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

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2017

or

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

For the transition period from __________to __________

Commission file number: 1-8923

WELLTOWER INC.

(Exact name of registrant as specified in its charter)

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

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

Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

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

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

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

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

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

As of July 14, 2017, the registrant had 368,878,685 shares of common stock outstanding.

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PART I. FINANCIAL INFORMATION

Item 1. *Financial Statements*

CONSOLIDATED BALANCE SHEETS
WELLTOWER INC. AND SUBSIDIARIES
(In thousands)

	June 30, 2017 (Unaudited)	December 31, 2016 (Note)
Assets:		
Real estate investments:		
Real property owned:		
Land and land improvements	$ 2,746,483	$ 2,591,071
Buildings and improvements	25,399,178	24,496,153
Acquired lease intangibles	1,436,041	1,402,884
Real property held for sale, net of accumulated depreciation	141,319	1,044,859
Construction in progress	321,655	506,091
Gross real property owned	30,044,676	30,041,058
Less accumulated depreciation and amortization	(4,568,408)	(4,093,494)
Net real property owned	25,476,268	25,947,564
Real estate loans receivable	520,479	622,628
Less allowance for losses on loans receivable	(5,811)	(6,563)
Net real estate loans receivable	514,668	616,065
Net real estate investments	25,990,936	26,563,629
Other assets:		
Investments in unconsolidated entities	425,489	457,138
Goodwill	68,321	68,321
Cash and cash equivalents	442,284	419,378
Restricted cash	45,357	187,842
Straight-line rent receivable	370,819	342,578
Receivables and other assets	632,580	826,298
Total other assets	1,984,850	2,301,555
Total assets	$ 27,975,786	$ 28,865,184
Liabilities and equity		
Liabilities:		
Borrowings under primary unsecured credit facility	$ 385,000	$ 645,000
Senior unsecured notes	8,250,940	8,161,619
Secured debt	2,670,914	3,477,699
Capital lease obligations	73,092	73,927
Accrued expenses and other liabilities	893,441	827,034
Total liabilities	12,273,387	13,185,279
Redeemable noncontrolling interests	388,876	398,433
Equity:		
Preferred stock	718,750	1,006,250
Common stock	369,525	363,071
Capital in excess of par value	17,439,977	16,999,691
Treasury stock	(62,335)	(54,741)
Cumulative net income	5,330,702	4,803,575
Cumulative dividends	(8,805,336)	(8,144,981)
Accumulated other comprehensive income (loss)	(163,624)	(169,531)
Other equity	1,173	3,059
Total Welltower Inc. stockholders' equity	14,828,832	14,806,393
Noncontrolling interests	484,691	475,079
Total equity	15,313,523	15,281,472
Total liabilities and equity	$ 27,975,786	$ 28,865,184

NOTE: The consolidated balance sheet at December 31, 2016 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by U.S. generally accepted accounting principles for complete financial statements.

See notes to unaudited consolidated financial statements

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)
WELLTOWER INC. AND SUBSIDIARIES
(In thousands, except per share data)

	Three Months Ended June 30, 2017	Three Months Ended June 30, 2016	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016
Revenues:				
Rental income	$ 355,599	$ 422,628	$ 722,741	$ 838,290
Resident fees and services	677,040	615,220	1,347,377	1,217,369
Interest income	20,901	24,007	41,649	49,195
Other income	5,062	14,802	9,133	18,851
Total revenues	1,058,602	1,076,657	2,120,900	2,123,705
Expenses:				
Interest expense	116,231	132,326	234,827	265,285
Property operating expenses	501,855	458,832	1,012,024	908,468
Depreciation and amortization	224,847	226,569	453,124	455,265
General and administrative	32,632	39,914	63,733	85,606
Transaction costs	-	5,157	-	13,365
Loss (gain) on derivatives, net	736	-	1,960	-
Loss (gain) on extinguishment of debt, net	5,515	33	36,870	9
Impairment of assets	13,631	-	24,662	14,314
Other expenses	6,339	3,161	18,014	3,161
Total expenses	901,786	865,992	1,845,214	1,745,473
Income (loss) from continuing operations before income taxes and income from unconsolidated entities	156,816	210,665	275,686	378,232
Income tax (expense) benefit	8,448	513	6,203	2,239
Income (loss) from unconsolidated entities	(3,978)	(1,959)	(27,084)	(5,778)
Income (loss) from continuing operations	161,286	209,219	254,805	374,693
Gain (loss) on real estate dispositions, net	42,155	1,530	286,247	1,530
Net income	203,441	210,749	541,052	376,223
Less: Preferred stock dividends	11,680	16,352	26,059	32,703
Less: Preferred stock redemption charge	-	-	9,769	-
Less: Net income (loss) attributable to noncontrolling interests(1)	3,332	(1,077)	4,156	(924)
Net income (loss) attributable to common stockholders	$ 188,429	$ 195,474	$ 501,068	$ 344,444
Average number of common shares outstanding:				
Basic	366,524	356,646	364,551	355,879
Diluted	368,149	358,891	366,423	357,489
Earnings per share:				
Basic:				
Income (loss) from continuing operations attributable to common stockholders, including real estate dispositions	$ 0.51	$ 0.55	$ 1.37	$ 0.97
Net income (loss) attributable to common stockholders*	$ 0.51	$ 0.55	$ 1.37	$ 0.97
Diluted:				
Income (loss) from continuing operations attributable to common stockholders, including real estate dispositions	$ 0.51	$ 0.54	$ 1.37	$ 0.96
Net income (loss) attributable to common stockholders*	$ 0.51	$ 0.54	$ 1.37	$ 0.96
Dividends declared and paid per common share	$ 0.87	$ 0.86	$ 1.74	$ 1.72

* Amounts may not sum due to rounding
(1) Includes amounts attributable to redeemable noncontrolling interests.

See notes to unaudited consolidated financial statements

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)
WELLTOWER INC. AND SUBSIDIARIES
(In thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Net income	$ 203,441	$ 210,749	$ 541,052	$ 376,223
Other comprehensive income (loss):				
Unrecognized gain (loss) on equity investments	(5,908)	(3,611)	(16,477)	(11,160)
Change in net unrealized gains (losses) on cash flow hedges:				
Unrealized gains (losses) on cash flow hedges	-	487	-	970
Unrecognized actuarial gain (loss)	-	-	-	2
Foreign currency translation gain (loss)	27,713	(50,384)	33,426	(49,012)
Total other comprehensive income (loss)	21,805	(53,508)	16,949	(59,200)
Total comprehensive income (loss)	225,246	157,241	558,001	317,023
Less: Total comprehensive income (loss) attributable to noncontrolling interests(1)	11,562	(4,000)	15,198	11,271
Total comprehensive income (loss) attributable to common stockholders	$ 213,684	$ 161,241	$ 542,803	$ 305,752

(1) Includes amounts attributable to redeemable noncontrolling interests.

See notes to unaudited consolidated financial statements

CONSOLIDATED STATEMENTS OF EQUITY (UNAUDITED)
WELLTOWER INC. AND SUBSIDIARIES
(In thousands)

	Six Months Ended June 30, 2017									
	Preferred Stock	Common Stock	Capital in Excess of Par Value	Treasury Stock	Cumulative Net Income	Cumulative Dividends	Accumulated Other Comprehensive Income (Loss)	Other Equity	Noncontrolling Interests	Total
Balances at beginning of period	$ 1,006,250	$ 363,071	$ 16,999,691	$ (54,741)	$ 4,803,575	$ (8,144,981)	$ (169,531)	$ 3,059	$ 475,079	$ 15,281,472
Comprehensive income:										
Net income (loss)					536,896				5,302	542,198
Other comprehensive income							5,907		11,042	16,949
Total comprehensive income										559,147
Net change in noncontrolling interests			(4,247)						(6,732)	(10,979)
Amounts related to stock incentive plans, net of forfeitures		337	11,803	(7,583)				(1,896)		2,661
Proceeds from issuance of common stock		6,026	417,506							423,532
Redemption of preferred stock	(287,500)		9,760		(9,769)					(287,509)
Redemption of equity membership units		91	5,464	(11)						5,544
Option compensation expense								10		10
Dividends paid:										
Common stock dividends						(634,296)				(634,296)
Preferred stock dividends						(26,059)				(26,059)
Balances at end of period	$ 718,750	$ 369,525	$ 17,439,977	$ (62,335)	$ 5,330,702	$ (8,805,336)	$ (163,624)	$ 1,173	$ 484,691	$ 15,313,523

	Six Months Ended June 30, 2016									
	Preferred Stock	Common Stock	Capital in Excess of Par Value	Treasury Stock	Cumulative Net Income	Cumulative Dividends	Accumulated Other Comprehensive Income (Loss)	Other Equity	Noncontrolling Interests	Total
Balances at beginning of period	$ 1,006,250	$ 354,811	$ 16,478,300	$ (44,372)	$ 3,725,772	$ (6,846,056)	$ (88,243)	$ 4,098	$ 585,325	$ 15,175,885
Comprehensive income:										
Net income (loss)					377,147				3,089	380,236
Other comprehensive income							(71,395)		12,195	(59,200)
Total comprehensive income										321,036
Net change in noncontrolling interests			(41,658)						(125,415)	(167,073)
Amounts related to stock incentive plans, net of forfeitures		688	32,284	(6,916)				(329)		25,727
Proceeds from issuance of common stock		2,451	156,260							158,711
Option compensation expense								148		148
Dividends paid:										
Common stock dividends						(613,163)				(613,163)
Preferred stock dividends						(32,703)				(32,703)
Balances at end of period	$ 1,006,250	357,950	16,625,186	(51,288)	4,102,919	(7,491,922)	(159,638)	3,917	475,194	$ 14,868,568

See notes to unaudited consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
WELLTOWER INC. AND SUBSIDIARIES
(In thousands)

	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016
Operating activities:		
Net income	$ 541,052	$ 376,223
Adjustments to reconcile net income to		
net cash provided from (used in) operating activities:		
Depreciation and amortization	453,124	455,265
Other amortization expenses	7,789	3,141
Impairment of assets	24,662	14,314
Stock-based compensation expense	9,669	15,217
Loss (gain) on derivatives, net	1,960	-
Loss (gain) on extinguishment of debt, net	36,870	9
Loss (income) from unconsolidated entities	27,084	5,778
Rental income in excess of cash received	(41,325)	(54,055)
Amortization related to above (below) market leases, net	48	332
Loss (gain) on sales of properties, net	(286,247)	(1,530)
Distributions by unconsolidated entities	3,225	351
Increase (decrease) in accrued expenses and other liabilities	70,005	43,621
Decrease (increase) in receivables and other assets	(3,807)	(3,009)
Net cash provided from (used in) operating activities	844,109	855,657
Investing activities:		
Cash disbursed for acquisitions	(237,119)	(287,455)
Cash disbursed for capital improvements to existing properties	(93,147)	(87,529)
Cash disbursed for construction in progress	(149,046)	(249,867)
Capitalized interest	(7,488)	(7,343)
Investment in real estate loans receivable	(50,717)	(51,059)
Other investments, net of payments	52,457	(16,664)
Principal collected on real estate loans receivable	36,500	168,343
Contributions to unconsolidated entities	(65,631)	(39,644)
Distributions by unconsolidated entities	47,384	19,301
Proceeds from (payments on) derivatives	19,665	56,842
Decrease in restricted cash	142,485	3,342
Proceeds from sales of real property	1,203,782	130,298
Net cash provided from (used in) investing activities	899,125	(361,435)
Financing activities:		
Net increase (decrease) under unsecured credit facilities	(260,000)	(90,000)
Proceeds from issuance of senior unsecured notes	-	693,560
Payments to extinguish senior unsecured notes	-	(400,000)
Net proceeds from the issuance of secured debt	161,799	161,992
Payments on secured debt	(1,020,129)	(281,051)
Net proceeds from the issuance of common stock	424,451	159,032
Redemption of preferred stock	(287,500)	-
Payments for deferred financing costs and prepayment penalties	(52,838)	(17,439)
Contributions by noncontrolling interests(1)	9,663	138,458
Distributions to noncontrolling interests(1)	(38,143)	(91,133)
Cash distributions to stockholders	(660,355)	(645,866)
Other financing activities	(8,925)	(7,646)
Net cash provided from (used in) financing activities	(1,731,977)	(380,093)
Effect of foreign currency translation on cash and cash equivalents	11,649	(8,452)
Increase (decrease) in cash and cash equivalents	22,906	105,677
Cash and cash equivalents at beginning of period	419,378	360,908
Cash and cash equivalents at end of period	$ 442,284	$ 466,585
Supplemental cash flow information:		
Interest paid	$ 210,184	$ 236,861
Income taxes paid	4,360	3,889

(1) Includes amounts attributable to redeemable noncontrolling interests.

See notes to unaudited consolidated financial statements

1. Business

Welltower Inc., an S&P 500 company headquartered in Toledo, Ohio, is driving the transformation of health care infrastructure. The company invests with leading seniors housing operators, post-acute providers and health systems to fund the real estate and infrastructure needed to scale innovative care delivery models and improve people's wellness and overall health care experience. Welltower™, a real estate investment trust ("REIT"), owns interests in properties concentrated in major, high-growth markets in the United States, Canada and the United Kingdom, consisting of seniors housing and post-acute communities and outpatient medical properties. Founded in 1970, we were the first real estate investment trust to invest exclusively in health care facilities.

2. Accounting Policies and Related Matters

Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") for interim financial information and with instructions to Quarterly Report on Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the six months ended June 30, 2017 are not necessarily an indication of the results that may be expected for the year ending December 31, 2017. For further information, refer to the financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2016.

New Accounting Standards

In May 2014, the Financial Accounting Standards Board (the "FASB") issued ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)". 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, 2017, and early adoption is permitted beginning after December 15, 2016. A reporting entity may apply the new standard using either a modified retrospective approach by recording a cumulative-effect adjustment to equity as of the beginning of the fiscal year of adoption or a full retrospective approach. We are currently evaluating the impact that the adoption of the standard will have on our consolidated financial statements and have not yet determined the method by which we will adopt the new standard. A significant source of our revenue is generated through leasing arrangements, which are specifically excluded from the new standard. We expect that the new standard will affect our accounting policies related to non-lease revenue, including certain fees in our RIDEA joint ventures, common area maintenance in our outpatient medical properties and real estate sales. Under ASU 2014-09, revenue recognition for real estate sales is mainly based on the transfer of control versus current guidance of continuing involvement. We expect that the new guidance will result in more transactions qualifying as sales of real estate and being recognized at an earlier date than under the current guidance.

In January 2016, the FASB issued ASU No. 2016-01, "Financial Instruments – Overall: Recognition and Measurement of Financial Assets and Financial Liabilities," which will require entities to measure their investments at fair value and recognize any changes in fair value in net income unless the investments qualify for the new practicability exception. The practicability exception will be available for equity investments that do not have readily determinable fair values. ASU 2016-01 is effective for fiscal years and interim periods within those years, beginning after December 15, 2017. We are currently evaluating the impact that the standard will have on our consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)," which requires lessees to recognize assets and liabilities on their balance sheet related to the rights and obligations created by most leases, while continuing to recognize expenses on their income statements over the lease term. It will also require disclosures designed to give financial statement users information regarding amount, timing, and uncertainty of cash flows arising from leases. ASU 2016-02 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2018, and early adoption is permitted. Entities are required to use a modified retrospective approach for leases that exist or are entered into after the beginning of the earliest comparative period in the financial statements. We are currently evaluating the impact of this standard on our consolidated financial statements. We believe that the adoption of this standard will likely have a material impact to our consolidated balance sheet for the recognition of certain operating leases as right-of-use assets and lease liabilities. We are in the process of analyzing our lease portfolio and evaluating systems to comply with the standard's retrospective adoption requirements.

In March 2016, the FASB issued ASU No. 2016-09, "Improvements to Employee Share-Based Payment Accounting". ASU 2016-09 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2016, and early adoption is permitted. We adopted ASU 2016-09 on January 1, 2017. The standard allows companies to make a policy election as to whether they will include an estimate of awards expected to be forfeited or whether they will account for forfeitures as they occur. We have elected to account for forfeitures as they occur. This election had an immaterial impact on our consolidated financial statements. The standard also requires an employer to classify as a financing activity in the statement of cash flow the cash paid to a tax authority when shares are withheld to satisfy the employer's statutory income tax withholding obligation. This standard is required to be applied on a retrospective basis and resulted in an increase in net cash provided by operating activities and a decrease in net cash used in financing activities of $6,916,000 for the six months ended June 30, 2016. Upon adoption, no other provisions of ASU 2016-09 had an effect on our unaudited consolidated financial statements or related footnote disclosures.

In June 2016, the FASB issued ASU No. 2016-13, "Measurement of Credit Losses on Financial Instruments". This standard requires a new forward-looking "expected loss" model to be used for receivables, held-to-maturity debt, loans, and other instruments. ASU 2016-13 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2019, and early adoption is permitted for fiscal years beginning after December 15, 2018. We are currently evaluating the impact that the standard will have on our consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-01, "Clarifying the Definition of a Business". This standard changes the definition of a business to assist entities with evaluating when a set of transferred assets and activities is a business. ASU 2017-01 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2017, and early adoption is permitted. A reporting entity must apply ASU 2017-01 using a prospective approach. We adopted ASU 2017-01 on January 1, 2017 and as a result, have classified our real estate acquisitions completed during the six months ended June 30, 2017 as asset acquisitions rather than business combinations due to the fact that substantially all of the fair value of the gross assets acquired were concentrated in a single asset or group of similar identifiable assets. We have recorded identifiable assets acquired, liabilities assumed and any noncontrolling interests associated with any asset acquisitions at cost on a relative fair value basis and have capitalized transaction costs incurred.

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 relative 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 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. Effective January 1, 2017, with our adoption of ASU 2017-01, transaction costs related to asset acquisitions are capitalized as a component of purchase price and all other non-capitalizable costs are reflected in "Other Expenses" on our Consolidated Statements of Comprehensive Income. Certain of our subsidiaries' functional currencies are the local currencies of their respective countries. See Note 2 to the financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2016 for information regarding our foreign currency policies.

Triple-net Activity

	Six Months Ended	
(In thousands)	June 30, 2017	June 30, 2016
Land and land improvements	$ 30,440	$ 18,901
Buildings and improvements	188,569	160,209
Acquired lease intangibles	-	2,876
Total assets acquired	219,009	181,986
Accrued expenses and other liabilities	(20,855)	(1,459)
Total liabilities assumed	(20,855)	(1,459)
Noncontrolling interests	(7,284)	-
Non-cash acquisition related activity(1)	(54,989)	(37,703)
Cash disbursed for acquisitions	135,881	142,824
Construction in progress additions	76,245	85,687
Less: Capitalized interest	(3,215)	(3,771)
Foreign currency translation	(3,044)	(2,712)
Cash disbursed for construction in progress	69,986	79,204
Capital improvements to existing properties	15,269	14,877
Total cash invested in real property, net of cash acquired	$ 221,136	$ 236,905

(1) For the six months ended June 30, 2017, $54,989,000 is related to the acquisition of assets previously financed as real estate loans receivable. For the six months ended June 30, 2016, $31,014,000 is related to the acquisition of assets previously financed as real estate loans receivable and $6,630,000 is related to the acquisition of assets previously financed as an investment in an unconsolidated entity.

Seniors Housing Operating Activity

	Six Months Ended	
(In thousands)	June 30, 2017	June 30, 2016
Land and land improvements	$ 10,590	$ 5,617
Building and improvements	69,056	128,200
Acquired lease intangibles	3,596	6,334
Receivables and other assets	296	894
Total assets acquired(1)	83,538	141,045
Accrued expenses and other liabilities	(8,606)	(4,853)
Total liabilities assumed	(8,606)	(4,853)
Noncontrolling interests	(647)	(549)
Non-cash acquisition related activity(2)	(31,546)	(7,659)
Cash disbursed for acquisitions	42,739	127,984
Construction in progress additions	42,787	134,019
Less: Capitalized interest	(3,804)	(2,011)
Foreign currency translation	3,060	(5,344)
Cash disbursed for construction in progress	42,043	126,664
Capital improvements to existing properties	60,129	47,553
Total cash invested in real property, net of cash acquired	$ 144,911	$ 302,201

(1) Excludes $400,000 and $134,000 of cash acquired during the six months ended June 30, 2017 and 2016, respectively.
(2) Includes $6,349,000 related to the acquisition of assets previously financed as real estate loans receivable during the six months ended June 30, 2017. Includes $25,197,000 and $7,659,000 for the six months ended June 30, 2017 and 2016 related to the acquisition of assets previously financed as an investments in an unconsolidated entity.

Outpatient Medical Activity

	Six Months Ended	
(In thousands)	June 30, 2017	June 30, 2016
Land and land improvements	$ 25,060	$ -
Buildings and improvements	62,038	32,650
Acquired lease intangibles	8,397	-
Receivables and other assets	118	-
Total assets acquired	95,613	32,650
Secured debt	(25,824)	-
Accrued expenses and other liabilities	(2,210)	(990)
Total liabilities assumed	(28,034)	(990)
Noncontrolling interests	(9,080)	-
Non-cash acquisition activity(1)	-	(15,013)
Cash disbursed for acquisitions	58,499	16,647
Construction in progress additions	31,830	50,896
Less: Capitalized interest	(1,343)	(1,561)
Accruals(2)	6,530	(5,336)
Cash disbursed for construction in progress	37,017	43,999
Capital improvements to existing properties	17,409	25,099
Total cash invested in real property	$ 112,925	$ 85,745

(1) Represents the acquisition of assets previously financed as real estate loans receivable. Please refer to Note 6 for additional information.

(2) Represents the change in non-cash consideration accruals for amounts to be paid in periods other than the period in which the construction projects converted to operations.

Construction Activity

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

	Six Months Ended	
	June 30, 2017	June 30, 2016
Development projects:		
Triple-net	$ 266,650	$ -
Seniors housing operating	3,634	-
Outpatient medical	63,036	35,363
Total development projects	333,320	35,363
Expansion projects	2,798	2,879
Total construction in progress conversions	$ 336,118	$ 38,242

4. Real Estate Intangibles

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

	June 30, 2017	December 31, 2016
Assets:		
In place lease intangibles	$ 1,278,755	$ 1,252,143
Above market tenant leases	64,408	61,700
Below market ground leases	62,224	61,628
Lease commissions	30,654	27,413
Gross historical cost	1,436,041	1,402,884
Accumulated amortization	(1,053,353)	(966,714)
Net book value	$ 382,688	$ 436,170
Weighted-average amortization period in years	15.1	13.7
Liabilities:		
Below market tenant leases	$ 90,683	$ 89,468
Above market ground leases	8,540	8,107
Gross historical cost	99,223	97,575
Accumulated amortization	(55,749)	(52,134)
Net book value	$ 43,474	$ 45,441
Weighted-average amortization period in years	15.4	15.2

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Rental income related to above/below market tenant leases, net	$ 267	$ 210	$ 571	$ 290
Property operating expenses related to above/below market ground leases, net	(307)	(311)	(619)	(622)
Depreciation and amortization related to in place lease intangibles and lease commissions	(35,439)	(31,109)	(74,741)	(65,473)

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

	Assets	Liabilities
2017	$ 71,356	$ 3,337
2018	83,762	6,190
2019	35,095	5,731
2020	24,793	5,234
2021	20,695	4,746
Thereafter	146,987	18,236
Total	$ 382,688	$ 43,474

5. Dispositions, Assets Held for Sale and Discontinued Operations

We periodically sell properties for various reasons, including favorable market conditions, the exercise of tenant purchase options or reduction of concentrations (e.g., property type, operator or geography). During the six months ended June 30, 2017 and 2016, we recorded impairment charges on certain held-for-sale seniors housing operating, triple-net, and outpatient medical properties for which the carrying values exceeded the fair values less estimated costs to sell. The following is a summary of our real property disposition activity for the periods presented (in thousands):

	Six Months Ended	
	June 30, 2017	June 30, 2016
Real estate dispositions:		
Triple-net	$ 882,436	$ 128,768
Seniors housing operating	13,845	-
Total dispositions	896,281	128,768
Gain (loss) on real estate dispositions, net	286,247	1,530
Net other assets/liabilities disposed	21,254	-
Proceeds from real estate dispositions	$ 1,203,782	$ 130,298

Dispositions and Assets Held for Sale

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Revenues:				
Rental income	$ 4,094	$ 19,990	$ 21,494	$ 38,552
Expenses:				
Interest expense	284	2,506	1,714	5,032
Property operating expenses	2,020	1,338	5,098	2,700
Provision for depreciation	475	3,071	1,121	7,022
Total expenses	2,779	6,915	7,933	14,754
Income (loss) from real estate dispositions, net	$ 1,315	$ 13,075	$ 13,561	$ 23,798

6. Real Estate Loans Receivable

Please see Note 2 to the financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2016 for discussion of our accounting policies for real estate loans receivable and related interest income.

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

	Six Months Ended					
	June 30, 2017			June 30, 2016		
	Triple-net	Outpatient Medical	Totals	Triple-net	Outpatient Medical	Totals
Advances on real estate loans receivable:						
Investments in new loans	$ 10,037	$ -	$ 10,037	$ 8,223	$ -	$ 8,223
Draws on existing loans	40,680	-	40,680	42,803	33	42,836
Net cash advances on real estate loans	50,717	-	50,717	51,026	33	51,059
Receipts on real estate loans receivable:						
Loan payoffs	97,039	60,500	157,539	182,613	27,303	209,916
Principal payments on loans	798	-	798	4,454	-	4,454
Sub-total	97,837	60,500	158,337	187,067	27,303	214,370
Less: Non-cash activity[(1)(2)]	(61,337)	(60,500)	(121,837)	(31,014)	(15,013)	(46,027)
Net cash receipts on real estate loans	36,500	-	36,500	156,053	12,290	168,343
Net cash advances (receipts) on real estate loans	14,217	-	14,217	(105,027)	(12,257)	(117,284)
Change in balance due to foreign currency translation	5,471	-	5,471	(8,504)	-	(8,504)
Net change in real estate loans receivable	$ (41,649)	$ (60,500)	$ (102,149)	$ (144,545)	$ (27,270)	$ (171,815)

(1) Triple-net and prior year outpatient medical represents acquisitions of assets previously financed as real estate loans. Please see Note 3 for additional information.

(2) Current year outpatient medical represents a deed in lieu of foreclosure on a previously financed first mortgage property.

In 2016, we restructured two existing real estate loans in the triple-net segment with Genesis Healthcare. The two existing loans, with a combined principal balance of $317,000,000, were scheduled to mature in 2017 and 2018. These loans were restructured into four separate loans effective October 1, 2016. Each loan has a five-year term, a 10% interest rate and 25 basis point annual escalator. In 2016, we recorded a loan loss charge in the amount of $6,935,000 on one of the loans as the present value of expected future cash flows was less than the carrying value of the loan. We expect to collect all principal amounts due under the loans and, due to the passage of time, at June 30, 2017, the allowance for loan losses related to these loans is $5,811,000. At June 30, 2017, we had no real estate loans with outstanding balances on non-accrual status and recorded no provision for loan losses during the three months ended June 30, 2017.

	Six Months Ended	
	June 30, 2017	June 30, 2016
Balance of impaired loans at end of period	$ 289,473	$ -
Allowance for loan losses	5,811	-
Balance of impaired loans not reserved	$ 283,662	$ -
Average impaired loans for the period	$ 327,324	$ -
Interest recognized on impaired loans	16,464	-

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 Consolidated 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[(1)]	June 30, 2017	December 31, 2016
Triple-net	10% to 49%	$ 23,978	$ 27,005
Seniors housing operating	10% to 50%	358,889	407,172
Outpatient medical	43%	42,622	22,961
Total		$ 425,489	$ 457,138

(1) Excludes ownership of in-substance real estate.

During the three months ended June 30, 2017, we increased our ownership in the Sunrise Senior Living, Inc. management company from 24% to 34%. At June 30, 2017, the aggregate unamortized basis difference of our joint venture investments of $84,451,000 is primarily attributable to the difference between the amount for which we purchase our interest in the entity, including transaction costs, and the historical carrying value of the net assets of the entity. This difference is being amortized over the remaining useful life of the related properties and included in the reported amount of income from unconsolidated entities.

8. Credit Concentration

We use consolidated net operating income ("NOI") as our credit concentration metric. See Note 17 for additional information and reconciliation. The following table summarizes certain information about our credit concentration for the six months ended June 30, 2017, excluding our share of NOI in unconsolidated entities (dollars in thousands):

Concentration by relationship:(1)	Number of Properties		Total NOI	Percent of NOI(2)
Genesis Healthcare	86	$	98,225	9%
Sunrise Senior Living(3)	153		155,331	14%
Brookdale Senior Living	137		75,862	7%
Revera(3)	98		75,937	7%
Benchmark Senior Living	48		48,095	4%
Remaining portfolio	752		655,426	59%
Totals	1,274	$	1,108,876	100%

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

(2) NOI with our top five relationships comprised 45% of total NOI for the year ending December 31, 2016.

(3) Revera owns a controlling interest in Sunrise Senior Living.

9. Borrowings Under Credit Facilities and Related Items

At June 30, 2017, we had a primary unsecured credit facility with a consortium of 29 banks that includes a $3,000,000,000 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, through an accordion feature, 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, in the aggregate, and the $250,000,000 Canadian-denominated unsecured term credit facility by up to an additional $250,000,000. The primary unsecured credit facility also allows us to borrow up to $1,000,000,000 in alternate currencies (none outstanding at June 30, 2017). Borrowings under the unsecured revolving credit facility are subject to interest payable at the applicable margin over LIBOR interest rate (2.12% at June 30, 2017). The applicable margin is based on our debt ratings and was 0.90% at June 30, 2017. In addition, we pay a facility fee quarterly to each bank based on the bank's commitment amount. The facility fee depends on our debt ratings and was 0.15% at June 30, 2017. The term credit facilities mature on May 13, 2021. The revolving credit facility is scheduled to mature on May 13, 2020 and can be extended for two successive terms of six months each at our option.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Balance outstanding at quarter end[1]	$ 385,000	$ 745,000	$ 385,000	$ 745,000
Maximum amount outstanding at any month end	$ 640,000	$ 745,000	$ 1,010,000	$ 945,000
Average amount outstanding (total of daily principal balances divided by days in period)	$ 561,626	$ 623,077	$ 678,343	$ 647,060
Weighted average interest rate (actual interest expense divided by average borrowings outstanding)	1.94%	1.26%	1.87%	1.28%

(1) As of June 30, 2017, letters of credit in the aggregate amount of $32,456,000 have been issued, which reduces the borrowing capacity on the unsecured revolving credit facility.

10. Senior Unsecured Notes and Secured Debt

We may repurchase, redeem or refinance 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 senior unsecured notes are redeemable at our option, at any time in whole or from time to time in part, at a redemption price equal to the sum of (1) the principal amount of the notes (or portion of such notes) being redeemed plus accrued and unpaid interest thereon up to the redemption date and (2) any “make-whole” amount due under the terms of the notes in connection with early redemptions. Redemptions and repurchases of debt, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. At June 30, 2017, the annual principal payments due on these debt obligations were as follows (in thousands):

	Senior Unsecured Notes[1,2]	Secured Debt [1,3]	Totals
2017	$ -	$ 173,105	$ 173,105
2018	450,000	405,834	855,834
2019	605,000	480,977	1,085,977
2020[4]	681,089	156,585	837,674
2021[5,6]	1,142,574	214,352	1,356,926
Thereafter[7,8,9,10]	5,464,476	1,243,836	6,708,312
Totals	$ 8,343,139	$ 2,674,689	$ 11,017,828

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

(2) Annual interest rates range from 1.8% to 6.5%.

(3) Annual interest rates range from 1.42% to 7.98%. Carrying value of the properties securing the debt totaled $5,624,262,000 at June 30, 2017.

(4) In November 2015, one of our wholly-owned subsidiaries issued and we guaranteed $300,000,000 of Canadian-denominated 3.35% senior unsecured notes due 2020 (approximately $231,089,000 based on the Canadian/U.S. Dollar exchange rate on June 30, 2017).

(5) On May 13, 2016, we refinanced the funding on a $250,000,000 Canadian-denominated unsecured term credit facility (approximately $192,574,000 based on the Canadian/U.S. Dollar exchange rate on June 30, 2017). The loan matures on May 13, 2021 and bears interest at the Canadian Dealer Offered Rate plus 95 basis points (1.79% at June 30, 2017).

(6) On May 13, 2016, we refinanced the funding on a $500,000,000 unsecured term credit facility. The loan matures on May 13, 2021 and bears interest at LIBOR plus 95 basis points (2.08% at June 30, 2017).

(7) On November 20, 2013, we completed the sale of £550,000,000 (approximately $714,725,000 based on the Sterling/U.S. Dollar exchange rate in effect on June 30, 2017) of 4.8% senior unsecured notes due 2028.

(8) On November 25, 2014, we completed the sale of £500,000,000 (approximately $649,750,000 based on the Sterling/U.S. Dollar exchange rate in effect on June 30, 2017) of 4.5% senior unsecured notes due 2034.

(9) In May 2015, we issued $750,000,000 of 4.0% senior unsecured notes due 2025. In October 2015, we issued an additional $500,000,000 of these notes under a re-opening of the offer.

(10) In March 2016, we issued $700,000,000 of 4.25% senior unsecured notes due 2026.

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

	Six Months Ended			
	June 30, 2017		June 30, 2016	
	Amount	Weighted Avg. Interest Rate	Amount	Weighted Avg. Interest Rate
Beginning balance	$ 8,260,038	4.245%	$ 8,645,758	4.237%
Debt issued	-	0.000%	705,000	4.228%
Debt extinguished	-	0.000%	(400,000)	3.625%
Foreign currency	83,101	4.320%	(133,234)	4.417%
Ending balance	$ 8,343,139	4.276%	$ 8,817,524	4.263%

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

	Six Months Ended			
	June 30, 2017		June 30, 2016	
	Amount	Weighted Avg. Interest Rate	Amount	Weighted Avg. Interest Rate
Beginning balance	$ 3,465,066	4.094%	$ 3,478,207	4.440%
Debt issued	161,799	2.331%	161,992	3.051%
Debt assumed	23,094	6.670%	-	0.000%
Debt extinguished	(987,923)	5.370%	(243,314)	4.874%
Principal payments	(32,206)	4.378%	(37,737)	4.579%
Foreign currency	44,859	3.116%	62,118	3.652%
Ending balance	$ 2,674,689	3.669%	$ 3,421,266	4.328%

Our debt agreements contain various covenants, restrictions and events of default. Certain agreements require us to maintain certain financial ratios and minimum net worth and impose certain limits on our ability to incur indebtedness, create liens and make investments or acquisitions. As of June 30, 2017, we were in compliance with all of the covenants under our debt agreements.

11. Derivative Instruments

We are exposed to various market risks, including the potential loss arising from adverse changes in interest rates. We may elect to use financial derivative instruments to hedge interest rate exposure. These decisions are principally based on our policy to manage the general trend in interest rates at the applicable dates and our perception of the future volatility of interest rates. In addition, non-U.S. investments expose us to the potential losses associated with adverse changes in foreign currency to U.S. Dollar exchange rates. We may elect to manage this risk through the use of forward contracts and issuing debt in foreign currencies.

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 $2,671,000 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. During the six months ended June 30, 2017 and 2016, we settled certain net investment hedges generating cash proceeds of $19,665,000 and $56,842,000, respectively. The balance of the cumulative translation adjustment will be reclassified to earnings when the hedged investment is sold or substantially liquidated.

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

		June 30, 2017		December 31, 2016
Derivatives designated as net investment hedges:				
Denominated in Canadian Dollars	$	875,000	$	900,000
Denominated in Pounds Sterling	£	550,000	£	550,000
Financial instruments designated as net investment hedges:				
Denominated in Canadian Dollars	$	250,000	$	250,000
Denominated in Pounds Sterling	£	1,050,000	£	1,050,000
Derivatives designated as cash flow hedges:				
Denominated in U.S. Dollars	$	-	$	57,000
Denominated in Canadian Dollars	$	54,000	$	54,000
Denominated in Pounds Sterling	£	54,000	£	48,000
Derivative instruments not designated:				
Denominated in Canadian Dollars	$	37,000	$	37,000

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

		Three Months Ended June 30,		Six Months Ended June 30,	
	Location	2017	2016	2017	2016
Gain (loss) on interest rate swaps reclassified from AOCI into income (effective portion)	Interest expense	$ -	$ (477)	$ -	$ (960)
Gain (loss) on forward exchange contracts recognized in income	Interest expense	1,732	2,697	4,189	1,369
Gain (loss) on foreign exchange contracts and term loans designated as net investment hedge recognized in OCI	OCI	(97,539)	178,575	(141,880)	175,836

12. Commitments and Contingencies

At June 30, 2017, we had 14 outstanding letter of credit obligations totaling $170,131,000 and expiring between 2017 and 2024. At June 30, 2017, we had outstanding construction in progress of $321,655,000 and were committed to providing additional funds of approximately $354,853,000 to complete construction. At June 30, 2017, we had contingent purchase obligations totaling $13,170,000. These contingent purchase obligations relate to unfunded capital improvement obligations and contingent obligations on acquisitions. Rents due from the tenant are increased to reflect the additional investment in the property.

We evaluate our leases for operating versus capital lease treatment in accordance with ASC Topic 840 “Leases.” A lease is classified as a capital lease if it provides for transfer of ownership of the leased asset at the end of the lease term, contains a bargain purchase option, has a lease term greater than 75% of the economic life of the leased asset, or if the net present value of the future minimum lease payments are in excess of 90% of the fair value of the leased asset. Certain leases contain bargain purchase options and have been classified as capital leases. At June 30, 2017, we had operating lease obligations of $1,078,526,000 relating to certain ground leases and company office space and capital lease obligations of $91,471,000 relating primarily to certain investment properties. Regarding ground leases, we have sublease agreements with certain of our operators that require the operators to reimburse us for our monthly operating lease obligations. At June 30, 2017, aggregate future minimum rentals to be received under these noncancelable subleases totaled $72,906,000.

13. Stockholders' Equity

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

	June 30, 2017	December 31, 2016
Preferred Stock:		
Authorized shares	50,000,000	50,000,000
Issued shares	14,375,000	25,875,000
Outstanding shares	14,375,000	25,875,000
Common Stock, $1.00 par value:		
Authorized shares	700,000,000	700,000,000
Issued shares	369,966,425	363,576,924
Outstanding shares	368,878,042	362,602,173

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

	Six Months Ended			
	June 30, 2017		June 30, 2016	
	Shares	Weighted Avg. Dividend Rate	Shares	Weighted Avg. Dividend Rate
Beginning balance	25,875,000	6.500%	25,875,000	6.500%
Shares redeemed	(11,500,000)	6.500%	-	0.000%
Ending balance	14,375,000	6.500%	25,875,000	6.500%

During the six months ended June 30, 2017, we recognized a charge of $9,769,000 in connection with the redemption of the Series J preferred stock.

Common Stock. The following is a summary of our common stock issuances during the six months ended June 30, 2017 and 2016 (dollars in thousands, except per share amounts):

	Shares Issued	Average Price	Gross Proceeds	Net Proceeds
2016 Dividend reinvestment plan issuances	1,971,758	$ 64.65	$ 127,470	$ 127,470
2016 Option exercises	37,409	48.73	1,823	1,823
2016 Equity shelf program issuances	443,096	67.12	30,192	29,739
2016 Stock incentive plans, net of forfeitures	460,047		-	-
2016 Totals	2,912,310		$ 159,485	$ 159,032
2017 Dividend reinvestment plan issuances	2,836,216	$ 70.55	$ 200,097	$ 199,757
2017 Option exercises	202,190	50.88	10,288	10,288
2017 Equity shelf program issuances	2,986,574	72.30	215,917	214,406
2017 Redemption of equity membership units	91,180		-	-
2017 Stock incentive plans, net of forfeitures	159,709		-	-
2017 Totals	6,275,869		$ 426,302	$ 424,451

Dividends. The increase in dividends is primarily attributable to increases in our common shares outstanding as described above and an increase in common dividends per share. The following is a summary of our dividend payments (in thousands, except per share amounts):

	Six Months Ended			
	June 30, 2017		June 30, 2016	
	Per Share	Amount	Per Share	Amount
Common Stock	$ 1.7400	$ 634,296	$ 1.7200	$ 613,163
Series I Preferred Stock	1.6250	23,360	1.6250	23,359
Series J Preferred Stock	0.2347	2,699	0.8126	9,344
Totals		$ 660,355		$ 645,866

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

	Unrecognized gains (losses) related to:				
	Foreign Currency Translation	Available for Sale Securities	Actuarial Losses	Cash Flow Hedges	Total
Balance at December 31, 2016	$ (173,496)	$ 5,120	$ (1,153)	$ (2)	$ (169,531)
Other comprehensive income before reclassification adjustments	22,384	(16,477)	-	-	5,907
Net current-period other comprehensive income	22,384	(16,477)	-	-	5,907
Balance at June 30, 2017	$ (151,112)	$ (11,357)	$ (1,153)	$ (2)	$ (163,624)
Balance at December 31, 2015	$ (85,484)	$ -	$ (1,343)	$ (1,416)	$ (88,243)
Other comprehensive income before reclassification adjustments	(61,207)	(11,160)	2	10	(72,355)
Reclassification amount to net income	-	-	-	960 (1)	960
Net current-period other comprehensive income	(61,207)	(11,160)	2	970	(71,395)
Balance at June 30, 2016	$ (146,691)	$ (11,160)	$ (1,341)	$ (446)	$ (159,638)

(1) Please see Note 11 for additional information.

14. Stock Incentive Plans

Our 2016 Long-Term Incentive Plan (“2016 Plan”) authorizes up to 10,000,000 shares of common stock to be issued at the discretion of the Compensation Committee of the Board of Directors. Our non-employee directors, officers and key employees are eligible to participate in the 2016 Plan. The 2016 Plan allows for the issuance of, among other things, stock options, stock appreciation rights, restricted stock, deferred stock units and dividend equivalent rights. Vesting periods for options, deferred stock units and restricted shares generally range from three to five years. Options expire ten years from the date of grant. Stock-based compensation expense totaled $4,763,000 and $9,669,000 for the three and six months ended June 30, 2017, respectively, and $7,031,000 and $15,217,000 for the same periods in 2016.

15. Earnings Per Share

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Numerator for basic and diluted earnings per share - net income (loss) attributable to common stockholders	$ 188,429	$ 195,474	$ 501,068	$ 344,444
Denominator for basic earnings per share - weighted average shares	366,524	356,646	364,551	355,879
Effect of dilutive securities:				
Employee stock options	50	129	60	115
Non-vested restricted shares	479	465	438	359
Redeemable shares	1,096	1,651	1,374	1,136
Dilutive potential common shares	1,625	2,245	1,872	1,610
Denominator for diluted earnings per share - adjusted weighted average shares	368,149	358,891	366,423	357,489
Basic earnings per share	$ 0.51	$ 0.55	$ 1.37	$ 0.97
Diluted earnings per share	$ 0.51	$ 0.54	$ 1.37	$ 0.96

The Series I Cumulative Convertible Perpetual Preferred Stock was not included in the calculations as the effect of conversions into common stock was anti-dilutive.

16. Disclosure about Fair Value of Financial Instruments

U.S. GAAP provides authoritative guidance for measuring and disclosing fair value measurements of assets and liabilities. The guidance defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The guidance also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Please see Note 2 to the financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2016 for additional information. The guidance describes three levels of inputs that may be used to measure fair value:

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

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

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

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

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

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

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

Borrowings Under 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 1 publicly available trading prices. The carrying amount of the variable rate senior unsecured notes approximates fair value because they are interest rate adjustable.

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

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

Redeemable OP Unitholder Interests — 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):

	June 30, 2017		December 31, 2016	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets:				
Mortgage loans receivable	$ 369,141	$ 405,671	$ 485,735	$ 521,773
Other real estate loans receivable	151,338	156,266	136,893	138,050
Available-for-sale equity investments	11,422	11,422	27,899	27,899
Cash and cash equivalents	442,284	442,284	419,378	419,378
Foreign currency forward contracts	54,326	54,326	135,561	135,561
Financial liabilities:				
Borrowings under unsecured credit facilities	$ 385,000	$ 385,000	$ 645,000	$ 645,000
Senior unsecured notes	8,250,940	9,088,276	8,161,619	8,879,176
Secured debt	2,670,914	2,718,333	3,477,699	3,558,378
Foreign currency forward contracts	10,426	10,426	4,342	4,342
Redeemable OP unitholder interests	$ 111,149	$ 111,149	$ 110,502	$ 110,502

Items Measured at Fair Value on a Recurring Basis

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

	Fair Value Measurements as of June 30, 2017			
	Total	Level 1	Level 2	Level 3
Available-for-sale equity investments(1)	$ 11,422	$ 11,422	$ -	$ -
Foreign currency forward contracts, net(2)	43,900	-	43,900	-
Redeemable OP unitholder interests	111,149	-	111,149	-
Totals	$ 166,471	$ 11,422	$ 155,049	$ -

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

(2) Please see Note 11 for additional information.

Items Measured at Fair Value on a Nonrecurring Basis

In addition to items that are measured at fair value on a recurring basis, we also have assets and liabilities in our balance sheet that are measured at fair value on a nonrecurring basis. As these assets and liabilities are not measured at fair value on a recurring basis, they are not included in the tables above. Assets, liabilities and noncontrolling interests that are measured at fair value on a nonrecurring basis include those acquired/assumed. Asset impairments (if applicable, see Note 5 for impairments of real property and Note 6 for impairments of loans receivable) are also measured at fair value on a nonrecurring basis. 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 resides 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 three operating segments: triple-net, seniors housing operating and outpatient medical. During the three months ended December 31, 2016, we reclassified interest expense on our foreign-denominated senior notes from the seniors housing operating segment to non-segment. Accordingly, the segment information provided in this Note has been reclassified to conform to the current presentation for all periods presented.

Our triple-net properties include long-term/post-acute care facilities, 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 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 Note 18). Our outpatient medical properties are typically leased to multiple tenants and generally require a certain level of property management.

We evaluate performance based upon consolidated net operating income ("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 as 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 certain 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 to the financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2016). 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) is as follows (in thousands):

Three Months Ended June 30, 2017:	Triple-net	Seniors Housing Operating	Outpatient Medical	Non-segment / Corporate	Total
Rental income	$ 217,889	$ -	$ 137,710	$ -	$ 355,599
Resident fees and services	-	677,040	-	-	677,040
Interest income	20,901	-	-	-	20,901
Other income	2,557	1,049	1,217	239	5,062
Total revenues	241,347	678,089	138,927	239	1,058,602
Property operating expenses	-	459,111	42,744	-	501,855
Consolidated net operating income	241,347	218,978	96,183	239	556,747
Interest expense	2,515	15,403	2,122	96,191	116,231
Loss (gain) on derivatives, net	736	-	-	-	736
Depreciation and amortization	60,171	117,198	47,478	-	224,847
General and administrative	-	-	-	32,632	32,632
Transaction costs					
Loss (gain) on extinguishment of debt, net	-	2,524	2,991	-	5,515
Impairment of assets	4,846	8,785	-	-	13,631
Other expenses	2,181	1,165	1,310	1,683	6,339
Income (loss) from continuing operations before income taxes and income from unconsolidated entities	170,898	73,903	42,282	(130,267)	156,816
Income tax (expense) benefit	(1,471)	10,247	(351)	23	8,448
Income (loss) from unconsolidated entities	3,867	(8,449)	604	-	(3,978)
Income (loss) from continuing operations	173,294	75,701	42,535	(130,244)	161,286
Gain (loss) on real estate dispositions, net	42,155	-	-	-	42,155
Net income (loss)	$ 215,449	$ 75,701	$ 42,535	$ (130,244)	$ 203,441
Total assets	$ 9,990,063	$ 12,753,128	$ 5,008,067	$ 224,528	$ 27,975,786

Three Months Ended June 30, 2016:	Triple-net	Seniors Housing Operating	Outpatient Medical	Non-segment / Corporate	Total
Rental income	$ 287,134	$ -	$ 135,494	$ -	$ 422,628
Resident fees and services	-	615,220	-	-	615,220
Interest income	21,971	1,042	994	-	24,007
Other income	1,206	8,989	4,153	454	14,802
Total revenues	310,311	625,251	140,641	454	1,076,657
Property operating expenses	-	417,996	40,836	-	458,832
Consolidated net operating income	310,311	207,255	99,805	454	617,825
Interest expense	5,754	20,274	5,402	100,896	132,326
Depreciation and amortization	75,809	102,312	48,448	-	226,569
General and administrative	-	-	-	39,914	39,914
Transaction costs	1,291	3,247	619	-	5,157
Loss (gain) on extinguishment of debt, net	121	(88)	-	-	33
Other expenses	-	-	-	3,161	3,161
Income (loss) from continuing operations before income taxes and income from unconsolidated entities	227,336	81,510	45,336	(143,517)	210,665
Income tax (expense) benefit	(213)	2,023	(248)	(1,049)	513
Income (loss) from unconsolidated entities	3,018	(4,887)	(90)	-	(1,959)
Income (loss) from continuing operations	230,141	78,646	44,998	(144,566)	209,219
Gain (loss) on real estate dispositions, net	1,530	-	-	-	1,530
Net income (loss)	$ 231,671	$ 78,646	$ 44,998	$ (144,566)	$ 210,749

Six Months Ended June 30, 2017:	Triple-net	Seniors Housing Operating	Outpatient Medical	Non-segment / Corporate	Total
Rental income	$ 445,180	$ -	$ 277,561	$ -	$ 722,741
Resident fees and services	-	1,347,377	-	-	1,347,377
Interest income	41,580	69	-	-	41,649
Other income	4,321	2,510	1,830	472	9,133
Total revenues	491,081	1,349,956	279,391	472	2,120,900
Property operating expenses	-	921,536	90,488	-	1,012,024
Consolidated net operating income	491,081	428,420	188,903	472	1,108,876
Interest expense	8,025	31,219	4,413	191,170	234,827
Loss (gain) on derivatives, net	1,960	-	-	-	1,960
Depreciation and amortization	119,781	236,935	96,408	-	453,124
General and administrative	-	-	-	63,733	63,733
Loss (gain) on extinguishment of debt, net	29,083	3,414	4,373	-	36,870
Impairment of assets	4,846	14,191	5,625	-	24,662
Other expenses	7,190	2,943	1,671	6,210	18,014
Income (loss) from continuing operations before income taxes and income from unconsolidated entities	320,196	139,718	76,413	(260,641)	275,686
Income tax (expense) benefit	(2,271)	9,160	(686)	-	6,203
Income (loss) from unconsolidated entities	9,505	(37,640)	1,051	-	(27,084)
Income (loss) from continuing operations	327,430	111,238	76,778	(260,641)	254,805
Gain (loss) on real estate dispositions, net	273,236	13,011	-	-	286,247
Net income (loss)	$ 600,666	$ 124,249	$ 76,778	$ (260,641)	$ 541,052

Six Months Ended June 30, 2016:	Triple-net	Seniors Housing Operating	Outpatient Medical	Non-segment / Corporate	Total
Rental income	$ 570,958	$ -	$ 267,332	$ -	$ 838,290
Resident fees and services	-	1,217,369	-	-	1,217,369
Interest income	44,824	2,073	2,298	-	49,195
Other income	2,695	11,178	4,466	512	18,851
Total revenues	618,477	1,230,620	274,096	512	2,123,705
Property operating expenses	-	826,890	81,578	-	908,468
Consolidated net operating income	618,477	403,730	192,518	512	1,215,237
Interest expense	12,117	40,797	11,146	201,225	265,285
Depreciation and amortization	155,609	204,144	95,512	-	455,265
General and administrative	-	-	-	85,606	85,606
Transaction costs	4,143	7,180	2,042	-	13,365
Loss (gain) on extinguishment of debt, net	97	(88)	-	-	9
Impairment of assets	14,314	-	-	-	14,314
Other expenses	-	-	-	3,161	3,161
Income (loss) from continuing operations before income taxes and income from unconsolidated entities	432,197	151,697	83,818	(289,480)	378,232
Income tax expense	(528)	4,789	(476)	(1,546)	2,239
(Loss) income from unconsolidated entities	6,100	(11,822)	(56)	-	(5,778)
Income (loss) from continuing operations	437,769	144,664	83,286	(291,026)	374,693
Gain (loss) on real estate dispositions, net	1,530	-	-	-	1,530
Net income (loss)	$ 439,299	$ 144,664	$ 83,286	$ (291,026)	$ 376,223

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):

	Three Months Ended						Six Months Ended					
	June 30, 2017			June 30, 2016			June 30, 2017			June 30, 2016		
Revenues:		Amount	%		Amount	%		Amount	%		Amount	%
United States	$	851,943	80.5%	$	862,115	80.1%	$	1,710,611	80.7%	$	1,704,470	80.3%
United Kingdom		99,747	9.4%		102,593	9.5%		193,590	9.1%		203,148	9.5%
Canada		106,912	10.1%		111,949	10.4%		216,699	10.2%		216,087	10.2%
Total	$	1,058,602	100.0%	$	1,076,657	100.0%	$	2,120,900	100.0%	$	2,123,705	100.0%

	As of					
	June 30, 2017			December 31, 2016		
Assets:		Amount	%		Amount	%
United States	$	22,323,973	79.8%	$	23,572,459	81.7%
United Kingdom		3,064,196	11.0%		2,782,489	9.6%
Canada		2,587,617	9.2%		2,510,236	8.7%
Total	$	27,975,786	100.0%	$	28,865,184	100.0%

18. Income Taxes and Distributions

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

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

Income taxes reflected in the financial statements primarily represents U.S. federal and state and local income taxes as well as non-U.S. income based or withholding taxes on certain investments located in jurisdictions outside the U.S. The provision for income taxes for the three and six months ended June 30, 2017 and 2016, was primarily due to operating income or losses, offset by certain discrete items at our TRS entities. In 2014, we established certain wholly-owned direct and indirect subsidiaries in Luxembourg and Jersey and transferred interests in certain foreign investments into this holding company structure. The 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 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 reflects current and deferred tax liabilities for any such withholding taxes incurred as a result of this holding company structure in its consolidated financial statements. Generally, given current statutes of limitations, we are subject to audit by the Internal Revenue Service (“IRS”) for the year ended December 31, 2013 and subsequent years and by state taxing authorities for the year ended December 31, 2012 and subsequent years. The company and its subsidiaries are also subject to audit by the Canada Revenue Agency and provincial authorities generally for periods subsequent to our initial investments in Canada in May 2012, by HM Revenue & Customs for periods subsequent to our initial investments in the United Kingdom in August 2012 and by Luxembourg taxing authorities generally for periods subsequent to our establishment of certain Luxembourg-based subsidiaries during 2014.

19. Variable Interest Entities

We have entered into joint ventures to own certain seniors housing and outpatient medical assets which are deemed to be variable interest entities ("VIE"). We have concluded that we are the primary beneficiary of these VIE's based on a combination of operational control of the joint venture and the rights to receive residual returns or the obligation to absorb losses arising from the joint ventures. Except for capital contributions associated with the initial joint venture formations, the joint ventures have been and are expected to be funded from the ongoing operations of the underlying properties. Accordingly, such joint ventures have been consolidated, and the table below summarizes the balance sheets of consolidated VIE's in the aggregate (in thousands):

	June 30, 2017		December 31, 2016	
Assets				
Net real property owned	$	1,019,154	$	989,596
Cash and cash equivalents		10,180		10,501
Receivables and other assets		16,284		12,102
Total assets(1)	$	1,045,618	$	1,012,199
Liabilities and equity				
Secured debt	$	473,781	$	450,255
Accrued expenses and other liabilities		15,396		13,803
Redeemable noncontrolling interests		180,690		185,556
Total equity		375,751		362,585
Total liabilities and equity	$	1,045,618	$	1,012,199

(1) Note that assets of the consolidated variable interest entities can only be used to settle obligations relating to such variable interest entities. Liabilities of the consolidated variable interest entities represent claims against the specific assets of the variable interest entities.

EXECUTIVE SUMMARY

LIQUIDITY AND CAPITAL RESOURCES

RESULTS OF OPERATIONS

OTHER

The following discussion and analysis is based primarily on the unaudited consolidated financial statements of Welltower Inc. for the periods presented and should be read together with the notes thereto contained in this Quarterly Report on Form 10-Q. Other important factors are identified in our Annual Report on Form 10-K for the year ended December 31, 2016, including factors identified under the headings "Business," "Risk Factors," and "Management's Discussion and Analysis of Financial Condition and Results of Operations." References herein to "we," "us," "our," or the "company" refer to Welltower Inc. and its subsidiaries unless specifically noted otherwise.

Executive Summary

Company Overview

Welltower Inc. (NYSE:HCN), an S&P 500 company headquartered in Toledo, Ohio, is driving the transformation of health care infrastructure. The company invests with leading seniors housing operators, post-acute providers and health systems to fund the real estate and infrastructure needed to scale innovative care delivery models and improve people's wellness and overall health care experience. Welltower™, a real estate investment trust ("REIT"), owns properties concentrated in major, high-growth markets in the United States, Canada and the United Kingdom, consisting of seniors housing and post-acute communities and outpatient medical properties. 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 for the three months ended June 30, 2017 (dollars in thousands):

Type of Property		NOI(1)	Percentage of NOI	Number of Properties
Triple-net	$	241,347	43.4%	583
Seniors housing operating		218,978	39.3%	425
Outpatient medical		96,183	17.3%	266
Totals	$	556,508	100.0%	1,274

(1) Represents consolidated net operating income and 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. See Non-GAAP Financial Measures for additional information and reconciliation.

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 from continuing operations 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 outpatient medical portfolio with a comprehensive process including tenant relations, lease expirations, the mix of health service providers, hospital/health system relationships, property performance, capital improvement needs, and market conditions among other things. In monitoring our portfolio, our personnel use a proprietary database to collect and analyze property-specific data. Additionally, we conduct extensive research to ascertain industry trends. We evaluate the operating environment in each property's market to determine the likely trend in operating performance of the facility. When we identify unacceptable trends, we seek to mitigate, eliminate or transfer the risk. Through these efforts, we are generally able to intervene at an early stage to address any negative trends, and in so doing, support both the collectability of revenue and the value of our investment.

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

For the six months ended June 30, 2017, rental income and resident fees and services represented 34% and 64%, respectively, of total revenues. Substantially all of our operating leases are designed with escalating rent structures. Leases with fixed annual rental escalators are generally recognized on a straight-line basis over the initial lease period, subject to a collectability assessment. Rental income related to leases with contingent rental escalators is generally recorded based on the contractual cash rental payments due for the period. Our yield on loans receivable depends upon a number of factors, including the stated interest rate, the average principal amount outstanding during the term of the loan and any interest rate adjustments.

Our primary sources of cash include rent and interest receipts, resident fees and services, borrowings under our primary unsecured 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 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 June 30, 2017, we had $442,284,000 of cash and cash equivalents, $45,357,000 of restricted cash and $2,582,544,000 of available borrowing capacity under our primary unsecured credit facility.

Key Transactions in 2017

Capital. During the six months ended June 30, 2017, we extinguished $987,923,000 of secured debt at a blended average interest rate of 5.4%. In addition, we redeemed all 11,500,000 shares of our 6.5% Series J Cumulative Redeemable Preferred Stock. During the six months ended June 30, 2017, we raised $416,014,000 through our dividend reinvestment program and our Equity Shelf Program (as defined below).

Investments. The following summarizes our acquisitions and joint venture investments completed during the six months ended June 30, 2017 (dollars in thousands):

	Properties	Investment Amount(1)	Capitalization Rates(2)	Book Amount(3)
Triple-net	6	$ 109,375	6.4%	$ 219,009
Seniors housing operating	1	34,200	6.1%	83,538
Outpatient medical	4	71,395	6.7%	95,613
Totals	11	$ 214,970	6.4%	$ 398,160

(1) Represents stated pro rata 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 Note 3 to our unaudited consolidated financial statements for additional information.

Dispositions. The following summarizes property dispositions made during the six months ended June 30, 2017 (dollars in thousands):

	Properties		Proceeds(1)	Capitalization Rates(2)		Book Amount(3)
Triple-net	54	$	1,144,951	6.8%	$	882,436
Seniors housing operating	1		27,519	4.8%		13,845
Totals	55	$	1,172,470	6.8%	$	896,281

(1) Represents pro rata proceeds received upon disposition including any seller financing.

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

(3) Represents carrying value of assets at time of disposition. See Note 5 to our unaudited consolidated financial statements for additional information.

Dividends. Our Board of Directors increased the annual cash dividend to $3.48 per common share ($0.87 per share quarterly), as compared to $3.44 per common share for 2016, beginning in February 2017. The dividend declared for the quarter ended June 30, 2017 represents the 185th consecutive quarterly dividend payment.

Key Performance Indicators, Trends and Uncertainties

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

Operating Performance. We believe that net income and net income attributable to common stockholders ("NICS") per the Statement of Comprehensive Income are the most appropriate earnings measures. Other useful supplemental measures of our operating performance include funds from operations attributable to common stockholders ("FFO"), consolidated net operating income ("NOI") and same store NOI ("SSNOI"); 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. These earnings measures (and FFO per share amounts) are widely used by investors and analysts in the valuation, comparison and investment recommendations of companies. The following table reflects the recent historical trends of our operating performance measures for the periods presented (in thousands, except per share amounts):

	Three Months Ended											
	March 31, 2016		June 30, 2016		September 30, 2016		December 31, 2016		March 31, 2017		June 30, 2017	
Net income (loss) attributable to common stockholders	$	148,969	$	195,474	$	334,910	$	333,042	$	312,639	$	188,429
Funds from operations attributable to common stockholders		391,264		416,974		401,870		372,829		306,231		384,390
Consolidated net operating income		597,414		617,825		605,453		583,486		552,129		556,747
Same store net operating income		468,592		482,887		470,668		468,537		467,024		478,806
Per share data (fully diluted):												
Net income (loss) attributable to common stockholders	$	0.42	$	0.54	$	0.93	$	0.91	$	0.86	$	0.51
Funds from operations attributable to common stockholders		1.10		1.16		1.11		1.02		0.84		1.04

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, net of cash and IRC section 1031 deposits. 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 a capital structure consistent with our current profile. The coverage ratios are based on earnings before interest, taxes, depreciation and amortization ("EBITDA"). Please refer to the section entitled "Non-GAAP Financial Measures" for further discussion and reconciliations of these measures. Leverage ratios and coverage ratios are widely used by investors, analysts and rating agencies in the valuation, comparison, investment recommendations and rating of companies. The following table reflects the recent historical trends for our credit strength measures for the periods presented:

	Three Months Ended					
	March, 31 2016	June 30, 2016	September 30, 2016	December 31, 2016	March 31, 2017	June 30, 2017
Net debt to book capitalization ratio	45%	45%	45%	43%	42%	41%
Net debt to undepreciated book capitalization ratio	40%	39%	39%	37%	36%	35%
Net debt to market capitalization ratio	32%	30%	31%	31%	29%	27%
Interest coverage ratio	3.85x	4.21x	5.24x	5.26x	5.67x	4.60x
Fixed charge coverage ratio	3.06x	3.34x	4.17x	4.15x	4.53x	3.72x

Concentration Risk. We evaluate our concentration risk in terms of NOI by property mix, relationship mix and geographic mix. Concentration risk is a valuable measure in understanding what portion of our NOI could be at risk if certain sectors were to experience downturns. Property mix measures the portion of our NOI that relates to our various property types. Relationship mix measures the portion of our NOI that relates to our top five relationships. Geographic mix measures the portion of our NOI that relates to our top five states (or international equivalents). The following table reflects our recent historical trends of concentration risk by NOI for the periods indicated below:

	Three Months Ended					
	March 31, 2016	June 30, 2016	September 30, 2016	December 31, 2016	March 31, 2017	June 30, 2017
Property mix:(1)						
Triple-net	52%	50%	51%	48%	45%	43%
Seniors housing operating	32%	34%	33%	36%	38%	39%
Outpatient medical	16%	16%	16%	16%	17%	17%
Relationship mix:(1)						
Sunrise Senior Living(2)	13%	14%	12%	13%	14%	14%
Genesis Healthcare	17%	16%	16%	13%	9%	9%
Revera(2)	6%	6%	6%	7%	7%	7%
Brookdale Senior Living	7%	7%	7%	7%	7%	7%
Benchmark Senior Living	4%	4%	4%	4%	4%	5%
Remaining relationships	53%	53%	55%	56%	59%	58%
Geographic mix:(1)						
California	10%	10%	10%	12%	13%	14%
United Kingdom	8%	8%	7%	7%	9%	9%
New Jersey	8%	8%	8%	8%	7%	8%
Canada	7%	7%	7%	8%	8%	8%
Texas	6%	6%	7%	7%	7%	7%
Remaining geographic areas	61%	61%	61%	58%	56%	54%

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

(2) Revera owns a controlling interest in Sunrise Senior Living.

Lease Expirations. The following table sets forth information regarding lease expirations for certain portions of our portfolio as of June 30, 2017 (dollars in thousands):

	Expiration Year										
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	Thereafter
Triple-net:											
Properties	-	51	-	14	12	7	4	4	61	32	412
Base rent(1)	$ -	$ 37,120	$ -	$ 17,740	$ 25,239	$ 7,295	$ 4,175	$ 10,597	$ 73,600	$ 64,679	$ 727,705
% of base rent	0.0%	3.8%	0.0%	1.8%	2.6%	0.8%	0.4%	1.1%	7.6%	6.7%	75.2%
Units/beds	-	3,151	-	1,225	2,289	690	317	692	4,538	3,724	42,250
% of Units/beds	0.0%	5.4%	0.0%	2.1%	3.9%	1.2%	0.5%	1.2%	7.7%	6.3%	71.8%
Outpatient medical:											
Square feet	663,254	908,920	1,226,852	1,255,449	1,514,458	2,451,111	1,229,680	1,415,165	704,030	1,072,198	4,295,219
Base rent(1)	$ 17,180	$ 24,307	$ 33,244	$ 34,045	$ 40,604	$ 53,945	$ 31,140	$ 40,034	$ 19,980	$ 27,537	$ 98,753
% of base rent	4.1%	5.8%	7.9%	8.1%	9.7%	12.8%	7.4%	9.5%	4.7%	6.5%	23.5%
Leases	177	270	316	295	272	274	187	114	99	120	189
% of Leases	7.7%	11.7%	13.7%	12.8%	11.8%	11.8%	8.1%	4.9%	4.3%	5.2%	8.0%

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

We evaluate our key performance indicators in conjunction with current expectations to determine if historical trends are indicative of future results. Our expected results may not be achieved and actual results may differ materially from our expectations. Factors that may cause actual results to differ from expected results are described in more detail in "Cautionary Statement Regarding Forward-Looking Statements" and other sections of this Quarterly Report on Form 10-Q. Management regularly monitors economic and other factors to develop strategic and tactical plans designed to improve performance and maximize our competitive position. Our ability to achieve our financial objectives is dependent upon our ability to effectively execute these plans and to appropriately respond to emerging economic and company-specific trends. Please refer to our Annual Report on Form 10-K for the year ended December 31, 2016, under the headings "Business," "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" for further discussion of these risk factors.

Corporate Governance

Maintaining investor confidence and trust is important in today's business environment. Our Board of Directors and management are strongly committed to policies and procedures that reflect the highest level of ethical business practices. Our corporate governance guidelines provide the framework for our business operations and emphasize our commitment to increase stockholder value while meeting all applicable legal requirements. These guidelines meet the listing standards adopted by the New York Stock Exchange and are available on the Internet at www.welltower.com/investors/governance. The information on our website is not incorporated by reference in this Quarterly Report on Form 10-Q, and our web address is included as an inactive textual reference only.

Liquidity and Capital Resources

Sources and Uses of Cash

Our primary sources of cash include rent and interest receipts, resident fees and services, borrowings under our primary unsecured 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):

	Six Months Ended		Change	
	June 30, 2017	June 30, 2016	$	%
Cash and cash equivalents at beginning of period	$ 419,378	$ 360,908	$ 58,470	16%
Cash provided from (used in) operating activities	844,109	855,657	(11,548)	-1%
Cash provided from (used in) investing activities	899,125	(361,435)	1,260,560	n/a
Cash provided from (used in) financing activities	(1,731,977)	(380,093)	(1,351,884)	356%
Effect of foreign currency translation	11,649	(8,452)	20,101	n/a
Cash and cash equivalents at end of period	$ 442,284	$ 466,585	$ (24,301)	-5%

Operating Activities. The change in net cash provided from operating activities was immaterial. Please see "Results of Operations" for discussion of net income fluctuations. For the six months ended June 30, 2017 and 2016, cash flow provided from operations exceeded cash distributions to stockholders.

Investing Activities. The changes in net cash used in investing activities are primarily attributable to an increase in dispositions, which are summarized above in "Key Transactions in 2017" and Notes 5 and 6 of our unaudited consolidated financial statements. The following is a summary of cash used in non-acquisition capital improvement activities (dollars in thousands):

	Six Months Ended		Change	
	June 30, 2017	June 30, 2016	$	%
New development	$ 149,046	$ 249,867	$ (100,821)	-40%
Recurring capital expenditures, tenant improvements and lease commissions	28,668	28,354	314	1%
Renovations, redevelopments and other capital improvements	64,479	59,175	5,304	9%
Total	$ 242,193	$ 337,396	$ (95,203)	-28%

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

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

Off-Balance Sheet Arrangements

At June 30, 2017, we had investments in unconsolidated entities with our ownership ranging from 10% to 50%. Please see Note 7 to our unaudited consolidated financial statements for additional information. We use financial derivative instruments to hedge interest rate and foreign currency exchange rate exposure. Please see Note 11 to our unaudited consolidated financial statements for additional information. At June 30, 2017, we had 14 outstanding letter of credit obligations. Please see Note 12 to our unaudited consolidated financial statements for additional information.

Contractual Obligations

The following table summarizes our payment requirements under contractual obligations as of June 30, 2017 (in thousands):

	Payments Due by Period				
Contractual Obligations	Total	2017	2018-2019	2020-2021	Thereafter
Unsecured revolving credit facility(1)	$ 385,000	$ -	$ -	$ 385,000	$ -
Senior unsecured notes and term credit facilities: (2)					
U.S. Dollar senior unsecured notes	6,050,000	-	1,050,000	900,000	4,100,000
Canadian Dollar senior unsecured notes(3)	231,089	-	-	231,089	-
Pounds Sterling senior unsecured notes(3)	1,364,476	-	-	-	1,364,476
U.S. Dollar term credit facility	505,000	-	5,000	500,000	-
Canadian Dollar term credit facility(3)	192,574	-	-	192,574	-
Secured debt:(2,3)					
Consolidated	2,674,689	173,105	886,811	370,937	1,243,836
Unconsolidated	747,748	15,255	161,131	52,295	519,067
Contractual interest obligations:(4)					
Unsecured revolving credit facility	36,884	4,098	16,393	16,393	-
Senior unsecured notes and term loans(3)	3,356,536	276,791	694,260	584,876	1,800,609
Consolidated secured debt(3)	530,019	49,036	165,252	116,309	199,422
Unconsolidated secured debt(3)	181,975	14,472	56,754	40,299	70,450
Capital lease obligations(5)	91,471	2,366	9,012	8,346	71,747
Operating lease obligations(5)	1,078,526	8,589	34,487	33,592	1,001,858
Purchase obligations(5)	368,023	229,468	138,555	-	-
Other long-term liabilities(6)	3,441	737	2,704	-	-
Total contractual obligations	$ 17,797,451	$ 773,917	$ 3,220,359	$ 3,431,710	$ 10,371,465

(1) Relates to unsecured revolving credit facility with an aggregate commitment of $3,000,000,000. See Note 9 to our unaudited consolidated financial statements for additional information.

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

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

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

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

(6) Primarily relates to payments to be made under our Supplemental Executive Retirement Plan.

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 financial ratios and minimum net worth and impose certain limits on our ability to incur indebtedness, create liens and make investments or acquisitions. As of June 30, 2017, we were in compliance with all of the covenants under our debt agreements. 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. 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 1, 2015, we filed with the Securities and Exchange Commission (1) an open-ended automatic or "universal" shelf registration statement covering an indeterminate amount of future offerings of debt securities, common stock, preferred stock, depositary shares, warrants and units and (2) a registration statement in connection with our enhanced dividend reinvestment plan ("DRIP") under which we may issue up to 15,000,000 shares of common stock. As of July 14, 2017, 4,915,603 shares of common stock remained available for issuance under the DRIP registration statement. We have entered into separate Equity Distribution Agreements with each of Morgan Stanley & Co. LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Goldman, Sachs & Co., UBS Securities LLC and Wells Fargo Securities, LLC relating to the offer and sale from time to time of up to $1,000,000,000 aggregate amount of our common stock ("Equity Shelf Program"). As of July 14, 2017, we had $784,083,000 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 and resident fees and services. Our primary expenses include interest expense, depreciation and amortization, property operating expenses, and general and administrative expenses. We evaluate our business and make resource allocations on our three business segments: triple-net, seniors housing operating and outpatient medical. The primary performance measures for our properties are NOI and SSNOI, which are discussed below. Please see Non-GAAP Financial Measures for additional information and reconciliations. The following is a summary of our results of operations (dollars in thousands, except per share amounts):

	Three Months Ended		Change		Six Months Ended		Change	
	June 30, 2017	June 30, 2016	Amount	%	June 30, 2017	June 30, 2016	Amount	%
Net income (loss) attributable to common stockholders	$ 188,429	$ 195,474	$ (7,045)	-4%	$ 501,068	$ 344,444	$ 156,624	45%
Funds from operations attributable to common stockholders	384,390	416,974	(32,584)	-8%	690,623	808,241	(117,618)	-15%
EBITDA	536,071	569,131	(33,060)	-6%	1,222,800	1,094,534	128,266	12%
Consolidated net operating income (NOI)	556,747	617,825	(61,078)	-10%	1,108,876	1,215,237	(106,361)	-9%
Same store NOI	478,806	482,887	(4,081)	-1%	945,831	951,478	(5,647)	-1%
Per share data (fully diluted):								
Net income (loss) attributable to common stockholders	$ 0.51	$ 0.54	$ (0.03)	-6%	$ 1.37	$ 0.96	$ 0.41	43%
Funds from operations attributable to common stockholders	$ 1.04	$ 1.16	$ (0.12)	-10%	$ 1.88	$ 2.26	$ (0.38)	-17%
Interest coverage ratio	4.60x	4.21x	0.39x	9%	5.14x	4.03x	1.11x	28%
Fixed charge coverage ratio	3.72x	3.34x	0.38x	11%	4.13x	3.20x	0.93x	29%

Triple-net

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

	Three Months Ended		Change		Six Months Ended		Change	
	June 30, 2017	June 30, 2016	$	%	June 30, 2017	June 30, 2016	$	%
NOI	$ 241,347	$ 310,311	$ (68,964)	-22%	$ 491,081	$ 618,477	$ (127,396)	-21%
Non SSNOI attributable to same store properties	(12,239)	(14,396)	2,157	-15%	(25,489)	(30,575)	5,086	-17%
NOI attributable to non same store properties(1)	(38,814)	(107,725)	68,911	-64%	(86,773)	(213,804)	127,031	-59%
SSNOI(2)	$ 190,294	$ 188,190	$ 2,104	1%	$ 378,819	$ 374,098	$ 4,721	1%

(1) Change is primarily due to the acquisition of 17 properties and the conversion of 23 construction projects into revenue-generating properties subsequent to January 1, 2016 and 214 properties disposed or held for sale.

(2) Relates to 534 same store properties.

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

	Three Months Ended		Change		Six Months Ended		Change	
	June 30, 2017	June 30, 2016	$	%	June 30, 2017	June 30, 2016	$	%
Revenues:								
Rental income	$ 217,889	$ 287,134	$ (69,245)	-24%	$ 445,180	$ 570,958	$ (125,778)	-22%
Interest income	20,901	21,971	(1,070)	-5%	41,580	44,824	(3,244)	-7%
Other income	2,557	1,206	1,351	112%	4,321	2,695	1,626	60%
Total revenues	241,347	310,311	(68,964)	-22%	491,081	618,477	(127,396)	-21%
NOI[(1)]	241,347	310,311	(68,964)	-22%	491,081	618,477	(127,396)	-21%
Other expenses:								
Interest expense	2,515	5,754	(3,239)	-56%	8,025	12,117	(4,092)	-34%
Loss (gain) on derivatives, net	736	-	736	n/a	1,960	-	1,960	n/a
Depreciation and amortization	60,171	75,809	(15,638)	-21%	119,781	155,609	(35,828)	-23%
Transaction costs[(2)]	-	1,291	(1,291)	-100%	-	4,143	(4,143)	-100%
Loss (gain) on extinguishment of debt, net	-	121	(121)	-100%	29,083	97	28,986	29,882%
Impairment of assets	4,846	-	4,846	n/a	4,846	14,314	(9,468)	-66%
Other expenses[(2)]	2,181	-	2,181	n/a	7,190	-	7,190	n/a
Total other expenses	70,449	82,975	(12,526)	-15%	170,885	186,280	(15,395)	-8%
Income from continuing operations before income taxes and income (loss) from unconsolidated entities	170,898	227,336	(56,438)	-25%	320,196	432,197	(112,001)	-26%
Income tax (expense) benefit	(1,471)	(213)	(1,258)	591%	(2,271)	(528)	(1,743)	330%
Income (loss) from unconsolidated entities	3,867	3,018	849	28%	9,505	6,100	3,405	56%
Income from continuing operations	173,294	230,141	(56,847)	-25%	327,430	437,769	(110,339)	-25%
Gain (loss) on real estate dispositions, net[(3)]	42,155	1,530	40,625	2,655%	273,236	1,530	271,706	17,759%
Net income	215,449	231,671	(16,222)	-7%	600,666	439,299	161,367	37%
Less: Net income (loss) attributable to noncontrolling interests	970	774	196	25%	1,573	433	1,140	263%
Net income attributable to common stockholders	$ 214,479	$ 230,897	$ (16,418)	-7%	$ 599,093	$ 438,866	$ 160,227	37%

(1) See Non-GAAP Financial Measures.

(2) See Note 3 to our unaudited consolidated financial statements.

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

The decrease in rental income is attributable to the disposition of properties exceeding new acquisitions. 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. For the three months ended June 30, 2017, we had 16 leases with rental rate increasers ranging from 0.12% to 0.58% in our triple-net portfolio. The decrease in interest income is directly related to the volume of loan payoffs during 2016 and 2017.

Depreciation and amortization decreased as a result of the disposition of triple-net properties. To the extent that we acquire or dispose of additional properties in the future, our provision for depreciation and amortization will change accordingly.

During the six months ended June 30, 2017 and 2016, we recorded impairment charges on certain held-for-sale triple-net properties as the carrying values exceeded the estimated fair value less costs to sell. Changes in the gain on sales of properties are related to the volume of property sales and the sales prices.

During the six months ended June 30, 2017, we completed eight triple-net construction projects totaling $266,650,000 or $291,102 per bed/unit. The following is a summary of triple-net construction projects pending as of June 30, 2017 (dollars in thousands):

Location	Units/Beds	Commitment	Balance	Est. Completion
Bracknell, UK	64	$ 16,404	$ 15,228	3Q17
Alexandria, VA	116	60,156	31,385	1Q18
Exton, PA	120	34,175	8,503	2Q18
	300	$ 110,735	$ 55,116	

Interest expense for the six months ended June 30, 2017 and 2016 represents secured debt interest expense and related fees. The change in interest expense is due to the net effect and timing of assumptions, segment transitions, fluctuations in foreign currency rates, extinguishments and principal amortizations. The fluctuation in losses/gains on debt extinguishment is attributable to the large volume of extinguishments in the first quarter of 2017. The following is a summary of our triple-net secured debt principal activity (dollars in thousands):

	Three Months Ended				Six Months Ended			
	June 30, 2017		June 30, 2016		June 30, 2017		June 30, 2016	
	Amount	Wtd. Avg. Interest Rate	Amount	Wtd. Avg. Interest Rate	Amount	Wtd. Avg. Interest Rate	Amount	Wtd. Avg. Interest Rate
Beginning balance	$ 339,270	3.549%	$ 522,399	5.467%	$ 594,199	4.580%	$ 554,014	5.488%
Debt extinguished	-	0.000%	(59,093)	5.260%	(255,553)	5.923%	(93,012)	5.492%
Foreign currency	7,662	2.833%	(239)	5.315%	10,817	2.823%	5,052	5.315%
Principal payments	(1,066)	5.563%	(2,798)	5.607%	(3,597)	5.723%	(5,785)	5.548%
Ending balance	$ 345,866	3.532%	$ 460,269	5.509%	$ 345,866	3.532%	$ 460,269	5.509%
Monthly averages	$ 342,670	3.534%	$ 497,403	5.493%	$ 451,143	4.144%	$ 518,490	5.490%

A portion of our triple-net properties were formed through partnerships. Income or loss from unconsolidated entities represents our share of net income or losses related to unconsolidated investments. Net income attributable to noncontrolling interest 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 and SSNOI for the seniors housing operating segment (dollars in thousands):

	Three Months Ended		Change		Six Months Ended		Change	
	June 30, 2017	June 30, 2016	$	%	June 30, 2017	June 30, 2016	$	%
NOI	$ 218,978	$ 207,255	$ 11,723	6%	$ 428,420	$ 403,730	$ 24,690	6%
Non SSNOI attributable to same store properties	481	242	239	99%	712	490	222	45%
NOI attributable to non same store properties(1)	(17,277)	71	(17,348)	-24434%	(34,386)	170	(34,556)	-20327%
SSNOI(2)	$ 202,182	$ 207,568	$ (5,386)	-3%	$ 394,746	$ 404,390	$ (9,644)	-2%

(1) Change is primarily due to the acquisition of 43 properties subsequent to January 1, 2016.

(2) Relates to 373 same store properties.

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

	Three Months Ended		Change		Six Months Ended		Change	
	June 30, 2017	June 30, 2016	$	%	June 30, 2017	June 30, 2016	$	%
Revenues:								
Resident fees and services	$ 677,040	$ 615,220	$ 61,820	10%	$ 1,347,377	$ 1,217,369	$ 130,008	11%
Interest income	-	1,042	(1,042)	-100%	69	2,073	(2,004)	-97%
Other income	1,049	8,989	(7,940)	-88%	2,510	11,178	(8,668)	-78%
Total revenues	678,089	625,251	52,838	8%	1,349,956	1,230,620	119,336	10%
Property operating expenses	459,111	417,996	41,115	10%	921,536	826,890	94,646	11%
NOI(1)	218,978	207,255	11,723	6%	428,420	403,730	24,690	6%
Other expenses:								
Interest expense	15,403	20,274	(4,871)	-24%	31,219	40,797	(9,578)	-23%
Depreciation and amortization	117,198	102,312	14,886	15%	236,935	204,144	32,791	16%
Transaction costs(2)	-	3,247	(3,247)	-100%	-	7,180	(7,180)	-100%
Loss (gain) on extinguishment of debt, net	2,524	(88)	2,612	n/a	3,414	(88)	3,502	n/a
Impairment of assets	8,785	-	8,785	n/a	14,191	-	14,191	n/a
Other expenses(2)	1,165	-	1,165	n/a	2,943	-	2,943	n/a
Total other expenses	145,075	125,745	19,330	15%	288,702	252,033	36,669	15%
Income (loss) from continuing operations before income taxes and income (loss) from unconsolidated entities	73,903	81,510	(7,607)	-9%	139,718	151,697	(11,979)	-8%
Income tax benefit (expense)	10,247	2,023	8,224	407%	9,160	4,789	4,371	91%
Income (loss) from unconsolidated entities	(8,449)	(4,887)	(3,562)	73%	(37,640)	(11,822)	(25,818)	218%
Income from continuing operations	75,701	78,646	(2,945)	-4%	111,238	144,664	(33,426)	-23%
Gain (loss) on real estate dispositions, net(3)	-	-	-	n/a	13,011	-	13,011	n/a
Net income (loss)	75,701	78,646	(2,945)	-4%	124,249	144,664	(20,415)	-14%
Less: Net income (loss) attributable to noncontrolling interests	781	(190)	971	n/a	191	167	24	14%
Net income (loss) attributable to common stockholders	$ 74,920	$ 78,836	$ (3,916)	-5%	$ 124,058	$ 144,497	$ (20,439)	-14%

(1) See Non-GAAP Financial Measures.

(2) See Note 3 to our unaudited consolidated financial statements.

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

Fluctuations in revenues and property operating expenses are primarily a result of acquisitions and the movement of U.S. and foreign currency exchange rates. The fluctuations in depreciation and amortization are due to acquisitions and variations in amortization of short-lived intangible assets. To the extent that we acquire or dispose of additional properties in the future, these amounts will change accordingly.

During the six month period ended June 30, 2017, we recorded an impairment charge related to two held-for-sale properties for which our carrying value exceeded the estimated fair value less costs to sell. During the six month period ended June 30, 2017, we recorded a gain on sale related to the sale of one property previously classified as held-for-sale.

During the six month period ended June 30, 2017, we completed one seniors housing construction project representing $3,634,000 or $302,833 per unit. The following is a summary of our seniors housing operating construction projects, excluding expansions, pending as of June 30, 2017 (dollars in thousands):

Location	Units	Commitment	Balance	Est. Completion
Chertsey, UK	94	$ 40,544	$ 27,452	1Q18
Bushey, UK	95	52,955	24,046	2Q18
	189	$ 93,499	51,498	
New York, NY	Project in planning stage		133,312	
London, UK	Project in planning stage		26,404	
Total			$ 211,214	

Interest expense represents secured debt interest expense. 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 seniors housing operating property secured debt principal activity (dollars in thousands):

	Three Months Ended				Six Months Ended			
	June 30, 2017		June 30, 2016		June 30, 2017		June 30, 2016	
	Amount	Weighted Avg. Interest Rate	Amount	Weighted Avg. Interest Rate	Amount	Weighted Avg. Interest Rate	Amount	Weighted Avg. Interest Rate
Beginning balance	$ 2,033,152	3.663%	$ 2,355,182	3.980%	$ 2,463,249	3.936%	$ 2,290,552	3.958%
Debt issued	149,264	2.519%	86,856	3.040%	161,799	2.331%	161,992	3.051%
Debt extinguished	(156,422)	4.084%	(33,080)	4.588%	(594,954)	4.990%	(91,613)	3.594%
Foreign currency	26,884	3.222%	(3,131)	3.503%	34,042	3.209%	57,066	3.504%
Principal payments	(11,893)	3.530%	(12,199)	3.907%	(23,151)	3.606%	(24,369)	3.933%
Ending balance	$ 2,040,985	3.556%	$ 2,393,628	3.923%	$ 2,040,985	3.556%	$ 2,393,628	3.923%
Monthly averages	$ 1,997,433	3.633%	$ 2,400,782	3.940%	$ 2,086,474	3.679%	$ 2,353,251	3.955%

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 (loss) related to joint ventures. The fluctuations in income (loss) from unconsolidated entities is primarily due to the recognition of goodwill and intangible asset impairments as well as non-recurring income tax expense adjustments related to our investments in unconsolidated entities during the six month period ended June 30, 2017. During the three months ended June 30, 2017, we recognized a $7,916,000 deferred tax benefit arising from basis difference generated by the aforementioned unconsolidated entities' adjustments.

Outpatient Medical

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

	Three Months Ended		Change		Six Months Ended		Change	
	June 30, 2017	June 30, 2016	$	%	June 30, 2017	June 30, 2016	$	%
NOI	$ 96,183	$ 99,805	$ (3,622)	-4%	$ 188,903	$ 192,518	$ (3,615)	-2%
Non SSNOI on same store properties	(2,704)	(2,611)	(93)	4%	(4,918)	(4,984)	66	-1%
NOI attributable to non same store properties(1)	(7,149)	(10,065)	2,916	-29%	(11,719)	(14,544)	2,825	-19%
SSNOI(2)	$ 86,330	$ 87,129	$ (799)	-1%	$ 172,266	$ 172,990	$ (724)	0%

(1) Change is primarily due to a nonrecurring cash receipt during the three months ended June 30, 2016, partially offset by acquisitions of seven properties and conversions of construction projects into nine revenue-generating properties subsequent to January 1, 2016.

(2) Relates to 235 same store properties.

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

	Three Months Ended		Change		Six Months Ended		Change	
	June 30, 2017	June 30, 2016	$	%	June 30, 2017	June 30, 2016	$	%
Revenues:								
Rental income	$ 137,710	$ 135,494	$ 2,216	2%	$ 277,561	$ 267,332	$ 10,229	4%
Interest income	-	994	(994)	-100%	-	2,298	(2,298)	-100%
Other income	1,217	4,153	(2,936)	-71%	1,830	4,466	(2,636)	-59%
Total revenues	138,927	140,641	(1,714)	-1%	279,391	274,096	5,295	2%
Property operating expenses	42,744	40,836	1,908	5%	90,488	81,578	8,910	11%
NOI(1)	96,183	99,805	(3,622)	-4%	188,903	192,518	(3,615)	-2%
Other expenses:								
Interest expense	2,122	5,402	(3,280)	-61%	4,413	11,146	(6,733)	-60%
Depreciation and amortization	47,478	48,448	(970)	-2%	96,408	95,512	896	1%
Transaction costs(2)	-	619	(619)	-100%	-	2,042	(2,042)	-100%
Impairment of assets	-	-	-	n/a	5,625	-	5,625	n/a
Loss (gain) on extinguishment of debt, net	2,991	-	2,991	n/a	4,373	-	4,373	n/a
Other expenses(2)	1,310	-	1,310	n/a	1,671	-	1,671	n/a
Total other expenses	53,901	54,469	(568)	-1%	112,490	108,700	3,790	3%
Income from continuing operations before income taxes and income from unconsolidated entities	42,282	45,336	(3,054)	-7%	76,413	83,818	(7,405)	-9%
Income tax (expense) benefit	(351)	(248)	(103)	42%	(686)	(476)	(210)	44%
Income from unconsolidated entities	604	(90)	694	n/a	1,051	(56)	1,107	n/a
Net income (loss)	42,535	44,998	(2,463)	-5%	76,778	83,286	(6,508)	-8%
Less: Net income (loss) attributable to noncontrolling interests	1,582	(1,660)	3,242	n/a	2,392	(1,525)	3,917	n/a
Net income (loss) attributable to common stockholders	$ 40,953	$ 46,658	$ (5,705)	-12%	$ 74,386	$ 84,811	$ (10,425)	-12%

(1) See Non-GAAP Financial Measures.

(2) See Note 3 to our unaudited consolidated financial statements.

The increase in rental income is primarily attributable to the acquisitions of new properties and the conversion of newly constructed outpatient medical 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 June 30, 2017, our consolidated outpatient medical portfolio signed 96,841 square feet of new leases and 255,129 square feet of renewals. The weighted-average term of these leases was nine years, with a rate of $30.29 per square foot and tenant improvement and lease commission costs of $29.70 per square foot. Substantially all of these leases during the referenced quarter contain an annual fixed or contingent escalation rent structure ranging from 0% to 3%.

The fluctuation in property operating expenses is primarily attributable to acquisitions and construction conversions of new outpatient medical facilities for which we incur certain property operating expenses. The fluctuations in depreciation and amortization are due to acquisitions and variations in amortization of short-lived intangible assets. To the extent that we acquire or dispose of additional properties in the future, these amounts will change accordingly.

During the six months ended June 30, 2017, we recorded impairment charges related to certain held-for-sale properties as the carrying values exceeded the estimated fair values less costs to sell.

During the six months ended June 30, 2017, we completed four outpatient medical construction projects representing $63,036,000 or $310 per square foot. The following is a summary of the outpatient medical construction projects, excluding expansions, pending as of June 30, 2017 (dollars in thousands):

Location	Square Feet	Commitment	Balance	Est. Completion
Brooklyn, NY	140,955	$ 105,177	$ 46,965	4Q18

Total interest expense represents secured debt interest expense. The change in secured debt interest expense is primarily due to the net effect and timing of assumptions, extinguishments and principal amortizations. The fluctuation in losses/gains on debt extinguishment is attributable to the large volume of extinguishments in 2017. The following is a summary of our outpatient medical secured debt principal activity (dollars in thousands):

	Three Months Ended				Six Months Ended			
	June 30, 2017		June 30, 2016		June 30, 2017		June 30, 2016	
	Amount	Weighted Avg. Interest Rate	Amount	Weighted Avg. Interest Rate	Amount	Weighted Avg. Interest Rate	Amount	Weighted Avg. Interest Rate
Beginning balance	$ 289,824	4.509%	$ 605,360	5.218%	$ 404,079	4.846%	$ 627,689	5.177%
Debt assumed	23,094	6.670%	-	0.000%	23,094	6.670%	-	0.000%
Debt extinguished	(25,312)	6.439%	(38,321)	5.878%	(137,416)	5.990%	(57,508)	5.993%
Principal payments	(2,688)	7.076%	(3,807)	6.281%	(4,839)	6.816%	(6,949)	5.924%
Ending balance	$ 284,918	4.617%	$ 563,232	5.129%	$ 284,918	4.617%	$ 563,232	5.129%
Monthly averages	$ 275,048	4.490%	$ 579,824	5.147%	$ 305,530	4.572%	$ 598,764	5.186%

A portion of our outpatient medical properties were formed through partnerships. Income or loss from unconsolidated entities represents our share of net income or losses related to certain unconsolidated property investments. Net income attributable to noncontrolling interests represents our partners' share of net income relating to those partnerships where we are the controlling partner.

Non-Segment/Corporate

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

	Three Months Ended		Change		Six Months Ended		Change	
	June 30, 2017	June 30, 2016	$	%	June 30, 2017	June 30, 2016	$	%
Revenues:								
Other income	$ 239	$ 454	$ (215)	-47%	$ 472	$ 512	$ (40)	-8%
Expenses:								
Interest expense	96,191	100,896	(4,705)	-5%	191,170	201,225	(10,055)	-5%
General and administrative	32,632	39,914	(7,282)	-18%	63,733	85,606	(21,873)	-26%
Other expenses	1,683	3,161	(1,478)	-47%	6,210	3,161	3,049	96%
Total expenses	130,506	143,971	(13,465)	-9%	261,113	289,992	(28,879)	-10%
Loss from continuing operations before income taxes	(130,267)	(143,517)	13,250	-9%	(260,641)	(289,480)	28,839	-10%
Income tax (expense) benefit	23	(1,049)	1,072	n/a	-	(1,546)	1,546	-100%
Loss from continuing operations	(130,244)	(144,566)	14,322	-10%	(260,641)	(291,026)	30,385	-10%
Less: Preferred stock dividends	11,680	16,352	(4,672)	-29%	26,059	32,703	(6,644)	-20%
Less: Preferred stock redemption charge	-	-	-	n/a	9,769	-	9,769	n/a
Net loss attributable to common stockholders	$ (141,924)	$ (160,918)	$ 18,994	-12%	$ (296,469)	$ (323,729)	$ 27,260	-8%

The following is a summary of our non-segment/corporate interest expense (dollars in thousands):

	Three Months Ended		Change		Six Months Ended		Change	
	June 30, 2017	June 30, 2016	$	%	June 30, 2017	June 30, 2016	$	%
Senior unsecured notes	$ 88,556	$ 94,364	$ (5,808)	-6%	$ 175,147	$ 187,898	$ (12,751)	-7%
Secured debt	55	78	(23)	-29%	115	175	(60)	-34%
Primary unsecured credit facility	4,236	3,296	940	29%	9,273	7,005	2,268	32%
Loan expense	3,344	3,158	186	6%	6,635	6,147	488	8%
Totals	$ 96,191	$ 100,896	$ (4,705)	-5%	$ 191,170	$ 201,225	$ (10,055)	-5%

The change in interest expense on senior unsecured notes is due to the net effect of issuances and extinguishments. The decrease in interest expense is attributed primarily to the $450,000,000 of 4.70% senior unsecured notes extinguished in December 2016. Please refer to Note 10 to our unaudited consolidated financial statements for additional information. Loan expense represents the amortization of deferred loan costs incurred in connection with the issuance and amendments of debt. Loan expense changes are due to amortization of charges for costs incurred in connection with senior unsecured note issuances. The change in interest expense on the 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 unaudited consolidated financial statements for additional information regarding our primary unsecured credit facility.

General and administrative expenses as a percentage of consolidated revenues for the three months ended June 30, 2017 and 2016 were 3.08% and 3.70%, respectively. The decrease in general and administrative expenses for the six months ended June 30, 2017 is primarily related to a reduction in professional service fees for tax and legal consulting and compensation costs as a result of execution of our strategic initiatives. Other expenses for the six months ended June 30, 2017 included costs associated with the departure of certain executive officers and key employees.

Other

Non-GAAP Financial Measures

We believe that net income and net income attributable to common stockholders ("NICS"), as defined by U.S. GAAP, are the most appropriate earnings measurements. However, we consider FFO, NOI, SSNOI, EBITDA and Adjusted EBITDA to be useful supplemental measures of our operating performance. Historical cost accounting for real estate assets in accordance with U.S. GAAP implicitly assumes that the value of real estate assets diminishes predictably over time as evidenced by the provision for depreciation. However, since real estate values have historically risen or fallen with market conditions, many industry investors and analysts have considered presentations of operating results for real estate companies that use historical cost accounting to be insufficient. In response, the National Association of Real Estate Investment Trusts ("NAREIT") created funds from operations attributable to common stockholders ("FFO") as a supplemental measure of operating performance for REITs that excludes historical cost depreciation from net income. FFO, as defined by NAREIT, means NICS, 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.

Consolidated net operating income ("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 paid to operators, 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 NOI ("SSNOI") is used to evaluate the operating performance of our properties under a consistent population which eliminates changes in the composition of our portfolio. As used herein, same store is generally defined as those revenue-generating properties in the portfolio for the reporting period subsequent to January 1, 2016. Land parcels, loans and sub-leases as well as any properties acquired, developed/redeveloped, transitioned, sold or classified as held for sale during that period are excluded from the same store amounts. We believe NOI and SSNOI 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 SSNOI to make decisions about resource allocations and to assess the property level performance of our properties.

EBITDA stands for earnings (net income) 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. Covenants in our senior unsecured notes contain a financial ratios based on a definition of EBITDA that is specific to those agreements. 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 excluding unconsolidated entities and adjusted for items per our covenant. 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.

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. 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 following tables reflect the reconciliations of NOI and SSNOI to net income, the most directly comparable U.S. GAAP measure, for the periods presented. Dollars are in thousands.

	Three Months Ended					
NOI Reconciliations:	March 31, 2016	June 30, 2016	September 30, 2016	December 31, 2016	March 31, 2017	June 30, 2017
Net income	$ 165,474	$ 210,749	$ 354,741	$ 351,108	$ 337,610	$ 203,441
Loss (gain) on real estate dispositions, net	-	(1,530)	(162,351)	(200,165)	(244,092)	(42,155)
Loss (income) from unconsolidated entities	3,820	1,959	1,749	2,829	23,106	3,978
Income tax expense (benefit)	(1,725)	(513)	(305)	(16,585)	2,245	(8,448)
Other expenses	-	3,161	-	8,838	11,675	6,339
Impairment of assets	14,314	-	9,705	13,187	11,031	13,631
Provision for loan losses	-	-	-	10,215	-	-
Loss (gain) on extinguishment of debt, net	(24)	33	-	17,204	31,356	5,515
Loss (gain) on derivatives, net	-	-	(2,516)	68	1,224	736
Transaction costs	8,208	5,157	19,842	9,704	-	-
General and administrative expenses	45,691	39,914	36,828	32,807	31,101	32,632
Depreciation and amortization	228,696	226,569	218,061	227,916	228,276	224,847
Interest expense	132,960	132,326	129,699	126,360	118,597	116,231
Consolidated net operating income (NOI)	$ 597,414	$ 617,825	$ 605,453	$ 583,486	$ 552,129	$ 556,747
NOI by segment:						
Triple-net	308,168	310,311	310,864	279,516	249,735	241,347
Seniors housing operating	196,475	207,255	199,495	210,895	209,442	218,978
Outpatient medical	92,713	99,805	94,905	92,841	92,719	96,183
Non-segment/corporate	58	454	189	234	233	239
Total NOI	$ 597,414	$ 617,825	$ 605,453	$ 583,486	$ 552,129	$ 556,747

	Six Months Ended	
NOI Reconciliations:	June 30, 2016	June 30, 2017
Net income	$ 376,223	$ 541,052
Loss (gain) on real estate dispositions, net	(1,530)	(286,247)
Loss (income) from unconsolidated entities	5,778	27,084
Income tax expense (benefit)	(2,239)	(6,203)
Other expenses	3,161	18,014
Impairment of assets	14,314	24,662
Loss (gain) on extinguishment of debt, net	9	36,870
Loss (gain) on derivatives, net	-	1,960
Transaction costs	13,365	-
General and administrative expenses	85,606	63,733
Depreciation and amortization	455,265	453,124
Interest expense	265,285	234,827
Consolidated net operating income (NOI)	$ 1,215,237	$ 1,108,876
NOI by segment:		
Triple-net	618,477	491,081
Seniors housing operating	403,730	428,420
Outpatient medical	192,518	188,903
Non-segment/corporate	512	472
Total NOI	$ 1,215,237	$ 1,108,876

		Three Months Ended					
SSNOI Reconciliations:		March 31, 2016	June 30, 2016	September 30, 2016	December 31, 2016	March 31, 2017	June 30, 2017
NOI:							
Triple-net		$ 308,168	$ 310,311	$ 310,864	$ 279,516	$ 249,735	$ 241,347
Seniors housing operating		196,475	207,255	199,495	210,895	209,442	218,978
Outpatient medical		92,713	99,805	94,905	92,841	92,719	96,183
Total		597,356	617,371	605,264	583,252	551,896	556,508
Adjustments:							
Triple-net:							
Non SSNOI on same store properties		(16,179)	(14,396)	(14,249)	(14,135)	(13,250)	(12,239)
NOI attributable to non same store properties		(106,079)	(107,725)	(108,659)	(77,392)	(47,960)	(38,814)
Subtotal		(122,258)	(122,121)	(122,908)	(91,527)	(61,210)	(51,053)
Seniors housing operating:							
Non SSNOI on same store properties		248	242	1,269	231	231	481
NOI attributable to non same store properties		99	71	(4,532)	(17,914)	(17,109)	(17,277)
Subtotal		347	313	(3,263)	(17,683)	(16,878)	(16,796)
Outpatient medical:							
Non SSNOI on same store properties		(2,373)	(2,611)	(2,636)	(1,974)	(2,214)	(2,704)
NOI attributable to non same store properties		(4,480)	(10,065)	(5,789)	(3,531)	(4,570)	(7,149)
Subtotal		(6,853)	(12,676)	(8,425)	(5,505)	(6,784)	(9,853)
SSNOI:	Properties						
Triple-net	534	185,910	188,190	187,956	187,989	188,525	190,294
Seniors housing operating	373	196,822	207,568	196,232	193,212	192,564	202,182
Outpatient medical	235	85,860	87,129	86,480	87,336	85,935	86,330
Total	1,142	$ 468,592	$ 482,887	$ 470,668	$ 468,537	$ 467,024	$ 478,806

SSNOI Property Reconciliation:	
Total properties	1,274
Acquisitions	(67)
Developments	(37)
Held-for-sale	(17)
Segment transitions	(3)
Other[(1)]	(8)
Same store properties	1,142

(1) Includes eight land parcels.

		Six Months Ended	
SSNOI Reconciliations:		June 30, 2016	June 30, 2017
NOI:			
Triple-net		$ 618,477	$ 491,081
Seniors housing operating		403,730	428,420
Outpatient medical		192,518	188,903
Total		1,214,725	1,108,404
Adjustments:			
Triple-net:			
Non SSNOI on same store properties		(30,575)	(25,489)
NOI attributable to non same store properties		(213,804)	(86,773)
Subtotal		(244,379)	(112,262)
Seniors housing operating:			
Non SSNOI on same store properties		490	712
NOI attributable to non same store properties		170	(34,386)
Subtotal		660	(33,674)
Outpatient medical			
Non SSNOI on same store properties		(4,984)	(4,918)
NOI attributable to non same store properties		(14,544)	(11,719)
Subtotal		(19,528)	(16,637)
SSNOI:	Properties		
Triple-net	534	374,098	378,819
Seniors housing operating	373	404,390	394,746
Outpatient medical	235	172,990	172,266
Total	1,142	$ 951,478	$ 945,831

The table below reflects the reconciliation of FFO to NICS, the most directly comparable U.S. GAAP measure, for the periods presented. Noncontrolling interest and unconsolidated entity amounts represent adjustments to reflect our share of depreciation and amortization. Amounts are in thousands except for per share data.

	Three Months Ended					
FFO Reconciliations:	March 31, 2016	June 30, 2016	September 30, 2016	December 31, 2016	March 31, 2017	June 30, 2017
NICS	$ 148,969	$ 195,474	$ 334,910	$ 333,042	$ 312,639	$ 188,429
Depreciation and amortization	228,696	226,569	218,061	227,916	228,276	224,847
Impairment of assets	14,314	-	9,705	13,187	11,031	13,631
Loss (gain) on sales of properties, net	-	(1,530)	(162,351)	(200,165)	(244,092)	(42,155)
Noncontrolling interests	(17,319)	(20,616)	(15,695)	(17,897)	(18,107)	(16,955)
Unconsolidated entities	16,604	17,077	17,240	16,746	16,484	16,593
FFO	$ 391,264	$ 416,974	$ 401,870	$ 372,829	$ 306,231	$ 384,390
Average common shares outstanding:						
Basic	355,076	356,646	358,932	362,088	362,534	366,524
Diluted	356,051	358,891	361,237	364,369	364,652	368,149
Per share data:						
NICS						
Basic	$ 0.42	$ 0.55	$ 0.93	$ 0.92	$ 0.86	$ 0.51
Diluted	0.42	0.54	0.93	0.91	0.86	0.51
FFO						
Basic	$ 1.10	$ 1.17	$ 1.12	$ 1.03	$ 0.84	$ 1.05
Diluted	1.10	1.16	1.11	1.02	0.84	1.04

	Six Months Ended	
FFO Reconciliations:	June 30, 2016	June 30, 2017
Net income attributable to common stockholders	$ 344,444	$ 501,068
Depreciation and amortization	455,265	453,124
Impairment of assets	14,314	24,662
Loss (gain) on sales of properties, net	(1,530)	(286,247)
Noncontrolling interests	(37,934)	(35,061)
Unconsolidated entities	33,682	33,077
Funds from operations attributable to common stockholders	$ 808,241	$ 690,623
Average common shares outstanding:		
Basic	355,879	364,551
Diluted	357,489	366,423
Per share data:		
Net income attributable to common stockholders		
Basic	$ 0.97	$ 1.37
Diluted	0.96	1.37
Funds from operations attributable to common stockholders		
Basic	$ 2.27	$ 1.89
Diluted	2.26	1.88

The table below reflects the reconciliation of EBITDA to net income, the most directly comparable U.S. GAAP measure, for the periods presented. Dollars are in thousands.

	Three Months Ended					
EBITDA Reconciliations:	March 31, 2016	June 30, 2016	September 30, 2016	December 31, 2016	March 31, 2017	June 30, 2017
Net income	$ 165,474	$ 210,749	$ 354,741	$ 351,108	$ 337,610	$ 203,441
Interest expense	132,960	132,326	129,699	126,360	118,597	116,231
Income tax expense (benefit)	(1,725)	(513)	(305)	(16,585)	2,245	(8,448)
Depreciation and amortization	228,696	226,569	218,061	227,916	228,276	224,847
EBITDA	$ 525,405	$ 569,131	$ 702,196	$ 688,799	$ 686,728	$ 536,071
Interest Coverage Ratio:						
Interest expense	$ 132,960	$ 132,326	$ 129,699	$ 126,360	$ 118,597	$ 116,231
Non-cash interest expense	599	(1,519)	(543)	(216)	(1,679)	(2,946)
Capitalized interest	3,037	4,306	4,766	4,834	4,129	3,358
Total interest	136,596	135,113	133,922	130,978	121,047	116,643
EBITDA	$ 525,405	$ 569,131	$ 702,196	$ 688,799	$ 686,728	$ 536,071
Interest coverage ratio	3.85x	4.21x	5.24x	5.26x	5.67x	4.60x
Fixed Charge Coverage Ratio:						
Total interest	$ 136,596	$ 135,113	$ 133,922	$ 130,978	$ 121,047	$ 116,643
Secured debt principal payments	18,642	19,096	18,151	18,577	16,249	15,958
Preferred dividends	16,352	16,352	16,352	16,352	14,379	11,680
Total fixed charges	171,590	170,561	168,425	165,907	151,675	144,281
EBITDA	$ 525,405	$ 569,131	$ 702,196	$ 688,799	$ 686,728	$ 536,071
Fixed charge coverage ratio	3.06x	3.34x	4.17x	4.15x	4.53x	3.72x

	Six Months Ended	
EBITDA Reconciliations:	June 30, 2016	June 30, 2017
Net income	$ 376,223	$ 541,052
Interest expense	265,285	234,827
Income tax expense (benefit)	(2,239)	(6,203)
Depreciation and amortization	455,265	453,124
EBITDA	$ 1,094,534	$ 1,222,800
Interest Coverage Ratio:		
Interest expense	$ 265,285	$ 234,827
Non-cash interest expense	(920)	(4,626)
Capitalized interest	7,343	7,488
Total interest	271,708	237,689
EBITDA	$ 1,094,534	$ 1,222,800
Interest coverage ratio	4.03x	5.14x
Fixed Charge Coverage Ratio:		
Total interest	$ 271,708	$ 237,689
Secured debt principal payments	37,737	32,206
Preferred dividends	32,703	26,059
Total fixed charges	342,148	295,954
EBITDA	$ 1,094,534	$ 1,222,800
Fixed charge coverage ratio	3.20x	4.13x

The table below reflects the reconciliation of Adjusted EBITDA to net income, the most directly comparable U.S. GAAP measure, for the periods presented. Dollars are in thousands.

	Twelve Months Ended					
Adjusted EBITDA Reconciliations:	March 31, 2016	June 30, 2016	September 30, 2016	December 31, 2016	March 31, 2017	June 30, 2017
Net income	$ 844,606	$ 724,894	$ 880,380	$ 1,082,070	$ 1,254,208	$ 1,246,899
Interest expense	504,048	517,512	526,082	521,345	506,982	490,886
Income tax expense (benefit)	5,030	(2,899)	139	(19,128)	(15,158)	(23,093)
Depreciation and amortization	866,106	883,873	896,135	901,242	900,822	899,100
EBITDA	2,219,790	2,123,380	2,302,736	2,485,529	2,646,854	2,613,792
Loss (income) from unconsolidated entities	12,676	11,682	10,801	10,357	29,643	31,662
Transaction costs	70,579	63,245	73,754	42,910	34,702	29,545
Stock-based compensation expense	29,976	25,883	25,807	28,869	25,588	23,321
Loss (gain) on extinguishment of debt, net	19,252	398	(186)	17,214	48,593	54,074
Losses/impairments (gain) on sale of properties, net	(209,228)	(20,647)	(171,246)	(326,839)	(574,216)	(601,209)
Provision for loan losses	-	-	-	10,215	10,215	10,215
Loss (gain) on derivatives, net	-	-	(2,516)	(2,448)	(1,225)	(489)
Other expenses	40,636	37,386	37,386	7,721	19,396	23,997
Additional other income	(2,144)	(13,955)	(11,811)	(16,664)	(16,664)	(4,853)
Adjusted EBITDA	$ 2,181,537	$ 2,227,372	$ 2,264,725	$ 2,256,864	$ 2,222,886	$ 2,180,055
Adjusted Fixed Charge Coverage Ratio:						
Interest expense	$ 504,048	$ 517,512	$ 526,082	$ 521,345	$ 506,982	$ 490,886
Capitalized interest	9,320	11,566	14,467	16,943	18,035	17,087
Non-cash interest expense	(1,868)	(7,589)	(4,341)	(1,681)	(3,958)	(5,386)
Total interest	511,500	521,489	536,208	536,607	521,059	502,587
Adjusted EBITDA	$ 2,181,537	$ 2,227,372	$ 2,264,725	$ 2,256,864	$ 2,222,886	$ 2,180,055
Adjusted interest coverage ratio	4.26x	4.27x	4.22x	4.21x	4.27x	4.34x
Total interest	$ 511,500	$ 521,489	$ 536,208	$ 536,607	$ 521,059	$ 502,587
Secured debt principal payments	70,076	71,836	74,170	74,466	72,073	68,935
Preferred dividends	65,408	65,408	65,407	65,406	63,434	58,762
Total fixed charges	646,984	658,733	675,785	676,479	656,566	630,284
Adjusted EBITDA	$ 2,181,537	$ 2,227,372	$ 2,264,725	$ 2,256,864	$ 2,222,886	$ 2,180,055
Adjusted fixed charge coverage ratio	3.37x	3.38x	3.35x	3.34x	3.39x	3.46x

Our leverage ratios include book capitalization, undepreciated book capitalization and market capitalization. Book capitalization represents the sum of net debt (defined as total long-term debt less cash and cash equivalents and any IRC section 1031 deposits), total equity and redeemable noncontrolling interests. Undepreciated book capitalization represents book capitalization adjusted for accumulated depreciation and amortization. Market capitalization represents book capitalization adjusted for the fair market value of our common stock. Our leverage ratios are defined as the proportion of net debt to total capitalization. The table below reflects the reconciliation of our leverage ratios to our balance sheets for the periods presented. Dollars are in thousands.

	As of					
	March 31, 2016	June 30, 2016	September 30, 2016	December 31, 2016	March 31, 2017	June 30, 2017
Book capitalization:						
Borrowings under primary unsecured credit facility	$ 645,000	$ 745,000	$ 1,350,000	$ 645,000	$ 522,000	$ 385,000
Long-term debt obligations[1]	12,418,198	12,228,727	12,080,888	11,713,245	10,932,185	10,994,946
Cash & cash equivalents[2]	(355,949)	(466,585)	(456,420)	(557,659)	(380,360)	(442,284)
Total net debt	12,707,249	12,507,142	12,974,468	11,800,586	11,073,825	10,937,662
Total equity	14,999,794	14,868,568	15,264,238	15,281,472	15,110,263	15,313,523
Redeemable noncontrolling interest	359,656	394,126	393,530	398,433	385,418	388,876
Book capitalization	$ 28,066,699	$ 27,769,836	$ 28,632,236	$ 27,480,491	$ 26,569,506	$ 26,640,061
Net debt to book capitalization ratio	45%	45%	45%	43%	42%	41%
Undepreciated book capitalization:						
Total net debt	$ 12,707,249	$ 12,507,142	$ 12,974,468	$ 11,800,586	$ 11,073,825	$ 10,937,662
Accumulated depreciation and amortization	4,032,726	4,109,585	4,243,038	4,093,494	4,335,160	4,568,408
Total equity	14,999,794	14,868,568	15,264,238	15,281,472	15,110,263	15,313,523
Redeemable noncontrolling interest	359,656	394,126	393,530	398,433	385,418	388,876
Undepreciated book capitalization	$ 32,099,425	$ 31,879,421	$ 32,875,274	$ 31,573,985	$ 30,904,666	$ 31,208,469
Net debt to undepreciated book capitalization ratio	40%	39%	39%	37%	36%	35%
Market capitalization:						
Total net debt	$ 12,707,249	$ 12,507,142	$ 12,974,468	$ 11,800,586	$ 11,073,825	$ 10,937,662
Common shares outstanding	356,773	357,690	362,425	362,602	364,564	368,878
Period end share price	$ 69.34	$ 76.17	$ 74.77	$ 66.93	$ 70.82	$ 74.85
Common equity market capitalization	24,738,620	27,245,247	27,098,517	24,268,952	25,818,422	27,610,518
Noncontrolling interests	839,856	869,320	867,923	873,512	859,478	873,567
Preferred stock	1,006,250	1,006,250	1,006,250	1,006,250	718,750	718,750
Enterprise value	$ 39,291,975	$ 41,627,959	$ 41,947,158	$ 37,949,300	$ 38,470,475	$ 40,140,497
Net debt to market capitalization ratio	32%	30%	31%	31%	29%	27%

(1) Amounts include senior unsecured notes, secured debt and capital lease obligations as reflected on our consolidated balance sheet.

(2) Inclusive of IRC section 1031 deposits, if any.

Critical Accounting Policies

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

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

Management has discussed the development and selection of its critical accounting policies with the Audit Committee of the Board of Directors. Management believes the current assumptions and other considerations used to estimate amounts reflected in our unaudited consolidated financial statements are appropriate and are not reasonably likely to change in the future. However, since these estimates require assumptions to be made that were uncertain at the time the estimate was made, they bear the risk of change. If actual experience differs from the assumptions and other considerations used in estimating amounts reflected in our unaudited consolidated financial statements, the resulting changes could have a material adverse effect on our consolidated results of operations, liquidity and/or financial condition. Please refer to Note 2 to the financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2016 for further information regarding significant accounting policies that impact us. There have been no material changes to these policies in 2017.

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

Cautionary Statement Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q may contain "forward-looking" statements as defined in the Private Securities Litigation Reform Act of 1995. When the company uses words such as "may," "will," "intend," "should," "believe," "expect," "anticipate," "project," "estimate" or similar expressions that do not relate solely to historical matters, it is making forward-looking statements. In particular, these forward-looking statements include, but are not limited to, those relating to the company's opportunities to acquire, develop or sell properties; the company's ability to close its anticipated acquisitions, investments or dispositions on currently anticipated terms, or within currently anticipated timeframes; the expected performance of the company's operators/tenants and properties; the company's expected occupancy rates; the company's ability to declare and to make distributions to shareholders; the company's investment and financing opportunities and plans; the company's continued qualification as a real estate investment trust ("REIT"); the company's ability to access capital markets or other sources of funds; and the company's ability to meet its earnings guidance. Forward-looking statements are not guarantees of future performance and involve risks and uncertainties that may cause the company's actual results to differ materially from the company's expectations discussed in the forward-looking statements. This may be a result of various factors, including, but not limited to: the status of the economy; the status of capital markets, including availability and cost of capital; issues facing the health care industry, including compliance with, and changes to, regulations and payment policies, responding to government investigations and punitive settlements and operators'/tenants' difficulty in cost-effectively obtaining and maintaining adequate liability and other insurance; changes in financing terms; competition within the health care and seniors housing industries; negative developments in the operating results or financial condition of operators/tenants, including, but not limited to, their ability to pay rent and repay loans; the company's ability to transition or sell properties with profitable results; the failure to make new investments or acquisitions as and when anticipated; natural disasters and other acts of God affecting the company's properties; the company's ability to re-lease space at similar rates as vacancies occur; the company's ability to timely reinvest sale proceeds at similar rates to assets sold; operator/tenant or joint venture partner bankruptcies or insolvencies; the cooperation of joint venture partners; government regulations affecting Medicare and Medicaid reimbursement rates and operational requirements; liability or contract claims by or against operators/tenants; unanticipated difficulties and/or expenditures relating to future investments or acquisitions; environmental laws affecting the company's properties; changes in rules or practices governing the company's financial reporting; the movement of U.S. and foreign currency exchange rates; the company's ability to maintain its qualification as a REIT; and key management personnel recruitment and retention. Other important factors are identified in the company's Annual Report on Form 10-K for the year ended December 31, 2016, including factors identified under the headings "Business," "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations." Finally, the company undertakes no obligation to update or revise publicly any forward-looking statements, whether because of new information, future events or otherwise, or to update the reasons why actual results could differ from those projected in any forward-looking statements.

Item 3. *Quantitative and Qualitative Disclosures About Market Risk*

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

We historically borrow on our primary unsecured 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):

	June 30, 2017		December 31, 2016	
	Principal balance	Change in fair value	Principal balance	Change in fair value
Senior unsecured notes	$ 7,645,564	$ (514,151)	$ 7,568,832	$ (521,203)
Secured debt	1,755,369	(67,651)	2,489,276	(73,944)
Totals	$ 9,400,933	$ (581,802)	$ 10,058,108	$ (595,147)

Our variable rate debt, including our primary unsecured credit facility, is reflected at fair value. At June 30, 2017, we had $2,001,894,000 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 $20,019,000. At December 31, 2016, we had $2,311,996,000 outstanding under our variable rate debt. Assuming no changes in outstanding balances, a 1% increase in interest rates would have resulted in increased annual interest expense of $23,120,000.

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 impact the amount of net income we earn from our investments in Canada and the United Kingdom. Based solely on our results for the three months ended June 30, 2017, including the impact of existing hedging arrangements, if these exchange rates were to increase or decrease by 10%, our net income from these investments would increase or decrease, as applicable, by less than $3,500,000. We will continue to mitigate these underlying foreign currency exposures with non-U.S. denominated borrowings and gains and losses on derivative contracts. If we increase our international presence through investments in, or acquisitions or development of, seniors housing and health care properties outside the U.S., we may also decide to transact additional business or borrow funds in currencies other than U.S. Dollars, Canadian Dollars or Pounds Sterling. To illustrate the impact of changes in foreign currency markets, we performed a sensitivity analysis on our derivative portfolio whereby we modeled the change in net present values arising from a hypothetical 1% increase in foreign currency exchange rates to determine the instruments' change in fair value. The following table summarizes the results of the analysis performed (dollars in thousands):

	June 30, 2017		December 31, 2016	
	Carrying Value	Change in fair value	Carrying Value	Change in fair value
Foreign currency forward contracts	$ 43,900	$ 15,338	$ 87,962 (1)	$ 722 (1)
Debt designated as hedges	1,557,049	15,570	1,481,591	13,000
Totals	$ 1,600,949	$ 30,908	$ 1,569,553	$ 13,722

(1) Amounts exclude cross currency hedge activity.

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

Item 4. *Controls and Procedures*

Our management, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures are effective in providing reasonable assurance that information required to be disclosed by us in the reports we file with or submit to the SEC under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. No changes in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) occurred during the fiscal quarter covered by this Quarterly Report on Form 10-Q that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. *Legal Proceedings*

From time to time, there are various legal proceedings pending against us that arise in the ordinary course of our business.

Management does not believe that the resolution of any of these legal proceedings either individually or in the aggregate will have a material adverse effect on our business, results of operations or financial condition. Despite management's view of the ultimate resolution of these legal proceedings, we may have significant legal expenses and costs associated with the defense of such matters. Further, management cannot predict the outcome of these legal proceedings and if management's expectation regarding such matters is not correct, such proceedings could have a material adverse effect on our business, results of operations or financial condition.

From time to time, we are party to certain legal proceedings for which third parties, such as tenants, operators and/or managers, are contractually obligated to indemnify, defend and hold us harmless. In some of these matters, the indemnitors have insurance for the potential damages. In other matters, we are being defended by tenants and other obligated third parties and these indemnitors may not have sufficient insurance, assets, income or resources to satisfy their defense and indemnification obligations to us. The unfavorable resolution of such legal proceedings could, individually or in the aggregate, materially adversely affect the indemnitors' ability to satisfy their respective obligations to us, which, in turn, could have a material adverse effect on our business, results of operations or financial condition. It is management's opinion that there are currently no such legal proceedings pending that will, individually or in the aggregate, have such a material adverse effect.

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

There have been no material changes from the risk factors identified under the heading "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2016.

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

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased(1)	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs(2)	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
April 1, 2017 through April 30, 2017	-	$ -		
May 1, 2017 through May 31, 2017	107	73.45		
June 1, 2017 through June 30, 2017	203	77.43		
Totals	310	$ 76.06		

(1) During the three months ended June 30, 2017, the company acquired shares of common stock held by employees who tendered owned shares to satisfy tax withholding obligations.
(2) No shares were purchased as part of publicly announced plans or programs.

Item 5. ***Other Information***

6.50% Series J Cumulative Redeemable Preferred Stock – Certificate of Elimination

On July 26, 2017, we filed a certificate 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 certificate of designation for the 6.50% Series J Cumulative Redeemable Preferred Stock (the "Series J Stock"). All 11,500,000 shares of the Series J Stock were redeemed by us on March 7, 2017, and no shares of the Series J Stock were issued or outstanding at the time of the filing of the certificate of elimination.

Item 6. ***Exhibits***

3.1	Certificate of Elimination of 6.50% Series J Cumulative Redeemable Preferred Stock of the company.
10.1	Third Amended and Restated Employment Agreement, dated June 16, 2017, between the company and Scott A. Estes.*
10.2	Amended and Restated Employment Agreement, dated June 16, 2017, between the company and Mercedes T. Kerr.*
10.3	Summary of Director Compensation.*
12	Statement Regarding Computation of Ratio of Earnings to Fixed Charges and Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends (Unaudited).

31.1	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer.
31.2	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer.
32.1	Certification pursuant to 18 U.S.C. Section 1350 by Chief Executive Officer.
32.2	Certification pursuant to 18 U.S.C. Section 1350 by Chief Financial Officer.
101.INS	XBRL Instance Document**
101.SCH	XBRL Taxonomy Extension Schema Document**
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document**
101.LAB	XBRL Taxonomy Extension Label Linkbase Document**
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document**
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document**

* Management Contract or Compensatory Plan or Arrangement

** Attached as Exhibit 101 to this Quarterly Report on Form 10-Q are the following materials, formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Balance Sheets at June 30, 2017 and December 31, 2016, (ii) the Consolidated Statements of Comprehensive Income for the six months ended June 30, 2017 and 2016, (iii) the Consolidated Statements of Equity for the six months ended June 30, 2017 and 2016, (iv) the Consolidated Statements of Cash Flows for the six months ended June 30, 2017 and 2016 and (v) the Notes to Unaudited Consolidated Financial Statements.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

WELLTOWER INC.

Date: July 28, 2017	By: /s/ THOMAS J. DEROSA Thomas J. DeRosa, Chief Executive Officer (Principal Executive Officer)
Date: July 28, 2017	By: /s/ SCOTT A. ESTES Scott A. Estes, Executive Vice President - Chief Financial Officer (Principal Financial Officer)
Date: July 28, 2017	By: /s/ PAUL D. NUNGESTER, JR. Paul D. Nungester, Jr., Senior Vice President & Controller (Principal Accounting Officer)

EXHIBIT 3.1

CERTIFICATE OF ELIMINATION
OF
6.50% SERIES J CUMULATIVE REDEEMABLE PREFERRED STOCK
OF
WELLTOWER INC.

Pursuant to Section 151 of the General Corporation Law of the State of Delaware

The undersigned duly authorized officer of Welltower 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 May 4, 2017, authorizing a decrease in the number of shares designated as 6.50% Series J Cumulative Redeemable Preferred Stock, $1.00 par value per share ("Series J Stock"), from 11,500,000 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 of the Series J Stock.

3. That no shares of Series J Stock remain issued and outstanding.

RESOLUTIONS ADOPTED BY THE BOARD OF DIRECTORS

NOW, THEREFORE, BE IT RESOLVED, that no further shares of Series J Stock shall be issued subject to the Certificate of Designation of the Series J Stock previously filed with the Secretary of State of the State of Delaware (the "Certificate of Designation").

RESOLVED, that the number of shares designated as Series J Stock be reduced to zero, which is the number issued and outstanding following the redemption of all the shares of Series J Stock by the Company, in order to allow the 11,500,000 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, that the officers of the Company 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 J 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 J Stock and the elimination from the certificate of incorporation of the Company all matters set forth in the Certificate of Designation, 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 J Stock.

RESOLVED, 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 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, that all actions heretofore taken by any 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, that the 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 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 officer of the Company.

[THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the undersigned has executed and subscribed this certificate and does affirm the foregoing as true under the penalties of perjury this 26th day of July, 2017.

/s/ Scott A. Estes
Scott A. Estes
Executive Vice President – Chief Financial Officer

ATTEST:

/s/ Matthew McQueen
Matthew McQueen
Senior Vice President – General Counsel & Corporate Secretary

EXHIBIT 10.1

THIRD AMENDED AND RESTATED
EMPLOYMENT AGREEMENT

THIS THIRD AMENDED AND RESTATED EMPLOYMENT AGREEMENT (the “Agreement”), is being entered into this June 16, 2017 (the “Effective Date”), by and between **WELLTOWER INC.**, a Delaware corporation, (the “Corporation”), and SCOTT A. ESTES (the “Executive”).

WHEREAS, Executive and the Corporation previously entered into a Second Amended and Restated Employment Agreement, dated December 29, 2008 (the “Prior Employment Agreement”); and

WHEREAS, the Parties desire to amend and restate the Prior Employment Agreement so that the Executive continues to act as the Corporation’s Executive Vice President – Chief Financial Officer based 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 continue to employ the Executive as the Corporation’s Executive Vice President – Chief Financial Officer, upon the terms and conditions herein contained, and the Executive hereby agrees to continue such employment and to continue to serve in such positions, and to perform the duties and functions customarily performed by the Executive Vice President – Chief Financial Officer of a publicly traded corporation.

In such capacity, the Executive shall report to the Corporation’s Chief Executive Officer (“CEO”) and shall have such powers and responsibilities set forth in the Corporation’s By-Laws as well as such additional powers and responsibilities consistent with his position as may be assigned by the CEO.

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; provided, that the Executive will be permitted to, with the prior written approval of the CEO, act or serve as a director, trustee or committee member of a commercial business, civic or charitable organization.

2. TERM OF AGREEMENT

The term of employment under this Agreement shall expire on January 31, 2019, unless earlier terminated under one of the circumstances set forth in Sections 5, 6 or 7. As used herein, “Term” refers to the length of the Executive’s employment under this Agreement, but the Term shall end upon any termination of Executive’s employment with the Corporation as provided herein. Notwithstanding the foregoing, if a Change in Corporate Control (as defined in Section 6(b)) occurs during the Term, the Term shall be extended until twenty-four (24) months after the Change in Corporate Control.

The Corporation shall be entitled to terminate this Agreement and the Executive’s employment immediately for any reason or no reason, subject to the continuing obligations of the Corporation under this Agreement. Upon termination of the Executive’s employment hereunder, unless otherwise expressly provided by the Corporation’s Board of Directors (the “Board”), the Executive shall be deemed to have resigned from all positions that the Executive holds as an officer of the Corporation or any of its affiliates.

3. BASE COMPENSATION AND BONUS

(a) The Executive shall receive annual base compensation during the Term of this Agreement of not less than $510,000 in cash (“Base Compensation”). Such amounts shall be payable in substantially equal semi-monthly installments in accordance with the Corporation’s customary payroll practices. Subject to the terms of this Agreement, during the Term, the Compensation Committee of the Board (the “Compensation Committee”) shall consult with the CEO 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 for each calendar year ending during the Term of this Agreement, 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. Except as otherwise provided in Sections 5 or 6, (i) the annual bonus will be subject to the terms of any Corporation bonus plan under which it is granted and (ii) in order to be eligible to receive an annual bonus, the Executive must be employed by the Corporation on the last day of the applicable calendar year.

4. ADDITIONAL COMPENSATION AND BENEFITS

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

(a) Long-Term Incentives. During the Term of the Agreement, any stock options, restricted stock or other awards granted under the 2016 Long-Term Incentive Plan shall be at the discretion of the Compensation Committee.

(b) Health Insurance. During the Term of this Agreement, the Corporation shall provide the Executive and his dependents with health insurance, life insurance and disability 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) 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 officers, and in such welfare plans, programs, practices and policies of the Corporation as are generally applicable to other key employees, unless such participation would duplicate, directly or indirectly, benefits already accorded to the Executive.

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 bonus 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 Section 4(d);

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

(vii) all of Executive's outstanding stock options, restricted stock or other equity awards with time-based vesting shall become fully vested and, in the case of stock options, exercisable in full, and the Executive shall have the right to exercise such stock options during a period of ninety (90) days following the termination of employment;

(viii) the treatment of all of Executive's outstanding stock options, restricted stock, restricted stock units or other equity awards with performance-based vesting shall be determined in accordance with the long-term incentive plan, and any other plans, pursuant to which such awards were granted and the applicable award agreement;

(ix) continued coverage under any group health plan maintained by the Corporation in which the Executive participated at the time of his termination for the remainder of the Term of the Agreement (but not less than six (6) months and not more than the period during which the Executive would be entitled to continuation coverage under Section 4980B of the Code, if the Executive elected such coverage and paid the applicable premiums), or until, if earlier, the date the Executive obtains comparable coverage under benefit plans maintained by a new employer, 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

(x) a series of semi-monthly severance payments for each complete calendar month during the remaining Term of this Agreement, but not less than twelve (12) months (the "Severance Period"), each semi-monthly payment 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 greater of (1) the annual bonus paid to the Executive for the last fiscal year preceding the termination date or (2) a minimum bonus equal to thirty-five percent (35%) of Executive's Base Compensation.

Notwithstanding anything in the long-term incentive plan, and any other plans, pursuant to which any equity awards are granted, or any applicable equity award agreements to the contrary, the payments set forth in subsections (vi), (vii), (viii), (ix) and (x) 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 irrevocable 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"). Notwithstanding anything in the 2016 Long-Term Incentive Plan, any other plans pursuant to which any equity awards are granted, or any applicable equity award agreements to the contrary, upon any violation of the Severance Requirement during the Severance Period, all post-employment compensation set forth in subsections (vi), (vii), (viii), (ix) and (x) 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. The pro-rated bonus payable pursuant to subsection (vi) shall be paid in accordance with the provisions of Section 3(b) after the Compensation Committee has approved bonuses payable for the year. All payments to be made or settlements to occur pursuant to subsection (vii) and (viii) (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 (x) shall commence on the 60th day following the date of such termination.

All payments required 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 CEO (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. For purposes of this Agreement, "Good Reason" shall mean: (1) the assignment of Executive to a position other than Executive Vice President – Chief Financial Officer (other than for Cause or by reason of disability), (2) the assignment of duties materially inconsistent with such position if such change in assignment constitutes (x) a material diminution in the Executive's authority, duties or responsibilities, or (y) a change in the reporting structure such that the Executive is directed to report to anyone other than the Corporation's CEO, 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 engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than

12 months, and the permanence and degree of which shall be supported by medical evidence satisfactory to the Committee ("Disability"). Upon such termination, the Executive shall be entitled to the following:

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

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

(iii) any bonuses earned but unpaid with respect to fiscal years or other completed bonus 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 Section 4(d);

(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) the treatment of all of Executive's outstanding stock options, restricted stock, restricted stock units or other equity awards (whether subject to time-based vesting or performance-based vesting) shall be determined in accordance with the long-term incentive plan, and any other plans, pursuant to which such awards were granted and the applicable award agreement.

All payments required 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. The pro-rated bonus payable pursuant to subsection (vi) shall be paid in accordance with the provisions of Section 3(b) after the Compensation Committee has approved bonuses payable for the year.

(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 bonus 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 payments required 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.

(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 bonus 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 payments required 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.

(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 bonus 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 payments required 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.

(f) Cooperation. The parties agree that certain matters in which the Executive will be involved during the Term of this Agreement may necessitate the Executive's cooperation in the future. Accordingly, following the termination of the Executive's employment for any reason, to the extent reasonably requested by the CEO or the Board, the Executive shall cooperate with the Corporation in connection with matters arising out of the Executive's service to the Corporation; provided that, the Corporation shall make reasonable efforts to minimize disruption of the Executive's other activities. The Corporation shall reimburse the Executive for reasonable expenses incurred in connection with such cooperation.

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 bonus 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 Section 4(d);

(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 of Executive's outstanding stock options, restricted stock or other equity awards with time-based vesting shall become fully vested and in the case of stock options, exercisable in full, and the Executive shall have the right to exercise such stock options during a period of ninety (90) days following the termination of employment, unless otherwise expressly provided in the applicable award agreement;

(viii) all of Executive's outstanding stock options, restricted stock, restricted stock units or other equity awards with performance-based vesting 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;

(ix) continued coverage pursuant to Section 601, et seq. of the Employee Retirement Income Security Act of 1974, as amended ("ERISA") under any group health plan maintained by the Corporation in which the Executive participated at the time of his termination 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 for the remainder of the Term of the Agreement or until, if earlier, the date the Executive obtains comparable coverage under benefit plans maintained by a new employer or otherwise becomes ineligible to such continued coverage under ERISA; and

(x) a lump sum severance payment equal to the present value of a series of monthly severance payments for twenty-four (24) 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 greater of (1) the annual bonus paid to the Executive for the last fiscal year of the Corporation ending prior to the Change in Corporate Control or (2) a minimum annual bonus equal to thirty-five percent (35%) of his Base Compensation. 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 (x), the amount of any annual bonus paid for a portion of a fiscal year shall be annualized.

Notwithstanding anything in the long-term incentive plan, and any other plans, pursuant to which any equity awards are granted, or any applicable equity award agreements to the contrary, the payments set forth in subsections (vi), (vii), (viii), (ix) and (x) 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 irrevocable within sixty (60) days following the date of such termination. All payments to be made or settlements to occur pursuant to subsections (vii) and (viii) (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 payments required to be made pursuant to subsections (i), (ii), (iii), (v) and (vi) shall be made within sixty (60) days following the date of such termination and within any shorter time period required by law. All payments required to be made pursuant to subsection (x) 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. Notwithstanding the foregoing, the severance payment under this Section shall be payable on a semi-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)(5) and shall in any event comply with the provisions of Section 8.

(b) For purposes of this Agreement, a "Change in Corporate Control" shall have the meaning set forth in the Corporation's 2016 Long-Term Incentive Plan.

(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 "Payments") would constitute "parachute payments" 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 imposed under Section 4999 of the Code, such that the Executive shall receive the greater, on an after-tax basis, of either (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 are to be reduced pursuant to this Section 6(c), such Payments 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:

(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 bonus 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);

(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) the treatment of all of Executive's outstanding stock options, restricted stock, restricted stock units or other equity awards (whether subject to time-based vesting or performance-based vesting) shall be determined in accordance with the long-term incentive plan, and any other plans, pursuant to which such awards were granted and the applicable award agreement.

All payments required to be made pursuant to subsections (i), (ii), (iii) and (v) 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 or an exemption thereunder, and shall be interpreted and construed consistently with such intent. The payments to the Executive pursuant to this Agreement are intended to be exempt from Section 409A of the Code to the maximum extent possible, under the separation pay exemption, as short-term deferrals, or otherwise. For purposes of Section 409A of the Code, each installment payment provided under this Agreement shall be treated as a separate payment. 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 Section 409A of the Code). 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 in Section 409A(a)(2)(b)(i)), 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

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 specifically acknowledges that all such Confidential Information, whether reduced to writing, maintained on any form of electronic media, or maintained in the mind or memory of the Executive and whether compiled by the Corporation, and/or the Executive, derives independent economic value from not being readily known to or ascertainable by proper means by others who can obtain economic value from its disclosure or use, that reasonable efforts have been made by the Corporation to maintain the secrecy of such information, that such information is the sole property of the Corporation and that any retention and use of such information by the Executive during his employment with the Corporation (except in the course of performing his duties and obligations to the Corporation) or after the termination of his employment shall constitute a misappropriation of the Corporation's trade secrets.

The Executive agrees that Confidential Information gained by the Executive during the Executive's association with the Corporation, has been developed by the Corporation through substantial expenditures of time, effort and money and constitute valuable and unique property of 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. The Executive further understands and agrees that the foregoing makes it necessary for the protection of the Corporation's business that the Executive not compete with the Corporation during his employment with the Corporation and not compete with the Corporation for a reasonable period thereafter, as further provided in the following Section.

The Executive understands that nothing contained in this Agreement limits Executive's ability to file a charge or complaint with the Equal Employment Opportunity Commission, the National Labor Relations Board, the Occupational Safety and Health Administration, the Securities and Exchange Commission or any other federal, state or local governmental agency or commission (each a "Government Agency"). Executive further understands that this Agreement does not limit Executive's ability to communicate with any Government Agency or otherwise participate in any investigation or proceeding that may be conducted by any Government Agency, including providing documents or other information, without notice to the Company. However, to the maximum extent permitted by law, the Executive agrees that if such a charge or complaint is made, the Executive shall not be entitled to recover any individual monetary relief or other individual remedies. This Agreement does not limit or prohibit Executive's right to receive an award for information provided to any Government Agency to the extent that such limitation or prohibition is a violation of law.

The Executive affirms that the Executive has not divulged any proprietary or confidential information of the Corporation and will continue to maintain the confidentiality of such information consistent with the Corporation's policies and the Executive's agreement(s) with the Corporation and/or common law. The Executive further affirms that the Executive is not aware of and has not reported any allegations of wrongdoing by the Corporation or its officers or directors, including any allegations of corporate fraud, to a Government Agency or other person, and therefore has not been retaliated against for reporting any allegations of wrongdoing by the Corporation or its officers or directors, including any allegations of corporate fraud.

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 the (i) ownership or operation of Health Care Facilities (defined below); (ii) investment in or lending to Health Care Facilities; (iii) management of Health Care Facilities; or (iv) provision of any planning, development or executive services for Health Care Facilities. "Health Care Facilities" means any senior housing facilities, facilities used or intended for the delivery of health care services, active adult communities, independent living facilities, assisted living facilities, skilled nursing facilities, inpatient rehabilitation facilities, ambulatory surgery centers, medical office buildings and/or hospitals. 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 the recruitment for employment, contractor or consulting opportunities anyone who is employed at that time by the Corporation or any subsidiary or affiliate.

During his employment with the Corporation and thereafter, 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.

While employed by the Corporation and during the Restricted Period, the Executive will communicate the contents of this Section 10 to any person, firm, association, partnership, corporation or other entity that the Executive intends to be employed by, associated with, or represent.

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.

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:

Welltower 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.

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.

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 (including the Prior Employment Agreement). The Agreement may be amended at any time by mutual written agreement of the parties hereto.

16. GOVERNING LAW AND ARBITRATION

This Agreement shall be construed, interpreted, and governed in accordance with the laws of the State of Ohio, without regard to principles of conflicts of laws.

Any dispute, controversy or claim arising out of or related to this Agreement or any breach of this Agreement shall be submitted to and decided by binding arbitration. Arbitration shall be administered exclusively by the American Arbitration Association and shall be conducted in accordance with the National Rules for the Resolution of Employment Disputes. Any arbitral award determination shall be final and binding upon the parties. Judgment may be entered in any court having jurisdiction. Notwithstanding the foregoing, the Corporation shall be entitled to seek a restraining order or injunction in any court of competent jurisdiction to prevent any continuation of any violation of Sections 9 or 10 hereof.

17. SURVIVAL

Subject to any limits on applicability contained therein, Sections 9 through 11 and Section 16 hereof shall survive and continue in full force in accordance with their terms notwithstanding any termination of the Term or this Agreement.

[*Remainder of Page Intentionally Left Blank*]

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.

WELLTOWER INC., a Delaware corporation

By: /s/ Matthew McQueen
Name: Matthew McQueen
Title: Senior Vice President, General Counsel and Secretary

SCOTT A. ESTES, Executive

By: /s/ Scott A. Estes

EXHIBIT 10.2

AMENDED AND RESTATED
EMPLOYMENT AGREEMENT

THIS AMENDED AND RESTATED EMPLOYMENT AGREEMENT (the “Agreement”), is being entered into this June 16, 2017 (the “Effective Date”), by and between WELLTOWER INC., a Delaware corporation, (the “Corporation”), and MERCEDES T. KERR (the “Executive”).

WHEREAS, Executive and the Corporation previously entered into an Employment Agreement, dated October 4, 2016 (the “Prior Employment Agreement”); and

WHEREAS, the Parties desire to amend and restate the Prior Employment Agreement so that the Executive continues to act as the Corporation’s Executive Vice President – Business & Relationship Management based 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 continue to employ the Executive as the Corporation’s Executive Vice President – Business & Relationship Management, upon the terms and conditions herein contained, and the Executive hereby agrees to continue such employment and to continue to serve in such position. As Executive Vice President – Business & Relationship Management, the Executive will (i) be responsible for the origination of new investment relationships and the development of existing investment relationships in the United States across the full health care continuum and (ii) undertake such other responsibilities as may be assigned to the Executive by the Corporation’s Chief Executive Officer (the “CEO”) from time to time. In such capacity, the Executive shall report to the Corporation’s CEO and shall have such powers and responsibilities consistent with her position as may be assigned.

Throughout the Term (defined below) of this Agreement, the Executive shall devote her best efforts and all of her business time and services to the business and affairs of the Corporation; provided, that the Executive will be permitted to, with the prior written approval of the CEO, act or serve as a director, trustee or committee member of a commercial business, civic or charitable organization.

2. TERM OF AGREEMENT

The term of employment under this Agreement shall expire on January 31, 2019, unless earlier terminated under one of the circumstances set forth in Sections 5, 6 or 7. As used herein, “Term” refers to the length of the Executive’s employment under this Agreement, but the Term shall end upon any termination of Executive’s employment with the Corporation as provided herein. Notwithstanding the foregoing, if a Change in Corporate Control (as defined in Section 6(b)) occurs during the Term, the Term shall be extended until twenty-four (24) months after the Change in Corporate Control.

The Corporation shall be entitled to terminate this Agreement and the Executive’s employment immediately for any reason or no reason, subject to the continuing obligations of the Corporation under this Agreement. Upon termination of the Executive’s employment hereunder, unless otherwise expressly provided by the Corporation’s Board of Directors (the “Board”), the Executive shall be deemed to have resigned from all positions that the Executive holds as an officer of the Corporation or any of its affiliates.

3. BASE COMPENSATION AND BONUS

(a) The Executive shall receive annual base compensation during the Term of this Agreement of not less than $484,500 in cash (“Base Compensation”). Such amounts shall be payable in substantially equal semi-monthly installments in accordance with the Corporation’s customary payroll practices. Subject to the terms of this Agreement, during the Term, the Compensation Committee of the Board (the “Compensation Committee”) shall consult with the CEO 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 for each calendar year ending during the Term of this Agreement, 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. Except as otherwise provided in Sections 5 or 6, (i) the annual bonus will be subject to the terms of any Corporation bonus plan under which it is granted and (ii) in order to be eligible to receive an annual bonus, the Executive must be employed by the Corporation on the last day of the applicable calendar year.

4. ADDITIONAL COMPENSATION AND BENEFITS

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

(a) Long-Term Incentives. During the Term of the Agreement, any stock options, restricted stock or other awards granted under the 2016 Long-Term Incentive Plan shall be at the discretion of the Compensation Committee.

(b) Health Insurance. During the Term of this Agreement, the Corporation shall provide the Executive and her dependents with health insurance, life insurance and disability 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 she 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) 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 officers, and in such welfare plans, programs, practices and policies of the Corporation as are generally applicable to other key employees, unless such participation would duplicate, directly or indirectly, benefits already accorded to the Executive.

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 bonus 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 Section 4(d);

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

(vii) all of Executive's outstanding stock options, restricted stock or other equity awards with time-based vesting shall become fully vested and in the case of stock options, exercisable in full, and the Executive shall have the right to exercise such stock options during a period of ninety (90) days following the termination of employment;

(viii) the treatment of all of Executive's outstanding stock options, restricted stock, restricted stock units or other equity awards with performance-based vesting shall be determined in accordance with the long-term incentive plan, and any other plans, pursuant to which such awards were granted and the applicable award agreement;

(ix) continued coverage under any group health plan maintained by the Corporation in which the Executive participated at the time of her termination for the remainder of the Term of the Agreement (but not less than six (6) months and not more than the period during which the Executive would be entitled to continuation coverage under Section 4980B of the Code, if the Executive elected such coverage and paid the applicable premiums), or until, if earlier, the date the Executive obtains comparable coverage under benefit plans maintained by a new employer, at an after-tax cost to the Executive comparable to the cost that the Executive would have incurred for the same coverage had she remained employed during such period; and

(x) a series of semi-monthly severance payments for each complete calendar month during the remaining Term of this Agreement, but not less than twelve (12) months (the "Severance Period"), each semi-monthly payment 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 average of annual cash bonuses paid to the Executive for the last three (3) fiscal years of the Corporation ending prior to the date of termination, to be paid in accordance with the Corporation's normal payroll practices.

Notwithstanding anything in the long-term incentive plan, and any other plans, pursuant to which any equity awards are granted, or any applicable equity award agreements to the contrary, the payments set forth in subsections (vi), (vii), (viii), (ix) and (x) 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 irrevocable 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"). Notwithstanding anything in the 2016 Long-Term Incentive Plan, any other plans pursuant to which any equity awards are granted, or any applicable equity award agreements to the contrary, upon any violation of the Severance Requirement during the Severance Period, all post-employment compensation set forth in subsections (vi), (vii), (viii), (ix) and (x) 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. The pro-rated bonus payable pursuant to subsection (vi) shall be paid in accordance with the provisions of Section 3(b) after the Compensation Committee has approved bonuses payable for the year. All payments to be made or settlements to occur pursuant to subsection (vii) and (viii) (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 (x) shall commence on the 60th day following the date of such termination.

All payments required 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 her duties hereunder or (y) involved moral turpitude; or (4) the intentional and willful failure by the Executive to substantially perform her duties hereunder as directed by the CEO (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.

For purposes of this Agreement, "Good Reason" shall mean: (1) the assignment of Executive to a position other than Executive Vice President – Business & Relationship Management of the Corporation (other than for Cause or by reason of disability), (2) the assignment of duties materially inconsistent with such position if such change in assignment constitutes (x) a material diminution in the Executive's authority, duties or responsibilities, or (y) a change in the reporting structure such that the Executive is directed to report to anyone other than the Corporation's CEO, 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 engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 months, and the permanence and degree of which shall be supported by medical evidence satisfactory to the Committee ("Disability"). Upon such termination, the Executive shall be entitled to the following:

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

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

(iii) any bonuses earned but unpaid with respect to fiscal years or other completed bonus 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 Section 4(d);

(vi) any pro-rated portion of the annual bonus that the Executive would have earned for the year in which the termination occurs (if she 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) the treatment of all of Executive's outstanding stock options, restricted stock, restricted stock units or other equity awards (whether subject to time-based vesting or performance-based vesting) shall be determined in accordance with the long-term incentive plan, and any other plans, pursuant to which such awards were granted and the applicable award agreement.

All payments required 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. The pro-rated bonus payable pursuant to subsection (vi) shall be paid in accordance with the provisions of Section 3(b) after the Compensation Committee has approved bonuses payable for the year.

(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 bonus 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 payments required 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.

(d) Voluntary Termination or Resignation by the Executive. If the Executive voluntarily terminates (but not by reason of expiration of the Term) or resigns her 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 bonus 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 payments required 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.

(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 bonus 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 payments required 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.

(f) Cooperation. The parties agree that certain matters in which the Executive will be involved during the Term of this Agreement may necessitate the Executive's cooperation in the future. Accordingly, following the termination of the Executive's employment for any reason, to the extent reasonably requested by the CEO or the Board, the Executive shall cooperate with the Corporation in connection with matters arising out of the Executive's service to the Corporation; provided that, the Corporation shall make reasonable efforts to minimize disruption of the Executive's other activities. The Corporation shall reimburse the Executive for reasonable expenses incurred in connection with such cooperation.

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 her 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 bonus 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 Section 4(d);

(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 she 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 of Executive's outstanding stock options, restricted stock or other equity awards with time-based vesting shall become fully vested and in the case of stock options, exercisable in full, and the Executive shall have the right to exercise such stock options during a period of ninety (90) days following the termination of employment, unless otherwise expressly provided in the applicable award agreement;

(viii) all of Executive's outstanding stock options, restricted stock, restricted stock units or other equity awards with performance-based vesting 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;

(ix) continued coverage pursuant to Section 601, et seq. of the Employee Retirement Income Security Act of 1974, as amended ("ERISA") under any group health plan maintained by the Corporation in which the Executive participated at the time of her termination at an after-tax cost to the Executive comparable to the cost that the Executive would have incurred for the same coverage had she remained employed during such period for the remainder of the Term of the Agreement or until, if earlier, the date the Executive obtains comparable coverage under benefit plans maintained by a new employer or otherwise becomes ineligible to such continued coverage under ERISA; and

(x) a lump sum severance payment equal to the present value of a series of monthly severance payments for twenty-four (24) 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) 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 (x), the amount of any annual bonus paid for a portion of a fiscal year shall be annualized.

Notwithstanding anything in the long-term incentive plan, and any other plans, pursuant to which any equity awards are granted, or any applicable equity award agreements to the contrary, the payments set forth in subsections (vi), (vii), (viii), (ix) and (x) 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 irrevocable within sixty (60) days following the date of such termination. All payments to be made or settlements to occur pursuant to subsections (vii) and (viii) (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 payments required to be made pursuant to subsections (i), (ii), (iii), (v) and (vi) shall be made within sixty (60) days following the date of such termination and within any shorter time period required by law. All payments required to be made pursuant to subsection (x) 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. Notwithstanding the foregoing, the severance payment under this Section shall be payable on a semi-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)(5) and shall in any event comply with the provisions of Section 8.

(b) For purposes of this Agreement, a "Change in Corporate Control" shall have the meaning set forth in the Corporation's 2016 Long-Term Incentive Plan.

(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 "Payments") would constitute "parachute payments" 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 imposed under Section 4999 of the Code, such that the Executive shall receive the greater, on an after-tax basis, of either (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 are to be reduced pursuant to this Section 6(c), such Payments 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 her attorneys' fees and costs incurred in connection with such dispute if the Executive is determined to be the prevailing party. The following additional terms and conditions shall apply to the reimbursement of any attorneys fees and costs: (i) the attorneys fees and costs must be incurred by the Executive within five years following the date of the Executive's termination or resignation; (ii) the attorneys fees and costs shall be paid by the Corporation by the end of the taxable year following the year in which the attorneys fees and costs were incurred; (iii) the amount of any attorneys fees and costs paid by the Corporation in one taxable year shall not affect the amount of any attorneys fees and costs to be paid by the Corporation in any other taxable year; and (iv) the Executive's right to receive attorneys fees and costs may not be liquidated or exchanged for any other benefit.

7. DEATH

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

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

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

(iii) any bonuses earned but unpaid with respect to fiscal years or other completed bonus 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);

(vi) any pro-rated portion of the annual bonus that the Executive would have earned for the year in which the death occurs (if she 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) the treatment of all of Executive's outstanding stock options, restricted stock, restricted stock units or other equity awards (whether subject to time-based vesting or performance-based vesting) shall be determined in accordance with the long-term incentive plan, and any other plans, pursuant to which such awards were granted and the applicable award agreement.

All payments required to be made pursuant to subsections (i), (ii), (iii) and (v) 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 or an exemption thereunder, and shall be interpreted and construed consistently with such intent. The payments to the Executive pursuant to this Agreement are intended to be exempt from Section 409A of the Code to the maximum extent possible, under the separation pay exemption, as short-term deferrals, or otherwise. For purposes of Section 409A of the Code, each installment payment provided under this Agreement shall be treated as a separate payment. 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 Section 409A of the Code). 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 in Section 409A(a)(2)(b)(i)), 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

The Executive hereby agrees that, during her employment with the Corporation and thereafter, she 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 her 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 specifically acknowledges that all such Confidential Information, whether reduced to writing, maintained on any form of electronic media, or maintained in the mind or memory of the Executive and whether compiled by the Corporation, and/or the Executive, derives independent economic value from not being readily known to or ascertainable by proper means by others who can obtain economic value from its disclosure or use, that reasonable efforts have been made by the Corporation to maintain the secrecy of such information, that such information is the sole property of the Corporation and that any retention and use of such information by the Executive during her employment with the Corporation (except in the course of performing her duties and obligations to the Corporation) or after the termination of her employment shall constitute a misappropriation of the Corporation's trade secrets.

The Executive agrees that Confidential Information gained by the Executive during the Executive's association with the Corporation, has been developed by the Corporation through substantial expenditures of time, effort and money and constitute valuable and unique property of the Corporation. The Executive recognizes that because her work for the Corporation will bring her 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. The Executive further understands and agrees that the foregoing makes it necessary for the protection of the Corporation's business that the Executive not compete with the Corporation during her employment with the Corporation and not compete with the Corporation for a reasonable period thereafter, as further provided in the following Section.

The Executive understands that nothing contained in this Agreement limits Executive's ability to file a charge or complaint with the Equal Employment Opportunity Commission, the National Labor Relations Board, the Occupational Safety and Health Administration, the Securities and Exchange Commission or any other federal, state or local governmental agency or commission (each a “Government Agency”). Executive further understands that this Agreement does not limit Executive’s ability to communicate with any Government Agency or otherwise participate in any investigation or proceeding that may be conducted by any Government Agency, including providing documents or other information, without notice to the Company. However, to the maximum extent permitted by law, the Executive agrees that if such a charge or complaint is made, the Executive shall not be entitled to recover any individual monetary relief or other individual remedies. This Agreement does not limit or prohibit Executive’s right to receive an award for information provided to any Government Agency to the extent that such limitation or prohibition is a violation of law.

The Executive affirms that the Executive has not divulged any proprietary or confidential information of the Corporation and will continue to maintain the confidentiality of such information consistent with the Corporation’s policies and the Executive’s agreement(s) with the Corporation and/or common law. The Executive further affirms that the Executive is not aware of and has not reported any allegations of wrongdoing by the Corporation or its officers or directors, including any allegations of corporate fraud, to a Government Agency or other person, and therefore has not been retaliated against for reporting any allegations of wrongdoing by the Corporation or its officers or directors, including any allegations of corporate fraud.

10. COVENANT NOT TO COMPETE

The Executive hereby agrees that she will not, either during the Term or at all times until one year from the time her employment ceases, or, if later, during any period in which she is receiving any severance or change in control payments under Sections 5(a) or 6 (the “Restricted Period”), engage in the (i) ownership or operation of Health Care Facilities (defined below); (ii) investment in or lending to Health Care Facilities; (iii) management of Health Care Facilities; or (iv) provision of any planning, development or executive services for Health Care Facilities. “Health Care Facilities” means any senior housing facilities, facilities used or intended for the delivery of health care services, active adult communities, independent living facilities, assisted living facilities, skilled nursing facilities, inpatient rehabilitation facilities, ambulatory surgery centers, medical office buildings and/or hospitals. The Executive will be deemed to be engaged in such competitive business activities if she 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 the recruitment for employment, contractor or consulting opportunities anyone who is employed at that time by the Corporation or any subsidiary or affiliate.

During her employment with the Corporation and thereafter, 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.

While employed by the Corporation and during the Restricted Period, the Executive will communicate the contents of this Section 10 to any person, firm, association, partnership, corporation or other entity that the Executive intends to be employed by, associated with, or represent.

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.

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:

Welltower 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.

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.

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 (including the Prior Employment Agreement). The Agreement may be amended at any time by mutual written agreement of the parties hereto.

16. GOVERNING LAW AND ARBITRATION

This Agreement shall be construed, interpreted, and governed in accordance with the laws of the State of Ohio, without regard to principles of conflicts of laws.

Any dispute, controversy or claim arising out of or related to this Agreement or any breach of this Agreement shall be submitted to and decided by binding arbitration. Arbitration shall be administered exclusively by the American Arbitration Association and shall be conducted in accordance with the National Rules for the Resolution of Employment Disputes. Any arbitral award determination shall be final and binding upon the parties. Judgment may be entered in any court having jurisdiction. Notwithstanding the foregoing, the Corporation shall be entitled to seek a restraining order or injunction in any court of competent jurisdiction to prevent any continuation of any violation of Sections 9 or 10 hereof.

17. SURVIVAL

Subject to any limits on applicability contained therein, Sections 9 through 11 and Section 16 hereof shall survive and continue in full force in accordance with their terms notwithstanding any termination of the Term or this Agreement.

[*Remainder of Page Intentionally Left Blank*

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

WELLTOWER INC.

By: /s/ Matthew McQueen
Name: Matthew McQueen
Title: Senior Vice President, General Counsel and Secretary

MERCEDES T. KERR, Executive

By: /s/ Mercedes T. Kerr

EXHIBIT 10.3

WELLTOWER INC.

Summary of Director Compensation

For each calendar year, each non-employee member of the Board of Directors of Welltower Inc. (the “Company”) will receive an annual retainer of $85,000, 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, the Nominating/Corporate Governance Committee and the Investment Committee will receive additional retainers of $25,000, $20,000, $15,000 and $20,000, 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, Nominating/Corporate Governance and Investment 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 $140,000, pursuant to the Company’s 2016 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.

EXHIBIT 12

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

	Year Ended December 31,					Six Months Ended June 30,	
(dollars in thousands)	2012	2013	2014	2015	2016	2016	2017
Earnings:							
Pretax income from continuing operations before adjustment for income or loss from equity investees[1]	$ 185,912	$ 102,245	$ 384,213	$ 636,117	$ 709,253	$ 378,232	$ 275,686
Fixed charges	359,947	460,918	485,762	498,253	536,607	271,708	237,689
Capitalized interest	(9,777)	(6,700)	(7,150)	(8,670)	(16,943)	(7,343)	(7,488)
Amortized premiums, discounts and capitalized expenses related to indebtedness	11,395	4,142	2,427	2,586	1,681	920	4,626
Noncontrolling interest in pre-tax income of subsidiaries that have not incurred fixed charges	2,415	6,770	(147)	(4,799)	(4,267)	924	(4,156)
Earnings	$ 549,892	$ 567,375	$ 865,105	$ 1,123,487	$ 1,226,331	$ 644,441	$ 506,357
Fixed charges:							
Interest expense[1]	$ 361,565	$ 458,360	$ 481,039	$ 492,169	$ 521,345	$ 265,285	$ 234,827
Capitalized interest	9,777	6,700	7,150	8,670	16,943	7,343	7,488
Amortized premiums, discounts and capitalized expenses related to indebtedness	(11,395)	(4,142)	(2,427)	(2,586)	(1,681)	(920)	(4,626)
Fixed charges	$ 359,947	$ 460,918	$ 485,762	$ 498,253	$ 536,607	$ 271,708	$ 237,689
Consolidated ratio of earnings to fixed charges	1.53	1.23	1.78	2.25	2.29	2.37	2.13
Earnings:							
Pretax income from continuing operations before adjustment for income or loss from equity investees[1]	$ 185,912	$ 102,245	$ 384,213	$ 636,117	$ 709,253	$ 378,232	$ 275,686
Fixed charges	359,947	460,918	485,762	498,253	536,607	271,708	237,689
Capitalized interest	(9,777)	(6,700)	(7,150)	(8,670)	(16,943)	(7,343)	(7,488)
Amortized premiums, discounts and capitalized expenses related to indebtedness	11,395	4,142	2,427	2,586	1,681	920	4,626
Noncontrolling interest in pre-tax income of subsidiaries that have not incurred fixed charges	2,415	6,770	(147)	(4,799)	(4,267)	924	(4,156)
Earnings	$ 549,892	$ 567,375	$ 865,105	$ 1,123,487	$ 1,226,331	$ 644,441	$ 506,357
Fixed charges:							
Interest expense[1]	$ 361,565	$ 458,360	$ 481,039	$ 492,169	$ 521,345	$ 265,285	$ 234,827
Capitalized interest	9,777	6,700	7,150	8,670	16,943	7,343	7,488
Amortized premiums, discounts and capitalized expenses related to indebtedness	(11,395)	(4,142)	(2,427)	(2,586)	(1,681)	(920)	(4,626)
Fixed charges	359,947	460,918	485,762	498,253	536,607	271,708	237,689
Preferred stock dividends	69,129	66,336	65,408	65,406	65,406	32,703	26,059
Combined fixed charges and preferred stock dividends	$ 429,076	$ 527,254	$ 551,170	$ 563,659	$ 602,013	$ 304,411	$ 263,748
Consolidated ratio of earnings to combined fixed charges and preferred stock dividends	1.28	1.08	1.57	1.99	2.04	2.12	1.92

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

EXHIBIT 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

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

1. I have reviewed this quarterly report on Form 10-Q of Welltower 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: July 28, 2017

/s/ THOMAS J. DEROSA

Thomas J. DeRosa,
Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

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

1. I have reviewed this quarterly report on Form 10-Q of Welltower 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: July 28, 2017

/s/ SCOTT A. ESTES

Scott A. Estes,

Chief Financial Officer

EXHIBIT 32.1

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

I, Thomas J. DeRosa, the Chief Executive Officer of Welltower Inc. (the "Company"), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350), that (i) the Quarterly Report on Form 10-Q for the Company for the quarter ended June 30, 2017 (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: July 28, 2017

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

EXHIBIT 32.2

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

I, Scott A. Estes, the Chief Financial Officer of Welltower Inc. (the “Company”), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350), that (i) the Quarterly Report on Form 10-Q for the Company for the quarter ended June 30, 2017 (the “Report”), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ SCOTT A. ESTES
Scott A. Estes,

Chief Financial Officer
Date: July 28, 2017

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.