, LLC	New Jersey
Sunrise Third Plainview SL, LLC	New York
Sunrise Third Roseville SL, LLC	Minnesota
Sunrise Third Schaumburg SL, LLC	Illinois
Sunrise Third Senior Living Holdings, LLC	Delaware
Sunrise Third Tustin SL, LP	California
Sunrise Third University Park SL, LLC	Colorado
Sunrise Third West Babylon SL, LLC	New York
Sunrise Third West Bloomfield SL, LLC	Michigan
Sunrise Village House LLC	Maryland
Sunrise Wake County NC Senior Living, LLC	North Carolina
Sunrise Webb Gin GA Senior Living, LLC	Delaware
Sunrise Weston Assisted Living, Limited Partnership	Massachusetts
Sunrise Yonkers SL, LLC	New York
Sunrise Yonkers/Upper St. Clair Holdings, LLC	Delaware
Sunvest Upper St. Clair MTE, LLC	Delaware
SV Yonkers, LLC	Delaware
SZR Beaconsfield Inc.	New Brunswick, CA
SZR Blainville, Inc.	New Brunswick, CA
SZR Dollard des Ormeaux, Inc.	New Brunswick, CA
Tacoma Healthcare Investors, LLC	Delaware
Tanglewood Tenant, LLC	Delaware
Teays Valley Haven Limited Partnership	West Virginia
Terrace Gardens Retirement Facility Inc.	Ontario, Canada
The Apple Valley Limited Partnership	Massachusetts
The Apple Valley Partnership Holding Company, Inc.	Pennsylvania
The House of Campbell, Inc.	West Virginia
The Multicare Companies, Inc.	Delaware
The Renaissance Resort Retirement Living Inc. / Complexe de Residence Renaissance Inc.	Canada
The Sarah Brayton Partnership Holding Company, Inc.	Delaware
The Somerset Partnership Holding Company, Inc.	Massachusetts
The Straus Group-Hopkins House, L.P.	New Jersey
The Straus Group-Old Bridge, L.P.	New Jersey
The Straus Group-Quakertown Manor, L.P.	New Jersey
The Straus Group-Ridgewood, L.P.	New Jersey
Trafalgar Facility Inc.	Ontario, Canada
Trent House Ltd	Island of Jersey
TV Arlington Tenant, LLC	Delaware
Upper St. Clair Senior Living, L.L.C.	Delaware
V.W. Properties Limited	Island of Jersey
Valleyview Drive S.W. Property Inc.	British Columbia, Canada
Vankleek Facility Inc.	Ontario, Canada
Ventana Canyon Tenant, LLC	Delaware
Villa Chicoutimi Inc.	Quebec, Canada
Villa De L'Estrrie Inc.	Quebec, Canada
Villa du Saguenay Inc.	Quebec, Canada
Villa Jonquiere Inc.	Quebec, Canada
Villa Rive-Sud Inc.	Quebec, Canada
Villas Realty & Investments, Inc.	Pennsylvania
Virginia Beach Health Investors, LLC	Virginia
Voorhees Healthcare Properties, LLC	Delaware
Voorhees Physicians, LLC	Delaware
Wake County NC Senior Living Owner, LLC	Delaware
Waldorf Property, LLC	Maryland
Wallingford Associates of Connecticut, L.P.	Delaware
Warrior LP Holdco, LLC	Delaware
Warwick Associates of Rhode Island, L.P.	Delaware
Waterstone I, LLC	Delaware
Wellingborough House Ltd	Island of Jersey
West Boynton Investors, LLLP	Florida
Westford Nursing and Retirement Center Limited Partnership	Massachusetts
Westford Nursing and Retirement Center, Inc.	Massachusetts
Westminster Junction Venture, LLC	Minnesota
White Lake I, LLC	Delaware
White Oak Assisted Living L.L.C.	Delaware
Willow Manor Nursing Home, Inc.	Massachusetts
Willowbrook Properties Holdco Ltd	Island of Jersey
Wilmington Assisted Living, L.L.C.	Delaware
Windrose 310 Properties, L.L.C.	Tennessee
Windrose Aberdeen I Properties, L.L.C.	Florida
Windrose Aberdeen II Properties, L.L.C.	Delaware
Windrose Atrium Properties, L.L.C.	Delaware
Windrose AWPC II Properties, LLC	Delaware
Windrose AZ-Tempe Properties, LLC	Delaware

Windrose Bartlett Properties, LLC	Delaware
Windrose Biltmore Properties, L.L.C.	Virginia
Windrose Central Medical II Properties, L.L.C.	Virginia
Windrose Central Medical III Properties, L.L.C.	Virginia
Windrose Central Medical Properties, L.L.C.	Delaware
Windrose Claremore Properties, LLC	Delaware
Windrose Congress I Properties, L.P.	Delaware
Windrose Congress II Properties, L.P.	Delaware
Windrose Coral Springs Properties, L.L.C.	Virginia
Windrose Cottonwood Properties, LLC	Delaware
Windrose Denton Properties, LLC	Delaware
Windrose Desert Springs Properties, L.P.	Delaware
Windrose East Valley Properties, LLC	Delaware
Windrose Fayetteville Properties, L.L.C.	Delaware
Windrose Frisco I Properties, LLC	Delaware
Windrose Frisco II Properties, LLC	Delaware
Windrose Glendale Properties, LLC	Delaware
Windrose Lafayette Properties, L.L.C.	Delaware
Windrose Lake Mead Properties, L.L.C.	Virginia
Windrose Lakewood Properties, L.L.C.	Virginia
Windrose Las Vegas Properties, LLC	Delaware
Windrose Los Alamitos Properties, LLC	Delaware
Windrose Los Gatos Properties, L.L.C.	Virginia
Windrose Medical Properties Management, L.L.C.	Virginia
Windrose Medical Properties, L.P.	Virginia
Windrose Mount Vernon Properties, L.L.C.	Virginia
Windrose Niagara Falls Properties, LLC	Delaware
Windrose Northside Properties, Ltd.	Florida
Windrose Northwest Professional Plaza Properties, LLC	Delaware
Windrose Orange Centre Properties, L.L.C.	Delaware
Windrose Orange Properties, L.L.C.	Delaware
Windrose Palm Court Properties, L.L.C.	Virginia
Windrose Palmer Properties, LLC	Delaware
Windrose Palms West III Properties, Ltd.	Florida
Windrose Palms West IV Properties, Ltd.	Florida
Windrose Palms West V Properties, Ltd.	Florida
Windrose Park Medical Properties, L.L.C.	Virginia
Windrose Partell Medical Center, L.L.C.	Virginia
Windrose Physicians Plaza Properties, LLC	Delaware
Windrose Princeton Properties, L.L.C.	Delaware
Windrose Santa Anita Properties, L.L.C.	Delaware
Windrose Sierra Properties, Ltd.	Florida
Windrose Southlake Properties, LLC	Delaware
Windrose Southpointe Properties, L.L.C.	Delaware
Windrose Southside Properties, Ltd.	Florida
Windrose SPE Mount Vernon Properties, Inc.	Georgia
Windrose St. Louis I Properties, LLC	Delaware
Windrose St. Mary's Medical Professional Building, L.L.C.	Virginia
Windrose TSM I Properties, LLC	Delaware
Windrose Tucson Properties, LLC	Delaware
Windrose Tulsa Properties, L.L.C.	Delaware
Windrose Webster Properties, L.P.	Delaware
Windrose Wellington Properties, LLC	Delaware
Windrose Wellington Properties, Ltd.	Florida
Windrose West Boca Properties, Ltd.	Florida
Windrose West Seneca Properties, LLC	Delaware
Windrose West Tower Properties, Ltd.	Florida
Windrose WPC Jupiter Properties, LLC	Delaware
Windrose WPC Properties, L.P.	Delaware
Windrose Yorkville Properties, L.L.C.	Virginia
WMP AWPC II Management, LLC	Delaware
WMP Boynton Beach Management, LLC	Delaware
WMP Cottonwood Management, LLC	Delaware
WMP East Valley Management, LLC	Delaware
WMP Niagara Falls Management, LLC	Delaware
WMP Northwest Professional Plaza Management, LLC	Delaware
WMP Physicians Plaza Management, LLC	Delaware
WMP Southlake Management, LLC	Delaware
WMP TSM I Management, LLC	Delaware
WMP Wellington Management, LLC	Delaware
WMP West Seneca Management, LLC	Delaware
WMPT Aberdeen I Management, L.L.C.	Delaware
WMPT Aberdeen II Management, L.L.C.	Delaware
WMPT Atrium Management, L.L.C.	Delaware
WMPT AZ-Tempe Management, LLC	Delaware
WMPT Bartlett Management, LLC	Delaware
WMPT Bellaire HP Properties, L.L.C.	Virginia
WMPT Bellaire HP, L.P.	Virginia
WMPT Bellaire L.P.	Virginia
WMPT Bellaire POB Properties, L.L.C.	Virginia
WMPT Bellaire POB, L.P.	Virginia
WMPT Bellaire Properties, L.L.C.	Virginia
WMPT Boynton West Management, LLC	Delaware
WMPT Claremore Management, LLC	Delaware
WMPT Congress I Management, L.L.C.	Delaware
WMPT Congress II Management, L.L.C.	Delaware
WMPT Denton Management, LLC	Delaware
WMPT Desert Springs Management, L.L.C.	Delaware
WMPT Frisco I Management, LLC	Delaware
WMPT Frisco II Management, LLC	Delaware
WMPT Glendale Management, LLC	Delaware
WMPT Lafayette Management, L.L.C.	Delaware
WMPT Las Vegas Management, LLC	Delaware
WMPT Los Alamitos Management, LLC	Delaware
WMPT Northside Management, L.L.C.	Delaware
WMPT Orange Centre Management, L.L.C.	Delaware

WMPT Palmer Management, LLC	Delaware
WMPT Palms West III Management, L.L.C.	Delaware
WMPT Palms West IV Management, L.L.C.	Delaware
WMPT Palms West V Management, L.L.C.	Delaware
WMPT Pearland II Properties, L.L.C.	Virginia
WMPT Pearland II, L.P.	Virginia
WMPT Pearland Properties, L.L.C.	Virginia
WMPT Pearland, L.P.	Virginia
WMPT Princeton Management, L.L.C.	Delaware
WMPT Sacramento Properties, L.L.C.	Virginia
WMPT Sacramento, L.P.	Virginia
WMPT Santa Anita Management, L.L.C.	Delaware
WMPT Sierra Management, L.L.C.	Delaware
WMPT Southpointe Management, L.L.C.	Delaware
WMPT Southside Management, L.L.C.	Delaware
WMPT St. Louis I Management, LLC	Delaware
WMPT Stone Oak Properties, L.L.C.	Virginia
WMPT Stone Oak, L.P.	Virginia
WMPT Tomball Properties, L.L.C.	Virginia
WMPT Tomball, L.P.	Virginia
WMPT Tucson Management, LLC	Delaware
WMPT Tulsa Management, L.L.C.	Delaware
WMPT Webster Management, L.L.C.	Delaware
WMPT Wellington Management, L.L.C.	Delaware
WMPT West Boca Management, L.L.C.	Delaware
WMPT West Tower Management, L.L.C.	Delaware
WMPT WPC Jupiter Management, LLC	Delaware
WMPT WPC Management, L.L.C.	Delaware
WTP Healthcare Properties, LLC	Delaware
Wyncote Healthcare Corp.	Pennsylvania

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**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the incorporation by reference in the following registration statements:

- Registration Statement (Form S-8 No. 333-126195) dated June 28, 2005 pertaining to the Health Care REIT, Inc. 2005 Long-Term Incentive Plan;
- Registration Statement (Form S-8 No. 333-161131) dated August 6, 2009 pertaining to the Amended and Restated Health Care REIT, Inc. 2005 Long-Term Incentive Plan;
- Registration Statement (Form S-3 No. 333-181185) dated May 4, 2012 pertaining to an indeterminate amount of debt securities, common stock, preferred stock, depository shares, warrants and units of Health Care REIT, Inc.; and
- Registration Statement (Form S-3 No. 333-188346) dated May 3, 2013 pertaining to the Health Care REIT, Inc. Fourth Amended and Restated Dividend Reinvestment and Stock Purchase Plan;

of our reports dated February 20, 2015, with respect to the consolidated financial statements and schedules of Health Care REIT, Inc. and the effectiveness of internal control over financial reporting of Health Care REIT, Inc. included in this Annual Report (Form 10-K) of Health Care REIT, Inc. for the year ended December 31, 2014.

/s/ ERNST & YOUNG LLP

Toledo, Ohio  
February 20, 2015

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## POWER OF ATTORNEY

**KNOW ALL MEN BY THESE PRESENTS**, that each of the undersigned, a director or officer of Health Care REIT, Inc. (the "Company"), a Delaware corporation, hereby constitutes and appoints Thomas J. DeRosa and Scott A. Estes, and each of them, his or her true and lawful attorneys-in-fact and agents, for him or her and in his or her name, place and stead, in any and all capacities, to sign the Annual Report on Form 10-K for the year ended December 31, 2014 to be filed by the Company with the Securities and Exchange Commission under the provisions of the Securities Exchange Act of 1934, as amended, and any and all amendments to such Form 10-K, and to file such Form 10-K and each such amendment so signed, with all exhibits thereto, and any and all other documents in connection therewith, with the Securities and Exchange Commission, hereby granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform any and all acts and things requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he or she might do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned have hereunto set their hands as of this 19th day of February 2015.

/s/ JEFFREY H. DONAHUE

Jeffrey H. Donahue, Chairman of the Board

/s/ WILLIAM C. BALLARD, JR.

William C. Ballard, Jr., Director

/s/ PETER J. GRUA

Peter J. Grua, Director

/s/ FRED S. KLIPSCH

Fred S. Klipsch, Director

/s/ GEOFFREY G. MEYERS

Geoffrey G. Meyers, Director

/s/ TIMOTHY J. NAUGHTON

Timothy J. Naughton, Director

/s/ SHARON M. OSTER

Sharon M. Oster, Director

/s/ JUDITH C. PELHAM

Judith C. Pelham, Director

/s/ SERGIO D. RIVERA

Sergio D. Rivera, Director

/s/ R. SCOTT TRUMBULL

R. Scott Trumbull, Director

/s/ THOMAS J. DEROSA

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

/s/ SCOTT A. ESTES

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

/s/ PAUL D. NUNGESTER, JR.

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



## CERTIFICATION OF CHIEF EXECUTIVE OFFICER

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

1. I have reviewed this annual report on Form 10-K 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: February 20, 2015

/s/ THOMAS J. DEROSA

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Thomas J. DeRosa,  
Chief Executive Officer

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## CERTIFICATION OF CHIEF FINANCIAL OFFICER

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

1. I have reviewed this annual report on Form 10-K 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: February 20, 2015

/s/ SCOTT A. ESTES

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Scott A. Estes,  
Chief Financial Officer

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

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

/s/ THOMAS J. DEROSA

Thomas J. DeRosa,

Chief Executive Officer

Date: February 20, 2015

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

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

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

/s/ SCOTT A. ESTES

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Scott A. Estes,

Chief Financial Officer

Date: February 20, 2015

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

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