HEALTH CARE REIT INC /DE/
Form 10-K
February 21, 2014

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2013

Commission File No. 1-8923

HEALTH CARE REIT, INC.

(Exact name of registrant as specified in its charter)

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

(419) 247-2800

(Registrant's telephone number, including area code)

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

Title of Each Class	**Name of Each Exchange on Which Registered**
Common Stock, $1.00 par value	New York Stock Exchange

6.50% Series I Cumulative Convertible Perpetual Preferred Stock, $1.00 par value	New York Stock Exchange
6.50% Series J Cumulative Redeemable Preferred Stock, $1.00 par value	New York Stock Exchange
4.800% Notes due 2028	New York Stock Exchange

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

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

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

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

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

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 þ	Accelerated filer o	Non-accelerated filer o	Smaller reporting company o

(Do not check if a smaller reporting company)

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

The aggregate market value of the shares of voting common stock held by non-affiliates of the registrant, computed by reference to the closing sales price of such shares on the New York Stock Exchange as of the last business day of the registrant's most recently completed second fiscal quarter was $19,053,297,364.

As of January 31, 2014, the registrant had 289,970,598 shares of common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement for the annual stockholders' meeting to be held May 1, 2014, are incorporated by reference into Part III.

HEALTH CARE REIT, INC.

2013 FORM 10-K ANNUAL REPORT

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PART I

Item 1. *Business*

General

Health Care REIT, Inc. is a real estate investment trust ("REIT") that has been at the forefront of seniors housing and health care real estate since the company was founded in 1970. We are an S&P 500 company headquartered in Toledo, Ohio. Our portfolio spans the full spectrum of seniors housing and health care real estate, including seniors housing communities, skilled nursing/post-acute facilities, medical office buildings, inpatient and outpatient medical centers and life science facilities. Our capital programs, when combined with comprehensive planning, development and property management services, make us a single-source solution for acquiring, planning, developing, managing, repositioning and monetizing real estate assets. More information is available on the Internet at www.hcreit.com.

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

Depending upon the availability and cost of external capital, we believe our liquidity is sufficient to fund operations, meet debt service obligations (both principal and interest), make dividend distributions and complete construction projects in process. We also continuously evaluate opportunities to finance future investments. New investments are generally funded from temporary borrowings under our primary unsecured line of credit arrangement, internally generated cash and the proceeds from investment dispositions. Our investments generate cash from net operating income and principal payments on loans receivable. Permanent financing for future investments, which replaces funds drawn under our primary unsecured line of credit arrangement, has historically been provided through a combination of the issuance of public debt and equity securities and the incurrence or assumption of secured debt.

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

Portfolio of Properties

Please see “Item 7 – Management’s Discussion and Analysis of Financial Condition and Results of Operation – Executive Summary – Company Overview” for a table that summarizes our portfolio as of December 31, 2013.

Property Types

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

Seniors Housing Triple-Net

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

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

Continuing Care Retirement Communities. Continuing care retirement communities typically include a combination of detached homes, an independent living facility, an assisted living facility and/or a skilled nursing facility on one campus. These communities

appeal to residents because there is no need to relocate when health and medical needs change. Resident payment plans vary, but can include entrance fees, condominium fees and rental fees. Many of these communities also charge monthly maintenance fees in exchange for a living unit, meals and some health services.

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

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

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

Skilled Nursing/Post-Acute Facilities. Skilled nursing/post-acute facilities are licensed daily rate or rental properties where the majority of individuals require 24-hour nursing and/or medical care. Generally, these properties are licensed for Medicaid and/or Medicare reimbursement. All facilities offer some level of rehabilitation services. Some facilities focus on higher acuity patients and offer rehabilitation units specializing in cardiac, orthopedic, dialysis, neurological or pulmonary rehabilitation.

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

Our seniors housing triple-net segment accounted for 28%, 41% and 46% of total revenues (including discontinued operations) for the years ended December 31, 2013, 2012 and 2011, respectively. We lease 177 facilities to Genesis HealthCare, LLC, an operator of skilled nursing/post-acute facilities, pursuant to a long-term, triple-net master lease. In addition to rent, the master lease requires Genesis to pay all operating costs, utilities, real estate taxes, insurance, building repairs, maintenance costs and all obligations under the ground leases. All obligations under the master lease have been guaranteed by FC-GEN Operations Investment, LLC. For the year ended December 31, 2013, our lease with Genesis accounted for approximately 34% of our seniors housing triple-net segment revenues and 10% of our total revenues.

Seniors Housing Operating

In addition to the facility types described in "Item 1 – Business – Property Types – Seniors Housing Triple-Net," our seniors housing operating properties include facilities classified in Canada as independent supportive living facilities.

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

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

Our seniors housing operating segment accounted for 56%, 37% and 32% of total revenues (including discontinued operations) for the years ended December 31, 2013, 2012 and 2011, respectively. We have relationships with nine operators to own and operate 279 facilities (plus 44 unconsolidated facilities). In each instance, our partner provides management services to the properties pursuant to an incentive-based management contract. We rely on our partners to effectively and efficiently manage these properties. For the year ended December 31, 2013, our relationship with Sunrise Senior Living accounted for approximately 40% of our seniors housing operating segment revenues and 23% of our total revenues.

Medical Facilities

Our medical facilities include medical office buildings, hospitals and life science facilities. We typically lease our medical office buildings to multiple tenants and provide varying levels of property management. Our hospital investments are typically structured similar to our seniors housing triple-net investments. Our life science investment represents an investment in an unconsolidated joint venture entity (see Note 7 to our consolidated financial statements). Our medical facilities segment accounted for 16%, 22% and 22%

of total revenues (including discontinued operations) for the years ended December 31, 2013, 2012 and 2011, respectively. No single tenant exceeds 20% of segment revenues.

Medical Office Buildings. The medical office building portfolio consists of health care related buildings that generally include physician offices, ambulatory surgery centers, diagnostic facilities, outpatient services and/or labs. Our portfolio has a strong affiliation with health systems. Approximately 93% of our medical office building portfolio is affiliated with health systems (with buildings on hospital campuses or serving as satellite locations for the health system and their physicians).

Hospitals. Our hospitals generally include acute care hospitals, inpatient rehabilitation hospitals, and long-term acute care hospitals. Acute care hospitals provide a wide range of inpatient and outpatient services, including, but not limited to, surgery, rehabilitation, therapy and clinical laboratories. Inpatient rehabilitation hospitals provide inpatient services for patients with intensive rehabilitation needs. Long-term acute care hospitals provide inpatient services for patients with complex medical conditions that require more intensive care, monitoring or emergency support than is available in most skilled nursing facilities.

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

Investments

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

We monitor our investments through a variety of methods determined by the type of property. Our proactive and comprehensive asset management process for seniors housing properties generally includes review of monthly financial statements and other operating data for each property, review of obligor/partner creditworthiness, property inspections, and review of covenant compliance relating to licensure, real estate taxes, letters of credit and other collateral. Our internal property management division actively manages and monitors the medical office building portfolio with a comprehensive process including review of, among other things, tenant relations, lease expirations, the mix of health service providers, hospital/health system relationships, property performance, capital improvement needs, and market conditions. In monitoring our portfolio, our personnel use a proprietary database to collect and analyze property-specific data. Additionally, we conduct extensive research to ascertain industry trends.

We evaluate the operating environment in each property’s market to determine the likely trend in operating performance of the facility. When we identify unacceptable trends, we seek to mitigate, eliminate or transfer the risk. Through these efforts, we are generally able to intervene at an early stage to address any negative trends, and in so doing, support both the collectability of revenue and the value of our investment.

Investment Types

Real Property. Our properties are primarily comprised of land, buildings, improvements and related rights. Our hospitals and seniors housing triple-net properties are generally leased to operators under long-term operating leases. The leases generally have a fixed contractual term of 12 to 15 years and contain one or more five to 15-year renewal options. Certain of our leases also contain purchase options, a portion of which could result in the disposition of properties for less than full market value. Most of our rents are received under triple-net leases requiring the operator to pay rent and all additional charges incurred in the operation of the leased property. The tenants are required to repair, rebuild and maintain the leased properties. Substantially all of these operating leases are designed with escalating rent structures. Leases with fixed annual rental escalators are generally recognized on a straight-line basis over the initial lease period, subject to a collectability assessment. Rental income related to leases with contingent rental escalators is generally recorded based on the contractual cash rental payments due for the period.

At December 31, 2013, approximately 92% of our hospitals and seniors housing triple-net properties were subject to master leases. A master lease is a lease of multiple properties to one tenant entity under a single lease agreement. From time to time, we may acquire additional properties that are then leased to the tenant under the master lease. The tenant is required to make one monthly payment that represents rent on all the properties that are subject to the master lease. Typically, the master lease tenant can exercise its right to purchase the properties or to renew the master lease only with respect to all leased properties at the same time. This bundling feature benefits us because the tenant cannot limit the purchase or renewal to the better performing properties and terminate the leasing arrangement with respect to the poorer performing properties. This spreads our risk among the entire group of properties within the master lease. The bundling feature should provide a similar advantage to us if the master lease tenant is in bankruptcy. Subject to certain restrictions, a debtor in bankruptcy has the right to assume or reject each of its leases. It is our intent that a tenant in bankruptcy would be required to assume or reject the master lease as a whole, rather than deciding on a property by property basis.

Our medical office building portfolio is primarily self-managed and consists principally of multi-tenant properties leased to health care providers. Our leases typically include increasers and some form of operating expense reimbursement by the tenant. As of December 31, 2013, 76% of our portfolio included leases with full pass through, 20% with a partial expense reimbursement (modified gross) and 4% with no expense reimbursement (gross). Our medical office building leases are non-cancellable operating leases that have a weighted-average remaining term of eight years at December 31, 2013 and are often credit enhanced by security deposits, guaranties and/or letters of credit.

Construction. We occasionally provide for the construction of properties for tenants as part of long-term operating leases. We capitalize certain interest costs associated with funds used for the construction of properties owned by us. The amount capitalized is based upon the amount advanced during the construction period using the rate of interest that approximates our company-wide cost of financing. Our interest expense is reduced by the amount capitalized. We also typically charge a transaction fee at the commencement of construction which we defer and amortize to income over the term of the resulting lease. The construction period commences upon funding and terminates upon the earlier of the completion of the applicable property or the end of a specified period. During the construction period, we advance funds to the tenants in accordance with agreed upon terms and conditions which require, among other things, periodic site visits by a Company representative. During the construction period, we generally require an additional credit enhancement in the form of payment and performance bonds and/or completion guaranties. At December 31, 2013, we had outstanding construction investments of $141,085,000 and were committed to provide additional funds of approximately $243,083,000 to complete construction for investment properties.

Real Estate Loans. Our real estate loans are typically structured to provide us with interest income, principal amortization and transaction fees and are generally secured by first/second mortgage liens, leasehold mortgages, corporate guaranties and/or personal guaranties. At December 31, 2013, we had outstanding real estate loans of $332,146,000. The interest yield averaged approximately 8.4% per annum on our outstanding real estate loan balances. Our yield on real estate loans depends upon a number of factors, including the stated interest rate, average principal amount outstanding during the term of the loan and any interest rate adjustments. The real estate loans outstanding at December 31, 2013 are generally subject to one to 15-year terms with principal amortization schedules and/or balloon payments of the outstanding principal balances at the end of the term. Typically, real estate loans are

cross-defaulted and cross-collateralized with other real estate loans, operating leases or agreements between us and the obligor and its affiliates.

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

Principles of Consolidation

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

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

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

Borrowing Policies

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

Competition

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

beneficial investment terms, availability and cost of capital, construction and renovation costs and new and existing laws and regulations.

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

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

Employees As of January 31, 2014, we had 404 employees.

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

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

Certain Government Regulations

United States

Health Law Matters — Generally

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

Licensing and Certification

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

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

With respect to licensure, generally our skilled nursing facilities and acute care facilities are required to be licensed and certified for participation in Medicare, Medicaid, and other federal health care programs. This generally requires license renewals and compliance surveys on an annual or bi-annual basis. The failure of our operators to maintain or renew any required license or regulatory approval as well as the failure of our operators to correct serious deficiencies identified in a compliance survey could require those operators to discontinue operations at a property. In addition, if a property is found to be out of compliance with Medicare, Medicaid, or other health care program conditions of participation, the property operator may be excluded from participating in those government health care programs. Any such occurrence may impair an operator's ability to meet their financial obligations to us. If we have to replace an excluded-property operator, our ability to replace the operator may be affected by federal and state laws, regulations, and applicable guidance governing changes in provider control. This may result in payment delays, an inability to find a replacement operator, a significant working capital commitment from us to a new operator or other difficulties.

Reimbursement

Seniors Housing Facilities (excluding skilled nursing facilities). Approximately 71% of our overall revenues (including discontinued operations) for the year ended December 31, 2013 were attributable to seniors housing facilities. The majority of the revenues received by the operators of these facilities are from private pay sources. The remaining revenue source is primarily Medicaid under certain waiver programs. As a part of the Omnibus Budget Reconciliation Act ("OBRA") of 1981, Congress established a waiver program enabling some states to offer Medicaid reimbursement to assisted living providers as an alternative to institutional long-term care services. The provisions of OBRA and the subsequent OBRA Acts of 1987 and 1990 permit states to seek a waiver from typical Medicaid requirements to develop cost-effective alternatives to long-term care, including Medicaid payments for assisted living and home health. As of September 30, 2013, ten of our forty seniors housing operators received Medicaid

reimbursement pursuant to Medicaid waiver programs. For the twelve months ended September 30, 2013, approximately 2% of the revenues at our seniors housing facilities were from Medicaid reimbursement. There can be no guarantee that a state Medicaid program operating pursuant to a waiver will be able to maintain its waiver status.

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

Skilled Nursing Facilities and Hospitals. Skilled nursing facilities and hospitals typically receive most of their revenues from the Medicare and Medicaid programs, with the balance representing reimbursement payments from private payors, including private insurers. Consequently, changes in federal or state reimbursement policies may also adversely affect an operator’s ability to cover its expenses, including our rent or debt service. Skilled nursing facilities and hospitals are subject to periodic pre- and post-payment reviews, and other audits by federal and state authorities. A review or audit of a property operator’s claims could result in recoupments, denials, or delay of payments in the future, which could have a material adverse effect on the operator’s ability to meet its financial obligations to us. Due to the significant judgments and estimates inherent in payor settlement accounting, no assurance can be given as to the adequacy of any reserves maintained by our property operators to cover potential adjustments to reimbursements, or to cover settlements made to payors. In fact, in December 2010, the Department of Health and Human Services (“HHS”) Office of Inspector General (“OIG”) released a report focusing on skilled nursing facilities’ billing practices for Medicare Part A payments and found that, between 2006-2008, skilled nursing facilities increasingly billed for higher paying Resource Utilization Groups (“RUGs”), the payment classification mechanism for the Medicare program, even though beneficiary characteristics remained largely unchanged. In particular, from 2006 to 2008, OIG found that the percentage of RUGs for ultra high therapy increased from 17% to 28%, despite the fact that beneficiaries’ ages and diagnoses at admission were largely unchanged during that time period. In November 2012, the OIG released a report focused on inappropriate payments to skilled nursing facilities, and found that of the 499 claims from 2009 that were reviewed in the study, skilled nursing facilities billed 25% of the claims in error and misreported information on the Minimum Data Set (“MDS”) for 47% of the claims. In February 2013, OIG issued the third report in this series, concluding that Medicare paid $5.1 billion to skilled nursing facilities for stays that did not meet certain quality-of-care requirements. Recent attention on skilled nursing billing practices and payments or ongoing government pressure to reduce spending by government health care programs, could result in lower payments to skilled nursing facilities and, as a result, may impair an operator’s ability to meet its financial obligations to us.

Medicare Reimbursement and Skilled Nursing Facilities. For the twelve months ended September 30, 2013, approximately 29% of the revenues at our skilled nursing facilities (which comprised 12% of our overall revenues, including discontinued operations, for the year ended December 31, 2013) were paid by Medicare. Skilled nursing facilities are reimbursed under the Medicare Skilled Nursing Facility Prospective Payment System (“SNF PPS”). There is a risk that some skilled nursing facilities’ costs will exceed the fixed payments under the SNF PPS, and there is also a risk that payments under the SNF PPS may be set below the costs to provide certain items and services, which could

result in immediate financial difficulties for skilled nursing facilities, and could cause operators to seek bankruptcy protection. Skilled nursing facilities have faced these types of difficulties since the implementation of the SNF PPS.

The Centers for Medicare & Medicaid Services ("CMS"), an agency of the U.S. Department of Health and Human Services ("HHS"), made a positive payment update for skilled nursing facilities for fiscal year 2014. On July 31, 2013, CMS issued a final rule for the SNF PPS that sets forth payment rate changes for the 2014 fiscal year. Under the final rule, SNFs will receive a net payment increase of 1.3%, which is based on a 2.3% increase in the SNF market basket, less a 0.5% forecast error adjustment, and less a 0.5% multi-factor productivity adjustment. CMS is implementing a forecast error adjustment because the forecasted fiscal year 2012 market basket percentage change exceeded the actual SNF market basket percentage change by 0.51%, a figure that is in excess of the 0.5% threshold adopted by the agency for determining when a forecast error adjustment will be applied.

In addition, on November 21, 2011, the Joint Select Committee on Deficit Reduction, which was created by the Budget Control Act of 2011, concluded its work, and issued a statement that it was not able to make a bipartisan agreement, thus triggering the sequestration process. On January 2, 2013, President Obama signed into law the American Taxpayer Relief Act of 2012 ("Taxpayer Relief Act"), which delayed the sequestration process until March 2013. The sequester went into effect March 1, 2013 and, effective April 1, 2013, provider payments under Medicare Parts A and B, Medicare Advantage, and Medicare Part D were reduced up to 2% annually. However, Medicaid spending and most of the spending on subsidies are exempt from reduction. On January 21, 2014, President Obama signed the fiscal year 2014 omnibus appropriations bill, which lifted the sequester that went info effect on March 1,

2013. The Taxpayer Relief Act also increased the multiple procedure discount for Part B therapy services from 25% to 50% effective April 2013, which will lower revenues for certain operators or tenants.

Section 5008 of the Deficit Reduction Act of 2005 directed the Secretary of HHS to conduct a Post Acute Care Payment Reform Demonstration ("PAC-PRD") program, for a three year period, beginning January 1, 2008, to assess the costs and outcomes of patients discharged from hospitals in a variety of post-acute care settings, including skilled nursing facilities. The demonstration program's results and recommendations were reported to Congress in a January 2012 report. The results and recommendations could lead to future changes in Medicare coverage, reimbursement, and reporting requirements for post-acute care.

The Balanced Budget Act of 1997 mandated caps on Medicare reimbursement for certain therapy services. However, Congress imposed various waivers on the implementation of those caps. The Middle Class Tax Relief and Job Creation Act of 2012 ("Job Creation Act") made a number of changes, including, effective on October 1, 2012, applying the therapy caps to outpatient hospitals, creating two new threshold amounts of $3,700 (one for each therapy cap amount), and requiring a manual medical review process of claims over these new thresholds. CMS announced on March 1, 2013 that, until the agency provides further guidance, all therapy claims that are suspended for Manual Medical Review of Therapy Services above the $3,700 threshold will be subject to prepayment medical review. The Taxpayer Relief Act extended the Job Creation Act provisions related to payment for Medicare outpatient therapy services and extended the historical therapy cap waiver and exceptions process, but only through December 31, 2013. Pursuant to the calendar year 2014 Medicare Physician Fee Schedule, the therapy cap limitation also applies to services provided at critical access hospitals. These therapy caps may negatively impact payments to skilled nursing facilities.

If the waiver program is not reinstituted, patients will need to use private funds to pay for the cost of therapy above the caps. If patients are unable to satisfy their out-of-pocket cost responsibility to reimburse an operator for services rendered, the operator's ability to meet its financial obligations to us could be adversely impacted.

Medicare Reimbursement and Hospitals. For the twelve months ended September 30, 2013, approximately 57% of the revenues at our hospitals (which comprised 3% of our overall revenues, including discontinued operations, for the year ended December 31, 2013) were from Medicare reimbursements. Hospitals, generally, are reimbursed by Medicare under the Hospital Inpatient Prospective Payment System ("PPS"), the Hospital Outpatient Prospective Payment System ("OPPS"), the Long Term Care Hospital Prospective Payment System ("LTCH PPS"), or the Inpatient Rehabilitation Facility Prospective Payment System ("IRF PPS"). Acute care hospitals provide a wide range of inpatient and outpatient services, including, but not limited to, surgery, rehabilitation, therapy, and clinical laboratory services. Long-term acute care hospitals provide inpatient services for patients with medical conditions that are often complex and that require more intensive care, monitoring or emergency support than that available in most skilled nursing facilities. Inpatient rehabilitation facilities provide intensive rehabilitation services in an inpatient setting for patients requiring at least three hours of rehabilitation services a day.

With respect to Medicare's PPS for regular hospitals, reimbursement for inpatient services is made on the basis of a fixed, prospective rate, based on the principal diagnosis of the patient. Hospitals may be at risk to the extent that their costs in treating a specific case exceed the fixed payment amount. The diagnosis related group ("DRG") reimbursement system was updated in 2008 to expand the number of DRGs from 538 to 745 in order to better distinguish more severe conditions. The subsequent addition of new DRGs has now raised the total number of DRGs to 751. In some cases, a hospital might be able to qualify for an outlier payment if the hospital's losses exceed a threshold.

On August 2, 2013, CMS issued a final rule for the Medicare Inpatient Prospective Payment System, which sets forth acute care and long-term care hospital payment rate changes for the 2014 fiscal year, which began on October 1, 2013. Under the final rule, the Medicare rates for inpatient services at acute care hospitals will increase by 0.7% and rates for long-term care hospitals will increase by 0.4%, accounting for adjustments, such as the multifactor productivity adjustment and the second year adjustment for a three-year phase-in of a one-time 3.75% budget neutrality adjustment to the long-term care hospital rate. CMS finalized its proposal to let expire the one-year extension of the existing moratorium on the 25% threshold policy, a policy that imposes lower Medicare payments, in certain circumstances, on those long-term care hospitals that admit more than 25% of their patients from a single acute care hospital. The expiration of the moratorium on the 25% threshold policy will impact cost reporting periods which begin on or after October 1, 2013. Under the final rule, CMS also finalized a number of changes to comply with the Patient Protection and Affordable Care Act of 2010 ("PPACA") and the Health Care and Education Reconciliation Act of 2010, which amends the PPACA (collectively, the "Health Reform Laws"). Beginning in fiscal year 2014, hospitals that rank among the lowest-performing 25% with regard to hospital-acquired conditions will see a 1% reduction in Medicare payment rates. CMS will also increase the maximum payment reduction under the Hospital Readmissions Reduction program, which began on October 1, 2012, to 2% of payment amounts in fiscal year 2014. For fiscal year 2014, CMS is increasing the applicable percentage reduction, the portion of Medicare payments available to fund the Value-Based Purchasing Program's value-based incentive payments, to 1.25%, as required by statute. CMS clarified its regulations to reflect an existing policy that the Inpatient Prospective Payment System comparable per diem amount is capped at an amount

comparable to what would have been a full payment under the Inpatient Prospective Payment System and that cap applies to short stay cases in long-term care hospitals with discharges occurring on or after December 29, 2012.

Notably, from 2007 through the end of 2012, there was a statutory moratorium imposed by the Medicare, Medicaid, and SCHIP Extension Act of 2007 (“MMSEA”) and subsequent amendments on new LTCH beds and facilities, which reduced the opportunities for expansion. Now that this moratorium has been lifted, such facilities have the option to increase their capacity and services. It is unclear at this time what impact, if any, this change will have on our operators and tenants and our business, generally.

On July 31, 2013, CMS issued a final rule for the Medicare Inpatient Rehabilitation Facilities Prospective Payment System that sets forth payment rate changes for the 2014 fiscal year. Under the final rule for fiscal year 2014, the Medicare rates for inpatient rehabilitation facilities will increase by 1.8%, which includes a 2.6% market basket increase factor, reduced by a 0.5% multi-factor productivity adjustment and an additional 0.3% point reduction as required by the Health Reform Laws.

On December 10, 2013, CMS published the Medicare Hospital Outpatient Prospective Payment and Ambulatory Surgical Center Payment System final rule for calendar year 2014, which sets payment rates for outpatient care hospitals and ambulatory surgery centers. CMS estimates that the rates and policies in the final rule will increase payment rates for ambulatory surgery centers by 1.2%.

Medicare Reimbursement and Physicians. CMS annually adjusts the Medicare Physician Fee Schedule payment rates based on an update formula that includes application of the Sustainable Growth Rate (“SGR”). On November 27, 2013, CMS issued the calendar year 2013 Physician Fee Schedule final rule, which called for a negative 20.1% update under the statutory SGR formula. With the enactment of the Bipartisan Budget Act of 2013 on December 26, 2013, the reimbursement cut that was to occur was replaced with a 0.5% increase for services provided through March 31, 2014. Congress has overridden the required reduction every year since 2003. The final rule continues implementation of quality and cost measures that will be used in establishing a new value–based modifier that would adjust physician payments based on whether they are providing higher quality and more efficient care. The Health Reform Laws, as defined below, require CMS to begin making payment adjustments to certain physicians and physician groups on January 1, 2015, and to apply the modifier to all physicians by January 1, 2017. Calendar year 2013 is the initial performance year for purposes of adjusting payments in calendar year 2015.

Medicaid Reimbursement. Medicaid is a major payor source for residents in our skilled nursing facilities and hospitals. For the twelve months ended September 30, 2013, approximately 48% of the revenues of our skilled nursing facilities and 3% of the revenues of our hospitals were attributable to Medicaid reimbursement payments. The federal and state governments share responsibility for financing Medicaid. The federal matching rate, known as the Federal Medical Assistance Percentage (“FMAP”), varies by state based on relative per capita income, but is at least 50% in all states. On average, Medicaid is the largest component of total state spending, representing approximately 23.7% of

total state expenditures in state fiscal year 2011. The percentage of Medicaid dollars used for long-term care varies from state to state, due in part to different ratios of elderly population and eligibility requirements. Within certain federal guidelines, states have a fairly wide range of discretion to determine eligibility and reimbursement methodology. Many states reimburse long-term care facilities using fixed daily rates, which are applied prospectively based on patient acuity and the historical costs incurred in providing patient care. Reasonable costs typically include allowances for staffing, administrative and general expenses, property, and equipment (*e.g.*, real estate taxes, depreciation and fair rental).

In most states, Medicaid does not fully reimburse the cost of providing skilled nursing services. Certain states are attempting to slow the rate of growth in Medicaid expenditures by freezing rates or restricting eligibility and benefits. Our skilled nursing portfolio's average Medicaid rate will likely vary throughout the year as states continue to make interim changes to their budgets and Medicaid funding. In addition, Medicaid reimbursement rates may decline if revenues in a particular state are not sufficient to fund budgeted expenditures. President Obama's proposed fiscal year budget for 2013 included several proposals that would have lowered federal spending for Medicaid, potentially impacting provider Medicaid reimbursement rates. The proposals included new limits on state provider taxes, phasing down the existing Medicaid provider tax, and blending the Federal matching rate for state Medicaid and the Children's Health Insurance Program. Although the President's proposed fiscal year budget for 2014 did not include these proposals, it nevertheless called for an overall reduction in federal health care spending by $401 billion over ten years, with savings stemming from several cost-saving proposals including reduced Medicare payments for long-term care hospitals, SNFs, and other post-acute care providers.

The Medicare Part D drug benefit became effective January 1, 2006. Since that date, low-income Medicare beneficiaries (eligible for both Medicare and full Medicaid benefits), including those nursing home residents who are dually eligible for both programs, may enroll and receive outpatient prescription drugs under Medicare, not Medicaid. Medicare Part D has resulted in increased administrative responsibilities for nursing home operators because enrollment in Medicare Part D is voluntary and residents must

choose between multiple prescription drug plans. Operators may also experience increased expenses to the extent that a particular drug prescribed to a patient is not listed on the Medicare Part D drug plan formulary for the plan in which the patient is enrolled.

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

Finally, the Health Reform Laws (further discussed below) may have a significant impact on Medicare, Medicaid, other federal health care programs, and private insurers, which impact the reimbursement amounts received by skilled nursing facilities and other health care providers. The Health Reform Laws could have a substantial and material adverse effect on all parties directly or indirectly involved in the health care system.

Other Related Laws

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

All health care providers, including, but not limited to skilled nursing facilities and hospitals (and seniors housing facilities that receive Medicaid payments) are also subject to the Federal Anti-Kickback Statute, which generally

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

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

Other legislative developments, including the Health Insurance Portability and Accountability Act of 1996 ("HIPAA"), have greatly expanded the definition of health care fraud and related offenses and broadened its scope to include private health care plans in

addition to government payors. Congress also has greatly increased funding for the Department of Justice, Federal Bureau of Investigation and the Office of the Inspector General of the Department of Health and Human Services to audit, investigate and prosecute suspected health care fraud. Moreover, a significant portion of the billions in health care fraud recoveries over the past several years has also been returned to government agencies to further fund their fraud investigation and prosecution efforts.

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

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

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

to us.

United Kingdom

Registration

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

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

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

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

Under the Care Quality Commission (Registration) Regulations 2009, service providers and managers of Regulated Activities must provide documentation demonstrating their ability to provide the relevant service(s); in particular, registrants must be able to

demonstrate that they (or a nominated individual, if the registered person is a company) possess good character, are physically and mentally fit to carry on the regulated activity and have the necessary qualifications, skills and experience to do so.

Service Standards and Notification Obligations

The Health and Social Care Act 2008 (Regulated Activities) Regulations 2010 list the standards that must be met when providing care services. The service providers' legal obligations include:

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

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

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

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

Failure to comply with the above notification obligations is an offense and a person guilty of an offense is liable on summary conviction to a fine of up to £2,500.

Regulatory Oversight and Inspections

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

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

Financial Assistance for Service Users

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

Canada

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

Licensing and Regulation

Ontario

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

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

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

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

The licensee of a retirement home must ensure that the care provided by the home meets prescribed standards. The Act and its regulations include a number of detailed provisions with respect to care standards, safety plans in the event

of emergency or infectious disease, temperature control, cleanliness, pest control, maintenance, food preparations, risk of resident falls and behavioral management, among other things. A care plan must be developed for each resident of the home (with their consent). The Act establishes a Residents' Bill of Rights, which provides residents with a list of rights, such as the right to participate fully in decision-making with respect to care, the right not to be restrained and the right to know what care services are provided and their cost. The Residents' Bill of Rights can be enforced as a contract.

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

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

British Columbia

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

The B.C. Act also creates a separate regime for regulating "assisted living residences," which are facilities providing at least one but not more than two prescribed care services. Assisted living residences are designed for those who can live independently, but who require assistance with certain activities. Unlike community care facilities, assisted living residences must be registered with the registrar of assisted living residences, but do not require a license. Nevertheless, assisted living residences must be operated in a

manner that does not jeopardize the health or safety of its residents. If the registrar has reason to believe a residence is not being operated in accordance with this standard, the registrar may inspect the assisted living residence and may suspend or cancel a registration. Most of the residences in which we have an interest in B.C. are assisted living residences, with one being an independent living residence.

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

Québec

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

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

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

Other Related Laws

Privacy

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

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

The powers of privacy regulators and penalties for violations of privacy law vary according to the applicable law or are left to the courts. Generally, penalties are monetary in nature. Private rights of action may also be available and regulators have the authority to make public the identity of a health information custodian that has been found to have committed a breach, so that there is a reputational risk associated with privacy law violations even where there are no monetary damages incurred. The notification of patients (mandatory under some privacy laws) and other activities required to manage a privacy breach can give rise to significant costs.

Other Legislation

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

Taxation

Federal Income Tax Considerations

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

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

General

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

we will be owned and organized and will operate in a manner so as to qualify or remain qualified.

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

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

- To the extent that we do not distribute all of our net capital gain or distribute at least 90%, but less than 100%, of our "REIT taxable income," as adjusted, we will be subject to tax on the undistributed amount at regular corporate tax rates;

- We may be subject to the "alternative minimum tax" (the "AMT") on certain tax preference items to the extent that the AMT exceeds our regular tax;

- If we have net income from the sale or other disposition of "foreclosure property" that is held primarily for sale to customers in the ordinary course of business or other non-qualifying income from foreclosure property, such income will be taxed at the highest corporate rate;

- Any net income from prohibited transactions (which are, in general, sales or other dispositions of property held primarily for sale to customers in the ordinary course of business, other than dispositions of foreclosure property and dispositions of property due to an involuntary conversion) will be subject to a 100% tax;

- If we fail to satisfy either the 75% or 95% gross income tests (as discussed below), but nonetheless maintain our qualification as a REIT because certain other requirements are met, we will be subject to a 100% tax on an amount equal to (1) the gross

income attributable to the greater of (i) 75% of our gross income over the amount of qualifying gross income for purposes of the 75% gross income test (discussed below) or (ii) 95% of our gross income over the amount of qualifying gross income for purposes of the 95% gross income test (discussed below) multiplied by (2) a fraction intended to reflect our profitability;

- If we fail to distribute during each year at least the sum of (1) 85% of our REIT ordinary income for the year, (2) 95% of our REIT capital gain net income for such year (other than capital gain that we elect to retain and pay tax on) and (3) any undistributed taxable income from preceding periods, we will be subject to a 4% excise tax on the excess of such required distribution over amounts actually distributed;

- We will be subject to a 100% tax on the amount of any rents from real property, deductions or excess interest paid to us by any of our "taxable REIT subsidiaries" that would be reduced through reallocation under certain federal income tax principles in order to more clearly reflect income of the taxable REIT subsidiary. See "— Qualification as a REIT — Investments in Taxable REIT Subsidiaries;" and

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

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

Qualification as a REIT

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

(1) which is managed by one or more trustees or directors;

(2) the beneficial ownership of which is evidenced by transferable shares or by transferable certificates of beneficial interest;

(3) which would be taxable as a domestic corporation but for the federal income tax law relating to REITs;

(4) which is neither a financial institution nor an insurance company;

(5) the beneficial ownership of which is held by 100 or more persons in each taxable year of the REIT except for its first taxable year;

(6) not more than 50% in value of the outstanding stock of which is owned during the last half of each taxable year, excluding its first taxable year, directly or indirectly, by or for five or fewer individuals (which includes certain entities) (the “Five or Fewer Requirement”); and

(7) which meets certain income and asset tests described below.

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

Based on publicly available information, we believe we have satisfied the share ownership requirements set forth in (5) and (6) above. In addition, Article VI of our by-laws provides for restrictions regarding ownership and transfer of shares. These

restrictions are intended to assist us in continuing to satisfy the share ownership requirements described in (5) and (6) above. These restrictions, however, may not ensure that we will, in all cases, be able to satisfy the share ownership requirements described in (5) and (6) above.

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

We may own a number of properties through wholly owned subsidiaries. A corporation will qualify as a "qualified REIT subsidiary" if 100% of its stock is owned by a REIT, and the REIT does not elect to treat the subsidiary as a taxable REIT subsidiary. A "qualified REIT subsidiary" will not be treated as a separate corporation, and all assets, liabilities and items of income, deductions and credits of a "qualified REIT subsidiary" will be treated as assets, liabilities and items (as the case may be) of the REIT. A "qualified REIT subsidiary" is not subject to federal income tax, and our ownership of the voting stock of a qualified REIT subsidiary will not violate the restrictions against ownership of securities of any one issuer which constitute more than 10% of the value or total voting power of such issuer or more than 5% of the value of our total assets, as described below under "— Asset Tests."

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

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

- At least 75% of our gross income (excluding gross income from certain sales of property held primarily for sale) must be directly or indirectly derived each taxable year from "rents from real property," other income from investments relating to real property or mortgages on real property or certain income from qualified temporary investments.

- At least 95% of our gross income (excluding gross income from certain sales of property held primarily for sale) must be directly or indirectly derived each taxable year from any of the sources qualifying for the 75% gross income test and from dividends (including dividends from taxable REIT subsidiaries) and interest.

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

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

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

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

As to gains and items of income recognized after July 30, 2008, “passive foreign exchange gain” for any taxable year will not constitute gross income for purposes of the 95% gross income test and “real estate foreign exchange gain” for any taxable year will

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

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

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

- The amount of rent must not be based in whole or in part on the income or profits of any person, although rents generally will not be excluded merely because they are based on a fixed percentage or percentages of receipts or sales.

- Rents received from a tenant will not qualify as rents from real property if the REIT, or an owner of 10% or more of the REIT, also directly or constructively owns 10% or more of the tenant, unless the tenant is our taxable REIT subsidiary and certain other requirements are met with respect to the real property being rented.

- If rent attributable to personal property leased in connection with a lease of real property is greater than 15% of the total rent received under the lease, then the portion of rent attributable to such personal property will not qualify as "rents from real property."

- For rents to qualify as rents from real property, we generally must not furnish or render services to tenants, other than through a taxable REIT subsidiary or an "independent contractor" from whom we derive no income, except that we may directly provide services that are "usually or customarily rendered" in the geographic area in which the property is located in connection with the rental of real property for occupancy only, or are not otherwise considered "rendered to the occupant for his convenience."

- For taxable years beginning after July 30, 2008, the REIT may lease "qualified health care properties" on an arm's-length basis to a taxable REIT subsidiary if the property is operated on behalf of such subsidiary by a person who qualifies as an "independent contractor" and who is, or is related to a person who is, actively engaged in the trade or business of operating health care facilities for any person unrelated to us or our taxable REIT subsidiary, an "eligible independent contractor." Generally, the rent that the REIT receives from the taxable REIT subsidiary will be treated as "rents from real property." A "qualified health care property" includes any real property and any personal property that is, or is necessary or incidental to the use of, a hospital, nursing facility, assisted living facility, congregate care facility, qualified continuing care facility, or other licensed facility that extends medical or nursing or ancillary services to patients and is operated by a provider of such services that is eligible for participation in the Medicare program with respect to such facility.

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

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

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

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

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

Asset Tests. Within 30 days after the close of each quarter of our taxable year, we must also satisfy several tests relating to the nature and diversification of our assets determined in accordance with generally accepted accounting principles. At least 75% of the value of our total assets must be represented by real estate assets, cash, cash items (including receivables arising in the ordinary course of our operation), government securities and qualified temporary investments. Although the remaining 25% of our assets generally may be invested without restriction, we are prohibited from owning securities representing more than 10% of either the vote (the “10% vote test”) or value (the “10% value test”) of the outstanding securities of any issuer other than a qualified REIT subsidiary, another REIT or a taxable REIT subsidiary. Further, no more than 25% of the total assets may be represented by securities of one or more taxable REIT subsidiaries (the “25% asset test”) and no more than 5% of the value of our total assets may be represented by securities of any non-governmental issuer other than a qualified REIT subsidiary (the “5% asset test”), another REIT or a taxable REIT subsidiary. Each of the 10% vote test, the 10% value test and the 25% and 5% asset tests must be satisfied at the end of each quarter. There are special rules which provide relief if the value related tests are not satisfied due to changes in the value of the assets of a REIT.

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

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

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

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

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

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

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

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

Annual Distribution Requirements. In order to avoid being taxed as a regular corporation, we are required to make distributions (other than capital gain distributions) to our stockholders which qualify for the dividends paid deduction in an amount at least equal to (1) the sum of (i) 90% of our "REIT taxable income" (computed without regard to the dividends paid deduction and our net capital gain) and (ii) 90% of the after-tax net income, if any, from foreclosure property, minus (2) a portion of certain items of non-cash income. These distributions must be paid in the taxable year to which they relate, or in the following taxable year if declared before we timely file our tax return for that year and if paid on or before the first regular distribution payment after such declaration. The amount distributed must not be preferential. This means that every stockholder of the class of stock to which a distribution is made must be treated the same as every other stockholder of that class, and no class of stock may be treated otherwise than in accordance with its dividend rights as a class. To the extent that we do not distribute all of our net capital gain or distribute at least 90%, but less than 100%, of our "REIT taxable income," as adjusted, we will be subject to tax on the undistributed amount at regular corporate tax rates. As discussed above, we may be subject to an excise tax if we fail to meet certain other distribution requirements. We believe we have satisfied the annual distribution requirements for the year of our initial REIT election and each year thereafter through the year ended December 31, 2013. Although we intend to make timely distributions sufficient to satisfy these annual distribution requirements for subsequent years, economic, market, legal, tax or other factors could limit our ability to meet those requirements. See "Item 1A — Risk Factors."

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

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

Failure to Qualify as a REIT

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

would be entitled to statutory relief. Failure to qualify for even one year could result in our need to incur indebtedness or liquidate investments in order to pay potentially significant resulting tax liabilities.

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

Federal Income Taxation of Holders of Our Stock

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

- a citizen or resident of the United States;

- a corporation, partnership or other entity classified as a corporation or partnership for these purposes, created or organized in or under the laws of the United States or of any political subdivision of the United States, including any state;

- an estate, the income of which is subject to United States federal income taxation regardless of its source; or

- a trust, if, in general, a U.S. court is able to exercise primary supervision over the trust's administration and one or more U.S. persons, within the meaning of the Internal Revenue Code, has the authority to control all of the trust's substantial decisions.

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

Generally, for taxable years following the year ended December 31, 2013, the maximum marginal rate of tax payable by individuals on dividends received from corporations that are subject to a corporate level of tax is 20%. Except in limited circumstances, this tax rate will not apply to dividends paid to you by us on our shares, because generally we are not subject to federal income tax on the portion of our REIT taxable income or capital gains distributed to our stockholders. The reduced maximum federal income tax rate will apply to that portion, if any, of dividends received by you with respect to our shares that are attributable to: (1) dividends received by us from non-REIT corporations or other taxable REIT subsidiaries; (2) income from the prior year with respect to which we were required to pay federal corporate income tax during the prior year (if, for example, we did not distribute 100% of our REIT taxable income for the prior year); or (3) the amount of any earnings and profits that were distributed by us and accumulated in a non-REIT year.

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

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

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

We will be treated as having sufficient earnings and profits to treat as a dividend any distribution up to the amount required to be distributed in order to avoid imposition of the 4% excise tax discussed under "— General" and "— Qualification as a REIT — Annual Distribution Requirements" above. As a result, you may be required to treat as taxable dividends certain distributions that would

otherwise result in a tax-free return of capital. Moreover, any “deficiency dividend” will be treated as a dividend (an ordinary dividend or a capital gain dividend, as the case may be), regardless of our earnings and profits. Any other distributions in excess of current or accumulated earnings and profits will not be taxable to you to the extent these distributions do not exceed the adjusted tax basis of your shares of our stock. You will be required to reduce the tax basis of your shares of our stock by the amount of these distributions until the basis has been reduced to zero, after which these distributions will be taxable as capital gain, if the shares of our stock are held as capital assets. The tax basis as so reduced will be used in computing the capital gain or loss, if any, realized upon sale of the shares of our stock. Any loss upon a sale or exchange of shares of our stock which were held for six months or less (after application of certain holding period rules) will generally be treated as a long-term capital loss to the extent you previously received capital gain distributions with respect to these shares of our stock.

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

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

If, as a result of a redemption by us of your shares, you no longer own (either actually or constructively) any of our equity securities or only own (actually and constructively) an insubstantial percentage of our equity securities, then it is probable that the redemption of your shares would be considered “not essentially equivalent to a dividend” and, thus, would result in gain or loss to you. However, whether a distribution is “not essentially equivalent to a dividend” depends on all of the facts and circumstances, and if you rely on any of these tests at the time of redemption, you should consult your tax advisor to determine their application to the particular situation.

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

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

An additional tax of 3.8% generally will be imposed on the “net investment income” of U.S. stockholders who meet certain requirements and are individuals, estates or certain trusts for taxable years beginning after December 31, 2012. Among other items, “net investment income” generally includes gross income from dividends and net gain attributable to the disposition of certain property, such as shares of our common stock or warrants. In the case of individuals, this tax will only apply to the extent such individual’s modified adjusted gross income exceeds $200,000 ($250,000 for married couples filing a joint return and surviving spouses, and $125,000 for married individuals filing a separate return). U.S. stockholders should consult their tax advisors regarding the possible applicability of this additional tax in their particular circumstances.

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

financed property" rules. Likewise, a portion of the Exempt Organization's income from us would constitute UBTI if we held a residual interest in a real estate mortgage investment conduit.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

U.S. Holders

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

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

- a citizen or resident of the United States;

- a corporation, partnership or other entity classified as a corporation or partnership for these purposes, created or organized in or under the laws of the United States or of any political subdivision of the United States, including any state;

- an estate, the income of which is subject to United States federal income taxation regardless of its source; or

- a trust, if, in general, a U.S. court is able to exercise primary supervision over the trust’s administration and one or more U.S. persons, within the meaning of the Internal Revenue Code, has the authority to control all of the trust’s substantial decisions.

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

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

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

- your adjusted tax basis in the notes.

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

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

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

Non-U.S. Holders

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

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

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

- you do not, directly or indirectly, actually or constructively, own 10% or more of the total combined voting power of all classes of our stock entitled to vote;

- you are not (1) a controlled foreign corporation for U.S. federal income tax purposes that is related, directly or indirectly, to us through sufficient stock ownership, as provided in the Internal Revenue Code, or (2) a bank receiving interest described in Section 881(c)(3)(A) of the Internal Revenue Code;

- such interest is not effectively connected with your conduct of a U.S. trade or business; and

- you provide a signed written statement, under penalties of perjury, which can reliably be related to you, certifying that you are not a U.S. person within the meaning of the Internal Revenue Code and providing your name and address to:

- us or our paying agent; or

- a securities clearing organization, bank or other financial institution that holds customers' securities in the ordinary course of its trade or business and holds your notes on your behalf and that certifies to us or our paying agent under penalties of perjury that it, or the bank or financial institution between it and you, has received from you your signed, written statement and provides us or our paying agent with a copy of such statement.

Treasury regulations provide that:

- if you are a foreign partnership, the certification requirement will generally apply to your partners, and you will be required to provide certain information;

- if you are a foreign trust, the certification requirement will generally be applied to you or your beneficial owners depending on whether you are a "foreign complex trust," "foreign simple trust," or "foreign grantor trust" as defined in the Treasury regulations; and

- look-through rules will apply for tiered partnerships, foreign simple trusts and foreign grantor trusts.

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

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

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

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

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

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

- in the case of gain, you are an individual who is present in the United States for 183 days or more during the taxable year of the sale or other disposition of your notes, and specific other conditions are met;

- you are subject to tax provisions applicable to certain United States expatriates; or

- the gain is effectively connected with your conduct of a U.S. trade or business.

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

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

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

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

- is a U.S. person, as defined in the Internal Revenue Code;

- derives 50% or more of its gross income in specific periods from the conduct of a trade or business in the United States;

- is a "controlled foreign corporation" for U.S. federal income tax purposes; or

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

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

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

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

preferred stock, depositary shares or common stock, as the case may be, received upon the exercise of the warrant will not include the period during which the warrant was held by you.

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

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

Potential Legislation or Other Actions Affecting Tax Consequences

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

State, Local and Foreign Taxes

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

Internet Access to Our SEC Filings

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

Cautionary Statement Regarding Forward-Looking Statements

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

Forward-looking statements are not guarantees of future performance and involve risks and uncertainties that may cause our actual results to differ materially from our expectations discussed in the forward-looking statements. This may be a result of various factors, including, but not limited to:

- the status of the economy;
- the status of capital markets, including availability and cost of capital;

- issues facing the health care industry, including compliance with, and changes to, regulations and payment policies, responding to government investigations and punitive settlements and operators'/tenants' difficulty in cost-effectively obtaining and maintaining adequate liability and other insurance;
- changes in financing terms;
- competition within the health care, seniors housing and life science industries;
- negative developments in the operating results or financial condition of operators/tenants, including, but not limited to, their ability to pay rent and repay loans;
- our ability to transition or sell properties with profitable results;
- the failure to make new investments or acquisitions as and when anticipated;
- natural disasters and other acts of God affecting our properties;
- our ability to re-lease space at similar rates as vacancies occur;
- our ability to timely reinvest sale proceeds at similar rates to assets sold;
- operator/tenant or joint venture partner bankruptcies or insolvencies;
- the cooperation of joint venture partners;
- government regulations affecting Medicare and Medicaid reimbursement rates and operational requirements;
- liability or contract claims by or against operators/tenants;
- unanticipated difficulties and/or expenditures relating to future investments or acquisitions;
- environmental laws affecting our properties;
- changes in rules or practices governing our financial reporting;
- the movement of U.S. and foreign currency exchange rates;
- our ability to maintain our qualification as a REIT;
- key management personnel recruitment and retention; and
- the risks described under "Item 1A — Risk Factors."

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

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

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

We group these risk factors into three categories:

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

Risks Arising from Our Business

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

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

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

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

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

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

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

Our operators' revenues are primarily driven by occupancy, private pay rates, and Medicare and Medicaid reimbursement, if applicable. Expenses for these facilities are primarily driven by the costs of labor, food, utilities, taxes, insurance and rent or debt service. Revenues from government reimbursement have, and may continue to, come under pressure due to reimbursement cuts and state budget shortfalls. Operating costs continue to increase for our

operators. To the extent that any decrease in revenues and/or any increase in operating expenses result in a property not generating enough cash to make payments to us, the credit of our operator and the value of other collateral would have to be relied upon. To the extent the value of such property is reduced, we may need to record an impairment for such asset. Furthermore, if we determine to dispose of an underperforming property, such sale may result in a loss. Any such impairment or loss on sale would negatively affect our financial results.

The continued weakened economy may also have an adverse effect on our operators and tenants, including their ability to access credit or maintain occupancy and/or private pay rates. If the operations, cash flows or financial condition of our operators are materially adversely impacted by economic conditions, our revenue and operations may be adversely affected.

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

The operators of our properties compete on a local and regional basis with operators of properties and other health care providers that provide comparable services. We cannot be certain that the operators of all of our facilities will be able to achieve and maintain occupancy and rate levels that will enable them to meet all of their obligations to us. Our operators are expected to encounter increased competition in the future that could limit their ability to attract residents or expand their businesses.

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

We are exposed to the risk that our obligors may not be able to meet the rent, principal and interest or other payments due us, which may result in an obligor bankruptcy or insolvency, or that an obligor might become subject to bankruptcy or insolvency proceedings for other reasons. Although our operating lease agreements provide us with the right to evict a tenant, demand immediate

payment of rent and exercise other remedies, and our loans provide us with the right to terminate any funding obligation, demand immediate repayment of principal and unpaid interest, foreclose on the collateral and exercise other remedies, the bankruptcy and insolvency laws afford certain rights to a party that has filed for bankruptcy or reorganization. An obligor in bankruptcy or subject to insolvency proceedings may be able to limit or delay our ability to collect unpaid rent in the case of a lease or to receive unpaid principal and interest in the case of a loan, and to exercise other rights and remedies.

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

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

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

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

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

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

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

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

Sunrise Senior Living, LLC manages our entire Sunrise property portfolio, which as of December 31, 2013, consisted of 125 seniors housing properties. These properties account for a significant portion of our revenues, and we rely on Sunrise Senior Living, LLC to manage these properties efficiently and effectively. Any adverse developments in Sunrise Senior Living, LLC’s business or financial condition could impair its ability to manage our properties efficiently and effectively, which could adversely affect us.

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

We have operations in Canada and the United Kingdom. International development, ownership, and operating activities involve risks that are different from those we face with respect to our domestic properties and operations. These risks include, but are not limited to, any international currency gain recognized with respect to changes in exchange rates may not qualify under the 75% gross income test or the 95% gross income test that we must satisfy annually in order to qualify and maintain our status as a REIT; challenges with respect to the repatriation of foreign earnings and cash; changes in foreign political, regulatory, and economic conditions, including regionally, nationally, and locally; challenges in managing international operations; challenges of complying

with a wide variety of foreign laws and regulations, including those relating to real estate, corporate governance, operations, taxes, employment and legal proceedings; foreign ownership restrictions with respect to operations in countries; differences in lending practices and the willingness of domestic or foreign lenders to provide financing; regional or country-specific business cycles and economic instability; and failure to comply with applicable laws and regulations in the United States that affect foreign operations, including, but not limited to, the U.S. Foreign Corrupt Practices Act. If we are unable to successfully manage the risks associated with international expansion and operations, our results of operations and financial condition may be adversely affected.

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

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

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

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

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

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

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

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

The Patient Protection and Affordable Care Act of 2010, as modified by the Health Care and Education Reconciliation Act of 2010 (collectively, the "Health Reform Laws"), provides those states that expand their Medicaid coverage to otherwise eligible state residents with incomes at or below 138% of the federal poverty level with an increased federal medical assistance percentage, effective January 1, 2014, when certain conditions are met. On June 28, 2012, the United States Supreme Court upheld the individual mandate of the Health Reform Laws but partially invalidated the expansion of Medicaid. The ruling on Medicaid expansion allows states to elect not to participate in the expansion—and to forego funding for the Medicaid expansion—without losing their existing Medicaid funding. Given that the federal government substantially funds the Medicaid expansion, it is unclear how many states will ultimately pursue this option, although, as of late January 2014, roughly half of the states have made statements or otherwise indicated that they do not intend to expand Medicaid coverage at this time. The participation by states in the Medicaid expansion could have the

dual effect of increasing our tenants' revenues, through new patients, but further straining state budgets and their ability to pay our tenants. While the federal government will pay for approximately 100% of those additional costs from 2014 to 2016, states will be expected to pay for part of those additional costs beginning in 2017. In light of this, at least one state that has passed legislation to allow the state to expand its Medicaid coverage has included sunset provisions in the legislation that require that the expanded benefits be reduced or eliminated if the federal government's funding for the program is decreased or eliminated, permitting the state to re-visit the issue once it begins to share financial responsibility for the expansion. With increasingly strained budgets, it is unclear how states that do not include such sunset provisions will pay their share of these additional Medicaid costs and what other health care expenditures could be reduced as a result. A significant reduction in other health care related spending by states to pay for increased Medicaid costs could affect our tenants' revenue streams. See "Item 1 — Business — Certain Government Regulations — United States — Reimbursement" above and "Item 7 — Management's Discussion and Analysis o Financial Condition and Results of Operations — Health Care Industry — Health Reform Laws" below.

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

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

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

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

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

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

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

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

Development, redevelopment and construction risks could affect our profitability

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

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

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

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

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

We maintain or require our tenants to maintain comprehensive insurance coverage on our properties with terms, conditions, limits and deductibles that we believe are appropriate given the relative risk and costs of such coverage, and we continually review our insurance programs and requirements. However, a large number of our properties are

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

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

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

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

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

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

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

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

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

Risks Arising from Our Capital Structure

We may become more leveraged

Permanent financing for our investments is typically provided through a combination of public offerings of debt and equity securities and the incurrence or assumption of secured debt. The incurrence or assumption of indebtedness may cause us to become more leveraged, which could (1) require us to dedicate a greater portion of our cash flow to the

payment of debt service, (2) make us more vulnerable to a downturn in the economy, (3) limit our ability to obtain additional financing, or (4) negatively affect our credit ratings or outlook by one or more of the rating agencies.

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

Our debt agreements contain various covenants, restrictions and events of default. Among other things, these provisions require us to maintain certain financial ratios and minimum net worth and impose certain limits on our ability to incur indebtedness, create liens and make investments or acquisitions. Breaches of these covenants could result in defaults under the instruments governing the applicable indebtedness, in addition to any other indebtedness cross-defaulted against such instruments. These defaults could have a material adverse impact on our business, results of operations and financial condition.

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

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

Also, the federal government's failure to increase the amount of debt that it is statutorily permitted to incur as needed to meet its future financial commitments or a downgrade in the debt rating on U.S. government securities could lead to a weakened U.S.

dollar, rising interest rates and constrained access to capital, which could materially adversely affect the U.S. and global economies, increase our costs of borrowing and have a material adverse impact on our consolidated results of operations, liquidity and/or financial condition.

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

We plan to manage the Company to maintain a capital structure consistent with our current profile, but there can be no assurance that we will be able to maintain our current credit ratings. Any downgrades in terms of ratings or outlook by any or all of the rating agencies could have a material adverse impact on our cost and availability of capital, which could in turn have a material adverse impact on our consolidated results of operations, liquidity and/or financial condition.

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

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

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

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

Risks Arising from Our Status as a REIT

We might fail to qualify or remain qualified as a REIT

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

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

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

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

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

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

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

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

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

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

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

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

Item 1B. ***Unresolved Staff Comments***

None.

Item 2. ***Properties***

We own our corporate headquarters located at 4500 Dorr Street, Toledo, Ohio 43615. We also lease corporate offices in Florida, California and the United Kingdom and have ground leases relating to certain of our properties. The following table sets forth certain information regarding the properties that comprise our consolidated real property and real estate loan investments as of December 31, 2013 (dollars in thousands and annualized revenues adjusted for timing of investment):

	Seniors Housing Triple-Net			Seniors Housing Operating		
Property Location	Number of Properties	Total Investment	Annualized Revenues	Number of Properties	Total Investment	Annualized Revenues
Alabama	4	$ 37,961	$ 3,743	-	$ -	$ -
Arizona	3	19,004	2,197	4	64,572	21,052
California	20	312,429	31,421	47	1,413,141	349,086
Colorado	3	56,162	7,949	5	146,083	37,454
Connecticut	14	179,166	18,442	14	331,236	111,660
District of Columbia	-	-	-	1	70,486	12,830
Delaware	10	155,422	16,082	1	22,412	5,194
Florida	43	639,702	51,479	-	-	-
Georgia	9	158,816	13,646	6	108,685	28,974
Idaho	1	16,791	1,966	-	-	-
Illinois	13	313,466	26,038	12	462,724	89,186
Indiana	17	191,627	23,048	-	-	-
Iowa	3	49,469	4,140	1	35,111	5,808
Kansas	8	154,261	15,484	3	75,527	15,946
Kentucky	10	51,561	8,688	2	42,652	11,291
Louisiana	1	4,418	1,401	2	56,439	11,119
Maine	-	-	-	2	56,524	17,440
Maryland	28	419,066	33,834	3	88,065	29,355
Massachusetts	30	424,115	50,648	21	552,519	128,889
Michigan	8	120,125	10,678	5	120,062	26,459
Minnesota	3	37,761	3,825	4	123,640	23,705
Mississippi	3	31,965	3,354	-	-	-
Missouri	2	29,812	2,860	3	118,877	16,753
Montana	1	6,698	953	-	-	-
Nebraska	4	36,124	4,067	-	-	-
Nevada	4	81,238	10,216	2	11,630	8,845
New Hampshire	11	178,146	19,739	3	82,988	17,609
New Jersey	57	1,243,478	103,450	8	257,834	61,838
New Mexico	-	-	-	1	19,823	666
New York	9	208,437	16,415	8	322,064	66,096
North Carolina	45	267,645	31,298	1	44,353	6,825
Ohio	28	221,837	30,786	4	198,411	20,608

Oklahoma	14	106,898	10,491	2	39,470	2,480
Oregon	1	3,522	742	-	-	-
Pennsylvania	45	789,684	80,745	6	87,127	34,665
Rhode Island	3	46,401	5,100	3	72,114	21,759
South Carolina	8	269,647	21,459	-	-	-
Tennessee	25	194,981	27,213	2	52,091	13,985
Texas	43	415,404	49,368	12	312,150	69,281
Utah	1	6,025	887	1	17,496	10,030
Vermont	2	26,950	2,969	1	28,735	7,072
Virginia	7	92,491	10,253	2	39,267	9,664
Washington	21	388,347	38,533	7	279,480	46,114
West Virginia	24	381,196	41,890	-	-	-
Wisconsin	15	197,222	20,680	-	-	-
Total domestic	601	8,565,470	858,177	199	5,753,788	1,339,738
Canada	-	-	-	53	1,294,716	235,744
England	19	350,701	25,329	27	1,372,594	252,954
Total international	19	350,701	25,329	80	2,667,310	488,698
Grand total	620	$ 8,916,171	$ 883,506	279	$ 8,421,098	$ 1,828,436

Property Location	Medical Facilities		
	Number of Properties	Total Investment	Annualized Revenues
Alabama	3	$ 32,971	$ 5,838
Alaska	1	24,152	3,239
Arizona	4	75,278	9,233
Arkansas	1	27,023	3,103
California	15	519,765	59,042
Florida	36	453,554	47,154
Georgia	11	182,762	22,771
Idaho	1	18,679	1,768
Illinois	4	52,129	7,193
Indiana	7	129,308	15,061
Iowa	1	355	-
Kansas	7	77,519	11,837
Kentucky	1	26,912	3,242
Louisiana	2	19,416	1,925
Maine	1	23,985	2,903
Maryland	1	20,620	2,199
Massachusetts	2	16,311	689
Michigan	1	17,617	1,978
Minnesota	7	120,571	14,350
Missouri	8	190,277	19,546
Nebraska	3	144,864	16,626
Nevada	6	71,168	6,392
New Jersey	8	274,287	42,580
New Mexico	3	37,707	3,629
New York	7	69,852	7,734
North Carolina	3	62,089	6,575
Ohio	10	111,656	15,388
Oklahoma	3	35,752	4,024
Oregon	1	10,510	1,266
Pennsylvania	1	16,936	3,197
South Carolina	1	17,056	1,669
Tennessee	7	83,893	10,038
Texas	46	820,795	89,119
Virginia	5	77,293	10,118
Washington	5	174,234	15,402
Wisconsin	20	305,656	31,788
Total	243	$ 4,342,952	$ 498,616

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

	Occupancy[1]	Coverages[1,2]		

					Average Annualized Revenues(3)		
	2013	2012	2013	2012	2013	2012	
Seniors housing triple-net(4)	88.5%	89.9%	1.32x	1.34x	$ 14,864	$ 14,509	per unit
Skilled nursing/post-acute(4)	87.7%	87.4%	1.71x	1.75x	11,429	11,681	per bed
Seniors housing operating(5)	90.7%	92.3%	n/a	n/a	50,849	54,183	per unit
Hospitals(4)	60.7%	60.3%	2.42x	2.40x	49,710	49,244	per bed
Medical office buildings(6)	94.5%	94.4%	n/a	n/a	28	28	per sq. ft.

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

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

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

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

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

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

The following table sets forth information regarding lease expirations for certain portions of our portfolio as of December 31, 2013 (dollars in thousands):

	Expiration Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2
Seniors housing triple-net:										
Properties	18	1	0	36	51	0	10	23	42	
Base rent[1]	$ 28,262	$ 1,435	$ 0	$ 16,569	$ 37,398	$ 0	$ 13,356	$ 34,960	$ 40,709	$
% of base rent	3.3%	0.2%	0.0%	1.9%	4.4%	0.0%	1.6%	4.1%	4.7%	
Units	1,993	78	0	1,732	3,151	0	912	3,587	5,463	
% of units	3.1%	0.1%	0.0%	2.7%	4.9%	0.0%	1.4%	5.5%	8.4%	
Hospitals:										
Properties	0	0	0	0	0	0	0	0	0	
Base rent[1]	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$
% of base rent	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
Beds	0	0	0	0	0	0	0	0	0	
% of beds	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
Medical office buildings:										
Square feet	648,545	628,099	773,210	1,132,963	832,602	836,755	819,606	919,190	1,952,434	92
Base rent[1]	$ 13,782	$ 14,057	$ 15,216	$ 26,577	$ 19,060	$ 16,968	$ 19,388	$ 22,292	$ 39,407	$ 2
% of base rent	4.8%	4.9%	5.4%	9.3%	6.7%	6.0%	6.8%	7.8%	13.9%	
Leases	163	191	172	208	171	123	86	104	121	
% of leases	10.8%	12.7%	11.5%	13.8%	11.4%	8.2%	5.7%	6.9%	8.1%	

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

Item 3. ***Legal Proceedings***

From time to time, there are various legal proceedings pending to which we are a party or to which some of our properties are subject arising in the normal course of business. We do not believe that the ultimate resolution of these

proceedings will have a material adverse effect on our consolidated financial position or results of operations.

In August 2012, we entered into a merger agreement with Sunrise Senior Living, Inc. ("Sunrise"). Following the announcement of the merger agreement, complaints were filed in the U.S. District Court for the Eastern District of Virginia and the Chancery Court for the State of Delaware challenging the merger. The complaints challenged the merger on behalf of a putative class of Sunrise public stockholders, and named as defendants Sunrise, its directors and us. The complaints generally alleged that the individual defendants breached their fiduciary duties in connection with the merger and that the entity defendants aided and abetted that breach. The complaint filed in the U.S. District Court for the Eastern District of Virginia additionally alleged that the preliminary proxy statement filed with the Securities and Exchange Commission by Sunrise failed to provide material information in violation of Sections 14(a) and 20(a) of the Exchange Act and Rule 14a-9 promulgated thereunder. The complaints sought, among other things, injunctive relief against the merger, unspecified damages and an award of plaintiffs' expenses, including attorneys' fees. On January 9, 2013, we completed our acquisition of the Sunrise property portfolio. Please see Note 3 to our consolidated financial statements for additional information.

On October 24, 2013, the parties entered into a Stipulation of Settlement and Release that settled the lawsuits subject to the approval of the U.S. District Court for the Eastern District of Virginia and the Chancery Court for the State of Delaware, respectively. On January 24, 2014, the U.S. District Court for the Eastern District of Virginia approved the Stipulation of Settlement and Release and dismissed the lawsuit with prejudice, and, on February 6, 2014, the Chancery Court for the State of Delaware approved the plaintiffs' voluntarily dismissal of the lawsuit with prejudice.

Item 4. ***Mine Safety Disclosures***

None.

PART II

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

There were 4,944 stockholders of record as of January 31, 2014. The following table sets forth, for the periods indicated, the high and low prices of our common stock on the New York Stock Exchange (NYSE:HCN), and common dividends paid per share:

		Sales Price		Dividends
		High	Low	Paid
2013				
	First Quarter	$ 67.92	$ 60.78	$ 0.765
	Second Quarter	80.07	61.62	0.765
	Third Quarter	68.79	58.16	0.765
	Fourth Quarter	66.76	52.43	0.765
2012				
	First Quarter	$ 57.66	$ 53.26	$ 0.740
	Second Quarter	58.34	52.40	0.740
	Third Quarter	62.80	56.48	0.740
	Fourth Quarter	61.33	56.88	0.740

Our Board of Directors has approved a new quarterly cash dividend rate of $0.795 per share of common stock per quarter, commencing with the February 2014 dividend. The declaration and payment of quarterly dividends remains subject to the review and approval of the Board of Directors.

Stockholder Return Performance Presentation

Set forth below is a line graph comparing the yearly percentage change and the cumulative total stockholder return on our shares of common stock against the cumulative total return of the S & P Composite-500 Stock Index and the FTSE NAREIT Equity Index. As of December 31, 2013, 140 companies comprised the FTSE NAREIT Equity Index. The Index consists of REITs identified by NAREIT as equity (those REITs which have at least 75% of their investments in real property). The data are based on the closing prices as of December 31 for each of the five years. 2008 equals $100 and dividends are assumed to be reinvested.

	12/31/08	12/31/09	12/31/10	12/31/11	12/31/12	12/31/13
S & P 500	100.00	126.46	145.51	148.59	172.37	228.19
Health Care REIT, Inc.	100.00	112.86	129.03	156.48	184.98	169.41
FTSE NAREIT Equity	100.00	127.99	163.78	177.36	209.39	214.56

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

On October 15, 2013, we issued 116,618 shares of our common stock to a principal of a national medical office partner upon conversion of such principal's 116,618 shares of our 6% Series H Cumulative Convertible and Redeemable Preferred Stock (the "Series H Preferred Stock"). These shares were issued without registration in reliance upon the federal statutory exemption of Section 4(2) of the Securities Act of 1933, as amended, upon conversion by the principal of his shares of Series H Preferred Stock, which were originally issued as partial consideration for an acquisition by us, in accordance with the terms of the Certificate of Designation for the Series H Preferred Stock.

On December 3, 2013, we issued 29,094 shares of our common stock to a principal of a national medical office partner upon exercise of such principal's stock options. These shares were issued without registration in reliance upon the federal statutory exemption of Section 4(2) of the Securities Act of 1933, as amended, upon exercise by the principal of his stock options, which were originally issued as partial consideration for an acquisition by us, in accordance with the terms of a stock option agreement between the principal and us.

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
October 1, 2013 through October 31, 2013		-		$	-				
November 1, 2013 through November 30, 2013		-			-				
December 1, 2013 through December 31, 2013		62			53.57				
Totals		62		$	53.57				

(1) During the three months ended December 31, 2013, 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 6. *Selected Financial Data*

The following selected financial data for the five years ended December 31, 2013 are derived from our audited consolidated financial statements (in thousands, except per share data):

	Year Ended December 31,				
	2009	2010	2011	2012	2013
Operating Data					
Revenues[1]	$ 425,541	$ 559,491	$ 1,313,182	$ 1,805,044	$ 2,880,608
Expenses[1]	322,929	526,515	1,200,979	1,619,132	2,778,363
Income from continuing operations before income taxes and income (loss) from unconsolidated entities	102,612	32,976	112,203	185,912	102,245
Income tax expense	(168)	(364)	(1,388)	(7,612)	(7,491)
Income (loss) from unconsolidated entities	-	6,673	5,772	2,482	(8,187)
Income from continuing operations	102,444	39,285	116,587	180,782	86,567
Income from discontinued operations, net[1]	90,483	89,599	96,129	114,058	51,713
Net income	192,927	128,884	212,716	294,840	138,280
Preferred stock dividends	22,079	21,645	60,502	69,129	66,336
Preferred stock redemption charge	-	-	-	6,242	-
Net income (loss) attributable to noncontrolling interests	(342)	357	(4,894)	(2,415)	(6,770)
Net income attributable to common stockholders	$ 171,190	$ 106,882	$ 157,108	$ 221,884	$ 78,714
Other Data					
Average number of common shares outstanding:					
Basic	114,207	127,656	173,741	224,343	276,929
Diluted	114,612	128,208	174,401	225,953	278,761
Per Share Data					
Basic:					
Income from continuing operations attributable to common stockholders	$ 0.71	$ 0.14	$ 0.35	$ 0.48	$ 0.10
Discontinued operations, net	0.79	0.70	0.55	0.51	0.19
Net income attributable to common stockholders *	$ 1.50	$ 0.84	$ 0.90	$ 0.99	$ 0.28
Diluted:					

Income from continuing operations attributable to common stockholders	$ 0.70	$ 0.13	$ 0.35	$ 0.48	$ 0.10
Discontinued operations, net	0.79	0.70	0.55	0.50	0.19
Net income attributable to common stockholders *	$ 1.49	$ 0.83	$ 0.90	$ 0.98	$ 0.28
Cash distributions per common share	$ 2.72	$ 2.74	$ 2.835	$ 2.96	$ 3.06

* Amounts may not sum due to rounding

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

	December 31,				
Balance Sheet Data	**2009**	**2010**	**2011**	**2012**	**2013**
Net real estate investments	$ 6,080,620	$ 8,590,833	$ 13,942,350	$ 17,423,009	$ 21,680,221
Total assets	6,367,186	9,451,734	14,924,606	19,549,109	23,083,957
Total long-term obligations	2,414,022	4,469,736	7,240,752	8,531,899	10,652,014
Total liabilities	2,559,735	4,714,081	7,612,309	8,993,998	11,292,587
Total preferred stock	288,683	291,667	1,010,417	1,022,917	1,017,361
Total equity	3,807,451	4,733,100	7,278,647	10,520,519	11,756,331

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

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

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

Executive Summary

Company Overview

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

The following table summarizes our consolidated portfolio as of December 31, 2013:

Type of Property	Investments (in thousands)		Percentage of Investments	Number of Properties
Seniors housing triple-net	$	8,916,171	41.2%	620
Seniors housing operating[1]		8,421,098	38.8%	279
Medical facilities[2]		4,342,952	20.0%	243
Totals	$	21,680,221	100.0%	1,142

(1) Excludes 44 properties with an investment amount of $389,418,000 which relates to our share of investments in unconsolidated entities with Chartwell and Sunrise. Please see Note 7 to our consolidated financial statements for additional information.

(2) Excludes 13 properties with an investment amount of $364,643,000 which relates to our share of investments in unconsolidated entities with Forest City and a strategic medical partnership. Please see Note 7 to our consolidated financial statements for additional information.

Business Strategy

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

Substantially all of our revenues are derived from operating lease rentals, resident fees and services, and interest earned on outstanding loans receivable. These items represent our primary sources of liquidity to fund distributions and depend upon the continued ability of our obligors to make contractual rent and interest payments to us and the profitability of our operating properties. To the extent that our customers/partners experience operating difficulties and become unable to generate sufficient cash to make payments to us, there could be a material adverse impact on our consolidated results of operations, liquidity and/or financial condition. To mitigate this risk, we monitor our

investments through a variety of methods determined by the type of property. Our proactive and comprehensive asset management process for seniors housing properties generally includes review of monthly financial statements and other operating data for each property, review of obligor/partner creditworthiness, property inspections, and review of covenant compliance relating to licensure, real estate taxes, letters of credit and other collateral. Our internal property management division actively manages and monitors the medical office building portfolio with a comprehensive process including review of, among other things, tenant relations, lease expirations, the mix of health service providers, hospital/health system relationships, property performance, capital improvement needs, and market conditions. In monitoring our portfolio, our personnel use a proprietary database to collect and analyze property-specific data. Additionally, we conduct extensive research to ascertain industry trends. We evaluate the operating environment in each property's market to determine the likely trend in operating performance of the facility. When we identify unacceptable trends, we seek to mitigate, eliminate or transfer the risk. Through these efforts, we are generally able to intervene at an early stage to address any negative trends, and in so doing, support both the collectability of revenue and the value of our investment.

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

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

For the year ended December 31, 2013, rental income, resident fees and services and interest and other income represented 43%, 56%, and 1% respectively, of total revenues (including discontinued operations). Substantially all of our operating leases are designed with escalating rent structures. Leases with fixed annual rental escalators are generally recognized on a straight-line basis over the initial lease period, subject to a collectability assessment. Rental income related to leases with contingent rental escalators is generally recorded based on the contractual cash rental payments due for the period. Our yield on loans receivable depends upon a number of factors, including the stated interest rate, the average principal amount outstanding during the term of the loan and any interest rate adjustments.

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

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

Depending upon market conditions, we believe that new investments will be available in the future with spreads over our cost of capital that will generate appropriate returns to our stockholders. It is also possible that investment dispositions may occur in the future. To the extent that investment dispositions exceed new investments, our revenues and cash flows from operations could be adversely affected. We expect to reinvest the proceeds from any investment dispositions in new investments. To the extent that new investment requirements exceed our available cash on-hand, we expect to borrow under our primary unsecured line of credit arrangement. At December 31, 2013, we had $158.8 million of cash and cash equivalents, $72.8 million of restricted cash and $2.1 billion of available borrowing capacity under our primary unsecured line of credit arrangement.

Capital Market Outlook

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

Key Transactions in 2013

Capital. In January 2013, we closed a $2.75 billion unsecured line of credit arrangement consisting of a $2.25 billion revolver and a $500 million term loan. The facility replaced our existing $2.0 billion unsecured line of credit arrangement. The revolver matures on March 31, 2017, but can be extended for an additional year at our option. The term loan matures on March 31, 2016, but can be extended up to two years at our option. The revolver bears interest at LIBOR plus 117.5 basis points and has an annual facility fee of 22.5 basis points. The term loan, which was fully drawn as of December 31, 2013, bears interest at LIBOR plus 135 basis points. We have an option to upsize the facility by up to an additional $1.0 billion through an accordion feature, allowing for aggregate commitments of up to $3.75 billion. The facility also allows us to borrow up to $500 million in certain alternative currencies. In May 2013, we completed the public issuance of 23 million shares of common stock for approximately $1.7 billion of gross proceeds. In October 2013, we issued $400 million of 4.5% 10-year senior unsecured notes, generating approximately $393 million of net proceeds. In November 2013, we issued £550 million of 4.8% 15-year senior unsecured notes, generating approximately $868 million of net proceeds. In addition, for the year ended December 31, 2013, we raised $215 million through our dividend reinvestment program.

Investments. We completed $5.7 billion of gross investments during the year, including 73% from existing relationships. The following summarizes investments made during the year ended December 31, 2013 (dollars in thousands):

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	Properties		Investment Amount[1]		Capitalization Rates[2]			Book Amount[3]	

Acquisitions/JVs:									
Seniors housing triple-net	19	$	321,147		7.0%		$	321,195	
Seniors housing operating	167		4,684,917		6.6%			5,290,392	
Medical facilities	13		270,690		7.6%			276,087	
Total acquisitions/JVs	199		5,276,754		6.7%			5,887,674	
Construction in progress			273,012					273,012	
Loan advances[4]			120,909					120,909	
Total		$	5,670,675				$	6,281,595	

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

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

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

(4) Excludes $580,834,000 in advances under the Sunrise loan which was acquired upon merger consummation on January 9, 2013. See Note 3 to our consolidated financial statements for additional information.

Dispositions. We completed $519 million of dispositions during the year, generating $579 million in proceeds and $49 million in net gains. The following summarizes dispositions made during the year ended December 31, 2013 (dollars in thousands):

	Properties		Proceeds[1]		Capitalization Rates[2]			Book Amount[3]	
Property sales:									
Seniors housing triple-net	24	$	242,385		9.8%		$	189,572	
Medical facilities	24		255,692[4]		6.4%			259,367	
Total property sales	48		498,077		8.1%			448,939	
Loan payoffs[5]			69,596					69,596	
Total dispositions		$	567,673				$	518,535	

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

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

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

(4) Includes non-cash proceeds attributable to an asset swap that are excluded from the statement of cash flows. See Note 5 to our consolidated financial statements for additional information.

(5) Excludes $580,834,000 for the Sunrise loan which was acquired upon merger consummation on January 9, 2013.

Dividends. Our Board of Directors increased the annual cash dividend to $3.18 per common share ($0.795 per share quarterly), as compared to $3.06 per common share for 2013, beginning in February 2014. The dividend declared for the quarter ended December 31, 2013 represents the 171st consecutive quarterly dividend payment.

Key Performance Indicators, Trends and Uncertainties

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

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

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companies. The following table reflects the recent historical trends of our operating performance measures for the periods presented (in thousands):

	Year Ended December 31,					
	2011		2012		2013	
Net income attributable to common stockholders	$	157,108	$	221,884	$	78,714
Funds from operations		524,902		697,557		924,884
Net operating income from continuing operations		938,118		1,237,055		1,673,795
Same store cash net operating income		524,995		539,554		547,340

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

	Year Ended December 31,		
	2011	2012	2013
Debt to book capitalization ratio	50%	45%	48%
Debt to undepreciated book capitalization ratio	46%	41%	43%
Debt to market capitalization ratio	38%	33%	39%
Adjusted interest coverage ratio	3.02x	3.31x	3.23x
Adjusted fixed charge coverage ratio	2.37x	2.58x	2.56x

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

of our investments that relate to our top five states (or international equivalents). The following table reflects our recent historical trends of concentration risk by investment balance for the periods presented:

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	December 31,		
	2011	2012	2013
Asset mix:			
Real property	95%	91%	95%
Real estate loans receivable	2%	5%	1%
Investments in unconsolidated entities	3%	4%	4%
Investment mix:[1]			
Seniors housing triple-net	54%	47%	41%
Seniors housing operating	20%	28%	39%
Medical facilities	26%	25%	20%
Relationship mix:[1]			
Sunrise Senior Living		6%	19%
Genesis HealthCare	18%	15%	12%
Revera			5%
Benchmark Senior Living	6%	5%	4%
Belmont Village		5%	4%
Merrill Gardens	8%	6%	
Brandywine Senior Living	5%		
Senior Living Communities	4%		
Remaining customers	59%	63%	56%
Geographic mix:[1]			
California	10%	9%	10%
New Jersey	10%	9%	8%
England			8%
Texas	7%	9%	7%
Florida	7%	7%	5%
Pennsylvania		5%	
Massachusetts	6%		
Remaining	60%	61%	62%

(1) Excludes our share of investments in unconsolidated entities.

We evaluate our key performance indicators in conjunction with current expectations to determine if historical trends are indicative of future results. Our expected results may not be achieved and actual results may differ materially from our expectations. Factors that may cause actual results to differ from expected results are described in more detail in "Item 1 — Business — Cautionary Statement Regarding Forward-Looking Statements" and "Item 1A — Risk Factors" and other sections of this Annual Report on Form 10-K. Management regularly monitors economic and other factors to develop strategic and tactical plans designed to improve performance and maximize our competitive position. Our ability to achieve our financial objectives is dependent upon our ability to effectively execute these plans and to appropriately respond to emerging economic and company-specific trends. Please refer to "Item 1 — Business," "Item 1A — Risk Factors" and "Item 7 — Management's Discussion and Analysis of Financial Condition and Results of Operations" in this Annual Report on Form 10-K for further discussion of these risk factors.

Corporate Governance

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

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Liquidity and Capital Resources

Sources and Uses of Cash

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

	Year Ended		One Year Change		Year Ended	One Year Change		Two
	December, 31	December, 31			December, 31			
	2011	2012	$	%	2013	$	%	
Beginning cash and cash equivalents	$ 131,570	$ 163,482	$ 31,912	24%	$ 1,033,764	$ 870,282	532%	$ 9
Cash provided from (used in):								
Operating activities	588,224	818,133	229,909	39%	988,497	170,364	21%	4
Investing activities	(4,520,129)	(3,592,979)	927,150	-21%	(3,531,593)	61,386	-2%	9
Financing activities	3,963,817	3,645,128	(318,689)	-8%	1,667,670	(1,977,458)	-54%	(2,2
Effect of foreign currency translation on cash and cash equivalents	0	0	0	n/a	442	442	n/a	
Ending cash and cash equivalents	$ 163,482	$ 1,033,764	$ 870,282	532%	$ 158,780	$ (874,984)	-85%	$

Operating Activities. The change in net cash provided from operating activities is primarily attributable to increases in NOI which is primarily due to acquisitions. Please see "Results of Operations" for further discussion. For the years ended December 31, 2011, 2012 and 2013, cash flows from operations exceeded cash distributions to stockholders.

Investing Activities. The changes in net cash used in investing activities are primarily attributable to acquisitions, real estate loans receivable and investments in unconsolidated entities which are summarized above in "Key Transactions in 2013." Please refer to Notes 3, 6 and 7 of our consolidated financial statements for additional information. The following is a summary of non-acquisition capital improvements (dollars in thousands):

	Year Ended		One Year Change		Year Ended	One Year Change		Two Year Change	

	December 31, 2011	December 31, 2012	$	%	December 31, 2013	$	%	$	%
New development	$ 301,604	$ 286,410	$ (15,194)	-5%	$ 247,560	$ (38,850)	-14%	$ (54,044)	-18%
Recurring capital expenditures, tenant improvements and lease commissions	36,073	45,175	9,102	25%	60,984	15,809	35%	24,911	69%
Renovations, redevelopments and other capital improvements	53,174	90,275	37,101	70%	74,848	(15,427)	-17%	21,674	41%
Total	$ 390,851	$ 421,860	$ 31,009	8%	$ 383,392	$ (38,468)	-9%	$ (7,459)	-2%

The decrease in new development is primarily due to a decline in the number of properties under construction (resulting from completed properties being placed into service), which is partially offset by new construction starts. The increase in recurring capital expenditures, tenant improvements and lease commissions is primarily due to acquisitions. 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. The decrease during the year ended December 31, 2013 is attributable to a lower volume of acquisitions in our medical facilities 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/redemptions of common and preferred stock, and dividend payments which are summarized above in “Key Transactions in 2013.” Please refer to Notes 9, 10 and 13 of our consolidated financial statements for additional information.

Off-Balance Sheet Arrangements

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At December 31, 2013, we had investments in unconsolidated entities with our ownership ranging from 10% to 50%. Please see Note 7 to our consolidated financial statements for additional information. We use financial derivative instruments to hedge interest rate exposure. Please see Note 11 to our consolidated financial statements for additional information. At December 31, 2013, we had five outstanding letter of credit obligations. Please see Note 12 to our consolidated financial statements for additional information.

Contractual Obligations

The following table summarizes our payment requirements under contractual obligations as of December 31, 2013 (in thousands):

	Payments Due by Period				
Contractual Obligations	Total	2014	2015-2016	2017-2018	Thereafter
Unsecured line of credit arrangements	$ 130,000	$ 0	$ 0	$ 130,000	$ 0
Senior unsecured notes and term loans(1)	7,421,707	0	1,185,029	1,400,000	4,836,678
Secured debt(1)	3,414,103	401,847	946,795	834,334	1,231,127
Contractual interest obligations	4,211,314	487,530	874,794	672,428	2,176,562
Capital lease obligations	117,118	5,392	17,889	9,411	84,426
Operating lease obligations	881,694	14,117	28,227	28,510	810,840
Purchase obligations	308,299	162,049	146,250	0	0
Other long-term liabilities	7,673	0	0	3,069	4,604
Total contractual obligations	$ 16,491,908	$ 1,070,935	$ 3,198,984	$ 3,077,752	$ 9,144,237

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

At December 31, 2013, we had an unsecured line of credit arrangement with an aggregate commitment amount of $2,250,000,000. See Note 9 to our consolidated financial statements for additional information. Total contractual interest obligations on this arrangement totaled $5,662,000, using the interest rate in place at that date.

We have $5,775,108,000 of senior unsecured notes principal outstanding with interest payable semi-annually at fixed annual interest rates, ranging from 2.25% to 6.5%. Of these notes, a total of $275,108,000 are convertible notes that also contain put features. In addition, during the year ended December 31, 2013, we issued £550,000,000

(approximately $911,570,000 based on the Sterling/U.S. Dollar exchange rate on December 31, 2013) of 4.80% senior unsecured notes due 2028 generating net proceeds of $891,418,000. We also entered into a $500,000,000 unsecured term loan during the year ended December 31, 2013 that matures on March 16, 2016 and can be extended for two additional years at our option. Furthermore, we have a $250,000,000 Canadian denominated unsecured term loan (approximately $235,029,000 based on the Canadian/U.S. Dollar exchange rate on December 31, 2013.) The loan matures on July 27, 2015 and includes an option to extend for an additional year at our discretion. Please see Note 10 to our consolidated financial statements for additional information. Total contractual interest obligations on all senior unsecured notes and the term loans totaled $3,260,135,000 at December 31, 2013.

We have consolidated secured debt with total outstanding principal of $3,010,711,000, collateralized by owned properties, with annual interest rates ranging from 1.0% to 8.0%, payable monthly. The carrying values of the properties securing the debt totaled $6,243,475,000 at December 31, 2013. Total contractual interest obligations on consolidated secured debt totaled $880,164,000 at December 31, 2013. Our share of non-recourse secured debt associated with unconsolidated entities (as reflected in the contractual obligations table above) is $403,392,000 at December 31, 2013. Our share of contractual interest obligations on our unconsolidated entities' secured debt is $65,353,000 at December 31, 2013.

At December 31, 2013, we had operating lease obligations of $881,694,000 relating primarily to ground leases at certain of our properties and office space leases and capital lease obligations of $117,118,000 relating to certain lease investment properties that contain bargain purchase options.

Purchase obligations include unfunded construction commitments and contingent purchase obligations. At December 31, 2013, we had outstanding construction financings of $141,085,000 for leased properties and were committed to providing additional financing of approximately $243,083,000 to complete construction. At December 31, 2013, we had contingent purchase obligations totaling $65,217,000. These contingent purchase obligations relate to unfunded capital improvement obligations and contingent obligations on acquisitions. Upon funding, amounts due from the tenant are increased to reflect the additional investment in the property.

Other long-term liabilities relate to our Supplemental Executive Retirement Plan, which is discussed in Note 19 to our consolidated financial statements.

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Capital Structure

Please refer to "Credit Strength" above for a discussion of our leverage and coverage ratio trends. Our debt agreements contain various covenants, restrictions and events of default. Certain agreements require us to maintain certain financial ratios and minimum net worth and impose certain limits on our ability to incur indebtedness, create liens and make investments or acquisitions. As of December 31, 2013, we were in compliance with all of the covenants under our debt agreements. Please refer to the section entitled "Non-GAAP Financial Measures" for further discussion. None of our debt agreements contain provisions for acceleration which could be triggered by our debt ratings. However, under our primary unsecured line of credit arrangement, the ratings on our senior unsecured notes are used to determine the fees and interest charged. A summary of certain covenants and our results as of and for the year ended December 31, 2013 is as follows:

	Per Agreement		
Covenant	Unsecured Line of Credit[1]	Senior Unsecured Notes	Actual At December 31, 2013
Total Indebtedness to Book Capitalization Ratio maximum:	60%	n/a	48%
Secured Indebtedness to Total Assets Ratio maximum:	30%	40%	13%
Total Indebtedness to Total Assets maximum:	n/a	60%	46%
Unsecured Debt to Unencumbered Assets maximum:	60%	n/a	42%
Adjusted Interest Coverage Ratio minimum:	n/a	1.50x	3.23x
Adjusted Fixed Charge Coverage minimum:	1.50x	n/a	2.56x

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

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

On May 4, 2012, we filed an open-ended automatic or "universal" shelf registration statement with the Securities and Exchange Commission covering an indeterminate amount of future offerings of debt securities, common stock, preferred stock, depositary shares, warrants and units. As of January 31, 2014, we had an effective registration statement on file in connection with our enhanced dividend reinvestment plan under which we may issue up to 10,000,000 shares of common stock. As of January 31, 2014, 7,084,703 shares of common stock remained available for issuance under this registration statement. We have entered into separate Equity Distribution Agreements with each of UBS Securities LLC, RBS Securities Inc., KeyBanc Capital Markets Inc. and Credit Agricole Securities (USA) Inc. relating to the offer and sale from time to time of up to $630,015,000 aggregate amount of our common stock ("Equity Shelf Program"). As of January 31, 2014, we had $457,112,000 of remaining capacity under the Equity

Shelf Program. Depending upon market conditions, we anticipate issuing securities under our registration statements to invest in additional properties and to repay borrowings under our unsecured line of credit arrangements.

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Results of Operations

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

	Year Ended		One Year Change		Year Ended	One Year Change		Two Year Chang	
	December 31,	December 31,			December 31,				
	2011	2012	Amount	%	2013	Amount	%	Amount	%
Net income attributable to common stockholders	$ 157,108	$ 221,884	$ 64,776	41%	$ 78,714	$ (143,170)	-65%	$ (78,394)	-50
Funds from operations	524,902	697,557	172,655	33%	924,884	227,327	33%	399,982	76
Adjusted EBITDA	971,525	1,264,091	292,566	30%	1,503,715	239,624	19%	532,190	55
Net operating income from continuing operations	938,118	1,237,055	298,937	32%	1,673,795	436,740	35%	735,677	78
Same store cash NOI	524,995	539,554	14,559	3%	547,340	7,786	1%	22,345	4
Per share data (fully diluted):									
Net income attributable to common stockholders	$ 0.90	$ 0.98	$ 0.08	9%	$ 0.28	$ (0.70)	-71%	$ (0.62)	-69
Funds from operations	3.01	3.09	0.08	3%	3.32	0.23	7%	0.31	10
Adjusted interest coverage ratio	3.02x	3.31x	0.29x	10%	3.19x	-0.12x	-4%	0.17x	6
Adjusted fixed charge coverage ratio	2.37x	2.58x	0.21x	9%	2.52x	-0.06x	-2%	0.15x	6

The following table represents the changes in outstanding common stock for the period from January 1, 2011 to December 31, 2013 (in thousands):

	Year Ended			
	December 31, 2011	December 31, 2012	December 31, 2013	Totals
Beginning balance	147,097	192,275	260,374	147,097
Public offerings	41,400	64,400	23,000	128,800
Dividend reinvestment plan issuances	2,534	2,136	3,430	8,100
	849	-	-	849

Equity shelf program issuances				
Senior note conversions	-	1,040	988	2,028
Preferred stock conversions	-	-	117	117
Issuances in acquisitions of noncontrolling interests	-	-	1,109	1,109
Option exercises	232	341	214	787
Other, net	163	182	332	677
Ending balance	192,275	260,374	289,564	289,564
Average number of shares outstanding:				
Basic	173,741	224,343	276,929	
Diluted	174,401	225,953	278,761	

We evaluate our business and make resource allocations on our three business segments: seniors housing triple-net, seniors housing operating and medical facilities. The primary performance measures for our properties are NOI and SSCNOI, which are discussed below. Please see Note 17 to our consolidated financial statements for additional information.

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Seniors Housing Triple-net

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

	Year Ended		One Year Change		Year Ended	One Year Change		Two Year Change	
	December 31,	December 31,			December 31,				
	2011	2012	$	%	2013	$	%	$	%
SSCNOI[1]	$ 306,957	$ 313,698	$ 6,741	2%	$ 319,469	$ 5,771	2%	$ 12,512	4%
Non-cash NOI attributable to same store properties[1]	10,736	7,079	(3,657)	-34%	8,987	1,908	27%	(1,749)	-16%
NOI attributable to non same store properties[2]	260,577	390,111	129,534	50%	475,274	85,163	22%	214,697	82%
NOI	$ 578,270	$ 710,888	$ 132,618	23%	$ 803,730	$ 92,842	13%	$ 225,460	39%

(1) Due to increases in cash and non-cash revenues (described below) related to 279 same store properties.

(2) Primarily due to acquisitions of properties, which totaled 184, 51 and 19 for the years ended December 31, 2011, 2012 and 2013, respectively, the transition of 38 properties from our seniors housing operating segment on September 1, 2013 and conversions of construction projects into revenue-generating properties, which totaled seven, 11 and eight for the years ended December 31, 2011, 2012 and 2013, respectively.

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

	Year Ended		One Year Change		Year Ended	One Year Change		Two Year Chang	
	December 31,	December 31,			December 31,				
	2011	2012	$	%	2013	$	%	$	%
Revenues:									
Rental income	$ 537,581	$ 684,097	$ 146,516	27%	$ 780,785	$ 96,688	14%	$ 243,204	4
	34,068	24,380	(9,688)	-28%	21,512	(2,868)	-12%	(12,556)	-3

Interest income									
Other income	6,620	2,412	(4,208)	-64%	1,434	(978)	-41%	(5,186)	-7
Net operating income from continuing operations (NOI)	578,269	710,889	132,620	23%	803,731	92,842	13%	225,462	3
Expenses:									
Interest expense	(2,802)	1,745	4,547	n/a	23,322	21,577	1237%	26,124	-93
Loss (gain) on derivatives, net	-	96	96	n/a	4,877	4,781	4980%	4,877	
Depreciation and amortization	155,797	200,899	45,102	29%	228,523	27,624	14%	72,726	4
Transaction costs	27,993	35,705	7,712	28%	24,350	(11,355)	-32%	(3,643)	-1
Loss (gain) on extinguishment of debt, net	-	2,405	2,405	n/a	40	(2,365)	-98%	40	
Provision for loan losses	-	27,008	27,008	n/a	2,110	(24,898)	-92%	2,110	
	180,988	267,858	86,870	48%	283,222	15,364	6%	102,234	5
Income from continuing operations before income taxes and income (loss) from unconsolidated entities	397,281	443,031	45,750	12%	520,509	77,478	17%	123,228	3
Income tax expense	(143)	(2,852)	(2,709)	1894%	(1,606)	1,246	-44%	(1,463)	102
Income (loss) from unconsolidated entities	(9)	(33)	(24)	267%	5,035	5,068	-15358%	5,044	-5604
Income from continuing operations	397,129	440,146	43,017	11%	523,938	83,792	19%	126,809	3

Discontinued operations:									
Gain (loss) on sales of properties, net	59,108	116,838	57,730	98%	52,813	(64,025)	-55%	(6,295)	-1
Impairment of assets	(1,103)	(14,699)	(13,596)	1233%	-	14,699	-100%	1,103	-10
Income from discontinued operations, net	44,114	38,806	(5,308)	-12%	1,380	(37,426)	-96%	(42,734)	-9
Discontinued operations, net	102,119	140,945	38,826	38%	54,193	(86,752)	-62%	(47,926)	-4
Net income	499,248	581,091	81,843	16%	578,131	(2,960)	-1%	78,883	1
Less: Net income attributable to noncontrolling interests	218	429	211	97%	1,476	1,047	244%	1,258	57
Net income attributable to common stockholders	$ 499,030	$ 580,662	$ 81,632	16%	$ 576,655	$ (4,007)	-1%	$ 77,625	1

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The increase in rental income is primarily attributable to the acquisitions of new properties, the transition of 38 properties from our seniors housing operating segment and the conversion of newly constructed seniors housing triple-net properties from which we receive rent. Certain of our leases contain annual rental escalators that are contingent upon changes in the Consumer Price Index and/or changes in the gross operating revenues of the tenant's properties. These escalators are not fixed, so no straight-line rent is recorded; however, rental income is recorded based on the contractual cash rental payments due for the period. If gross operating revenues at our facilities and/or the Consumer Price Index do not increase, a portion of our revenues may not continue to increase. Sales of real property would offset revenue increases and, to the extent that they exceed new acquisitions, could result in decreased revenues. Our leases could renew above or below current rent rates, resulting in an increase or decrease in rental income. For the three months ended December 31, 2013, we had no lease renewals but we had nine leases with rental rate increasers ranging from 0.08% to 0.30% in our seniors housing triple-net portfolio. The decrease in interest income is attributable to loan payoffs (see Note 6 to our consolidated financial statements for additional information).

During the year ended December 31, 2013, we completed eight seniors housing triple-net construction projects representing $133,181,000 or $171,403 per bed/unit plus expansion projects totaling $26,395,000. The following is a summary of seniors housing triple-net construction projects pending as of December 31, 2013 (dollars in thousands):

Location	Units/Beds		Commitment		Balance	Est. Completion
The Villages, FL	45	$	8,650	$	8,284	1Q14
Moorestown, NJ	124		31,500		24,808	2Q14
Gambrills, MD	110		19,700		15,711	2Q14
Burleson, TX	106		13,900		6,530	3Q14
Frederick, MD	130		19,000		7,036	4Q14
Upper Providence, PA	96		29,030		6,039	4Q14
Piscataway, NJ	124		30,600		10,358	1Q15
Haddonfield, NJ	52		18,815		2,968	1Q15
Mahwah, NJ	96		29,045		2,441	1Q15
Total	883	$	191,590	$	84,175	

Total interest expense for the years ended December 31, 2013, 2012 and 2011 represents $25,394,000, $13,572,000 and $15,296,000, respectively, of secured debt interest expense offset by interest allocated to discontinued operations in the amounts of $2,072,000, $11,827,000 and $18,098,000 for the years ended December 31, 2013, 2012 and 2011, respectively. The change in secured debt interest expense is due to the net effect and timing of assumptions, segment transitions, extinguishments and principal amortizations. The following is a summary of our seniors housing triple-net secured debt principal activity (dollars in thousands):

	Year Ended December 31, 2011		Year Ended December 31, 2012		Year Ended December 31, 2013	
	Amount	Weighted Avg. Interest Rate	Amount	Weighted Avg. Interest Rate	Amount	Weighted Avg. Interest Rate

Beginning balance	$ 172,862	5.265%	$ 259,000	5.105%	$ 218,741	5.393%
Debt transitioned	-	0.000%	-	0.000%	367,997	5.298%
Debt issued	-	0.000%	9,387	4.080%	13,800	5.480%
Debt assumed	90,120	4.819%	83,002	5.304%	9,578	5.582%
Debt extinguished	-	0.000%	(128,818)	4.743%	(16,482)	3.304%
Principal payments	(3,982)	5.556%	(3,830)	5.556%	(6,498)	5.698%
Ending balance	$ 259,000	5.105%	$ 218,741	5.393%	$ 587,136	5.394%
Monthly averages	$ 234,392	5.141%	$ 216,314	5.254%	$ 339,129	5.394%

In connection with secured debt extinguishments, we recognized losses of $2,405,000 and $40,000 during the years ended December 31, 2012 and 2013, respectively. The decrease in loss on debt extinguishment is attributable to the decreased volume of debt payoffs. Derivative losses during the year ended December 31, 2013 were incurred in conjunction with certain foreign currency forward exchange contracts related to properties acquired in the United Kingdom. Please refer to Note 11 to our consolidated financial statements for further discussion.

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Depreciation and amortization increased primarily as a result of new property acquisitions and the conversions of newly constructed properties. To the extent that we acquire or dispose of additional properties in the future, our provision for depreciation and amortization will change accordingly.

Transaction costs represent costs incurred with property acquisitions (including due diligence costs, fees for legal and valuation services, and termination of pre-existing relationships computed based on the fair value of the assets acquired), lease termination fees and other similar costs.

Changes in gains on sales of properties are related to property sales which totaled 39, 73 and 24 for the years ended December 31, 2011, 2012 and 2013, respectively. We recognized impairment losses on certain held-for-sale properties in prior years as the fair value less estimated costs to sell exceeded our carrying values. Please refer to Note 5 to our consolidated financial statements for further discussion. The following illustrates the reclassification impact as a result of classifying the properties sold prior to or held for sale at December 31, 2013 as discontinued operations for the periods presented (dollars in thousands):

	Year Ended December 31,					
	2011		2012		2013	
Rental income	$	84,736	$	63,984	$	7,889
Expenses:						
Interest expense		18,098		11,827		2,072
Provision for depreciation		22,524		13,351		4,437
Income (loss) from discontinued operations, net	$	44,114	$	38,806	$	1,380

We did not record any provision for loan loss or have any loan write-offs for seniors housing triple-net investments during the year ended December 31, 2011. During the year ended December 31, 2012, we wrote off one loan totaling $27,008,000, which was attributable to a loan related to an entrance fee community. During the year ended December 31, 2013, we wrote off one loan totaling $2,110,000, which was attributable to one loan related to an active adult community. The provision for loan losses is related to our critical accounting estimate for the allowance for loan losses and is discussed in "Critical Accounting Policies" and Note 6 to our consolidated financial statements.

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

Seniors Housing Operating

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

	Year Ended December 31, 2011	Year Ended December 31, 2012	One Year Change $	One Year Change %	Year Ended December 31, 2013	One Year Change $	One Year Change %	Two Year Change $	Two Year Change %
SSCNOI[1]	$ 33,763	$ 39,111	$ 5,348	16%	$ 40,953	$ 1,842	5%	$ 7,190	21%
NOI attributable to non same store properties[2]	108,180	192,913	84,733	78%	487,210	294,297	153%	379,030	350%
NOI	$ 141,943	$ 232,024	$ 90,081	63%	$ 528,163	$ 296,139	128%	$ 386,220	272%

(1) Due to increases in cash revenues (described below) related to 27 same store properties.

(2) Primarily due to acquisitions of properties, which totaled 58, 80 and 162 for the years ended December 31, 2011, 2012 and 2013, respectively, and the transition of 38 properties to our seniors housing triple-net segment on September 1, 2013.

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

	Year Ended		One Year Change		Year Ended	One Year Change		Two Year Change	
	December 31,	December 31,			December 31,				
	2011	2012	$	%	2013	$	%	$	%
Revenues:									
Resident fees and services	$ 456,085	$ 697,494	$ 241,409	53%	$ 1,616,290	$ 918,796	132%	$ 1,160,205	254%
Interest income	-	6,208	6,208	n/a	757	(5,451)	n/a	757	n/a
Other income	-	-	-	n/a	355	355	n/a	355	n/a
	456,085	703,702	247,617	54%	1,617,402	913,700	130%	1,161,317	255%
Property operating expenses	314,142	471,678	157,536	50%	1,089,239	617,561	131%	775,097	247%
Net operating income from continuing operations (NOI)	141,943	232,024	90,081	63%	528,163	296,139	128%	386,220	272%
Other expenses:									
Interest expense	46,342	67,524	21,182	46%	92,148	24,624	36%	45,806	99%
Loss (gain) on derivatives, net	-	(1,921)	(1,921)	n/a	(407)	1,514	n/a	(407)	n/a
Depreciation and amortization	138,192	165,798	27,606	20%	478,007	312,209	188%	339,815	246%
Transaction costs	36,328	12,756	(23,572)	-65%	107,066	94,310	739%	70,738	195%
Loss (gain) on extinguishment of debt,	(979)	(2,697)	(1,718)	175%	(3,372)	(675)	25%	(2,393)	n/a

net	219,883	241,460	21,577	10%	673,442	431,982	179%	453,559	206%
(Loss) income from continuing operations before income from unconsolidated entities	(77,940)	(9,436)	68,504	-88%	(145,279)	(135,843)	1440%	(67,339)	86%
Income tax expense	-	(1,086)	(1,086)	n/a	(5,337)	(4,251)	n/a	(5,337)	n/a
(Loss) income from unconsolidated entities	(1,531)	(6,364)	(4,833)	316%	(22,695)	(16,331)	257%	(21,164)	n/a
Net income (loss)	(79,471)	(16,886)	62,585	-79%	(173,311)	(156,425)	926%	(93,840)	118%
Less: Net income (loss) attributable to noncontrolling interests	(6,006)	(3,015)	2,991	-50%	(8,639)	(5,624)	187%	(2,633)	44%
Net income (loss) attributable to common stockholders	$ (73,465)	$ (13,871)	$ 59,594	-81%	(164,672)	(150,801)	1087%	(91,207)	124%

Fluctuations in revenues and property operating expenses are primarily a result of acquisitions subsequent to January 1, 2011. Interest income relates to the Sunrise loan funded during the three months ended December 31, 2012 and acquired in January 2013 (please refer to Note 6 to our consolidated financial statements for additional information). The fluctuations in depreciation and amortization are due to the net impact of acquisitions and variations in amortization of short-lived intangible assets. To the extent that we acquire or dispose of additional properties in the future, these amounts will change accordingly. Loss from unconsolidated entities during the year ended December 31, 2013 is primarily attributable to depreciation and amortization of short-lived intangible assets related to our joint ventures with Chartwell and Sunrise described in Note 7 to our consolidated financial statements.

Interest expense represents secured debt interest expense as well as interest expense related to our $250,000,000 Canadian-denominated unsecured term loan and our £550,000,000 Sterling-denominated senior unsecured notes due 2028. Please refer to Note 10 to our consolidated financial statements for additional information. The following is a summary of our seniors housing operating property secured debt principal activity (dollars in thousands):

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	Year Ended December 31, 2011		Year Ended December 31, 2012		Year Ended December 31, 2013	
	Amount	Weighted Avg. Interest Rate	Amount	Weighted Avg. Interest Rate	Amount	Weighted Avg. Interest Rate
Beginning balance	$ 487,706	5.939%	$ 1,318,599	4.665%	$ 1,369,526	4.874%
Debt issued	114,903	5.779%	148,031	4.220%	75,408	4.891%
Debt assumed	780,955	4.269%	115,371	5.512%	1,228,706	4.063%
Debt extinguished	(55,317)	5.949%	(193,962)	4.395%	(548,876)	3.597%
Debt transitioned	-	0.000%	-	0.000%	(367,997)	5.298%
Foreign currency	-	0.000%	187	5.624%	(10,361)	4.013%
Principal payments	(9,648)	5.474%	(18,700)	4.850%	(31,692)	4.643%
Ending balance	$ 1,318,599	4.665%	$ 1,369,526	4.874%	$ 1,714,714	4.622%
Monthly averages	$ 969,265	5.679%	$ 1,366,758	4.866%	$ 1,723,122	4.820%

In connection with secured debt extinguishments, we recognized gains of $979,000, $2,697,000, and $3,332,000 during the years ended December 31, 2011, 2012, and 2013, respectively. The increase in gains on debt extinguishment is primarily attributable to the increased volume of extinguishments. Derivative gains relate to foreign currency forward exchange contracts entered into in conjunction with international investments made during the years ended December 31, 2012 and 2013, respectively. Please refer to Note 11 to our consolidated financial statements for further discussion.

Transaction costs represent costs incurred with property acquisitions (including due diligence costs, fees for legal and valuation services, and termination of pre-existing relationships computed based on the fair value of the assets acquired), lease termination fees and other similar costs. The increase in transaction costs relates to the increased number of acquisitions during the year ended December 31, 2013. The majority of our seniors housing operating properties are formed through partnership interests. Net income attributable to noncontrolling interests represents our partners' share of net income or loss related to those partnerships where we are the controlling partner.

Medical Facilities

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

Year Ended	One Year Change	Year Ended	One Year Change	Two Year Change

	December 31, 2011	December 31, 2012	$	%	December 31, 2013	$	%	$	%
SSCNOI[1]	$ 184,275	$ 186,745	$ 2,470	1%	$ 186,918	$ 173	0%	$ 2,643	1%
Non-cash NOI attributable to same store properties[1]	7,771	6,372	(1,399)	-18%	4,169	(2,203)	-35%	(3,602)	-46%
NOI attributable to non same store properties[2]	25,170	100,113	74,943	298%	150,518	50,405	50%	125,348	498%
NOI	$ 217,216	$ 293,230	$ 76,014	35%	$ 341,605	$ 48,375	16%	$ 124,389	57%

(1) Due to increases in cash and non-cash revenues (described below) related to 130 same store properties.

(2) Primarily due to acquisitions of properties, which totaled 35, 34 and 13 for the years ended December 31, 2011, 2012 and 2013, respectively, and conversions of construction projects into revenue-generating properties, which totaled seven, five and seven for the years ended December 31, 2011, 2012 and 2013, respectively.

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

	Year Ended		One Year Change		Year Ended	One Year Change		Two Year Change	
	December 31,	December 31,			December 31,				
	2011	2012	$	%	2013	$	%	$	%
Revenues:									
Rental income	$ 267,151	$ 379,117	$ 111,966	42%	$ 446,804	$ 67,687	18%	$ 179,653	67%
Interest income	7,002	8,477	1,475	21%	10,394	1,917	23%	3,392	48%
Other income	3,985	1,947	(2,038)	-51%	1,981	34	2%	(2,004)	-50%
	278,138	389,541	111,403	40%	459,179	69,638	18%	181,041	65%
Property operating expenses	60,922	96,311	35,389	58%	117,574	21,263	22%	56,652	93%
Net operating income from continuing operations (NOI)	217,216	293,230	76,014	35%	341,605	48,375	16%	124,389	57%
Other expenses:									
Interest expense	18,557	28,878	10,321	56%	36,823	7,945	28%	18,266	98%
Depreciation and amortization	92,489	139,523	47,034	51%	159,270	19,747	14%	66,781	72%
Transaction costs	5,903	13,148	7,245	123%	1,985	(11,163)	-85%	(3,918)	-66%
Loss (gain) on extinguishment of debt, net	-	(483)	(483)	n/a	-	483	n/a	0	n/a
Provision for loan losses	2,010	-	(2,010)	-100%	-	0	n/a	(2,010)	n/a
	118,959	181,066	62,107	52%	198,078	17,012	9%	79,119	67%
Income from	98,257	112,164	13,907	14%	143,527	31,363	28%	45,270	46%

continuing operations before income taxes and income (loss) from unconsolidated entities								
Income tax expense	(361)	(2,381)	(2,020)	560%	(481)	1,900	-80%	(120)	33%
Income (loss) from unconsolidated entities	7,312	8,879	1,567	21%	9,473	594	7%	2,161	30%
Income from continuing operations	105,208	118,662	13,454	13%	152,519	33,857	29%	47,311	45%
Discontinued operations:									
Gain (loss) on sales of properties, net	2,052	(16,289)	(18,341)	n/a	(3,675)	12,614	-77%	(5,727)	-279%
Impairment of assets	(11,091)	(14,588)	(3,497)	32%	-	14,588	-100%	11,091	-100%
Income (loss) from discontinued operations, net	3,049	3,990	941	31%	1,195	(2,795)	-70%	(1,854)	-61%
Discontinued operations, net	(5,990)	(26,887)	(20,897)	349%	(2,480)	24,407	-91%	3,510	-59%
Net income (loss)	99,218	91,775	(7,443)	-8%	150,039	58,264	63%	50,821	51%
Less: Net	894	171	(723)	-81%	393	222	130%	(501)	-56%

income (loss) attributable to noncontrolling interests																	
Net income (loss) attributable to common stockholders	$	98,324	$	91,604	$	(6,720)		-7%	$	149,646	$	58,042		63%	$	51,322	52%

The increase in rental income is primarily attributable to the acquisitions of new properties and the conversion of newly constructed medical facility properties from which we receive rent. Certain of our leases contain annual rental escalators that are contingent upon changes in the Consumer Price Index. These escalators are not fixed, so no straight-line rent is recorded; however, rental income is recorded based on the contractual cash rental payments due for the period. If the Consumer Price Index does not increase, a portion of our revenues may not continue to increase. Sales of real property would offset revenue increases and, to the extent that they exceed new acquisitions, could result in decreased revenues. Our leases could renew above or below current rent rates, resulting in an increase or decrease in rental income. For the three months ended December 31, 2013, our consolidated medical office building portfolio signed 74,027 square feet of new leases and 144,436 square feet of renewals. The weighted-average term of these leases was five years, with a rate of $22.45 per square foot and tenant improvement and lease commission costs of $15.04 per square foot. Substantially all of these leases during the referenced quarter contain an annual fixed or contingent escalation rent structure ranging from the change in CPI to 4%. For the three months ended December 31, 2013, there were no lease renewals and no leases with a rental rate increaser in our hospital portfolio. The increase in interest income is attributable to higher real estate loans receivable.

During the year ended December 31, 2013, we completed seven medical office building construction projects representing $127,363,000 or $278 per square foot. The following is a summary of medical office building construction projects pending as of

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December 31, 2013 (dollars in thousands):

Location	Square Feet		Commitment		Balance	Est. Completion
Coon Rapids, MN	115,108	$	27,282	$	13,715	1Q14
Lenexa, KS	75,126		16,463		7,948	1Q14
Clear Lake, TX	54,713		14,750		3,410	2Q14
Burnsville, MN	123,857		36,087		10,556	3Q14
Humble, TX	36,475		10,885		1,881	3Q14
Bettendorf, IA	40,493		7,562		355	4Q14
Shenandoah, TX	80,085		24,600		4,738	1Q15
Total	525,857	$	137,629	$	42,603	

Total interest expense for the years ended December 31, 2013, 2012 and 2011 represents $38,997,000, $38,786,000 and $31,477,000, respectively, of secured debt interest expense offset by interest allocated to discontinued operations in the amounts of $2,174,000, $9,908,000 and $12,920,000 for the years ended December 31, 2013, 2012 and 2011, respectively. The change in secured debt interest expense is primarily due to the net effect and timing of assumptions, extinguishments and principal amortizations. The following is a summary of our medical facility secured debt principal activity (dollars in thousands):

	Year Ended December 31, 2011			Year Ended December 31, 2012			Year Ended December 31, 2013		
		Amount	Weighted Avg. Interest Rate		Amount	Weighted Avg. Interest Rate		Amount	Weighted Avg. Interest Rate
Beginning balance	$	463,477	5.286%	$	520,066	5.981%	$	713,720	5.950%
Debt assumed		69,779	5.921%		246,371	5.888%		52,574	6.126%
Debt extinguished		-	0.000%		(37,622)	5.858%		(49,017)	5.357%
Principal payments		(13,190)	6.208%		(15,095)	6.180%		(16,850)	6.193%
Ending balance	$	520,066	5.981%	$	713,720	5.950%	$	700,427	5.999%
Monthly averages	$	489,923	6.179%	$	669,753	5.952%	$	708,107	5.956%

In connection with secured debt extinguishments, we recognized gains of $483,000 during the year ended December 31, 2012. During the year ended December 31, 2013, we did not recognize gain or loss, as the debt extinguishments related to contractual debt maturities.

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

expenses offset by discontinued operations.

Transaction costs represent costs incurred with property acquisitions (including due diligence costs, fees for legal and valuation services, and termination of pre-existing relationships computed based on the fair value of the assets acquired) and other similar costs. The fluctuations in transaction costs are primarily due to acquisition volume fluctuations in the relevant years.

During the year ended December 31, 2011, we recorded $2,010,000 of provision for loan losses, which is primarily attributable to the write-off of a hospital loan.

Income from unconsolidated entities includes our share of net income related to our joint venture investment with Forest City Enterprises and certain unconsolidated property investments related to our strategic joint venture relationship with a national medical office building company. See Note 7 to our consolidated financial statements for additional information.

Changes in gains/losses on sales of properties is related to property sales which totaled three, 20 and 24 for the years ended December 31, 2011, 2012 and 2013, respectively. We recognized impairment losses on certain held for sale properties in prior years as the fair value less estimated costs to sell exceeded our carrying values. Please refer to Note 5 to our consolidated financial statements for further discussion. The following illustrates the reclassification impact as a result of classifying the properties sold prior to or held for sale at December 31, 2013 as discontinued operations for the periods presented (dollars in thousands):

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	Year Ended December 31,		
	2011	2012	2013
Rental income	$ 39,377	$ 32,394	$ 10,488
Expenses:			
Interest expense	12,920	9,908	2,174
Property operating expenses	8,806	4,482	3,396
Provision for depreciation	14,602	14,014	3,723
Income (loss) from discontinued operations, net	$ 3,049	$ 3,990	$ 1,195

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

Non-Segment/Corporate

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

	Year Ended		One Year Change		Year Ended	One Year Change		Two Year Change	
	December 31,	December 31,			December 31,				
	2011	2012	$	%	2013	$	%	$	%
Revenues:									
Other income	$ 690	$ 912	$ 222	32%	$ 296	$ (616)	-68%	$ (394)	-57%
Expenses:									
Interest expense	228,884	263,418	34,534	15%	306,067	42,649	16%	77,183	34%
General and administrative	77,201	97,341	20,140	26%	108,318	10,977	11%	31,117	40%
Loss (gain) on extinguishments of debt, net	-	-	0	n/a	2,423	2,423	n/a	2,423	n/a
	306,085	360,759	54,674	18%	416,808	56,049	16%	110,723	36%
Loss from continuing operations before	(305,395)	(359,847)	(54,452)	18%	(416,512)	(56,665)	16%	(111,117)	36%

income taxes												
Income tax expense		(884)		(1,293)		(409)	46%		(67)		1,226	-95%		817	-92%
Net loss		(306,279)		(361,140)		(54,861)	18%		(416,579)		(55,439)	15%		(110,300)	36%
Preferred stock dividends		60,502		69,129		8,627	14%		66,336		(2,793)	-4%		5,834	10%
Preferred stock redemption charge		-		6,242		6,242	n/a		-		(6,242)	-100%		-	n/a
Net loss attributable to common stockholders	$	(366,781)	$	(436,511)	$	(69,730)	19%	$	(482,915)	$	(46,404)	11%	$	(116,134)	32%

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

	Year Ended		One Year Change		Year Ended	One Year Change		Two Year Change	
	December 31, 2011	December 31, 2012	$	%	December 31, 2013	$	%	$	%
Senior unsecured notes	$ 222,559	$ 249,564	$ 27,005	12%	$ 279,617	$ 30,053	12%	$ 57,058	26%
Secured debt	604	557	(47)	-8%	495	(62)	-11%	(109)	-18%
Unsecured lines of credit	7,917	11,769	3,852	49%	15,498	3,729	32%	7,581	96%
Capitalized interest	(13,164)	(9,777)	3,387	-26%	(6,700)	3,077	-31%	6,464	-49%
Interest SWAP savings	(161)	(96)	65	-40%	(14)	82	-85%	147	-91%
Loan expense	11,129	11,401	272	2%	17,171	5,770	51%	6,042	54%
Totals	$ 228,884	$ 263,418	$ 34,534	15%	$ 306,067	$ 42,649	16%	$ 77,183	34%

The change in interest expense on senior unsecured notes is due to the net effect of issuances and extinguishments, excluding our $250,000,000 Canadian-denominated unsecured term loan and our £550,000,000 Sterling-denominated senior unsecured notes due 2028, both of which are in our seniors housing operating segment. Please refer to Note 10 to our consolidated financial statements for additional information. We capitalize certain interest costs associated with funds used for the construction of properties owned directly by us. The amount capitalized is based upon the balances outstanding during the construction period using the rate of interest

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that approximates our cost of financing. Our interest expense is reduced by the amount capitalized. The decrease in capitalized interest is due to both a decrease in construction fundings and a decline in our weighted-average cost of financing. Please see Note 11 to our consolidated financial statements for a discussion of our interest rate swap agreements and their impact on interest expense. Loan expense represents the amortization of deferred loan costs incurred in connection with the issuance and amendments of debt. Loan expense changes are due to amortization of charges for costs incurred in connection with senior unsecured note issuances. The change in interest expense on the unsecured line of credit arrangements is due primarily to the net effect and timing of draws, paydowns and variable interest rate changes. Please refer to Note 9 of our consolidated financial statements for additional information regarding our unsecured line of credit arrangements.

General and administrative expenses as a percentage of consolidated revenues (including revenues from discontinued operations) for the years ended December 31, 2013, 2012 and 2011 were 3.74%, 5.12% and 5.37%, respectively. The increase in general and administrative expenses is primarily related to costs associated with our initiatives to attract and retain appropriate personnel to achieve our business objectives. The decline in percent of revenue is primarily related to the increasing revenue base as a result of our acquisitions. The loss on extinguishment of debt is due to the redemption of convertible senior notes. Please see Note 13 to our consolidated financial statements for additional information. The changes in preferred stock dividends and redemption charge are primarily attributable to the net effect of issuances, redemptions and conversions. Please see Note 13 to our consolidated financial statements for additional information.

Non-GAAP Financial Measures

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

Net operating income from continuing operations ("NOI") is used to evaluate the operating performance of our properties. We define NOI as total revenues, including tenant reimbursements, less property operating expenses. Property operating expenses represent costs associated with managing, maintaining and servicing tenants for our seniors housing operating and medical facility properties. These expenses include, but are not limited to, property-related payroll and benefits, property management fees, marketing, housekeeping, food service, maintenance, utilities, property taxes and insurance. General and administrative expenses represent costs unrelated to property

operations or transaction costs. These expenses include, but are not limited to, payroll and benefits, professional services, office expenses and depreciation of corporate fixed assets. Same store cash NOI ("SSCNOI") is used to evaluate the cash-based operating performance of our properties under a consistent population which eliminates changes in the composition of our portfolio. As used herein, same store is generally defined as those revenue-generating properties in the portfolio for the full three year reporting period. Any properties acquired, developed, transitioned or classified in discontinued operations during that period are excluded from the same store amounts. We believe NOI and SSCNOI provide investors relevant and useful information because they measure the operating performance of our properties at the property level on an unleveraged basis. We use NOI and SSCNOI to make decisions about resource allocations and to assess the property level performance of our properties.

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

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

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amortization and preferred dividends. Our covenant requires an adjusted fixed charge coverage ratio of at least 1.50 times.

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

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

		Year Ended December 31,					
FFO Reconciliation:		2011		2012		2013	
Net income attributable to common stockholders		$	157,108	$	221,884	$	78,714
Depreciation and amortization			423,605		533,585		873,960
Impairment of assets			12,194		29,287		-
Loss (gain) on sales of properties			(61,160)		(100,549)		(49,138)
Noncontrolling interests			(18,557)		(21,058)		(36,304)
Unconsolidated entities			11,712		34,408		57,652
Funds from operations		$	524,902	$	697,557	$	924,884
Average common shares outstanding:							
	Basic		173,741		224,343		276,929
	Diluted		174,401		225,953		278,761
Per share data:							
Net income attributable to common stockholders							
	Basic	$	0.90	$	0.99	$	0.28

	Diluted		0.90		0.98		0.28
Funds from operations							
	Basic	$	3.02	$	3.11	$	3.34
	Diluted		3.01		3.09		3.32

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

	Year Ended December 31,		
Adjusted EBITDA Reconciliation:	2011	2012	2013
Net income	$ 212,716	$ 294,840	$ 138,280
Interest expense	321,999	383,300	462,606
Income tax expense (benefit)	1,388	7,612	7,491
Depreciation and amortization	423,605	533,585	873,960
Stock-based compensation expense	10,786	18,521	20,177
Provision for loan losses	2,010	27,008	2,110
Loss (gain) on extinguishment of debt	(979)	(775)	(909)
Adjusted EBITDA	$ 971,525	$ 1,264,091	$ 1,503,715
Adjusted Interest Coverage Ratio:			
Interest expense	$ 321,999	$ 383,300	$ 462,606
Capitalized interest	13,164	9,777	6,700
Non-cash interest expense	(13,905)	(11,395)	(4,044)
Total interest	321,258	381,682	465,262
Adjusted EBITDA	$ 971,525	$ 1,264,091	$ 1,503,715
Adjusted interest coverage ratio	3.02x	3.31x	3.23x
Adjusted Fixed Charge Coverage Ratio:			
Interest expense	$ 321,999	$ 383,300	$ 462,606
Capitalized interest	13,164	9,777	6,700
Non-cash interest expense	(13,905)	(11,395)	(4,044)
Secured debt principal payments	27,804	38,554	56,205
Preferred dividends	60,502	69,129	66,336
Total fixed charges	409,564	489,365	587,803
Adjusted EBITDA	$ 971,525	$ 1,264,091	$ 1,503,715
Adjusted fixed charge coverage ratio	2.37x	2.58x	2.56x

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

	Year Ended December 31,		
NOI Reconciliation:	2011	2012	2013
Total revenues:			
Seniors housing triple-net	$ 578,269	$ 710,889	$ 803,731
Seniors housing operating	456,085	703,702	1,617,402
Medical facilities	278,138	389,541	459,179
Non-segment/corporate	690	912	296
Total revenues	1,313,182	1,805,044	2,880,608
Property operating expenses:			
Seniors housing operating	314,142	471,678	1,089,239
Medical facilities	60,922	96,311	117,574
Total property operating expenses	375,064	567,989	1,206,813
Net operating income:			
Seniors housing triple-net	578,269	710,889	803,731
Seniors housing operating	141,943	232,024	528,163
Medical facilities	217,216	293,230	341,605
Non-segment/corporate	690	912	296
Net operating income from continuing operations	$ 938,118	$ 1,237,055	$ 1,673,795
Reconciling items:			
Interest expense	(290,981)	(361,565)	(458,360)
Loss (gain) on derivatives, net	-	1,825	(4,470)
Depreciation and amortization	(386,478)	(506,220)	(865,800)
General and administrative	(77,201)	(97,341)	(108,318)
Transaction costs	(70,224)	(61,609)	(133,401)
Loss (gain) on extinguishment of debt	979	775	909
Provision for loan losses	(2,010)	(27,008)	(2,110)
Income tax benefit (expense)	(1,388)	(7,612)	(7,491)
Income (loss) from unconsolidated entities	5,772	2,482	(8,187)
Income (loss) from discontinued operations, net	96,129	114,058	51,713
Preferred dividends	(60,502)	(69,129)	(66,336)
Preferred stock redemption charge	-	(6,242)	-
Loss (income) attributable to noncontrolling interests	4,894	2,415	6,770
	(781,010)	(1,015,171)	(1,595,081)
Net income (loss) attributable to common stockholders	$ 157,108	$ 221,884	$ 78,714

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	Year Ended December 31,		
Same Store Cash NOI Reconciliation:	2011	2012	2013
Net operating income from continuing operations:			
Seniors housing triple-net	$ 578,269	$ 710,889	$ 803,731
Seniors housing operating	141,943	232,024	528,163
Medical facilities	217,216	293,230	341,605
Total	937,428	1,236,143	1,673,499
Adjustments:			
Seniors housing triple-net:			
Non-cash NOI on same store properties	(10,736)	(7,079)	(8,987)
NOI attributable to non same store properties	(260,576)	(390,112)	(475,275)
Subtotal	(271,312)	(397,191)	(484,262)
Seniors housing operating:			
NOI attributable to non same store properties	(108,180)	(192,913)	(487,210)
Subtotal	(108,180)	(192,913)	(487,210)
Medical facilities:			
Non-cash NOI on same store properties	(7,771)	(6,372)	(4,169)
NOI attributable to non same store properties	(25,170)	(100,113)	(150,518)
Subtotal	(32,941)	(106,485)	(154,687)
Total	(412,433)	(696,589)	(1,126,159)
Same store cash net operating income:			
Seniors housing triple-net	306,957	313,698	319,469
Seniors housing operating	33,763	39,111	40,953
Medical facilities	184,275	186,745	186,918
Total	$ 524,995	$ 539,554	$ 547,340
Same Store Cash NOI Property Reconciliation:			
Total properties	1,142		
Acquisitions	(619)		
Developments	(29)		
Disposals/Held-for-sale	(3)		
Segment transitions	(40)		
Other[1]	(15)		
Same store properties	436		

(1) Includes ten land parcels and five loans.

Health Care Industry

The demand for health care services, and consequently health care properties, is projected to reach unprecedented levels in the near future. The Centers for Medicare and Medicaid Services (“CMS”) projects that national health expenditures will rise to approximately $3.3 trillion in 2015 or 18.4% of gross domestic product (“GDP”). The average annual growth in national health expenditures for 2012 through 2022 is expected to be 5.8%.

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

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

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

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

Health Reform Laws

On March 23, 2010, President Obama signed into law the Patient Protection and Affordable Care Act of 2010 (the "PPACA") and the Health Care and Education Reconciliation Act of 2010, which amends the PPACA (collectively, the "Health Reform Laws"). The Health Reform Laws contain various provisions that may directly impact us or the operators and tenants of our properties. Some provisions of the Health Reform Laws may have a positive impact on our operators' or tenants' revenues, by, for example, increasing coverage of uninsured individuals, while others may have a negative impact on the reimbursement of our operators or tenants by, for example, altering the market basket adjustments for certain types of health care facilities. The Health Reform Laws also enhance certain fraud and abuse penalty provisions that could apply to our operators and tenants, in the event of one or more violations of the federal health care regulatory laws. In addition, there are provisions that impact the health coverage that we and our operators and tenants provide to our respective employees. The Health Reform Laws also provide additional Medicaid funding to allow states to carry out the expansion of Medicaid coverage to certain financially–eligible individuals beginning in 2014, and have also permitted states to expand their Medicaid coverage to these individuals since April 1, 2010, if certain conditions are met. On June 28, 2012, The United States Supreme Court upheld the individual mandate of the Health Reform Laws but partially invalidated the expansion of Medicaid. The ruling on Medicaid expansion will allow States not to participate in the expansion – and to forego funding for the Medicaid expansion – without losing their existing Medicaid funding. Given that the federal government substantially funds the Medicaid expansion, it is unclear how many states will ultimately pursue this option, although, as of mid-December 2013, almost half of the states have made statements or otherwise indicated that they do not intend to expand Medicaid coverage at this time. The participation by states in the Medicaid expansion could have the dual effect of increasing our tenants' revenues, through new patients, but could also further strain state budgets. While the federal government will pay for approximately 100% of those additional costs from 2014 to 2016, states will be expected to pay for part of those additional costs beginning in 2017.

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

Impact to Reimbursement of the Operators and Tenants of Our Properties. The Health Reform Laws provide for various changes to the reimbursement that our operators and tenants may receive. One such change is a reduction to the market basket adjustments for inpatient acute hospitals, long–term care hospitals, inpatient rehabilitation facilities, home health agencies, psychiatric hospitals, hospice care and outpatient hospitals. Since 2012, the otherwise applicable percentage increase to the market basket for inpatient acute hospitals has decreased. Since 2012, inpatient acute hospitals have also faced a downward adjustment of the annual percentage increase to the market basket rate by a "productivity adjustment." The productivity adjustment may cause the annual percentage increase to be less than zero, which would mean that inpatient acute hospitals could face payment rates for a fiscal year that are less than the payment rates for the preceding year.

A similar productivity adjustment has applied to skilled nursing facilities since 2012, which means that the payment rates for skilled nursing facilities may decrease from one year to the next. Long–term care hospitals have faced a specified percentage decrease in their annual update for discharges since 2010. Additionally, since 2012, long-term care hospitals have been subject to the productivity adjustments, which may decrease the federal payment rates for long-term care hospitals. Similar productivity adjustments to payment rates have applied to inpatient rehabilitation facilities since 2012, inpatient psychiatric hospitals since 2013 and outpatient hospitals since 2012.

The Health Reform Laws revise other reimbursement provisions that may affect our business. For example, the Health Reform Laws reduce states' Medicaid disproportionate share hospital ("DSH") allotments, starting in 2014 through 2020. On September 18, 2013, CMS published a final rule that sets forth the annual reductions for Medicaid DSH payments for fiscal years 2014 and 2015, which were mandated by the Health Reform Laws, based on the assumption that the number of uninsured people will fall sharply beginning in 2014. Although the Health Reform Laws mandated reductions in Medicaid DSH spending from 2014 through 2020, the final rule addresses only DSH reductions for 2014 and 2015. In the final rule, CMS explained that, while the President's FY 2014

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budget proposed to delay these reductions until 2015, the Department of Health and Human Services has no flexibility to institute a delay without congressional action. These allotments would have provided additional funding for DSH hospitals that are operators or tenants of our properties, and thus, any reduction might negatively impact these operators or tenants.

Additionally, under the Health Reform Laws, beginning in fiscal year 2015, Medicare payments will decrease to hospitals for treatment associated with hospital acquired conditions. This decreased payment rate may negatively impact our operators or tenants. To account for excess readmissions, the Health Reform Laws also call for a reduction of 1% in payments for those hospitals with higher-than-average risk-adjusted readmission rates beginning October 1, 2012, 2% beginning in fiscal year 2014, and 3% from fiscal year 2015 onward. These reductions in payments to our operators or tenants may affect their ability to make payments to us.

The Health Reform Laws additionally call for the creation of the Independent Payment Advisory Board (the "Board"), which will be responsible for establishing payment policies, including recommendations in the event that Medicare costs exceed a certain threshold. Proposals for recommendations submitted by the Board prior to December 31, 2018 may not include recommendations that would reduce payments for hospitals, skilled nursing facilities, and physicians, among other providers, prior to December 31, 2019. Pursuant to statute, the Board's first set of recommendations were due on January 15, 2014. However, the President has yet to nominate anyone to serve on the Board, and the fiscal year 2014 omnibus appropriations bill rescinds $10 million of funding from the Board.

The Health Reform Laws also create other mechanisms that could permit significant changes to payment. For example, the Health Reform Laws establish the Center for Medicare and Medicaid Innovation to test innovative payment and service delivery models to reduce program expenditures through the use of demonstration programs that can waive existing reimbursement methodologies. As another example, on November 2, 2011, CMS published the final rule implementing section 3022 of the Health Reform Laws, which contains provisions relating to Medicare payment to providers and suppliers participating in Accountable Care Organizations ("ACOs") under the Medicare Shared Servings Program. Under the program, Medicare will share a percentage of savings with ACOs that meet certain quality and saving requirements, thereby allowing providers to receive incentive payments in addition to their traditional fee−for−service payments. Under the program, more experienced providers may assume the risk of losses in exchange for greater potential rewards: ACOs may share up to 50% of the savings under the one−sided model and up to 60% of the savings under the two−sided model, depending on their quality and performance. The amount of shared losses for which an ACO is liable in the two−sided model may not exceed the following percentages of its updated benchmark: 5% in the first performance year, 7.5% in the second year, and 10% in the third year. These shared losses could affect the ability of ACO operators or tenants to meet their financial obligations to us.

Additionally, although the Health Reform Laws delayed implementation of the Resource Utilization Group, Version Four ("RUG–IV"), which revises the payment classification system for skilled nursing facilities, the Medicare and Medicaid Extenders Act of 2010 repealed this delay retroactively to October 1, 2010. The implementation of the RUG-IV classification may impact our tenants and operators by revising the classifications of certain patients. The federal reimbursement for certain facilities, such as skilled nursing facilities, incorporates adjustments to account for facility case-mix. The Health Reform Laws also extend certain payment rules related to long–term acute care hospitals found in the Medicare, Medicaid, and SCHIP Extension Act of 2007 ("MMSEA"). The MMSEA delayed the implementation of a policy referred to as the "25% threshold rule" that would limit the proportion of patients who can be admitted from a co-located or host hospital during a cost reporting period and be paid under the long-term care hospital prospective payment system. The Health Reform Laws further extended the delay, which expired at various points in calendar year 2012, depending on the start of the provider's cost reporting period. The Long Term Care Hospital Prospective Payment Final Rule for fiscal year 2013 extended the delay for an additional year. However, in the fiscal year 2014 final rule for the Medicare Inpatient Prospective Payment System, CMS finalized its proposal to let expire the one-year extension of the existing moratorium on the 25% threshold policy. The expiration of the moratorium on the 25% threshold policy impacts cost reporting periods that began on or after October 1, 2013.

Finally, many other changes resulting from the Health Reform Laws, or implementing regulations or guidance, may negatively impact our operators and tenants. We will continue to monitor and evaluate the Health Reform Laws and implementing regulations and guidance to determine other potential effects of the reform.

Impact of Fraud and Abuse Provisions. The Health Reform Laws revise health care fraud and abuse provisions that will affect our operators and tenants. Specifically, the Health Reform Laws allow for up to treble damages under the Federal False Claims Act for violations related to state–based health insurance exchanges authorized by the Health Reform Laws, which will be implemented beginning in 2014. The Health Reform Laws also impose new civil monetary penalties for false statements or actions that lead to delayed inspections, with penalties of up to $15,000 per day for failure to grant timely access and up to $50,000 for a knowing violation. Additionally, the Health Reform Laws require certain entities – including providers, suppliers, Medicaid managed care

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organizations, Medicare Advantage organizations, and prescription drug program sponsors – to report and return overpayments to the appropriate payer by the later of (a) sixty (60) days after the date the overpayment was "identified," or (b) the date that the "corresponding cost report" is due. The entity also must notify the payer in writing of the reason for the overpayment. A violation of these requirements may result in criminal liability, civil liability under the FCA, and/or exclusion from the federal health care programs. On February 14, 2012, CMS published a proposed rule implementing the Health Reform Laws requirement that health care providers and suppliers report and return self−identified overpayments by the later of 60 days after the date the overpayment was identified, or the date any corresponding cost report is due, if applicable; however, as early January 2014, the rule has yet to be finalized. The Health Reform Laws also amend the Federal Anti−Kickback Statute ("AKS") to state that any items or services "resulting from" a violation of the AKS constitute a "false or fraudulent claim" under the Federal False Claims Act. The Health Reform Laws also provide for additional funding to investigate and prosecute health care fraud and abuse. Accordingly, the increased penalties under the Health Reform Laws for fraud and abuse violations may have a negative impact on our operators and tenants in the event that the government brings an enforcement action or subjects them to penalties.

Further, CMS published final rulemaking to implement the enhanced provider and supplier screening provisions called for in the Health Reform Laws. Under the final rule, as of March 25, 2011, all enrolling and participating providers and suppliers are assessed an annual administrative fee and are placed in one of three risk levels (limited, moderate, and high) based on an assessment of the individual's or entity's overall risk of fraud, waste and abuse. This rule also allows for the temporary suspension of Medicare payments to providers or suppliers in the event CMS receives credible information that an overpayment, fraud, or willful misrepresentation has occurred. The Health Reform Laws granted the Secretary of the Department of Health and Human Services significant discretionary authority to suspend, exclude, or impose fines on providers and suppliers based on the agency's determination that such a provider or supplier is "high−risk," and, as a result, this final rulemaking has the potential to materially adversely affect our operators and tenants who may be evaluated under the enhanced screening process.

On November 2, 2011, CMS and OIG jointly published the final rule establishing waivers of certain fraud and abuse laws to ACOs. These waivers include automatic AKS, Stark, and Civil Monetary Penalty Law waivers that may be applied in certain situations and that will apply uniformly to each ACO, ACO participant, and ACO provider/supplier. Notably, the final rule states that CMS and OIG intend to closely monitor ACOs through June 2013 to ensure that these waivers are not causing "undesirable effects" and do not need to be narrowed to prevent fraud and abuse. As of early January 2014, the results of this monitoring effort have not been made publicly available.

Additionally, provisions of Title VI of the Health Care Reform Laws are designed to increase transparency and program integrity by skilled nursing facilities, other nursing facilities and similar providers. Specifically, skilled nursing facilities and other providers and suppliers will be required to institute compliance and ethics programs. Additionally, the Health Reform Laws make it easier for consumers to file complaints against nursing homes by mandating that states establish complaint websites. The provisions calling for enhanced transparency will increase the

administrative burden and costs on these providers.

Impact to the Health Care Plans Offered to Our Employees. The Health Reform Laws affect employers that provide health plans to their employees. The laws change the tax treatment of the Medicare Part D retiree drug subsidy and extend dependent coverage for dependents up to age 26, among other changes. We continue to evaluate our health care plans for these changes as new reform laws are enacted. These changes may affect our operators and tenants as well.

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Critical Accounting Policies

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

- the nature of the estimates or assumptions is material due to the levels of subjectivity and judgment necessary to account for highly uncertain matters or the susceptibility of such matters to change; and

- the impact of the estimates and assumptions on financial condition or operating performance is material.

Management has discussed the development and selection of its critical accounting policies with the Audit Committee of the Board of Directors and the Audit Committee has reviewed the disclosure presented below relating to them. Management believes the current assumptions and other considerations used to estimate amounts reflected in our consolidated financial statements are appropriate and are not reasonably likely to change in the future. However, since these estimates require assumptions to be made that were uncertain at the time the estimate was made, they bear the risk of change. If actual experience differs from the assumptions and other considerations used in estimating amounts reflected in our consolidated financial statements, the resulting changes could have a material adverse effect on our consolidated results of operations, liquidity and/or financial condition. Please refer to Note 1 to our consolidated financial statements for further information on significant accounting policies that impact us. There were no material changes to these policies in 2013.

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

Nature of Critical Accounting Estimate	Assumptions/Approach Used
Principles of Consolidation The consolidated financial statements include our accounts, the accounts of our wholly-owned subsidiaries and the accounts of joint venture entities in which we own a majority voting interest with the ability to control operations and where no substantive participating rights or substantive kick out rights have been granted to the noncontrolling interests. In addition, we consolidate those entities deemed to be variable interest entities (VIEs) in which we are determined to be the primary beneficiary. All material intercompany transactions and balances have been eliminated in consolidation.	We make judgments about which entities are VIEs based on an assessment of whether (i) the equity investors as a group, if any, do not have a controlling financial interest, or (ii) the equity investment at risk is insufficient to finance that entity's activities without additional subordinated financial support. We make judgments with respect to our level of influence or control of an entity and whether we are (or are not) the primary beneficiary of a VIE. Consideration of various factors includes, but is not limited to, our ability to direct the activities that most significantly impact the entity's economic performance, our form of ownership interest, our representation on the entity's governing body, the size and seniority of our investment, our ability and the rights of other investors to participate in policy making decisions, replace the manager and/or liquidate the entity, if applicable. Our ability to correctly assess our influence or control over an entity at inception of our involvement or on a continuous basis when determining the primary beneficiary of a VIE affects the presentation of these entities in our consolidated financial statements. If we perform a primary beneficiary analysis at a date other than at inception of the variable interest entity, our assumptions may be different and may

	result in the identification of a different primary beneficiary.	
<u>Income Taxes</u> As part of the process of preparing our consolidated financial statements, significant management judgment is required to evaluate our compliance with REIT requirements.	Our determinations are based on interpretation of tax laws, and our conclusions may have an impact on the income tax expense recognized. Adjustments to income tax expense may be required as a result of: (i) audits conducted by federal and state tax authorities, (ii) our ability to qualify as a REIT, (iii) the potential for built-in-gain recognized related to prior-tax-free acquisitions of C corporations, and (iv) changes in tax laws. Adjustments required in any given period are included in income.	

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

Nature of Critical Accounting Estimate	Assumptions/Approach Used	
Business Combinations Real property developed by us is recorded at cost, including the capitalization of construction period interest. The cost of real property acquired is allocated to net tangible and identifiable intangible assets based on their respective fair values. Tangible assets primarily consist of land, buildings and improvements. The remaining purchase price is allocated among identifiable intangible assets primarily consisting of the above or below market component of in-place leases and the value of in-place leases. The total amount of other intangible assets acquired is further allocated to in-place lease values and customer relationship values based on management's evaluation of the specific characteristics of each tenant's lease and the Company's overall relationship with that respective tenant.	We make estimates as part of our allocation of the purchase price of acquisitions to the various components of the acquisition based upon the relative fair value of each component. The most significant components of our allocations are typically the allocation of fair value to the buildings as-if-vacant, land and in-place leases. In the case of the fair value of buildings and the allocation of value to land and other intangibles, our estimates of the values of these components will affect the amount of depreciation and amortization we record over the estimated useful life of the property acquired or the remaining lease term. In the case of the value of in-place leases, we make our best estimates based on our evaluation of the specific characteristics of each tenant's lease. Factors considered include estimates of carrying costs during hypothetical expected lease-up periods, market conditions and costs to execute similar leases. Our assumptions affect the amount of future revenue that we will recognize over the remaining lease term for the acquired in-place leases. We compute depreciation and amortization on our properties using the straight-line method based on their estimated useful lives which range from 15 to 40 years for buildings and five to 15 years for improvements. Amortization periods for intangibles are based on the estimated remaining useful lives of the underlying agreements.	
Allowance for Loan Losses We maintain an allowance for loan losses in accordance with U.S. GAAP. The allowance for loan losses is maintained at a level believed adequate to absorb potential losses in our loans receivable. The determination of the allowance is based on a quarterly evaluation of all outstanding loans. If this	The determination of the allowance is based on a quarterly evaluation of all outstanding loans, including general economic conditions and estimated collectability of loan payments and principal. We evaluate the collectability of our loans receivable based	

evaluation indicates that there is a greater risk of loan charge-offs, additional allowances or placement on non-accrual status may be required. A loan is impaired when, based on current information and events, it is probable that we will be unable to collect all amounts due as scheduled according to the contractual terms of the original loan agreement. Consistent with this definition, all loans on non-accrual are deemed impaired. To the extent circumstances improve and the risk of collectability is diminished, we will return these loans to full accrual status.	on a combination of factors, including, but not limited to, delinquency status, historical loan charge-offs, financial strength of the borrower and guarantors and value of the underlying property.
Fair Value of Derivative Instruments The valuation of derivative instruments is accounted for in accordance with U.S. GAAP, which requires companies to record derivatives at fair market value on the balance sheet as assets or liabilities.	The valuation of derivative instruments requires us to make estimates and judgments that affect the fair value of the instruments. Fair values of our forward exchange contracts are estimated using pricing models that consider forward currency spot rates, forward trade rates and discount rates. Fair values of our interest rate swaps are estimated by utilizing pricing models that consider forward yield curves, discount rates and counterparty credit risk. Such amounts and their recognition are subject to significant estimates which may change in the future.

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

Nature of Critical Accounting Estimate	Assumptions/Approach Used	
Revenue Recognition Revenue is recorded in accordance with U.S. GAAP, which requires that revenue be recognized after four basic criteria are met. These four criteria include persuasive evidence of an arrangement, the rendering of service, fixed and determinable income and reasonably assured collectability. If the collectability of revenue is determined incorrectly, the amount and timing of our reported revenue could be significantly affected. Interest income on loans is recognized as earned based upon the principal amount outstanding subject to an evaluation of collectability risk. Substantially all of our operating leases contain fixed and/or contingent escalating rent structures. Leases with fixed annual rental escalators are generally recognized on a straight-line basis over the initial lease period, subject to a collectability assessment. Rental income related to leases with contingent rental escalators is generally recorded based on the contractual cash rental payments due for the period. We recognize resident fees and services, other than move-in fees, monthly as services are provided. Lease agreements with residents generally have a term of one year and are cancelable by the resident with 30 days' notice.	We evaluate the collectability of our revenues and related receivables on an on-going basis. We evaluate collectability based on assumptions and other considerations including, but not limited to, the certainty of payment, payment history, the financial strength of the investment's underlying operations as measured by cash flows and payment coverages, the value of the underlying collateral and guaranties and current economic conditions. If our evaluation indicates that collectability is not reasonably assured, we may place an investment on non-accrual or reserve against all or a portion of current income as an offset to revenue.	
Impairment of Long-Lived Assets We review our long-lived assets for potential impairment in accordance with U.S. GAAP. An impairment charge must be recognized when the carrying value of a long-lived asset is not recoverable. The carrying value is not	The net book value of long-lived assets is reviewed quarterly on a property by property basis to determine if there are indicators of impairment. These indicators may include anticipated operating losses at the property	

recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. If it is determined that a permanent impairment of a long-lived asset has occurred, the carrying value of the asset is reduced to its fair value and an impairment charge is recognized for the difference between the carrying value and the fair value.	level, the tenant's inability to make rent payments, a decision to dispose of an asset before the end of its estimated useful life and changes in the market that may permanently reduce the value of the property. If indicators of impairment exist, then the undiscounted future cash flows from the most likely use of the property are compared to the current net book value. This analysis requires us to determine if indicators of impairment exist and to estimate the most likely stream of cash flows to be generated from the property during the period the property is expected to be held.	

Impact of Inflation

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

Item 7A. ***Quantitative and Qualitative Disclosures About Market Risk***

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

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

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

	December 31, 2013				December 31, 2012			
	Principal balance		Change in fair value		Principal balance		Change in fair value	
Senior unsecured notes	$	7,421,707	$	(408,790)	$	6,145,457	$	(451,478)
Secured debt		2,787,236		(102,211)		2,024,454		(96,290)
Totals	$	10,208,943	$	(511,001)	$	8,169,911	$	(547,768)

Our variable rate debt, including our unsecured line of credit arrangements, is reflected at fair value. At December 31, 2013, we had $1,089,362,000 outstanding related to our variable rate debt. Assuming no changes in outstanding balances, a 1% increase in interest rates would result in increased annual interest expense of $10,893,620. At December 31, 2012, we had $527,060,000 outstanding related to our variable rate debt. Assuming no changes in outstanding balances, a 1% increase in interest rates would have resulted in increased annual interest expense of $5,271,000.

We are subject to currency fluctuations that may, from time to time, affect our financial condition and results of operations. Increases or decreases in the value of the Canadian Dollar or Pounds Sterling relative to the U.S. Dollar impacts the amount of net income we earn from our investments in Canada and the United Kingdom. Based solely on our results for the twelve months ended December 31, 2013, if these exchange rates were to increase or decrease by 100 basis points, our net income from these investments would decrease or increase, as applicable, by less than $500,000 for the twelve-month period. We seek to mitigate these underlying foreign currency exposures with

non-U.S. denominated borrowings and gains and losses on derivative contracts hedging these exposures. If we increase our international presence through investments in, or acquisitions or development of, seniors housing and health care properties outside the United States, we may also decide to transact additional business or borrow funds in currencies other than the U.S. Dollar, Canadian Dollars or Pounds Sterling. To illustrate the impact of changes in foreign currency markets, we performed a sensitivity analysis on our derivative portfolio whereby we modeled the change in net present values arising from a hypothetical 1% increase in foreign currency exchange rates to determine the instruments' change in fair value. The following table summarizes the results of the analysis performed (dollars in thousands):

	December 31, 2013		December 31, 2012	
	Carrying Value	Change in fair value	Carrying Value	Change in fair value
Foreign currency exchange contracts[1]	$ 4,066	$ (2,964)	$ 296	$ (89)
Debt designated as hedges	1,146,596	8,002	251,054	2,500
Totals	$ 1,150,662	$ 5,038	$ 251,350	$ 2,411

(1) Amounts exclude cross currency hedge activity.

For additional information regarding derivatives and fair values of financial instruments, see “Item 7 — Management’s Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Policies” and Notes 11 and 16 to our consolidated financial statements.

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

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying consolidated balance sheets of Health Care REIT, Inc. as of December 31, 2013 and 2012, and the related consolidated statements of comprehensive income, equity, and cash flows for each of the three years in the period ended December 31, 2013. Our audits also included the financial statement schedules listed in Item 15(a)(2) of this Form 10-K. These financial statements and schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedules based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Health Care REIT, Inc. at December 31, 2013 and 2012, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2013, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedules, when considered in relation to the basic financial statements taken as a whole, present fairly in all material respects the information set forth therein.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Health Care REIT, Inc.'s internal control over financial reporting as of December 31, 2013, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 21, 2014 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Toledo, Ohio

February 21, 2014

CONSOLIDATED BALANCE SHEETS

HEALTH CARE REIT, INC. AND SUBSIDIARIES

						December 31,		December 31,

	2013	2012
Assets	(In thousands)	
Real estate investments:		
Real property owned:		
Land and land improvements	$ 1,878,877	$ 1,365,391
Buildings and improvements	20,625,515	15,635,127
Acquired lease intangibles	1,070,754	673,684
Real property held for sale, net of accumulated depreciation	18,502	245,213
Construction in progress	141,085	162,984
Gross real property owned	23,734,733	18,082,399
Less accumulated depreciation and amortization	(2,386,658)	(1,555,055)
Net real property owned	21,348,075	16,527,344
Real estate loans receivable	332,146	895,665
Net real estate investments	21,680,221	17,423,009
Other assets:		
Investments in unconsolidated entities	479,629	438,936
Goodwill	68,321	68,321
Deferred loan expenses	70,875	66,327
Cash and cash equivalents	158,780	1,033,764
Restricted cash	72,821	107,657
Receivables and other assets	553,310	411,095
Total other assets	1,403,736	2,126,100
Total assets	$ 23,083,957	$ 19,549,109
Liabilities and equity		
Liabilities:		
Borrowings under unsecured line of credit arrangements	$ 130,000	$ 0
Senior unsecured notes	7,379,308	6,114,151
Secured debt	3,058,248	2,336,196
Capital lease obligations	84,458	81,552
Accrued expenses and other liabilities	640,573	462,099
Total liabilities	11,292,587	8,993,998
Redeemable noncontrolling interests	35,039	34,592
Equity:		
Preferred stock	1,017,361	1,022,917
Common stock	289,461	260,396
Capital in excess of par value	12,418,520	10,543,690
Treasury stock	(21,263)	(17,875)
Cumulative net income	2,329,869	2,184,819
Cumulative dividends	(4,600,854)	(3,694,579)
Accumulated other comprehensive income (loss)	(24,531)	(11,028)

Other equity		6,020		6,461
Total Health Care REIT, Inc. stockholders’ equity		11,414,583		10,294,801
Noncontrolling interests		341,748		225,718
Total equity		11,756,331		10,520,519
Total liabilities and equity	$	23,083,957	$	19,549,109

See accompanying notes

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

HEALTH CARE REIT, INC. AND SUBSIDIARIES

				Year Ended December 31,

	2013	2012	2011
Revenues:			
Rental income	$ 1,227,589	$ 1,063,214	$ 804,732
Resident fees and services	1,616,290	697,494	456,085
Interest income	32,663	39,065	41,070
Other income	4,066	5,271	11,295
Total revenues	2,880,608	1,805,044	1,313,182
Expenses:			
Interest expense	458,360	361,565	290,981
Property operating expenses	1,206,813	567,989	375,064
Depreciation and amortization	865,800	506,220	386,478
General and administrative	108,318	97,341	77,201
Transaction costs	133,401	61,609	70,224
Loss (gain) on derivatives, net	4,470	(1,825)	-
Loss (gain) on extinguishment of debt, net	(909)	(775)	(979)
Provision for loan losses	2,110	27,008	2,010
Total expenses	2,778,363	1,619,132	1,200,979
Income from continuing operations before income taxes			
and income from unconsolidated entities	102,245	185,912	112,203
Income tax (expense) benefit	(7,491)	(7,612)	(1,388)
Income (loss) from unconsolidated entities	(8,187)	2,482	5,772
Income from continuing operations	86,567	180,782	116,587
Discontinued operations:			
Gain (loss) on sales of properties, net	49,138	100,549	61,160
Impairment of assets	-	(29,287)	(12,194)
Income (loss) from discontinued operations, net	2,575	42,796	47,163
Discontinued operations, net	51,713	114,058	96,129
Net income	138,280	294,840	212,716
Less: Preferred stock dividends	66,336	69,129	60,502
Less: Preferred stock redemption charge	-	6,242	-
Less: Net income (loss) attributable to noncontrolling interests[1]	(6,770)	(2,415)	(4,894)
Net income attributable to common stockholders	$ 78,714	$ 221,884	$ 157,108
Average number of common shares outstanding:			
Basic	276,929	224,343	173,741
Diluted	278,761	225,953	174,401
Earnings per share:			

Basic:				
Income from continuing operations				
attributable to common stockholders	$ 0.10	$ 0.48	$ 0.35
Discontinued operations, net	0.19	0.51	0.55
Net income attributable to common stockholders*	$ 0.28	$ 0.99	$ 0.90
Diluted:			
Income from continuing operations			
attributable to common stockholders	$ 0.10	$ 0.48	$ 0.35
Discontinued operations, net	0.19	0.50	0.55
Net income attributable to common stockholders*	$ 0.28	$ 0.98	$ 0.90

* Amounts may not sum due to rounding

(1) Includes amounts attributable to redeemable noncontrolling interests

See accompanying notes

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (CONTINUED)

HEALTH CARE REIT, INC. AND SUBSIDIARIES

				Year Ended December 31,

	2013	2012	2011
Net income	$ 138,280	$ 294,840	$ 212,716
Other comprehensive income (loss):			
Unrecognized gain/(loss) on equity investments	(173)	403	(122)
Change in net unrealized gains (losses) on cash flow hedges:			
Unrealized gain/(loss)	1,898	3,200	3,189
Reclassification adjustment realized in net income	0	(1,596)	(1,781)
Unrecognized actuarial gain/(loss)	1,522	(226)	(2,115)
Foreign currency translation gain/(loss)	(23,247)	(881)	0
Total other comprehensive income (loss)	(20,000)	900	(829)
Total comprehensive income	118,280	295,740	211,887
Total comprehensive income attributable to noncontrolling interests[1]	(13,267)	(2,415)	(4,894)
Total comprehensive income attributable to stockholders	$ 105,013	$ 293,325	$ 206,993

(1) Includes amounts attributable to redeemable noncontrolling interests.

See accompanying notes

CONSOLIDATED STATEMENTS OF EQUITY

HEALTH CARE REIT, INC. AND SUBSIDIARIES

Accumulated

(in thousands)										
			Capital in				Other			
	Preferred	Common	Excess of	Treasury	Cumulative	Cumulative	Comprehensive	Other	Noncontrolling	
	Stock	Stock	Par Value	Stock	Net Income	Dividends	Income	Equity	Interests	To
Balances at December 31, 2010	$ 291,667	147,155	4,932,468	(11,352)	1,676,196	(2,427,881)	(11,099)	5,697	130,249	$ 4,7
Comprehensive income:										
Net income					217,610				(3,591)	2
Other comprehensive income:							(829)			
Total comprehensive income										2
Net change in noncontrolling interests			6,468						27,225	
Amounts related to issuance of common stock from dividend reinvestment and stock incentive plans, net of forfeitures		2,895	138,989	(2,183)				(1,494)		1
Net proceeds from sale of common stock		42,249	1,964,102							2,0

Proceeds from issuance of preferred shares	718,750		(22,313)							6
Option compensation expense								1,917		
Cash dividends paid:										
Common stock cash dividends						(483,746)				(48
Preferred stock cash dividends						(60,502)				(6
Balances at December 31, 2011	1,010,417	192,299	7,019,714	(13,535)	1,893,806	(2,972,129)	(11,928)	6,120	153,883	7,2
Comprehensive income:										
Net income					297,255				(1,480)	2
Other comprehensive income:							900			
Total comprehensive income										2
Net change in noncontrolling interests			(7,136)						73,315	
Amounts related to issuance of common stock										
from dividend										

reinvestment and stock										
incentive plans, net of forfeitures		2,658	149,955	(4,340)				(2,534)		1
Net proceeds from sale of common stock		64,400	3,382,532							3,4
Equity component of convertible debt		1,039	2,236							
Proceeds from issuance of preferred shares	287,500		(9,813)							2
Redemption of preferred stock	(275,000)		6,202		(6,242)					(27
Option compensation expense								2,875		
Cash dividends paid:										
Common stock cash dividends						(653,321)				(65
Preferred stock cash dividends						(69,129)				(6
Balances at December 31, 2012	1,022,917	260,396	10,543,690	(17,875)	2,184,819	(3,694,579)	(11,028)	6,461	225,718	10,5

Comprehensive income:										
Net income					145,050				(5,487)	1
Other comprehensive income:						(13,503)			(6,497)	(2
Total comprehensive income										1
Net change in noncontrolling interests		1,109	23,815						128,014	1
Amounts related to issuance of common stock										
from dividend reinvestment and stock										
incentive plans, net of forfeitures		3,852	239,837	(3,388)				(1,555)		2
Net proceeds from sale of common stock		23,000	1,607,281							1,6
Equity component of convertible debt		988	(1,543)							
Conversion of preferred stock	(5,556)	116	5,440							
								1,114		

Option compensation expense										
Cash dividends paid:										
Common stock cash dividends						(839,939)				(83
Preferred stock cash dividends						(66,336)				(6
Balances at December 31, 201	$ 1,017,361	$ 289,461	$ 12,418,520	$ (21,263)	$ 2,329,869	$ (4,600,854)	$ (24,531)	$ 6,020	$ 341,748	$ 11,7

See accompanying notes

CONSOLIDATED STATEMENTS OF CASH FLOWS

HEALTH CARE REIT, INC. AND SUBSIDIARIES

						Year Ended December 31,

(In thousands)	2013	2012	2011
Operating activities			
Net income	$ 138,280	$ 294,840	$ 212,716
Adjustments to reconcile net income to			
net cash provided from (used in) operating activities:			
Depreciation and amortization	873,960	533,585	423,605
Other amortization expenses	8,097	15,185	16,851
Provision for loan losses	2,110	27,008	2,010
Impairment of assets	0	29,287	12,194
Stock-based compensation expense	20,177	18,521	10,786
Loss (gain) on derivatives, net	4,470	(1,825)	0
Loss (gain) on extinguishment of debt, net	(909)	(775)	(979)
Loss (income) from unconsolidated entities	8,187	(2,482)	(5,772)
Rental income in excess of cash received	(46,068)	(32,362)	(31,578)
Amortization related to above (below) market leases, net	460	165	(2,507)
Loss (gain) on sales of properties, net	(49,138)	(100,549)	(61,160)
Distributions by unconsolidated entities	8,885	17,607	6,149
Increase (decrease) in accrued expenses and other liabilities	67,557	38,213	10,653
Decrease (increase) in receivables and other assets	(47,571)	(18,285)	(4,744)
Net cash provided from (used in) operating activities	988,497	818,133	588,224
Investing activities			
Cash disbursed for acquisitions	(3,597,955)	(2,923,251)	(4,514,271)
Cash disbursed for capital improvements to existing properties	(135,832)	(135,450)	(89,247)
Cash disbursed for construction in progress	(247,560)	(286,410)	(301,604)
Capitalized interest	(6,700)	(9,777)	(13,164)
Investment in real estate loans receivable	(117,059)	(665,094)	(51,477)
Other investments, net of payments	(15,634)	25,425	(22,986)
Principal collected on real estate loans receivable	102,886	35,020	188,811
Contributions to unconsolidated entities	(99,769)	(227,735)	(2,784)

Distributions by unconsolidated entities	30,853	13,136	9,135
Proceeds from (payments on) derivatives	(6,803)	6,652	0
Decrease (increase) in restricted cash	79,957	(35,766)	30,248
Proceeds from sales of real property	482,023	610,271	247,210
Net cash provided from (used in) investing activities	(3,531,593)	(3,592,979)	(4,520,129)
Financing activities			
Net increase (decrease) under unsecured lines of credit arrangements	130,000	(610,000)	310,000
Proceeds from issuance of senior unsecured notes	1,756,192	2,025,708	1,381,086
Payments to extinguish senior unsecured notes	(517,625)	(370,524)	(3)
Net proceeds from the issuance of secured debt	89,208	157,418	119,030
Payments on secured debt	(674,103)	(406,210)	(83,998)
Net proceeds from the issuance of common stock	1,854,637	3,581,292	2,137,594
Net proceeds from the issuance of preferred stock	0	277,687	696,437
Redemption of preferred stock	0	(275,000)	0
Decrease (increase) in deferred loan expenses	(13,503)	(7,152)	(28,867)
Contributions by noncontrolling interests[(1)]	5,072	24,115	8,604
Distributions to noncontrolling interests[(1)]	(35,592)	(29,353)	(30,705)
Acquisitions of non-controlling interests	(23,247)	0	0
Cash distributions to stockholders	(906,275)	(722,450)	(544,248)
Other financing activities	2,906	(403)	(1,113)
Net cash provided from (used in) financing activities	1,667,670	3,645,128	3,963,817
Effect of foreign currency translation on cash and cash equivalents	442	0	0
Increase (decrease) in cash and cash equivalents	(874,984)	870,282	31,912
Cash and cash equivalents at beginning of period	1,033,764	163,482	131,570
Cash and cash equivalents at end of period	$ 158,780	$ 1,033,764	$ 163,482
Supplemental cash flow information:			

Interest paid	$ 447,108	$ 369,511	$ 285,884
Income taxes paid	12,110	3,071	389

(1) Includes amounts attributable to redeemable noncontrolling interests.

See accompanying notes.

HEALTH CARE REIT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Business

Health Care REIT, Inc., an S&P 500 company with headquarters in Toledo, Ohio, is an equity real estate investment trust ("REIT") that invests in seniors housing and health care real estate. Our full service platform offers property management and development services to our customers. As of December 31, 2013, our diversified portfolio consisted of 1,199 properties in 46 states, the United Kingdom, and Canada. Founded in 1970, we were the first real estate investment trust to invest exclusively in health care facilities.

2. Accounting Policies and Related Matters

Principles of Consolidation

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

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

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

Use of Estimates

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

Revenue Recognition

Revenue is recorded in accordance with U.S. GAAP, which requires that revenue be recognized after four basic criteria are met. These four criteria include persuasive evidence of an arrangement, the rendering of service, fixed and determinable income and reasonably assured collectability. Interest income on loans is recognized as earned based upon the principal amount outstanding subject to an evaluation of collectability risk. Substantially all of our operating

leases contain escalating rent structures. Leases with fixed annual rental escalators are generally recognized on a straight-line basis over the initial lease period, subject to a collectability assessment. Rental income related to leases with contingent rental escalators is generally recorded based on the contractual cash rental payments due for the period. Leases in our medical office building portfolio typically include some form of operating expense reimbursement by the tenant. Certain payments made to operators are treated as lease incentives and amortized as a reduction of revenue over the lease term. We recognize resident fees and services, other than move-in fees, monthly as services are provided. Lease agreements with residents generally have a term of one year and are cancelable by the resident with 30 days' notice.

Cash and Cash Equivalents

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

Restricted Cash

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

Deferred Loan Expenses

HEALTH CARE REIT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Investments in Unconsolidated Entities

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

Redeemable Noncontrolling Interests

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

Real Property Owned

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

The remaining purchase price is allocated among identifiable intangible assets primarily consisting of the above or below market component of in-place leases and the value associated with the presence of in-place tenants or

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

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

The net book value of long-lived assets is reviewed quarterly on a property by property basis to determine if facts and circumstances suggest that the assets may be impaired or that the depreciable life may need to be changed. We consider external factors relating to each asset and the existence of a master lease which may link the cash flows of an individual asset to a larger portfolio of assets leased to the same tenant. If these factors and the projected undiscounted cash flows of the asset over the remaining

HEALTH CARE REIT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

depreciation period indicate that the asset will not be recoverable, the carrying value is reduced to the estimated fair market value. In addition, we are exposed to the risks inherent in concentrating investments in real estate, and in particular, the seniors housing and health care industries. A downturn in the real estate industry could adversely affect the value of our properties and our ability to sell properties for a price or on terms acceptable to us.

Capitalization of Construction Period Interest

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

Gain on Sale of Assets

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

Real Estate Loans Receivable

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

Allowance for Losses on Loans Receivable

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

Goodwill

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

Fair Value of Derivative Instruments

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

Federal Income Tax

We have elected to be treated as a REIT under the applicable provisions of the Internal Revenue Code of 1986, as amended (the "Code"), commencing with our first taxable year, and made no provision for federal income tax purposes prior to our acquisition of our "taxable REIT subsidiaries." As a result of these as well as subsequent acquisitions, we now record income tax expense or benefit with respect to certain of our entities that are taxed as taxable REIT subsidiaries under provisions similar to those applicable to regular corporations and not under the REIT provisions.

HEALTH CARE REIT, INC.

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

Foreign Currency

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

Earnings Per Share

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

New Accounting Standards

In February 2013, the Financial Accounting Standards Board issued Accounting Standards Update No. 2013-02, "Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income," which requires companies to provide information about the amounts that are reclassified out of accumulated other comprehensive income by component and by the respective line items of net income. The amendment to authoritative guidance associated with comprehensive income was effective for us on January 1, 2013. The adoption of this guidance did not have a material impact on our consolidated financial statements.

Reclassifications

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

HEALTH CARE REIT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. Real Property Acquisitions and Development

The total purchase price for all properties acquired has been allocated to the tangible and identifiable intangible assets, liabilities and noncontrolling interests based upon their respective fair values in accordance with our accounting policies. The results of operations for these acquisitions have been included in our consolidated results of operations since the date of acquisition and are a component of the appropriate segments. Transaction costs primarily represent costs incurred with property acquisitions, including due diligence costs, fees for legal and valuation services and termination of pre-existing relationships computed based on the fair value of the assets acquired, lease termination fees and other acquisition-related costs. During the year ended December 31, 2013, we finalized our purchase price allocation of certain previously reported acquisitions and there were no material changes from those previously disclosed.

Seniors Housing Triple-net Activity

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

	Year Ended December 31,		
	2013[1]	2012	2011
Land and land improvements	$ 54,596	$ 87,242	$ 212,156
Buildings and improvements	265,390	984,077	3,108,508
Restricted cash	189	0	0
Receivables and other assets	1,020	119	9,101
Total assets acquired[2]	321,195	1,071,438	3,329,765
Secured debt	(9,810)	(89,881)	(93,431)
Accrued expenses and other liabilities	(540)	(3,542)	(91,290)
Total liabilities assumed	(10,350)	(93,423)	(184,721)
Capital in excess of par	0	921	0
Noncontrolling interests	0	(17,215)	0
Non-cash acquisition related activity	(151)	(616)	(2,532)
Cash disbursed for acquisitions	310,694	961,105	3,142,512
Construction in progress additions	141,129	179,684	182,626
Less: Capitalized interest	(4,698)	(6,041)	(5,752)
Cash disbursed for construction in progress	136,431	173,643	176,874
Capital improvements to existing properties	34,926	67,026	49,336
Total cash invested in real property, net of cash acquired	$ 482,051	$ 1,201,774	$ 3,368,722

(1) Includes acquisitions with an aggregate purchase price of $212,043,000 for which the allocation of the purchase price consideration is preliminary and subject to change.

(2) Excludes $2,031,000 of cash acquired during the year ended December 31, 2012.

Seniors Housing Operating Activity

Acquisitions of seniors housing operating properties are structured under RIDEA, which is described in Note 18. This structure results in the inclusion of all resident revenues and related property operating expenses from the operation of these qualified health care properties in our consolidated statements of comprehensive income. Certain of our subsidiaries' functional currencies are the local currencies of their respective countries. See Note 2 for information regarding our foreign currency policies.

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

HEALTH CARE REIT, INC.

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	Year Ended December 31,		
	2013(1)	2012	2011
Land and land improvements	$ 445,152	$ 146,332	$ 112,350
Buildings and improvements	4,275,046	1,341,560	1,512,764
Acquired lease intangibles	396,444	118,077	122,371
Restricted cash	44,427	1,296	20,699
Receivables and other assets	79,564	10,125	901
Total assets acquired(2)	5,240,633	1,617,390	1,769,085
Secured debt	(1,275,245)	(124,190)	(796,272)
Accrued expenses and other liabilities	(96,709)	(17,347)	(44,483)
Total liabilities assumed	(1,371,954)	(141,537)	(840,755)
Capital in excess of par	-	0	(6,017)
Noncontrolling interests	(232,575)	(56,884)	(69,984)
Non-cash acquisition related activity(3)	(555,563)	-	-
Cash disbursed for acquisitions	3,080,541	1,418,969	852,329
Construction in progress additions	3,894	-	-
Less: Capitalized interest	(57)	-	-
Cash disbursed for construction in progress	3,837	-	-
Capital improvements to existing properties	72,258	21,751	15,880
Total cash invested in real property, net of cash acquired	$ 3,156,636	$ 1,440,720	$ 868,209

(1) Includes an aggregate purchase price of $1,318,168,000 relating to the Revera Partnership for which the allocation of the purchase price consideration is preliminary and subject to change.

(2) Excludes $92,148,000, $20,691,000 and $38,952,000 of cash acquired during the years ended December 31, 2013, 2012 and 2011, respectively.

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

Revera Acquisition

On May 28, 2013, we completed the formation of our partnership (the “Revera Partnership”) with Revera Inc. to own and operate a portfolio of 47 seniors housing properties in Canada. We own a 75% partnership interest and Revera Inc. owns the remaining 25% interest and manages the facilities. The results of operations for the Revera Partnership have been included in our consolidated results of operations beginning on May 28, 2013 and are a component of our

seniors housing operating segment. Consolidation is based on a combination of ownership interest and control of operational decision-making authority. The total purchase price of $1,318,168,000 for the 47 properties acquired has been allocated to the tangible and identifiable intangible assets and liabilities based upon their respective fair values in accordance with the Company's accounting policies. Such allocations have not been finalized as we are reviewing final asset valuations with our partner, and, as such, the allocation of the purchase consideration included in the accompanying Consolidated Balance Sheet as of December 31, 2013 is preliminary and subject to adjustment.

Sunrise Merger

In August 2012, we entered into an Agreement and Plan of Merger (the "Merger Agreement") with Sunrise Senior Living, Inc. ("Sunrise"), pursuant to which we agreed to acquire Sunrise in an all-cash merger (the "Merger") in which Sunrise stockholders would receive $14.50 in cash for each share of Sunrise common stock. On January 9, 2013, we completed our acquisition of the Sunrise property portfolio. The Sunrise Merger advances our strategic vision to own higher-end, private pay properties located in major metropolitan markets. On July 1, 2013, we acquired the remaining interests in 49 previously unconsolidated properties. As of December 31, 2013, 120 properties are wholly owned and five properties are held in unconsolidated entities (see Note 7 for additional information). The total purchase price of approximately $4,155,052,000, including approximately $2,456,011,000 of cash consideration, has been allocated to the tangible and identifiable intangible assets and liabilities in the table above based on respective fair values in accordance with our accounting policies.

We recognized $654,717,000, $22,930,000 and $0 of revenues and $216,827,000, $11,698,000 and $0 of net operating income from continuing operations related to the consolidated Sunrise portfolio during the twelve month periods ended December 31, 2013, 2012 and 2011, respectively. In addition, we incurred $77,187,000 of transaction costs, which include advisory fees, due diligence

HEALTH CARE REIT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

costs, severances, and fees for legal and valuation services during the twelve month period ended December 31, 2013. These amounts are included in the seniors housing operating results reflected in Note 17.

The following unaudited pro forma consolidated results of operations have been prepared as if the Sunrise Merger had occurred as of January 1, 2012 based on the purchase price allocations discussed above. Amounts are in thousands, except per share data:

		Year Ended December 31,			
			2013		2012
Revenues		$	3,047,072	$	2,487,332
Income (loss) from continuing operations attributable to common stockholders		$	17,091	$	(50,424)
Income (loss) from continuing operations attributable to common stockholders per share:					
	Basic	$	0.06	$	(0.23)
	Diluted	$	0.06	$	(0.23)

Medical Facilities Activity

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

	Year Ended December 31,					
		2013[(1)]		2012		2011
Land and land improvements	$	14,515	$	68,619	$	48,342
Buildings and improvements		251,291		648,409		520,976
Acquired lease intangibles		9,432		115,233		60,609
Restricted cash		505		975		100
Receivables and other assets		344		4,469		3,053
Total assets acquired[(2)]		276,087		837,705		633,080
Secured debt		(55,884)		(267,527)		(72,225)
Accrued expenses and other liabilities		(1,041)		(25,928)		(34,214)
Total liabilities assumed		(56,925)		(293,455)		(106,439)

Noncontrolling interests		(386)	(193)	(7,211)
Non-cash acquisition related activity(3)		(12,056)	(880)	0
Cash disbursed for acquisitions		206,720	543,177	519,430
Construction in progress additions		127,989	134,830	165,593
Less: Capitalized interest		(1,945)	(3,736)	(7,412)
Accruals		(18,752)	(18,327)	(33,451)
Cash disbursed for construction in progress		107,292	112,767	124,730
Capital improvements to existing properties		28,648	46,673	24,031
	Total cash invested in real property, net of cash acquired	$ 342,660	$ 702,617	$ 668,191

(1) Includes acquisitions with an aggregate purchase price of $222,147,000 for which the allocation of the purchase price consideration is preliminary and subject to change.

(2) Excludes $2,154,000 of cash acquired during the year ended December 31, 2011.

(3) Represents non-cash consideration exchanged in an asset swap transaction during the year ended December 31, 2013.

Construction Activity

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

HEALTH CARE REIT, INC.

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	Year Ended		
	December 31, 2013	December 31, 2012	December 31, 2011
Development projects:			
Seniors housing triple-net	$ 133,181	$ 146,913	$ 114,161
Medical facilities	127,363	189,135	355,935
Total development projects	260,544	336,048	470,096
Expansion projects	26,395	4,983	45,414
Total construction in progress conversions	$ 286,939	$ 341,031	$ 515,510

At December 31, 2013, future minimum lease payments receivable under operating leases (excluding properties in our seniors housing operating partnerships and excluding any operating expense reimbursements) are as follows (in thousands):

2014	$ 293,766
2015	286,361
2016	273,716
2017	256,029
2018	235,245
Thereafter	1,330,688
Totals	$ 2,675,805

4. Real Estate Intangibles

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

	December 31, 2013	December 31, 2012
Assets:		
In place lease intangibles	$ 937,357	$ 541,729
Above market tenant leases	55,939	56,086
Below market ground leases	59,165	61,450
Lease commissions	18,293	14,419
Gross historical cost	1,070,754	673,684

	Accumulated amortization		(571,008)		(257,242)
	Net book value	$	499,746	$	416,442
	Weighted-average amortization period in years		16.7		16.4
Liabilities:					
	Below market tenant leases	$	76,381	$	77,036
	Above market ground leases		9,490		9,490
	Gross historical cost		85,871		86,526
	Accumulated amortization		(34,434)		(27,753)
	Net book value	$	51,437	$	58,773
	Weighted-average amortization period in years		14.3		14.3

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

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	Year Ended December 31,		
	2013	2012	2011
Rental income related to above/below market tenant leases, net	$ 748	$ 1,120	$ 3,340
Property operating expenses related to above/below market ground leases, net	(1,208)	(1,285)	(1,161)
Depreciation and amortization related to in place lease intangibles and lease commissions	(246,938)	(103,044)	(98,856)

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

	Assets	Liabilities
2014	$ 217,179	$ 6,623
2015	60,154	5,646
2016	27,400	5,232
2017	21,393	4,937
2018	18,532	4,610
Thereafter	155,088	24,389
Totals	$ 499,746	$ 51,437

5. Dispositions, Assets Held for Sale and Discontinued Operations

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

		Year Ended		
		December 31, 2013	December 31, 2012	December 31, 2011
Real property dispositions:				
	Seniors housing triple-net	$ 189,572	$ 372,378	$ 150,755
	Medical facilities	259,367	149,344	35,295
	Total dispositions	448,939	521,722	186,050
		49,138	100,549	61,160

Gain (loss) on sales of real property, net						
Seller financing on sales of real property		(3,850)		(12,000)		0
Non-cash disposition activity		(12,204)		0		0
Proceeds from real property sales	$	482,023	$	610,271	$	247,210

We have reclassified the income and expenses attributable to all properties sold prior to or held for sale at December 31, 2013 to discontinued operations. Expenses include an allocation of interest expense based on property carrying values and our weighted-average cost of debt. The following illustrates the reclassification impact as a result of classifying properties as discontinued operations for the periods presented (in thousands):

		Year Ended December 31,				
	2013		2012		2011	
Revenues:						
Rental income	$	18,377	$	96,378	$	124,113
Expenses:						
Interest expense		4,246		21,735		31,018
Property operating expenses		3,396		4,482		8,806
Provision for depreciation		8,160		27,365		37,126
Income (loss) from discontinued operations, net	$	2,575	$	42,796	$	47,163

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6. Real Estate Loans Receivable

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

	December 31,	
	2013	2012
Mortgage loans	$ 146,987	$ 87,955
Other real estate loans	185,159	807,710
Totals	$ 332,146	$ 895,665

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

	Year Ended									
	December 31, 2013			December 31, 2012				December 31, 2011		
	Seniors Housing Triple-net	Medical Facilities	Totals	Seniors Housing Triple-net	Seniors Housing Operating[1]	Medical Facilities	Totals	Seniors Housing Triple-net	Medical Facilities	Tot
Advances on real estate loans receivable:										
Investments in new loans	$ 41,180	$ 4,095	$ 45,275	$ 2,220	$ 580,834	$ 38,336	$ 621,390	$ 18,541	$ -	$ 1
Draws on existing loans	67,451	8,183	75,634	41,754	-	1,950	43,704	29,752	3,184	3
Sub-total	108,631	12,278	120,909	43,974	580,834	40,286	665,094	48,293	3,184	5
Less: Seller financing on property sales	(3,850)	-	(3,850)	-	-	-	-	-	-	
Net cash advances on real estate loans	104,781	12,278	117,059	43,974	580,834	40,286	665,094	48,293	3,184	5
Receipts on real estate loans receivable:										
Loan payoffs	68,950	646	69,596	10,387	-	2,168	12,555	162,705	2,943	16
Principal payments on loans	30,821	2,469	33,290	19,786	-	2,679	22,465	17,856	5,307	2
	99,771	3,115	102,886	30,173	-	4,847	35,020	180,561	8,250	18

Total receipts on real estate loans																			
Net cash advances (receipts) on real estate loans		5,010		9,163		14,173		13,801		580,834		35,439		630,074		(132,268)		(5,066)		(137
Change in balance due to foreign currency translation		1,402		-		1,402		-		-		-		-		-		-		
Net change in real estate loans receivable	$	6,412	$	9,163	$	15,575	$	13,801	$	580,834	$	35,439	$	630,074	$	(132,268)	$	(5,066)	$	(137

(1) Represents loan to Sunrise Senior Living, Inc. that was acquired upon merger consummation on January 9, 2013 as discuss Note 3.

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

	Year Ended December 31,						
	2013(1)			2012(2)			2011(3)
Balance at beginning of year	$	-		$	-	$	1,276
Provision for loan losses		2,110			27,008		2,010
Charge-offs		(2,110)			(27,008)		(3,286)
Balance at end of year	$	-		$	-	$	-

(1) Provision and charge-off amounts relate to one active adult community in our seniors housing triple-net segment.

(2) Provision and charge-off amounts relate to one entrance fee community in our seniors housing triple-net segment.

(3) Provision and charge-off amounts relate to one hospital in our medical facilities segment.

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

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	Year Ended December 31,		
	2013	2012	2011
Balance of impaired loans at end of year	$ 500	$ 4,230	$ 6,244
Allowance for loan losses	-	-	-
Balance of impaired loans not reserved	$ 500	$ 4,230	$ 6,244
Average impaired loans for the year	$ 2,365	$ 5,237	$ 7,968
Interest recognized on impaired loans[1]	-	44	-

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

7. Investments in Unconsolidated Entities

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

During the year ended December 31, 2012, we entered into a joint venture with Chartwell Retirement Residences (TSX:CSH.UN). The portfolio contains 42 properties in Canada, 39 of which are owned 50% by us and Chartwell, and three of which we wholly own. All properties are managed by Chartwell. The 39 properties are accounted for under the equity method of accounting and do not qualify as VIEs (variable interest entities). The joint venture is structured under RIDEA. See Note 18 for additional information. The aggregate remaining unamortized basis difference of our investment in this joint venture of $9,063,000 at December 31, 2013 is primarily attributable to transaction costs that will be amortized over the weighted-average useful life of the related properties and included in the reported amount of income from unconsolidated entities.

In conjunction with the Sunrise Merger, we acquired joint venture interests in 54 properties and a 20% interest in a newly formed Sunrise management company, which manages the entire property portfolio. On July 1, 2013, we acquired the remaining interests in 49 of the properties. Our original investment of $49,759,000 relating to the five

remaining unconsolidated properties and the management company is recorded as an investment in unconsolidated entities on the balance sheet.

The results of operations for these properties have been included in our consolidated results of operations from the date of acquisition by the joint ventures and are reflected in our statements of comprehensive income as income or loss from unconsolidated entities. Summarized combined financial information for our investments in unconsolidated entities held as of December 31, 2013 is as follows (dollars in thousands):

	Year Ended December 31,			
		2013		2012
Net real estate investments	$	1,589,590	$	1,675,877
Other assets		564,109		110,629
Total assets		2,153,699		1,786,506
Total liabilities		1,227,053		970,521
Redeemable noncontrolling interests		29,482		21,694
Total equity	$	897,164	$	794,291

	Year Ended December 31,					
		2013[1]		2012[2]		2011
Total revenues	$	1,619,251	$	324,941	$	160,860
Net income (loss)		(17,439)		10,702		20,124

(1) Beginning January 9, 2013, includes the financial information for the Sunrise management company and the five remaining unconsolidated Sunrise properties discussed above.

(2) Beginning May 1, 2012, includes the financial information for the Chartwell unconsolidated entities discussed above.

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8. Credit Concentration

The following table summarizes certain information about our credit concentration as of December 31, 2013, excluding our share of investments in unconsolidated entities. See Note 7 for additional information (dollars in thousands):

Concentration by investment:[1]		Number of Properties		Total Investment	Percent of Investment[2]
	Sunrise Senior Living	120	$	4,019,340	19%
	Genesis HealthCare	177		2,652,988	12%
	Revera	47		1,170,552	5%
	Benchmark Senior Living	39		940,124	4%
	Belmont Village	19		850,500	4%
	Remaining portfolio	740		12,046,717	56%
	Totals	1,142	$	21,680,221	100%

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

(2) Investments with our top five relationships comprised 37% of total investments at December 31, 2012.

9. Borrowings Under Line of Credit Arrangement and Related Items

At December 31, 2013, we had a $2,250,000,000 unsecured line of credit arrangement with a consortium of 30 banks. We have an option to upsize the facility by up to an additional $1,000,000,000 through an accordion feature, allowing for the aggregate commitment of up to $3,250,000,000. The arrangement also allows us to borrow up to $500,000,000 in certain alternative currencies. At December 31, 2013, we had $130,000,000 outstanding at 1.34%. The revolving credit facility is scheduled to expire March 31, 2017, but can be extended for an additional year at our option. Borrowings under the revolver are subject to interest payable in periods no longer than three months at either the agent bank's prime rate of interest or the applicable margin over LIBOR interest rate, at our option (1.34% at December 31, 2013). The applicable margin is based on certain of our debt ratings and was 1.175% at December 31, 2013. In addition, we pay a facility fee annually to each bank based on the bank's commitment amount. The facility fee depends on certain of our debt ratings and was 0.225% at December 31, 2013. Principal is due upon expiration of the agreement.

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

	Year Ended December 31,					
		2013		2012		2011
Balance outstanding at year end	$	130,000	$	0	$	610,000
Maximum amount outstanding at any month end	$	1,019,050	$	897,000	$	710,000

Average amount outstanding (total of daily						
principal balances divided by days in period)	$	488,842	$	191,378	$	240,104
Weighted-average interest rate (actual interest						
expense divided by average borrowings outstanding)		1.45%		1.80%		1.51%

10. Senior Unsecured Notes and Secured Debt

We may repurchase, redeem or refinance convertible and non-convertible senior unsecured notes from time to time, taking advantage of favorable market conditions when available. We may purchase senior notes for cash through open market purchases, privately negotiated transactions, a tender offer or, in some cases, through the early redemption of such securities pursuant to their terms. The non-convertible senior unsecured notes are redeemable at our option, at any time in whole or from time to time in part, at a redemption price equal to the sum of (1) the principal amount of the notes (or portion of such notes) being redeemed plus accrued and unpaid interest thereon up to the redemption date and (2) any "make-whole" amount due under the terms of the notes in connection with early redemptions. Redemptions and repurchases of debt, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. At December 31, 2013, the annual principal payments due on these debt obligations were as follows (in thousands):

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	Senior Unsecured Notes[1,2]		Secured Debt [1,3]		Totals	
2014	$	0	$	330,295	$	330,295
2015[4]		485,029		409,239		894,268
2016[5]		1,200,000		382,917		1,582,917
2017		450,000		324,110		774,110
2018		450,000		429,284		879,284
Thereafter[6]		4,836,678		1,134,866		5,971,544
Totals	$	7,421,707	$	3,010,711	$	10,432,418

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

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

(3) Annual interest rates range from 1.0% to 8.0%. Carrying value of the properties securing the debt totaled $6,243,475,000 at December 31, 2013.

(4) On July 30, 2012, we completed funding on a $250,000,000 Canadian denominated unsecured term loan (approximately $235,029,000 based on the Canadian/U.S. Dollar exchange rate on December 31, 2013). The loan matures on July 27, 2015 (with an option to extend for an additional year at our discretion) and bears interest at the Canadian Dealer Offered Rate plus 145 basis points (2.7% at December 31, 2013).

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

(6) On November 20, 2013, we completed funding on a £550,000,000 (approximately $911,570,000 based on the Sterling/U.S. Dollar exchange rate on December 31, 2013) of 4.8% senior unsecured notes due 2028.

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

	Year Ended								
	December 31, 2013			December 31, 2012			December 31, 2011		
	Amount		Weighted Avg. Interest Rate	Amount		Weighted Avg. Interest Rate	Amount		Weighted Avg. Interest Rate
Beginning balance	$	5,894,403	4.675%	$	4,464,927	5.133%	$	3,064,930	5.129%
Debt issued		1,786,930	3.824%		1,800,000	3.691%		1,400,000	5.143%

Debt extinguished		(300,000)	6.000%		(76,853)	8.000%		(3)	4.750%
Debt redeemed		(219,295)	3.000%		(293,671)	4.750%		-	0.000%
Foreign currency		24,640	4.800%		-	0.000%		-	0.000%
Ending balance	$	7,186,678	4.456%	$	5,894,403	4.675%	$	4,464,927	5.133%

During the twelve months ended December 31, 2010, we issued $494,403,000 of 3.00% senior unsecured convertible notes due December 2029, generating net proceeds of $486,084,000. The notes are convertible, in certain circumstances, into cash and, if applicable, shares of common stock at an initial conversion rate of 19.5064 shares per $1,000 principal amount of notes, which represents an initial conversion price of $51.27 per share. In general, upon conversion, the holder of each note would receive, in respect of the conversion value of such note, cash up to the principal amount of such note and common stock for the note's conversion value in excess of such principal amount. In addition, on each of December 1, 2014, December 1, 2019 and December 1, 2024, holders may require us to purchase all or a portion of their notes at a purchase price in cash equal to 100% of the principal amount of the notes to be purchased, plus any accrued and unpaid interest. The notes are bifurcated into a debt component and an equity component since they may be settled in cash upon conversion. The value of the debt component is based upon the estimated fair value of a similar debt instrument without the conversion feature at the time of issuance. The difference between the contractual principal on the debt and the value allocated to the debt of $29,925,000 was recorded as an equity component and represents the conversion feature of the instrument. The excess of the contractual principal amount of the debt over its estimated fair value is amortized to interest expense using the effective interest method over the period used to estimate the fair value. During the year ended December 31, 2013, we received notice of conversion from holders of $219,295,000 of the senior unsecured convertible notes. These notes were converted into 988,007 shares of common stock and we recognized a loss on extinguishment of $2,423,000, which is reflected on the consolidated statement of comprehensive income.

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

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	Year Ended					
	December 31, 2013		December 31, 2012		December 31, 2011	
	Amount	Weighted Avg. Interest Rate	Amount	Weighted Avg. Interest Rate	Amount	Weighted Avg. Interest Rate
Beginning balance	$ 2,311,586	5.140%	$ 2,108,384	5.285%	$ 1,133,715	5.972%
Debt issued	89,208	4.982%	157,418	4.212%	116,903	5.697%
Debt assumed	1,290,858	4.159%	444,744	5.681%	940,854	4.444%
Debt extinguished	(614,375)	3.730%	(360,403)	4.672%	(55,317)	5.949%
Principal payments	(56,205)	5.248%	(38,744)	5.456%	(27,771)	5.845%
Foreign currency	(10,361)	4.013%	187	5.637%	-	0.000%
Ending balance	$ 3,010,711	5.095%	$ 2,311,586	5.140%	$ 2,108,384	5.285%

Our debt agreements contain various covenants, restrictions and events of default. Certain agreements require us to maintain certain financial ratios and minimum net worth and impose certain limits on our ability to incur indebtedness, create liens and make investments or acquisitions. As of December 31, 2013, we were in compliance with all of the covenants under our debt agreements.

11. Derivative Instruments

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

Interest Rate Swap Contracts Designated as Cash Flow Hedges

For instruments that are designated and qualify as a cash flow hedge, the effective portion of the gain or loss on the derivative is reported as a component of other comprehensive income (“OCI”), and reclassified into earnings in the same period, or periods, during which the hedged transaction affects earnings. Gains and losses on the derivative representing either hedge ineffectiveness or hedge components excluded from the assessment of effectiveness are recognized in earnings. Approximately $1,890,000 of losses, which are included in accumulated other comprehensive income (“AOCI”), are expected to be reclassified into earnings in the next 12 months.

Foreign Currency Hedges

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

On February 15, 2012, we entered into a forward exchange contract to purchase $250,000,000 Canadian Dollars at a fixed rate in the future. The forward contract was used to limit exposure to fluctuations in the Canadian Dollar to U.S. Dollar exchange rate associated with our initial cash investment funded for the Chartwell transaction. On May 3, 2012, this forward exchange contract was settled for a gain of $2,772,000, which was reflected on the consolidated statement of comprehensive income, and the proceeds were used to fund our investment. On May 3, 2012, we also entered into a forward contract to sell $250,000,000 Canadian Dollars at a fixed rate on July 31, 2012 to hedge our net investment. We settled the forward contract on July 31, 2012 with the net loss reflected in OCI. Upon settlement of the forward contract we entered into a $250,000,000 Canadian Dollar term loan, which has been designated as a net investment hedge of our Chartwell investment, and changes in fair value are reported in OCI as no ineffectiveness is anticipated.

On August 30, 2012, we entered into two cross currency swaps to purchase £125,000,000. The swaps were used to limit exposure to fluctuations in the Pound Sterling to U.S. Dollar exchange rate associated with our initial cash investment funded for the Sunrise transaction. The cross currency swaps have been designated as a net investment hedge, and changes in fair value are reported in OCI as no ineffectiveness is anticipated.

On September 17, 2012, we entered into two forward exchange contracts to purchase $14,000,000 Canadian Dollars and £23,000,000 at a fixed rate in the future. The forward contracts were used to limit exposure to fluctuations in foreign currency

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associated with future international transactions. These forward contacts were settled on March 22, 2013 for a realized loss of $2,309,000, which was reflected on the consolidated statement of comprehensive income.

On January 14, 2013 and January 15, 2013, we entered into three forward exchange contracts to sell £675,000,000 at a fixed rate in the future. The forward exchange contracts were used to hedge a portion of our investment in the United Kingdom at a fixed Pound Sterling rate in U.S. dollars and were settled on July 12, 2013. We received proceeds of $63,514,000. The forward exchange contracts were designated as net investment hedges and the change in fair value is reported in OCI.

On April 4, 2013, we entered into three forward exchange contracts to purchase $600,000,000 Canadian Dollars at a fixed rate in the future and three forward exchange contracts to sell $600,000,000 Canadian Dollars at a fixed rate in the future. The forward contracts were used to limit exposure to fluctuations in the Canadian Dollar to U.S. Dollar exchange rate associated with our initial cash investment funded for an acquisition in Canada. On May 22, 2013, the three forward exchange purchase contracts were settled for a realized loss of $10,355,000, which was reflected on the consolidated statement of comprehensive income, and the proceeds were used to fund our investment. On May 22, 2013, we designated the three forward exchange sell contracts as net investment hedges, and changes in fair value are reported in OCI as no ineffectiveness is anticipated. Prior to designating the three forward exchange sell contracts as net investments, they were marked to fair value and an unrealized gain of $13,071,000 was reflected on the consolidated statement of comprehensive income. In December 2013, the three forward exchange sell contracts were settled with the net gain reflected in OCI, and we entered into three new forward exchange sell contracts to sell $600,000,000 Canadian Dollars at a fixed rate in the future. These new forward exchange contracts were designated as net investment hedges, and changes in fair value are reported in OCI as no ineffectiveness is anticipated.

On July 1, 2013, we entered into two forward exchange contracts to purchase £144,411,000 at a fixed rate in the future. The forward contracts were used to limit exposure to fluctuations in the Pound Sterling to U.S. Dollar exchange rate associated with our initial cash investment for an acquisition in the United Kingdom. In July 2013, these forward contracts were settled for a realized loss of $4,872,000, which was reflected on the consolidated statement of comprehensive income, and the proceeds were used to fund our investment.

On July 12, 2013, we entered into three forward exchange contracts to sell £675,000,000 at a fixed rate in the future. The forward exchange contracts were used to hedge a portion of our investment in the United Kingdom at a fixed Pound Sterling rate in U.S. dollars and mature on December 31, 2013. The forward exchange contracts were designated as net investment hedges and changes in fair value are reported in OCI as no ineffectiveness was expected. In November 2013, we sold £550,000,000 aggregate principal amount of the Company's 4.800% senior notes due 2028. In conjunction with this transaction, we settled the three forward exchange sell contracts with the net loss reflected in OCI. Upon settlement of the forward exchange sell contracts, we entered into one new forward exchange contract to sell £225,000,000 at a fixed rate in the future. The new forward exchange contract and the £550,000,000 senior notes were designated as a net investment hedge of our investment in the United Kingdom, and changes in the fair value of the forward exchange sell contracts and senior notes are reported in OCI as no ineffectiveness is anticipated.

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

	Location	Year Ended December 31, 2013	December 31, 2012	December 31, 2011
Gain (loss) on interest rate swap recognized in OCI (effective portion)	OCI	$ (16)	$ 3,200	$ 3,189
Gain (loss) on interest rate swaps reclassified from AOCI into income (effective portion)	Interest expense	(1,914)	(1,596)	1,781
Gain (loss) on forward exchange contracts recognized in income	Gain (loss) on derivatives, net	(4,470)	1,921	0
Gain (loss) on interest rate swaps recognized in income	Gain (loss) on derivatives, net	0	(96)	0
Gain (loss) on forward exchange contracts and term loans designated as net investment hedge recognized in OCI	OCI	(28,244)	(5,134)	0

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12. Commitments and Contingencies

At December 31, 2013, we had five outstanding letter of credit obligations totaling $5,103,000 and expiring between 2013 and 2014. At December 31, 2013, we had outstanding construction in process of $141,085,000 for leased properties and were committed to providing additional funds of approximately $243,083,000 to complete construction. At December 31, 2013, we had contingent purchase obligations totaling $65,217,000. 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 December 31, 2013, we had operating lease obligations of $881,694,000 relating to certain ground leases and Company office space. Regarding the ground leases, we have sublease agreements with certain of our operators that require the operators to reimburse us for our monthly operating lease obligations. At December 31, 2013, aggregate future minimum rentals to be received under these noncancelable subleases totaled $44,106,000.

At December 31, 2013, future minimum lease payments due under operating and capital leases are as follows (in thousands):

	Operating Leases		Capital Leases[1]	
2014	$	14,117	$	5,392
2015		14,057		13,157
2016		14,170		4,732
2017		14,210		4,732
2018		14,300		4,679
Thereafter		810,840		84,426
Totals	$	881,694	$	117,118

(1) Amounts above represent principal and interest obligations under capital lease arrangements. Related assets with a gross value of $185,244,000 and accumulated depreciation of $13,132,000 are recorded in real property.

13. Stockholders’ Equity

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

		December 31, 2013	December 31, 2012
Preferred Stock, $1.00 par value:			
	Authorized shares	50,000,000	50,000,000
	Issued shares	26,108,236	26,224,854
	Outstanding shares	26,108,236	26,224,854

Common Stock, $1.00 par value:			
	Authorized shares	400,000,000	400,000,000
	Issued shares	290,024,789	260,780,109
	Outstanding shares	289,563,651	260,373,754

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

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	Year Ended					
	December 31, 2013		December 31, 2012		December 31, 2011	
	Shares	Weighted Avg. Dividend Rate	Shares	Weighted Avg. Dividend Rate	Shares	Weighted Avg. Dividend Rate
Beginning balance	26,224,854	6.493%	25,724,854	7.013%	11,349,854	7.663%
Shares issued	-	0.000%	11,500,000	6.500%	14,375,000	6.500%
Shares redeemed	-	0.000%	(11,000,000)	7.716%	-	0.000%
Shares converted	(116,618)	6.000%	-	0.000%	-	0.000%
Ending balance	26,108,236	6.496%	26,224,854	6.493%	25,724,854	7.013%

During the three months ended December 31, 2010, we issued 349,854 shares of 6.00% Series H Cumulative Convertible and Redeemable Preferred Stock in connection with a business combination. These shares have a liquidation value of $25.00 per share. Dividends are payable quarterly in arrears. The preferred stock, which has no stated maturity, may be redeemed by us at a redemption price of $25.00 per share, plus accrued and unpaid dividends on such shares to the redemption date, on or after December 31, 2015. During the twelve months ended December 31, 2013, 116,618 shares were converted into common stock.

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

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

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

	Shares Issued		Average Price		Gross Proceeds		Net Proceeds
March 2011 public issuance	28,750,000	$	49.25	$	1,415,938	$	1,358,543
November 2011 public issuance	12,650,000		50.00		632,500		606,595
2011 Dividend reinvestment plan issuances	2,534,707		48.44		122,794		121,846
2011 Equity shelf program issuances	848,620		50.53		42,888		41,982
2011 Option exercises	232,081		37.17		8,628		8,628
2011 Totals	45,015,408			$	2,222,748	$	2,137,594
February 2012 public issuance	20,700,000	$	53.50	$	1,107,450	$	1,062,256
August 2012 public issuance	13,800,000		58.75		810,750		778,011
September 2012 public issuance	29,900,000		56.00		1,674,400		1,606,665
2012 Dividend reinvestment plan issuances	2,136,140		56.37		120,411		120,411
2012 Option exercises	341,371		40.86		13,949		13,949
2012 Senior note conversions	1,039,721				0		0
2012 Totals	67,917,232			$	3,726,960	$	3,581,292
May 2013 public issuance	23,000,000	$	73.50	$	1,690,500	$	1,630,281
2013 Dividend reinvestment plan issuances	3,429,928		62.78		215,346		215,346
2013 Option exercises	213,724		42.16		9,010		9,010
2013 Senior note conversions	988,007				0		0
2013 Preferred stock conversions	116,618				0		0
2013 Equity issued in acquisition of noncontrolling interest	1,108,917				0		0
2013 Totals	28,857,194			$	1,914,856	$	1,854,637

During the twelve months ended December 31, 2013, we acquired the remaining 20% noncontrolling interest in an existing

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partnership for $91,000,000 which consisted of $23,247,000 of cash and 1,108,917 shares of common stock. In connection with the acquisition, we incurred $2,732,000 of transaction costs, which we have included as a reduction to additional paid in capital.

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

	Year Ended					
	December 31, 2013		December 31, 2012		December 31, 2011	
	Per Share	Amount	Per Share	Amount	Per Share	Amount
Common Stock	$ 3.06000	$ 839,939	$ 2.96000	$ 653,321	$ 2.83500	$ 483,746
Series D Preferred Stock	-	0	0.50301	2,012	1.96875	7,875
Series F Preferred Stock	-	0	0.48715	3,410	1.90625	13,344
Series H Preferred Stock	2.85840	930	2.85840	1,000	2.85840	1,000
Series I Preferred Stock	3.25000	46,719	3.25000	46,719	1.33159	38,283
Series J Preferred Stock	1.62510	18,687	1.39038	15,988	-	0
Totals		$ 906,275		$ 722,450		$ 544,248

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

	Unrecognized gains (losses) related to:				
	Foreign Currency Translation	Equity Investments	Actuarial losses	Cash Flow Hedges	Total
Balance at December 31, 2012	$ (881)	$ (216)	$ (2,974)	$ (6,957)	$ (11,028)
Other comprehensive income before reclassification adjustments	(16,750)	(173)	1,522	(16)	(15,417)
Reclassification amount to net income	0	0	0	1,914[(1)]	1,914
Net current-period other comprehensive income	(16,750)	(173)	1,522	1,898	(13,503)
Balance at December 31, 2013	$ (17,631)	$ (389)	$ (1,452)	$ (5,059)	$ (24,531)
Balance at December 31, 2011	$ 0	$ (619)	$ (2,748)	$ (8,561)	$ (11,928)
Other comprehensive income before reclassification adjustments	(881)	403	(226)	2,808	2,104
Reclassification amount to net income	0	0	0	(1,204)[(1)]	(1,204)

Net current-period other comprehensive income	(881)	403	(226)	1,604	900
Balance at December 31, 2012	$ (881)	$ (216)	$ (2,974)	$ (6,957)	$ (11,028)
(1) Please see Note 11 for additional information.					

Other Equity. Other equity consists of accumulated option compensation expense, which represents the amount of amortized compensation costs related to stock options awarded to employees and directors. Expense, which is recognized as the options vest based on the market value at the date of the award, totaled $1,114,000, $2,875,000 and $1,917,000 for the years ended December 31, 2013, 2012 and 2011, respectively.

14. Stock Incentive Plans

Our Amended and Restated 2005 Long-Term Incentive Plan authorizes up to 6,200,000 shares of common stock to be issued at the discretion of the Compensation Committee of the Board of Directors. The 2005 Plan replaced the 1995 Stock Incentive Plan and the Stock Plan for Non-Employee Directors. The options granted to officers and key employees under the 1995 Plan vested through 2010 and expire ten years from the date of grant. Our non-employee directors, officers and key employees are eligible to participate in the 2005 Plan. The 2005 Plan allows for the issuance of, among other things, stock options, restricted stock, deferred stock units and dividend equivalent rights. Under our long term incentive plan, certain restricted stock awards are performance based. Compensation expense for these performance grants is measured based on the probability of achievement of certain objective and subjective performance goals and is recognized over both the performance period and vesting period. If the estimated number of performance

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based restricted stock to be earned changes, an adjustment will be recorded to recognize the accumulated difference between the revised and previous estimates. Vesting periods for options, deferred stock units and restricted shares generally range from three years for non-employee directors to five years for officers and key employees. Options expire ten years from the date of grant.

Valuation Assumptions

The fair value of each option grant is estimated on the date of grant using the Black-Scholes-Merton option pricing model with the following weighted-average assumptions:

	Year Ended	
	December 31, 2012	December 31, 2011
Dividend yield	5.16%	5.74%
Expected volatility	35.15%	34.80%
Risk-free interest rate	1.48%	2.87%
Expected life (in years)	7.0	7.0
Weighted-average fair value	$11.11	$9.60

There were no options granted for the year ended December 31, 2013. The dividend yield represented the dividend yield of our common stock on the dates of grant. Our computation of expected volatility was based on historical volatility. The risk-free interest rates used were the 7-year U.S. Treasury Notes yield on the date of grant. The expected life was based on historical experience of similar awards, giving consideration to the contractual terms, vesting schedules and expectations regarding future employee behavior.

Option Award Activity

The following table summarizes information about stock option activity for the periods presented:

	Year Ended					
	December 31, 2013		December 31, 2012		December 31, 2011	
Stock Options	Number of Shares (000's)	Weighted Average Exercise Price	Number of Shares (000's)	Weighted Average Exercise Price	Number of Shares (000's)	Weighted Average Exercise Price
Options at beginning of year	1,162	$ 46.40	1,252	$ 42.12	1,207	$ 39.45
Options granted	-	-	332	57.33	289	49.17

Options exercised	(214)	42.16	(341)	40.11	(232)	36.92
Options terminated	(14)	48.09	(81)	51.81	(12)	43.09
Options at end of period	934	$ 47.35	1,162	$ 46.40	1,252	$ 42.12
Options exercisable at end of period	421	$ 43.99	313	$ 40.82	427	$ 39.45
Weighted average fair value of						
options granted during the period				$ 11.11		$ 9.60

The following table summarizes information about stock options outstanding at December 31, 2013:

	Options Outstanding			Options Exercisable		
	Number Outstanding	Weighted Average Exercise Price	Weighted Average Remaining	Number Exercisable	Weighted Average Exercise Price	Weighted Averag Remaining
Range of Per Share Exercise Prices	(thousands)		Contract Life	(thousands)		Contract Life
$30-$40	195	$ 36.80	4.3	130	$ 36.70	3.9
$40-$50	461	45.77	5.8	236	44.86	5.1
$50+	278	57.33	8.0	55	57.33	8.0
Totals	934	$ 47.35	6.1	421	$ 43.99	5.1
Aggregate intrinsic value	$ 6,855,000			$ 4,224,000		

The aggregate intrinsic value is calculated as the difference between the exercise price of the underlying options and the quoted price of our common stock for the options that were in-the-money at December 31, 2013. During the years ended December 31, 2013, 2012

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and 2011, the aggregate intrinsic value of options exercised under our stock incentive plans was $5,160,000, $6,186,000 and $3,390,000, respectively (determined as of the date of option exercise).

As of December 31, 2013, there was approximately $2,073,000 of total unrecognized compensation cost related to unvested stock options granted under our stock incentive plans. That cost is expected to be recognized over a weighted-average period of three years. As of December 31, 2013, there was approximately $24,923,000 of total unrecognized compensation cost related to unvested restricted stock granted under our stock incentive plans. That cost is expected to be recognized over a weighted-average period of three years.

The following table summarizes information about non-vested stock incentive awards as of December 31, 2013 and changes for the year ended December 31, 2013:

	Stock Options			Restricted Stock		
	Number of Shares (000's)		Weighted-Average Grant Date Fair Value	Number of Shares (000's)		Weighted-Average Grant Date Fair Value
Non-vested at December 31, 2012	849	$	8.97	601	$	52.60
Vested	(322)		8.50	(164)		47.50
Granted	-		-	364		61.97
Terminated	(14)		9.05	(13)		55.15
Non-vested at December 31, 2013	513	$	9.26	788	$	56.92

We use the Black-Scholes-Merton option pricing model to estimate the value of stock option grants and expect to continue to use this acceptable option valuation model. We recognize compensation cost for share-based grants on a straight-line basis through the date the awards become fully vested or to the retirement eligible date, if sooner. Compensation cost totaled $20,177,000, $18,521,000 and $10,786,000 for the years ended December 31, 2013, 2012 and 2011, respectively.

15. Earnings Per Share

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

		Year Ended December 31,

	2013	2012	2011
Numerator for basic and diluted earnings			
per share - net income attributable to			
common stockholders	$ 78,714	$ 221,884	$ 157,108
Denominator for basic earnings per			
share: weighted-average shares	276,929	224,343	173,741
Effect of dilutive securities:			
Employee stock options	226	231	176
Non-vested restricted shares	457	312	246
Convertible senior unsecured notes	1,149	1,067	238
Dilutive potential common shares	1,832	1,610	660
Denominator for diluted earnings per			
share: adjusted-weighted average shares	278,761	225,953	174,401
Basic earnings per share	$ 0.28	$ 0.99	$ 0.90
Diluted earnings per share	$ 0.28	$ 0.98	$ 0.90

The diluted earnings per share calculations exclude the dilutive effect of 0, 182,000, and 0 stock options for the years ended December 31, 2013, 2012 and 2011, respectively, because the exercise prices were more than the average market price. The Series H Cumulative Convertible and Redeemable Preferred Stock and the Series I Cumulative Convertible Perpetual Preferred Stock were excluded from the calculations for 2013, 2012 and 2011 as the effect of the conversions were anti-dilutive.

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16. Disclosure about Fair Value of Financial Instruments

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

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

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

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

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

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

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

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

Foreign Currency Forward Contracts — Foreign currency forward contracts are recorded in other assets or other liabilities on the balance sheet at fair market value. Fair market value is determined using level two inputs by estimating the future value of the currency pair based on existing exchange rates, comprised of current spot and traded

forward points, and calculating a present value of the net amount using a discount factor based on observable traded interest rates.

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

	December 31, 2013		December 31, 2012	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets:				
Mortgage loans receivable	$ 146,987	$ 148,088	$ 87,955	$ 88,975
Other real estate loans receivable	185,159	188,920	807,710	820,195
Available-for-sale equity investments	1,211	1,211	1,384	1,384
Cash and cash equivalents	158,780	158,780	1,033,764	1,033,764
Interest rate swap agreements	38	38	0	0
Financial Liabilities:				
Borrowings under unsecured lines of credit arrangements	$ 130,000	$ 130,000	$ 0	$ 0
Senior unsecured notes	7,379,308	7,743,730	6,114,151	6,793,424
Secured debt	3,058,248	3,168,775	2,336,196	2,515,145
Interest rate swap agreements	0	0	264	264
Foreign currency forward contracts	11,637	11,637	7,247	7,247

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

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date. The guidance also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The guidance describes three levels of inputs that may be used to measure fair value:

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

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

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

Items Measured at Fair Value on a Recurring Basis

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

	Fair Value Measurements as of December 31, 2013							
	Total		Level 1		Level 2		Level 3	
Available-for-sale equity investments[1]	$	1,211	$	1,211	$	0	$	0
Interest rate swap agreements[2]		38		0		38		0
Foreign currency forward contracts[2]		(11,637)		0		(11,637)		0
Totals	$	(10,388)	$	1,211	$	(11,599)	$	0

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

(2) Please see Note 11 for additional information.

Items Measured at Fair Value on a Nonrecurring Basis

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

17. Segment Reporting

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

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

The accounting policies of the segments are the same as those described in the summary of significant accounting policies (see Note 2). The results of operations for all acquisitions described in Note 3 are included in our consolidated results of operations from the acquisition dates and are components of the appropriate segments. There are no intersegment sales or transfers.

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

Non-segment revenue consists mainly of interest income on non-real estate investments and other income. Non-segment assets consist of corporate assets including cash, deferred loan expenses and corporate offices and equipment among others. Non-property specific revenues and expenses are not allocated to individual segments in determining NOI.

Summary information for the reportable segments (which excludes unconsolidated entities) during the years ended December 31, 2013, 2012 and 2011 is as follows (in thousands):

Year Ended December 31, 2013:		Seniors Housing Triple-net		Seniors Housing Operating		Medical Facilities		Non-segment / Corporate		Total
Rental income	$	780,785	$	-	$	446,804	$	-	$	1,227,589
Resident fees and services		-		1,616,290		-		-		1,616,290
Interest income		21,512		757		10,394		-		32,663
Other income		1,434		355		1,981		296		4,066
Total revenues		803,731		1,617,402		459,179		296		2,880,608
Property operating expenses		-		(1,089,239)		(117,574)		-		(1,206,813)
Net operating income from continuing operations		803,731		528,163		341,605		296		1,673,795
Reconciling items:										
Interest expense		(23,322)		(92,148)		(36,823)		(306,067)		(458,360)

(Loss) gain on derivatives, net		(4,877)		407		-		-		(4,470)
Depreciation and amortization		(228,523)		(478,007)		(159,270)		-		(865,800)
General and administrative		-		-		-		(108,318)		(108,318)
Transaction costs		(24,350)		(107,066)		(1,985)		-		(133,401)
(Loss) gain on extinguishment of debt, net		(40)		3,372		-		(2,423)		909
Provision for loan losses		(2,110)		-		-		-		(2,110)
Income (loss) from continuing operations before income taxes and income (loss) from unconsolidated entities	$	520,509	$	(145,279)	$	143,527	$	(416,512)	$	102,245
Total assets	$	9,232,833	$	8,984,316	$	4,718,527	$	148,281	$	23,083,957

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Year Ended December 31, 2012:		Seniors Housing Triple-net		Seniors Housing Operating		Medical Facilities		Non-segment / Corporate		Total
Rental income	$	684,097	$	-	$	379,117	$	-	$	1,063,214
Resident fees and services		-		697,494		-		-		697,494
Interest income		24,380		6,208		8,477		-		39,065
Other income		2,412		-		1,947		912		5,271
Total revenues		710,889		703,702		389,541		912		1,805,044
Property operating expenses		-		(471,678)		(96,311)		-		(567,989)
Net operating income from continuing operations		710,889		232,024		293,230		912		1,237,055
Reconciling items:										
Interest expense		(1,745)		(67,524)		(28,878)		(263,418)		(361,565)
(Loss) gain on derivatives, net		(96)		1,921		-		-		1,825
Depreciation and amortization		(200,899)		(165,798)		(139,523)		-		(506,220)
General and administrative		-		-		-		(97,341)		(97,341)
Transaction costs		(35,705)		(12,756)		(13,148)		-		(61,609)
(Loss) gain on extinguishment of debt, net		(2,405)		2,697		483		-		775
Provision for loan losses		(27,008)		-		-		-		(27,008)
Income (loss) from continuing operations before income taxes and income (loss) from unconsolidated entities	$	443,031	$	(9,436)	$	112,164	$	(359,847)	$	185,912
Total assets	$	8,447,698	$	5,323,777	$	4,706,159	$	1,071,475	$	19,549,109

Year Ended December 31, 2011		Seniors Housing Triple-net		Seniors Housing Operating		Medical Facilities		Non-segment / Corporate		Total
Rental income	$	537,581	$	-	$	267,151	$	-	$	804,732
Resident fees and services		-		456,085		-		-		456,085
Interest income		34,068		-		7,002		-		41,070
Other income		6,620		-		3,985		690		11,295
Total revenues		578,269		456,085		278,138		690		1,313,182
Property operating expenses		-		(314,142)		(60,922)		-		(375,064)
Net operating income from continuing operations		578,269		141,943		217,216		690		938,118
Reconciling items:										
Interest expense		2,802		(46,342)		(18,557)		(228,884)		(290,981)
Depreciation and amortization		(155,797)		(138,192)		(92,489)		-		(386,478)
General and administrative		-		-		-		(77,201)		(77,201)
Transaction costs		(27,993)		(36,328)		(5,903)		-		(70,224)
Loss (gain) on extinguishment of debt, net		-		979		-		-		979

Provision for loan losses		-		-		(2,010)		-		(2,010)	
Income (loss) from continuing operations before income taxes and income (loss) from unconsolidated entities	$	397,281	$	(77,940)	$	98,257	$	(305,395)	$	112,203	

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

		Year Ended									
		December 31, 2013				December 31, 2012				December 31, 2011	
Revenues:		Amount	%			Amount	%			Amount	%
United States	$	2,489,196	86.4%		$	1,778,507	98.5%		$	1,313,182	100.0%
International		391,412	13.6%			26,537	1.5%			-	0.0%
Total	$	2,880,608	100.0%		$	1,805,044	100.0%		$	1,313,182	100.0%
		As of									
		December 31, 2013				December 31, 2012					
Assets:		Amount	%			Amount	%				
United States	$	19,759,945	85.6%		$	18,692,214	95.6%				
International		3,324,012	14.4%			856,895	4.4%				
Total	$	23,083,957	100.0%		$	19,549,109	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 net income for federal income tax purposes and financial statement purposes are the recognition of straight-line rent for reporting purposes, basis differences in acquisitions, recording of impairments, differing useful lives and depreciation and amortization methods for real property and the provision for loan losses for reporting purposes versus bad debt expense for tax purposes.

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

			Year Ended December 31,					
			2013			2012		2011
Per Share:								
	Ordinary income	$	1.4928		$	1.5000	$	1.1472
	Return of capital		1.4176			1.3376		1.4227
	Long-term capital gains		0.0448			0.1176		0.1059
	Unrecaptured section 1250 gains		0.1048			0.0048		0.1592
	Totals	$	3.0600		$	2.9600	$	2.8350

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

	Year Ended December 31,					
		2013		2012		2011
Current	$	12,389	$	4,785	$	389
Deferred		(4,898)		2,827		999
Totals	$	7,491	$	7,612	$	1,388

REITs generally are not subject to U.S. federal income taxes on that portion of REIT taxable income or capital gain that is distributed to stockholders. For the tax year ended December 31, 2013, as a result of acquisitions located in Canada and the United Kingdom in 2012 and 2013, we were subject to foreign income taxes under the respective tax laws of these jurisdictions. The provision for income taxes for the year ended December 31, 2013 primarily relates to state taxes, foreign taxes, and taxes based on income generated by entities that are structured as taxable REIT subsidiaries.

HEALTH CARE REIT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the tax year ended December 31, 2013, the Canadian and United Kingdom tax benefit amount included in the consolidated provision for income taxes was $484,000. For the tax year ended December 31, 2012, the Canadian and United Kingdom tax expense amount included in the consolidated provision for income taxes was $596,000. We did not hold an interest in any entity located in a foreign jurisdiction for the year ended December 31, 2011.

A reconciliation of income tax expense, which is computed by applying the federal corporate tax rate for the years ended December 31, 2013, 2012 and 2011, to the income tax provision/(benefit) is as follows for the periods presented (dollars in thousands):

	Year Ended December 31,					
		2013		2012		2011
Tax at statutory rate on earnings from continuing operations before unconsolidated entities, noncontrolling interests and income taxes	$	51,020	$	64,979	$	54,750
Increase / (decrease) in valuation allowance[1]		18,444		9,234		(4,732)
Tax at statutory rate on earnings not subject to federal income taxes		(88,762)		(72,640)		(48,630)
Foreign permanent depreciation		22,313		-		-
Other differences		4,476		6,039		-
Totals	$	7,491	$	7,612	$	1,388

(1) Excluding purchase price accounting.

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

	Year Ended December 31,					
		2013		2012		2011
Investments and property, primarily differences in investment basis, depreciation and amortization, the basis of land assets and the treatment of interests and certain costs	$	(34,236)	$	(2,144)	$	(1,577)
Operating loss and interest deduction carryforwards		67,215		8,552		1,488
Expense accruals and other		19,309		4,372		5,749

Valuation allowance		(71,955)		(12,199)		(2,965)
Totals	$	(19,667)	$	(1,419)	$	2,695

Management assesses the available positive and negative evidence to estimate if sufficient future taxable income will be generated to use the existing deferred tax assets. As required under the provisions of ASC 740, Management applied the concepts on an entity-by-entity, jurisdiction-by-jurisdiction basis. With respect to the analysis of certain entities in multiple jurisdictions, a significant piece of objective negative evidence evaluated was the cumulative loss incurred over the three-year period ended December 31, 2013. Such objective evidence limits the ability to consider other subjective evidence such as our projections for future growth.

On the basis of the evaluations performed as required by the codification, valuation allowances totaling $71,955,000 were recorded on U.S. taxable REIT subsidiaries as well as entities in other jurisdictions to limit the deferred tax assets to the amount that Management believes is more likely that not realizable. However, the amount of the deferred tax asset considered realizable could be adjusted if (i) estimates of future taxable income during the carryforward period are reduced or increased or (ii) objective negative evidence in the form of cumulative losses is no longer present (and additional weight may be given to subjective evidence such as our projections for growth).

The valuation allowance rollforward is summarized as follows for the periods presented (dollars in thousands):

HEALTH CARE REIT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	Year Ended December 31,					
		2013		2012		2011
Beginning balance	$	12,199	$	2,965	$	7,697
Additions:						
Purchase price accounting		41,312		-		-
Expense		18,444		9,234		-
Deductions		-		-		(4,732)
Ending balance	$	71,955	$	12,199	$	2,965

As a result of certain acquisitions, we are subject to corporate level taxes for any related asset dispositions that may occur during the ten-year period immediately after such assets were owned by a C corporation ("built-in gains tax"). The amount of income potentially subject to this special corporate level tax is generally equal to the lesser of (a) the excess of the fair value of the asset over its adjusted tax basis as of the date it became a REIT asset, or (b) the actual amount of gain. Some but not all gains recognized during this period of time could be offset by available net operating losses and capital loss carryforwards. During the year ended December 31, 2013, we acquired certain additional assets with built-in gains as of the date of acquisition that could be subject to the built-in gains tax if disposed of prior to the expiration of the applicable ten-year period. We have not recorded a deferred tax liability as a result of the potential built-in gains tax based on our intentions with respect to such properties and available tax planning strategies.

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

Given the applicable statute of limitations, we generally are subject to audit by the Internal Revenue Service ("IRS") for the year ended December 31, 2010 and subsequent years. The statute of limitations may vary in the states in which we own properties or conduct business. We do not expect to be subject to audit by state taxing authorities for any year prior to the year ended December 31, 2007. We are also subject to audit by the Canada Revenue Agency and

provincial authorities generally for periods subsequent to our REIT acquisition in May 2012 related to entities acquired or formed in connection with the acquisition, and by HM Revenue & Customs for periods subsequent to our REIT acquisitions in August 2012 and January 2013 related to entities acquired or formed in connection with the acquisitions.

At December 31, 2013, we had a net operating loss ("NOL") carryforward related to the REIT of $133,568,000. Due to our uncertainty regarding the realization of certain deferred tax assets, we have not recorded a deferred tax asset related to NOLs generated by the REIT. These amounts can be used to offset future taxable income (and/or taxable income for prior years if an audit determines that tax is owed), if any. The REIT will be entitled to utilize NOLs and tax credit carryforwards only to the extent that REIT taxable income exceeds our deduction for dividends paid. The NOL carryforwards will expire through 2033.

At December 31, 2013 and 2012, respectively, we had a net operating loss carryforward related to Canadian entities of $50,958,000 and $4,275,000. These Canadian losses have a 20-year carryforward period. At December 31, 2013, we had a net operating loss carryforward related to United Kingdom entities of $238,741,000, consisting of $232,305,000 of net operating losses from acquisitions and $6,436,000 of net operating losses from current year activities. These United Kingdom losses do not have a finite carryforward period.

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

HEALTH CARE REIT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

	Year Ended December 31,			
		2013		2012
Gross unrecognized tax benefits at beginning of year	$	6,098	$	6,098
Increases (decreases) in unrecognized tax benefits related to a prior year		76		(248)
Increases (decreases) in unrecognized tax benefits related to the current year		260		394
Lapse in statute of limitations for assessment		(21)		(146)
Gross unrecognized tax benefits at end of year	$	6,413	$	6,098

Of the total $6,413,000 of total liability for gross unrecognized tax benefits at December 31, 2013, $5,896,000 (exclusive of accrued interest and penalties) relates to the April 1, 2011 Genesis HealthCare Corporation transaction ("Genesis Acquisition") and is included in accrued expenses and other liabilities on the consolidated balance sheet. As a part of the Genesis Acquisition, we received a full indemnification from FC-GEN Operations Investment, LLC covering income taxes or other taxes as well as interest and penalties relating to tax positions taken by FC-GEN Operations Investment, LLC prior to the acquisition. Accordingly, an offsetting indemnification asset is recorded in receivables and other assets on the consolidated balance sheet. Such indemnification asset is reviewed for collectability periodically.

There is no amount of unrecognized tax benefits, currently accrued for, that would have a material impact on the effective tax rate to the extent that would be recognized. There were insignificant uncertain tax positions as of December 31, 2013 for which it is reasonably possible that the amount of unrecognized tax benefits would decrease during 2014. Interest and penalties totaled $465,000 and $1,215,000, respectively, for the year ended December 31, 2013 and are included in income tax expense. Of these amounts, $337,000 and $996,000 of interest and penalties, respectively, relate to the Genesis Acquisition and are offset by the indemnification asset.

19. Retirement Arrangements

Under the retirement plan and trust (the "401(k) Plan"), eligible employees may make contributions, and we may make matching contributions and a profit sharing contribution. Our contributions to the 401(k) Plan totaled $2,562,000, $2,140,000, and $1,558,000 in 2013, 2012 and 2011, respectively.

We have a Supplemental Executive Retirement Plan ("SERP"), a non-qualified defined benefit pension plan, which provides one executive officer with supplemental deferred retirement benefits. The SERP provides an opportunity for the participant to receive retirement benefits that cannot be paid under our tax-qualified plans because of the restrictions imposed by ERISA and the Internal Revenue Code of 1986, as amended. Benefits are based on compensation and length of service and the SERP is unfunded. Benefit payments are expected to total $3,069,000 during the next five fiscal years and $4,604,000 thereafter. We use a December 31 measurement date for the SERP. The accrued liability on our balance sheet for the SERP was $6,453,000 at December 31, 2013 ($6,665,000 at December 31, 2012).

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HEALTH CARE REIT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

20. Quarterly Results of Operations (Unaudited)

The following is a summary of our unaudited quarterly results of operations for the years ended December 31, 2013 and 2012 (in thousands, except per share data). The sum of individual quarterly amounts may not agree to the annual amounts included in the consolidated statements of income due to rounding.

	Year Ended December 31, 2013							
	1st Quarter		2nd Quarter[2]		3rd Quarter		4th Quarter	
Revenues - as reported	$	633,915	$	682,125	$	786,930	$	788,577
Discontinued operations		(4,129)		(3,592)		(3,217)		-
Revenues - as adjusted[1]	$	629,786	$	678,533	$	783,713	$	788,577
Net income (loss) attributable to common stockholders	$	55,058	$	(8,508)	$	20,691	$	11,473
Net income (loss) attributable to common stockholders per share:								
Basic	$	0.21	$	(0.03)	$	0.07	$	0.04
Diluted		0.21		(0.03)		0.07		0.04
	Year Ended December 31, 2012							
	1st Quarter		2nd Quarter		3rd Quarter[3]		4th Quarter	
Revenues - as reported	$	435,359	$	453,082	$	474,139	$	500,663
Discontinued operations		(21,559)		(17,821)		(15,120)		(3,699)
Revenues - as adjusted[1]	$	413,800	$	435,261	$	459,019	$	496,964
Net income attributable to common stockholders	$	39,307	$	54,735	$	37,269	$	90,576
Net income attributable to common stockholders per share:								
Basic	$	0.20	$	0.26	$	0.17	$	0.35
Diluted		0.19		0.25		0.16		0.35

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

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

(3) The decrease in net income and amounts per share are primarily attributable to gains on sales of real estate of $32,450,000 for the second quarter as compared to $12,827,000 for the third quarter.

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

Not applicable.

Item 9A. ***Controls and Procedures***

Disclosure Controls and Procedures

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

Management's Report on Internal Control over Financial Reporting

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

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

The scope of management's assessment as of December 31, 2013 did not include an assessment of the internal control over financial reporting for the Revera Partnership, as discussed in Note 3 to the Company's consolidated financial statements, because the Revera Partnership was acquired during the year ended December 31, 2013. The acquired businesses represent 5% of total assets at December 31, 2013 and 4% and 3% of revenues and net operating income, respectively, for the year then ended. The scope of management's assessment on internal control over financial reporting for the year ended December 31, 2014 will include the aforementioned acquired operations.

Based on this assessment, using the criteria above, management concluded that the Company's system of internal control over financial reporting was effective as of December 31, 2013.

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

Changes in Internal Control over Financial Reporting

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

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

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

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

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

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

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

As indicated in the accompanying Management's Report on Internal Control over Financial Reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of the Revera Partnership, which is included in the 2013 consolidated financial statements

of Health Care REIT, Inc. and cumulatively constitute 5% of total assets at December 31, 2013 and 4% and 3% of revenues and net operating income, respectively, for the year then ended. Our audit of the internal control over financial reporting of Health Care REIT, Inc. also did not include an evaluation of the internal control over financial reporting of the Revera Partnership.

In our opinion, Health Care REIT, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Health Care REIT, Inc. as of December 31, 2013 and 2012, and the related consolidated statements of comprehensive income, equity, and cash flows for each of the three years in the period ended December 31, 2013 and our report dated February 21, 2014 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Toledo, Ohio

February 21, 2014

Item 9B. ***Other Information***

None.

PART III

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

The information required by this Item is incorporated herein by reference to the information under the headings "Election of Directors," "Corporate Governance," "Executive Officers," and "Security Ownership of Directors and Management and Certain Beneficial Owners — Section 16(a) Compliance" in our definitive proxy statement, which will be filed with the Securities and Exchange Commission (the "Commission") prior to April 30, 2014.

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

In addition, the Board has adopted charters for the Audit, Compensation and Nominating/Corporate Governance Committees. These charters are posted on the Internet at www.hcreit.com.

Item 11. *Executive Compensation*

The information required by this Item is incorporated herein by reference to the information under the headings "Executive Compensation" and "Director Compensation" in our definitive proxy statement, which will be filed with the Commission prior to April 30, 2014.

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

The information required by this Item is incorporated herein by reference to the information under the headings "Security Ownership of Directors and Management and Certain Beneficial Owners" and "Equity Compensation Plan Information" in our definitive proxy statement, which will be filed with the Commission prior to April 30, 2014.

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

The information required by this Item is incorporated herein by reference to the information under the headings "Corporate Governance — Independence and Meetings" and "Security Ownership of Directors and Management and Certain Beneficial Owners — Certain Relationships and Related Transactions" in our definitive proxy statement, which will be filed with the Commission prior to April 30, 2014.

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

The information required by this Item is incorporated herein by reference to the information under the heading "Ratification of the Appointment of the Independent Registered Public Accounting Firm" in our definitive proxy statement, which will be filed with the Commission prior to April 30, 2014.

PART IV

Item 15. *Exhibits and Financial Statement Schedules*

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

Report of Independent Registered Public Accounting Firm	77
Consolidated Balance Sheets – December 31, 2013 and 2012	78
Consolidated Statements of Comprehensive Income — Years ended December 31, 2013, 2012 and 2011	79
Consolidated Statements of Equity — Years ended December 31, 2013, 2012 and 2011	81
Consolidated Statements of Cash Flows — Years ended December 31, 2013, 2012 and 2011	82
Notes to Consolidated Financial Statements	83

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

III – Real Estate and Accumulated Depreciation

IV – Mortgage Loans on Real Estate

The financial statement schedule required by Item15(a) (Schedule II, Valuation and Qualifying Accounts) is included in Item 8 of this Annual Report on Form 10-K.

3. *Exhibit Index:*

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

(b) *Exhibits:*

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

(c) *Financial Statement Schedules:*

Financial statement schedules are included beginning on page 117.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

HEALTH CARE REIT, INC.

By: /s/ George L. Chapman

George L. Chapman,

Chairman, Chief Executive Officer, President and Director

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below on February 21, 2014 by the following persons on behalf of the Registrant and in the capacities indicated.

/s/ William C. Ballard, Jr.**
William C. Ballard, Jr., Director

/s/ Jeffrey R. Otten**
Jeffrey R. Otten, Director

/s/ Thomas J. DeRosa**
Thomas J. DeRosa, Director

/s/ Judith C. Pelham**
Judith C. Pelham, Director

/s/ Jeffrey H. Donahue**
Jeffrey H. Donahue, Director

/s/ R. Scott Trumbull**
R. Scott Trumbull, Director

/s/ Peter J. Grua**
Peter J. Grua, Director

/s/ George L. Chapman
George L. Chapman, Chairman, Chief Executive Officer, President and Director
(Principal Executive Officer)

/s/ Fred S. Klipsch**
Fred S. Klipsch, Director

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

/s/ Timothy J. Naughton**
Timothy J. Naughton, Director

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

/s/ Sharon M. Oster **
Sharon M. Oster, Director

**By: /s/ George L. Chapman
George L. Chapman, Attorney-in-Fact

Health Care REIT, Inc.

Schedule III

Real Estate and Accumulated Depreciation

December 31, 2013

(Dollars in thousands)		Initial Cost to Company			Gross Amount at Which Car Period	
Description	Encumbrances	Land	Building & Improvements	Cost Capitalized Subsequent to Acquisition	Land	Building & Improvements
Seniors Housing Triple-Net:						
Aboite Twp, IN	$ -	$ 1,770	$ 19,930	$ 1,601	$ 1,770	$ 21,531
Agawam, MA	-	880	16,112	2,134	880	18,246
Agawam, MA	-	1,230	13,618	593	1,230	14,211
Agawam, MA	-	930	15,304	293	930	15,596
Agawam, MA	-	920	10,661	36	920	10,697
Agawam, MA	-	920	10,562	45	920	10,607
Akron, OH	-	290	8,219	491	290	8,710
Akron, OH	-	630	7,535	229	630	7,764
Albertville, AL	2,042	172	6,197	174	180	6,368
Alliance, OH	-	270	7,723	107	270	7,830
Amelia Island, FL	-	3,290	24,310	20,314	3,290	44,624
Ames, IA	-	330	8,870	-	330	8,870
Anderson, SC	-	710	6,290	419	710	6,709
Andover, MA	-	1,310	12,647	27	1,310	12,674
Annapolis, MD	-	1,010	24,825	151	1,010	24,976
Ansted, WV	-	240	14,113	108	240	14,221
Apple Valley, CA	10,809	480	16,639	84	486	16,716
Asheboro, NC	-	290	5,032	165	290	5,197
Asheville, NC	-	204	3,489	-	204	3,489
Asheville, NC	-	280	1,955	351	280	2,306
Aspen Hill, MD	-	-	9,008	1,181	-	10,188
Atlanta, GA	7,678	2,058	14,914	1,101	2,080	15,993
Aurora, OH	-	1,760	14,148	106	1,760	14,254
Aurora, CO	-	2,600	5,906	7,915	2,600	13,821
Aurora, CO	-	2,440	28,172	-	2,440	28,172
Austin, TX	19,028	880	9,520	1,152	885	10,667
Austin, TX	9,799	730	18,970	-	730	18,970
Aventura, FL	-	4,540	33,986	198	4,540	34,184
Avon, IN	-	1,830	14,470	-	1,830	14,470
Avon Lake, OH	-	790	10,421	142	790	10,562
Ayer, MA	-	-	22,074	3	-	22,077
Baltic, OH	-	50	8,709	189	50	8,898
Baltimore, MD	-	1,350	14,884	321	1,350	15,204
Baltimore, MD	-	900	5,039	147	900	5,186

Bartlesville, OK	-	100	1,380	-	100	1,380
Baytown, TX	9,191	450	6,150	-	450	6,150
Baytown, TX	-	540	11,110	-	540	11,110
Beachwood, OH	-	1,260	23,478	-	1,260	23,478
Beattyville, KY	-	100	6,900	660	100	7,560
Bedford, NH	-	2,250	28,831	5	2,250	28,836
Bellevue, WI	-	1,740	18,260	571	1,740	18,831
Bellingham, WA	8,724	1,500	19,861	121	1,507	19,975
Benbrook, TX	-	1,550	13,553	769	1,550	14,322
Bethel Park, PA	-	1,700	16,007	-	1,700	16,007
Bluefield, VA	-	900	12,463	32	900	12,495
Boca Raton, FL	-	1,440	31,048	786	1,440	31,834
Boonville, IN	-	190	5,510	-	190	5,510
Bradenton, FL	-	252	3,298	-	252	3,298
Bradenton, FL	-	480	9,953	-	480	9,953
Braintree, MA	-	170	7,157	1,290	170	8,447
Brandon, MS	-	1,220	10,241	-	1,220	10,241
Bremerton, WA	-	390	2,210	144	390	2,354
Bremerton, WA	-	830	10,420	150	830	10,570
Brick, NJ	-	1,290	25,247	180	1,290	25,427
Brick, NJ	-	1,170	17,372	275	1,180	17,637
Brick, NJ	-	690	17,125	105	690	17,230
Bridgewater, NJ	-	1,850	3,050	-	1,850	3,050
Bridgewater, NJ	-	1,730	48,201	661	1,739	48,853
Bridgewater, NJ	-	1,800	31,810	139	1,800	31,949
Broadview Heights, OH	-	920	12,400	2,393	920	14,793
Brookfield, WI	-	1,300	12,830	-	1,300	12,830
Brookline, MA	-	2,760	9,217	3,369	2,760	12,586
Brooklyn Park, MD	-	1,290	16,329	29	1,290	16,358
Burleson, TX	-	670	13,985	250	670	14,235
Burlington, NC	-	280	4,297	707	280	5,004
Burlington, NC	-	460	5,467	-	460	5,467
Burlington, NJ	-	1,700	12,554	466	1,700	13,020
Burlington, NJ	-	1,170	19,205	167	1,170	19,372
Byrdstown, TN	-	-	2,414	269	-	2,683
Cambridge, MD	-	490	15,843	207	490	16,050
Canton, MA	-	820	8,201	263	820	8,464
Canton, OH	-	300	2,098	-	300	2,098
Cape Coral, FL	-	530	3,281	-	530	3,281
Cape Coral, FL	9,229	760	18,868	-	760	18,868
Carrollton, TX	-	4,280	31,444	-	4,280	31,444
Carson City, NV	5,155	520	8,238	-	520	8,238
Cary, NC	-	1,500	4,350	986	1,500	5,336
Catonsville, MD	-	1,330	15,003	549	1,330	15,552
Cedar Grove, NJ	-	1,830	10,939	10	1,830	10,949

Cedar Grove, NJ	-	2,850	27,737	21	2,850	27,757
Centreville, MD[2]	-	600	14,602	241	600	14,843
Chapel Hill, NC	-	354	2,646	783	354	3,429
Charles Town, WV	-	230	22,834	30	230	22,863
Charleston, WV	-	440	17,575	297	440	17,873
Charleston, WV	-	410	5,430	13	410	5,444
Chelmsford, MA	-	1,040	10,951	1,499	1,040	12,450
Chicago, IL	-	1,800	19,256	-	1,800	19,256
Chicago, IL	-	2,900	17,016	-	2,900	17,016
Chickasha, OK	-	85	1,395	-	85	1,395
Cinnaminson, NJ	-	860	6,663	149	860	6,812
Citrus Heights, CA	14,974	2,300	31,876	507	2,300	32,383
Claremore, OK	-	155	1,427	6,130	155	7,557
Clarks Summit, PA	-	600	11,179	15	600	11,194
Clarks Summit, PA	-	400	6,529	54	400	6,583
Clarksville, TN	-	330	2,292	-	330	2,292
Cleburne, TX	-	520	5,369	-	520	5,369
Cleveland, TN	-	350	5,000	122	350	5,122
Clinton, MD	-	2,330	20,876	590	2,330	21,467
Cloquet, MN	-	340	4,660	-	340	4,660
Cobham, England	-	13,176	33,574	-	13,176	33,574
Colchester, CT	-	980	4,860	495	980	5,355
Colts Neck, NJ	-	780	14,733	501	930	15,084
Columbia, TN	-	341	2,295	-	341	2,295
Columbia, TN	-	590	3,787	-	590	3,787
Columbia, SC	-	2,120	4,860	5,709	2,120	10,569
Columbia Heights, MN	-	825	14,175	-	825	14,175
Columbus, IN	-	610	3,190	-	610	3,190
Columbus, OH	-	530	5,170	8,255	1,070	12,885
Columbus, OH	-	1,010	5,022	-	1,010	5,022
Columbus, OH	-	1,010	4,931	13,620	1,860	17,701
Columbus, IN	-	530	6,710	-	530	6,710
Concord, NC	-	550	3,921	55	550	3,976
Concord, NH	-	780	18,423	446	780	18,869
Concord, NH	-	1,760	43,179	568	1,760	43,747
Concord, NH	-	720	3,041	340	720	3,381
Conroe, TX	-	980	7,771	-	980	7,771
Conyers, GA	-	2,740	19,302	105	2,740	19,407
Coppell, TX	-	1,550	8,386	-	1,550	8,386
Corpus Christi, TX	-	400	1,916	-	400	1,916
Cortland, NY	-	700	18,041	58	700	18,099
Daniels, WV	-	200	17,320	49	200	17,370
Danville, VA	-	410	3,954	722	410	4,676
Daphne, AL	-	2,880	8,670	127	2,880	8,797
Dedham, MA	-	1,360	9,830	-	1,360	9,830

DeForest, WI	-	250	5,350	354	250	5,704
Defuniak Springs, FL	-	1,350	10,250	-	1,350	10,250
Denton, TX	-	1,760	8,305	-	1,760	8,305
Denver, CO	-	2,530	9,514	-	2,530	9,514
Dover, DE	-	400	7,717	38	400	7,755
Dover, DE	-	600	22,266	90	600	22,356
Dresher, PA	-	2,060	40,236	273	2,067	40,502
Dundalk, MD(2)	-	1,770	32,047	785	1,770	32,831
Durham, NC	-	1,476	10,659	2,196	1,476	12,855
East Brunswick, NJ	-	1,380	34,229	181	1,380	34,410
East Norriton, PA	-	1,200	28,129	485	1,210	28,604
Easton, MD	-	900	24,539	-	900	24,539
Eatontown, NJ	-	1,190	23,358	67	1,190	23,426
Eden, NC	-	390	4,877	-	390	4,877
Edmond, OK	-	410	8,388	-	410	8,388
Elizabeth City, NC	-	200	2,760	2,011	200	4,771
Elizabethton, TN	-	310	4,604	336	310	4,940
Englewood, NJ	-	930	4,514	17	930	4,531
Englishtown, NJ	-	690	12,520	585	754	13,041
Erin, TN	-	440	8,060	134	440	8,194
Everett, WA	-	1,400	5,476	-	1,400	5,476
Fair Lawn, NJ	-	2,420	24,504	444	2,420	24,948
Fairfield, CA	-	1,460	14,040	1,541	1,460	15,581
Fairhope, AL	-	570	9,119	-	570	9,119
Fall River, MA	-	620	5,829	4,856	620	10,685
Fall River, MA	-	920	34,715	208	920	34,923
Fanwood, NJ	-	2,850	55,175	329	2,850	55,504
Fayetteville, GA	-	560	12,665	263	560	12,928
Fayetteville, NY	-	410	3,962	500	410	4,462
Findlay, OH	-	200	1,800	-	200	1,800
Fishers, IN	-	1,500	14,500	-	1,500	14,500
Florence, NJ	-	300	2,978	-	300	2,978
Florence, AL	7,179	353	13,049	160	385	13,177
Flourtown, PA	-	1,800	14,830	203	1,800	15,033
Flower Mound, TX	-	1,800	8,414	-	1,800	8,414
Follansbee, WV	-	640	27,670	49	640	27,719
Forest City, NC	-	320	4,497	-	320	4,497
Fort Ashby, WV	-	330	19,566	123	330	19,689
Franconia, NH	-	360	11,320	69	360	11,390
Franklin, NH	-	430	15,210	47	430	15,257
Fredericksburg, VA	-	1,000	20,000	1,200	1,000	21,200
Fredericksburg, VA	-	590	28,611	35	590	28,646
Fredericksburg, VA	-	3,700	22,016	59	3,700	22,075
Fremont, CA	19,492	3,400	25,300	1,821	3,456	27,065
Gardner, MA	-	480	10,210	27	480	10,237

Gardnerville, NV	12,597	1,143	10,831	776	1,164	11,586
Gastonia, NC	-	470	6,129	-	470	6,129
Gastonia, NC	-	310	3,096	22	310	3,118
Gastonia, NC	-	400	5,029	120	400	5,149
Georgetown, TX	-	200	2,100	-	200	2,100
Gettysburg, PA	-	590	8,913	91	590	9,003
Gig Harbor, WA	5,581	1,560	15,947	61	1,583	15,986
Glastonbury, CT	-	1,950	9,532	909	2,360	10,031
Glen Mills, PA	-	690	9,110	165	690	9,275
Glenside, PA	-	1,940	16,867	153	1,940	17,020
Graceville, FL	-	150	13,000	-	150	13,000
Grafton, WV	-	280	18,824	37	280	18,861
Granbury, TX	-	2,040	30,670	149	2,040	30,819
Granbury, TX	-	2,550	2,940	400	2,550	3,340
Grand Blanc, MI	-	700	7,843	-	700	7,843
Grand Ledge, MI	7,971	1,150	16,286	5,119	1,150	21,405
Granger, IN	-	1,670	21,280	2,401	1,670	23,681
Grass Valley, CA	4,409	260	7,667	-	260	7,667
Greendale, WI	-	2,060	35,383	522	2,060	35,905
Greeneville, TN	-	400	8,290	507	400	8,797
Greenfield, WI	-	600	6,626	328	600	6,954
Greensboro, NC	-	330	2,970	554	330	3,524
Greensboro, NC	-	560	5,507	1,013	560	6,520
Greenville, SC	-	310	4,750	-	310	4,750
Greenville, SC	-	5,400	100,523	3,551	5,400	104,074
Greenville, NC	-	290	4,393	168	290	4,561
Greenwood, IN	-	1,550	22,770	81	1,550	22,851
Groton, CT	-	2,430	19,941	895	2,430	20,836
Haddonfield, NJ	-	-	-	2,480	-	2,480
Hamburg, PA	-	840	10,543	191	840	10,734
Hamilton, NJ	-	440	4,469	-	440	4,469
Hanford, England	-	1,856	13,205	-	1,856	13,205
Hanover, IN	-	210	4,430	-	210	4,430
Harleysville, PA	-	960	11,355	-	960	11,355
Harriman, TN	-	590	8,060	158	590	8,218
Hatboro, PA	-	-	28,112	1,746	-	29,858
Hatfield, England	-	3,928	10,112	-	3,928	10,112
Hattiesburg, MS	-	450	15,518	176	450	15,694
Haverford, PA	-	1,880	33,993	502	1,883	34,492
Hemet, CA	-	870	3,405	-	870	3,405
Hemet, CA	13,550	1,890	28,606	650	1,899	29,247
Hemet, CA	-	430	9,630	723	430	10,353
Hermitage, TN	-	1,500	9,856	47	1,500	9,902
Herne Bay, England	-	2,552	32,717	-	2,552	32,717
Hickory, NC	-	290	987	232	290	1,219

High Point, NC	-	560	4,443	793	560	5,236
High Point, NC	-	370	2,185	410	370	2,595
High Point, NC	-	330	3,395	28	330	3,423
High Point, NC	-	430	4,143	-	430	4,143
Highland Park, IL	-	2,820	15,832	50	2,820	15,882
Highlands Ranch, CO	-	940	3,721	4,983	940	8,704
Hilltop, WV	-	480	25,355	15	480	25,370
Hinckley, England	-	2,900	5,634	-	2,900	5,634
Hollywood, FL	-	1,240	13,806	242	1,240	14,048
Homestead, FL	-	2,750	11,750	-	2,750	11,750
Houston, TX	9,797	860	18,715	-	860	18,715
Houston, TX	-	5,090	9,471	-	5,090	9,471
Houston, TX	10,148	630	5,970	750	630	6,720
Howell, NJ	10,049	1,050	21,703	226	1,065	21,914
Huntington, WV	-	800	32,261	126	800	32,387
Huron, OH	-	160	6,088	1,452	160	7,540
Hurricane, WV	-	620	21,454	805	620	22,258
Hutchinson, KS	-	600	10,590	194	600	10,784
Indianapolis, IN	-	495	6,287	22,565	495	28,852
Indianapolis, IN	-	255	2,473	12,123	255	14,596
Jackson, NJ	-	6,500	26,405	2,193	6,500	28,598
Jacksonville Beach, FL	-	1,210	26,207	111	1,210	26,317
Jamestown, TN	-	-	6,707	508	-	7,215
Jefferson, OH	-	80	9,120	-	80	9,120
Jupiter, FL	-	3,100	47,453	563	3,100	48,016
Keene, NH	-	530	9,639	284	530	9,923
Kenner, LA	-	1,100	10,036	328	1,100	10,364
Kennesaw, GA	-	940	10,848	333	940	11,181
Kennett Square, PA	-	1,050	22,946	109	1,083	23,021
Kennewick, WA	-	1,820	27,991	255	1,834	28,232
Kenosha, WI	-	1,500	9,139	-	1,500	9,139
Kent, WA	-	940	20,318	10,470	940	30,788
Kirkland, WA	-	1,880	4,315	683	1,880	4,998
Kirkstall, England	-	3,273	12,648	-	3,273	12,648
Laconia, NH	-	810	14,434	497	810	14,930
Lake Barrington, IL	-	3,400	66,179	46	3,400	66,225
Lake Zurich, IL	-	1,470	9,830	-	1,470	9,830
Lakewood Ranch, FL	-	650	6,714	-	650	6,714
Lakewood Ranch, FL	7,387	1,000	22,388	-	1,000	22,388
Lancaster, CA	10,083	700	15,295	574	712	15,857
Lancaster, PA	-	890	7,623	80	890	7,702
Lancaster, NH	-	430	15,804	161	430	15,964
Lancaster, NH	-	160	434	28	160	462
Langhorne, PA	-	1,350	24,881	117	1,350	24,998
Lapeer, MI	-	220	7,625	-	220	7,625

LaPlata, MD[2]	-	700	19,068	466	700	19,534
Lawrence, KS	3,704	250	8,716	-	250	8,716
Lebanon, NH	-	550	20,138	64	550	20,202
Lecanto, FL	-	200	6,900	-	200	6,900
Lee, MA	-	290	18,135	926	290	19,061
Leicester, England	-	6,897	30,240	(234)	4,110	32,793
Lenoir, NC	-	190	3,748	641	190	4,389
Leominster, MA	-	530	6,201	25	530	6,226
Lewisburg, WV	-	260	3,699	70	260	3,769
Lexington, NC	-	200	3,900	1,015	200	4,915
Libertyville, IL	-	6,500	40,024	-	6,500	40,024
Lincoln, NE	4,964	390	13,807	-	390	13,807
Linwood, NJ	-	800	21,984	554	816	22,522
Litchfield, CT	-	1,240	17,908	145	1,250	18,044
Little Neck, NY	-	3,350	38,461	607	3,355	39,063
Loganville, GA	-	1,430	22,912	292	1,430	23,204
Longview, TX	-	610	5,520	-	610	5,520
Longwood, FL	-	1,260	6,445	-	1,260	6,445
Louisville, KY	-	490	10,010	-	490	10,010
Louisville, KY	-	430	7,135	163	430	7,298
Louisville, KY	-	350	4,675	133	350	4,808
Lowell, MA	-	1,070	13,481	103	1,070	13,584
Lowell, MA	-	680	3,378	30	680	3,408
Loxley, England	-	1,840	21,049	-	1,840	21,049
Lutherville, MD	-	1,100	19,786	1,579	1,100	21,365
Macungie, PA	-	960	29,033	17	960	29,049
Mahwah, NJ	-	-	-	785	785	-
Manahawkin, NJ	-	1,020	20,361	122	1,020	20,483
Manalapan, NJ	-	900	22,624	95	900	22,719
Manassas, VA	-	750	7,446	530	750	7,976
Mansfield, TX	-	660	5,251	-	660	5,251
Manteca, CA	6,188	1,300	12,125	1,451	1,312	13,564
Marianna, FL	-	340	8,910	-	340	8,910
Marietta, GA	-	1,270	10,519	404	1,270	10,923
Marlinton, WV	-	270	8,430	11	270	8,441
Marmet, WV	-	540	26,483	-	540	26,483
Martinsburg, WV	-	340	17,180	50	340	17,230
Martinsville, VA	-	349	-	-	349	-
Marysville, WA	4,585	620	4,780	329	620	5,109
Matawan, NJ	-	1,830	20,618	7	1,830	20,625
Matthews, NC	-	560	4,738	-	560	4,738
McHenry, IL	-	1,576	-	-	1,576	-
McHenry, IL	-	3,550	15,300	6,718	3,550	22,018
McKinney, TX	-	1,570	7,389	-	1,570	7,389
McMurray, PA	-	1,440	15,805	1,894	1,440	17,699

Melbourne, FL	-	7,070	48,257	12,990	7,070	61,247
Melbourne, FL	-	2,540	21,319	-	2,540	21,319
Melville, NY	-	4,280	73,283	1,111	4,282	74,392
Memphis, TN	-	940	5,963	-	940	5,963
Memphis, TN	-	390	9,660	1,600	390	11,260
Mendham, NJ	-	1,240	27,169	633	1,240	27,802
Menomonee Falls, WI	-	1,020	6,984	52	1,020	7,036
Mercerville, NJ	-	860	9,929	115	860	10,045
Meriden, CT	-	1,300	1,472	5	1,300	1,477
Merrillville, IN	-	643	7,084	3,526	643	10,610
Merrillville, IN	-	1,080	3,413	-	1,080	3,413
Mesa, AZ	6,111	950	9,087	713	950	9,800
Middleburg Heights, OH	-	960	7,780	-	960	7,780
Middleton, WI	-	420	4,006	600	420	4,606
Middletown, RI	-	1,480	19,703	-	1,480	19,703
Midland, MI	-	200	11,025	58	200	11,083
Milford, DE	-	400	7,816	40	400	7,855
Milford, DE	-	680	19,216	58	680	19,274
Mill Creek, WA	28,882	10,150	60,274	614	10,179	60,859
Millersville, MD	-	680	1,020	25	680	1,045
Millville, NJ	-	840	29,944	104	840	30,048
Missoula, MT	-	550	7,490	377	550	7,867
Monclova, OH	-	1,750	12,243	-	1,750	12,243
Monmouth Junction, NJ	-	720	6,209	57	720	6,266
Monroe, NC	-	470	3,681	648	470	4,329
Monroe, NC	-	310	4,799	857	310	5,656
Monroe, NC	-	450	4,021	114	450	4,135
Monroe, WA	-	2,560	34,460	304	2,584	34,741
Monroe Twp, NJ	-	1,160	13,193	75	1,160	13,268
Monteagle, TN	-	310	3,318	-	310	3,318
Monterey, TN	-	-	4,195	410	-	4,605
Montville, NJ	-	3,500	31,002	233	3,500	31,234
Moorestown, NJ	-	2,060	51,628	545	2,063	52,170
Morehead City, NC	-	200	3,104	1,648	200	4,752
Morgantown, KY	-	380	3,705	615	380	4,320
Morgantown, WV	-	190	15,633	20	190	15,653
Morton Grove, IL	-	1,900	19,374	59	1,900	19,432
Mount Airy, NC	-	270	6,430	577	270	7,007
Mountain City, TN	-	220	5,896	660	220	6,556
Mt. Vernon, WA	-	400	2,200	156	400	2,356
Myrtle Beach, SC	-	6,890	41,526	11,668	6,890	53,194
Nacogdoches, TX	-	390	5,754	-	390	5,754
Naperville, IL	-	3,470	29,547	-	3,470	29,547
Naperville, IL	-	1,550	12,237	-	1,550	12,237
Naples, FL	-	1,716	17,306	1,878	1,738	19,162

Naples, FL	-	550	5,450	-	550	5,450
Nashville, TN	-	4,910	29,590	-	4,910	29,590
Nashville, TN	-	4,500	12,287	-	4,500	12,287
Naugatuck, CT	-	1,200	15,826	176	1,200	16,002
Needham, MA	-	1,610	13,715	366	1,610	14,081
Neenah, WI	-	630	15,120	-	630	15,120
New Braunfels, TX	-	1,200	19,800	-	1,200	19,800
New Haven, IN	-	176	3,524	-	176	3,524
New Moston, England	-	1,989	5,882	-	1,989	5,882
Newark, DE	-	560	21,220	1,488	560	22,708
Newcastle Under Lyme, England	-	1,492	7,598	-	1,492	7,598
Newport, VT	-	290	3,867	-	290	3,867
Norman, OK	-	55	1,484	-	55	1,484
Norman, OK	11,161	1,480	33,330	-	1,480	33,330
Norristown, PA	-	1,200	19,488	1,762	1,200	21,250
North Andover, MA	-	950	21,817	54	950	21,870
North Andover, MA	-	1,070	17,341	1,303	1,070	18,644
North Augusta, SC	-	332	2,558	-	332	2,558
North Cape May, NJ	-	600	22,266	36	600	22,302
Northampton, England	-	6,961	23,306	-	6,961	23,306
Nuneaton, England	-	4,467	12,068	-	4,467	12,068
Nuthall, England	-	3,356	14,020	-	3,356	14,020
Oak Hill, WV	-	240	24,506	-	240	24,506
Oak Hill, WV	-	170	721	-	170	721
Ocala, FL	-	1,340	10,564	-	1,340	10,564
Ogden, UT	-	360	6,700	699	360	7,399
Oklahoma City, OK	-	590	7,513	-	590	7,513
Oklahoma City, OK	-	760	7,017	-	760	7,017
Olympia, WA	6,829	550	16,689	158	553	16,844
Omaha, NE	-	370	10,230	-	370	10,230
Omaha, NE	4,274	380	8,864	-	380	8,864
Oneonta, NY	-	80	5,020	-	80	5,020
Ormond Beach, FL	-	-	2,739	452	-	3,191
Orwigsburg, PA	-	650	20,632	134	650	20,766
Oshkosh, WI	-	900	3,800	3,687	900	7,487
Oshkosh, WI	-	400	23,237	-	400	23,237
Overland Park, KS	-	1,120	8,360	-	1,120	8,360
Overland Park, KS	-	3,730	27,076	340	3,730	27,416
Overland Park, KS	-	4,500	29,105	7,295	4,500	36,400
Owasso, OK	-	215	1,380	-	215	1,380
Owensboro, KY	-	240	6,760	609	240	7,369
Owensboro, KY	-	225	13,275	-	225	13,275
Owenton, KY	-	100	2,400	-	100	2,400
Oxford, MI	11,500	1,430	15,791	-	1,430	15,791
Palestine, TX	-	180	4,320	1,300	180	5,620

Palm Coast, FL	-	870	10,957	-	870	10,957
Panama City Beach, FL	-	900	7,717	35	900	7,752
Paris, TX	-	490	5,452	-	490	5,452
Parkersburg, WV	-	390	21,288	643	390	21,931
Parkville, MD	-	1,350	16,071	274	1,350	16,345
Parkville, MD	-	791	11,186	2	791	11,189
Parkville, MD	-	1,100	11,768	-	1,100	11,768
Pasadena, TX	9,820	720	24,080	-	720	24,080
Paso Robles, CA	-	1,770	8,630	693	1,770	9,323
Pawleys Island, SC	-	2,020	32,590	6,272	2,020	38,862
Pella, IA	-	870	6,716	89	870	6,805
Pennington, NJ	-	1,380	27,620	506	1,432	28,074
Pennsauken, NJ	-	900	10,780	179	900	10,959
Petoskey, MI	6,102	860	14,452	-	860	14,452
Philadelphia, PA	-	2,700	25,709	333	2,700	26,041
Philadelphia, PA	-	2,930	10,433	3,373	2,930	13,806
Philadelphia, PA	-	540	11,239	65	540	11,304
Philadelphia, PA	-	1,810	16,898	32	1,810	16,931
Phillipsburg, NJ	-	800	21,175	193	800	21,368
Phillipsburg, NJ	-	300	8,114	38	300	8,151
Pigeon Forge, TN	-	320	4,180	117	320	4,297
Pinehurst, NC	-	290	2,690	484	290	3,174
Piqua, OH	-	204	1,885	-	204	1,885
Pittsburgh, PA	-	1,750	8,572	115	1,750	8,687
Plainview, NY	-	3,990	11,969	184	3,990	12,153
Plattsmouth, NE	-	250	5,650	-	250	5,650
Plymouth, MI	-	1,490	19,990	129	1,490	20,119
Port St. Joe, FL	-	370	2,055	-	370	2,055
Port St. Lucie, FL	-	8,700	47,230	4,878	8,700	52,108
Post Falls, ID	-	2,700	14,217	2,181	2,700	16,398
Pottsville, PA	-	950	26,964	202	950	27,166
Princeton, NJ	-	1,730	30,888	1,007	1,775	31,850
Puyallup, WA	11,445	1,150	20,776	201	1,156	20,971
Quakertown, PA	-	1,040	25,389	72	1,040	25,461
Raleigh, NC	-	10,000	-	-	10,000	-
Raleigh, NC	25,735	3,530	59,589	-	3,530	59,589
Raleigh, NC	-	2,580	16,837	-	2,580	16,837
Reading, PA	-	980	19,906	102	980	20,008
Red Bank, NJ	-	1,050	21,275	123	1,050	21,398
Rehoboth Beach, DE	-	960	24,248	312	973	24,547
Reidsville, NC	-	170	3,830	857	170	4,687
Reno, NV	-	1,060	11,440	605	1,060	12,045
Ridgeland, MS	-	520	7,675	427	520	8,102
Ridgely, TN	-	300	5,700	97	300	5,797
Ridgewood, NJ	-	1,350	16,170	479	1,350	16,650

Rockledge, FL	-	360	4,117	-	360	4,117
Rockville, MD	-	-	16,398	10	-	16,408
Rockville, CT	-	1,500	4,835	76	1,500	4,911
Rockville Centre, NY	-	4,290	20,310	298	4,290	20,608
Rockwood, TN	-	500	7,116	741	500	7,857
Rocky Hill, CT	-	1,090	6,710	1,500	1,090	8,210
Rogersville, TN	-	350	3,278	-	350	3,278
Rohnert Park, CA	13,710	6,500	18,700	1,498	6,546	20,152
Romeoville, IL	-	1,895	-	-	1,895	-
Roswell, GA	7,883	1,107	9,627	793	1,114	10,413
Rugeley, England	-	2,552	13,786	-	2,552	13,786
Rutland, VT	-	1,190	23,655	87	1,190	23,743
Sacramento, CA	10,295	940	14,781	96	952	14,865
Saint Simons Island, GA	-	6,440	50,060	1,502	6,440	51,562
Salem, OR	-	449	5,171	-	449	5,172
Salisbury, NC	-	370	5,697	168	370	5,865
San Angelo, TX	-	260	8,800	425	260	9,225
San Antonio, TX	-	6,120	28,169	2,124	6,120	30,293
San Antonio, TX	10,608	560	7,315	-	560	7,315
San Antonio, TX	9,778	640	13,360	-	640	13,360
San Ramon, CA	9,107	2,430	17,488	52	2,435	17,535
Sanatoga, PA	-	980	30,695	37	980	30,733
Sand Springs, OK	6,711	910	19,654	-	910	19,654
Sarasota, FL	-	475	3,175	-	475	3,175
Sarasota, FL	-	600	3,400	-	600	3,400
Sarasota, FL	-	1,120	12,489	74	1,120	12,563
Sarasota, FL	-	950	8,825	244	950	9,069
Sarasota, FL	-	880	9,854	65	880	9,919
Scituate, MA	-	1,740	10,640	-	1,740	10,640
Scott Depot, WV	-	350	6,876	58	350	6,934
Seaford, DE	-	720	14,029	53	720	14,082
Seaford, DE	-	830	7,995	1,547	830	9,542
Seattle, WA	7,664	5,190	9,350	350	5,199	9,692
Seattle, WA	7,322	3,420	15,555	138	3,420	15,693
Seattle, WA	9,105	2,630	10,257	36	2,630	10,293
Seattle, WA	28,615	10,670	37,291	157	10,700	37,418
Selbyville, DE	-	750	25,912	203	769	26,096
Seven Fields, PA	-	484	4,663	60	484	4,722
Severna Park, MD[2]	-	2,120	31,273	808	2,120	32,081
Shawnee, OK	-	80	1,400	-	80	1,400
Sheboygan, WI	-	80	5,320	3,774	80	9,094
Shelbyville, KY	-	630	3,870	-	630	3,870
Shelton, WA	-	530	17,049	137	530	17,186
Shepherdstown, WV	-	250	13,806	14	250	13,819
Sherman, TX	-	700	5,221	-	700	5,221

Shillington, PA	-	1,020	19,569	956	1,020	20,525
Shrewsbury, NJ	-	2,120	38,116	425	2,120	38,541
Silver Spring, MD	-	1,250	7,278	268	1,250	7,547
Silver Spring, MD	-	1,150	9,252	104	1,150	9,356
Silvis, IL	-	880	16,420	-	880	16,420
Sissonville, WV	-	600	23,948	54	600	24,003
Sisterville, WV	-	200	5,400	242	200	5,642
Smithfield, NC	-	290	5,680	-	290	5,680
Somerset, MA	-	1,010	29,577	152	1,010	29,728
Sonoma, CA	14,899	1,100	18,400	1,374	1,109	19,764
South Boston, MA	-	385	2,002	5,218	385	7,220
South Pittsburg, TN	-	430	5,628	-	430	5,628
Southbury, CT	-	1,860	23,613	958	1,860	24,571
Sparks, NV	-	3,700	46,526	-	3,700	46,526
Spartanburg, SC	-	3,350	15,750	13,385	3,350	29,135
Spencer, WV	-	190	8,810	28	190	8,838
Spring City, TN	-	420	6,085	3,210	420	9,295
Spring House, PA	-	900	10,780	199	900	10,979
St. Charles, MD	-	580	15,555	84	580	15,639
St. Louis, MO	-	1,890	12,165	131	1,890	12,297
Stanwood, WA	-	2,260	28,474	277	2,283	28,728
Statesville, NC	-	150	1,447	266	150	1,713
Statesville, NC	-	310	6,183	8	310	6,191
Statesville, NC	-	140	3,627	-	140	3,627
Stillwater, OK	-	80	1,400	-	80	1,400
Stockton, CA	2,963	2,280	5,983	285	2,372	6,176
Summit, NJ	-	3,080	14,152	-	3,080	14,152
Superior, WI	-	1,020	13,735	-	1,020	13,735
Swanton, OH	-	330	6,370	-	330	6,370
Takoma Park, MD	-	1,300	10,136	-	1,300	10,136
Texarkana, TX	-	192	1,403	-	192	1,403
Thomasville, GA	-	530	13,899	436	530	14,335
Tomball, TX	-	1,050	13,300	671	1,050	13,971
Toms River, NJ	-	1,610	34,627	508	1,671	35,074
Topeka, KS	-	260	12,712	-	260	12,712
Towson, MD(2)	-	1,180	13,280	194	1,180	13,475
Troy, OH	-	200	2,000	4,254	200	6,254
Troy, OH	-	470	16,730	-	470	16,730
Trumbull, CT	-	4,440	43,384	-	4,440	43,384
Tucson, AZ	-	930	13,399	-	930	13,399
Tulsa, OK	-	1,390	7,110	462	1,390	7,572
Tulsa, OK	-	1,320	10,087	-	1,320	10,087
Tyler, TX	-	650	5,268	-	650	5,268
Uhrichsville, OH	-	24	6,716	-	24	6,716
Uniontown, PA	-	310	6,817	84	310	6,901

Vacaville, CA	14,097	900	17,100	1,417	900	18,517
Vallejo, CA	14,113	4,000	18,000	1,841	4,030	19,812
Vallejo, CA	7,458	2,330	15,407	152	2,330	15,559
Valley Falls, RI	-	1,080	7,433	10	1,080	7,443
Valparaiso, IN	-	112	2,558	-	112	2,558
Valparaiso, IN	-	108	2,962	-	108	2,962
Vancouver, WA	11,826	1,820	19,042	99	1,821	19,140
Venice, FL	-	500	6,000	-	500	6,000
Venice, FL	-	1,150	10,674	-	1,150	10,674
Vero Beach, FL	-	263	3,187	-	263	3,187
Vero Beach, FL	-	297	3,263	-	297	3,263
Vero Beach, FL	-	2,930	40,070	14,729	2,930	54,799
Voorhees, NJ	-	1,800	37,299	559	1,800	37,858
Voorhees, NJ(2)	-	1,900	26,040	893	1,900	26,934
Voorhees, NJ	-	3,100	25,950	-	3,100	25,950
Voorhees, NJ	-	3,700	24,312	-	3,700	24,312
Waconia, MN	-	890	14,726	4,334	890	19,060
Wake Forest, NC	-	200	3,003	1,742	200	4,745
Walkersville, MD	-	1,650	15,103	-	1,650	15,103
Wall, NJ	-	1,650	25,350	1,907	1,690	27,217
Wallingford, CT	-	490	1,210	59	490	1,269
Wareham, MA	-	875	10,313	1,701	875	12,014
Warren, NJ	-	2,000	30,810	209	2,000	31,019
Warwick, RI	-	1,530	18,564	170	1,530	18,734
Watchung, NJ	-	1,920	24,880	501	1,960	25,341
Waukee, IA	-	1,870	31,878	1,075	1,870	32,953
Waukesha, WI	-	1,100	14,910	-	1,100	14,910
Waxahachie, TX	-	650	5,763	-	650	5,763
Weatherford, TX	-	660	5,261	-	660	5,261
Webster, TX	9,344	360	5,940	-	360	5,940
Webster, NY	-	800	8,968	36	800	9,004
Webster, NY	-	1,300	21,127	9	1,300	21,136
Webster Groves, MO	-	1,790	15,425	-	1,790	15,425
West Bend, WI	-	620	17,790	-	620	17,790
West Chester, PA	-	1,350	29,237	122	1,350	29,359
West Chester, PA	-	3,290	42,258	595	3,290	42,852
West Chester, PA	-	600	11,894	5	600	11,899
West Orange, NJ	-	2,280	10,687	182	2,280	10,869
West Worthington, OH	-	510	5,090	-	510	5,090
Westerville, OH	-	740	8,287	3,105	740	11,392
Westfield, NJ(2)	-	2,270	16,589	497	2,270	17,086
Westford, MA	-	920	13,829	206	920	14,034
Westlake, OH	-	1,330	17,926	-	1,330	17,926
Westmoreland, TN	-	330	1,822	2,640	330	4,462
Weston Super Mare, England	-	3,381	9,477	-	3,381	9,477

White Lake, MI		10,479		2,920		20,179		92		2,920		20,271	
Whittier, CA		11,228		4,470		22,151		301		4,483		22,439	
Wichita, KS		-		1,400		11,000		-		1,400		11,000	
Wichita, KS		-		1,760		19,007		-		1,760		19,007	
Wichita, KS		13,759		630		19,747		-		630		19,747	
Wilkes-Barre, PA		-		610		13,842		119		610		13,961	
Wilkes-Barre, PA		-		570		2,301		44		570		2,345	
Willard, OH		-		730		6,447		-		730		6,447	
Williamsport, PA		-		300		4,946		373		300		5,319	
Williamsport, PA		-		620		8,487		438		620		8,925	
Williamstown, KY		-		70		6,430		-		70		6,430	
Willow Grove, PA		-		1,300		14,736		109		1,300		14,845	
Wilmington, DE		-		800		9,494		57		800		9,551	
Wilmington, NC		-		210		2,991		-		210		2,991	
Windsor, CT		-		2,250		8,539		1,842		2,250		10,382	
Windsor, CT		-		1,800		600		944		1,800		1,544	
Winston-Salem, NC		-		360		2,514		459		360		2,973	
Winston-Salem, NC		-		5,700		13,550		21,096		5,700		34,646	
Winter Garden, FL		-		1,350		7,937		-		1,350		7,937	
Witherwack, England		-		1,268		9,290		-		1,268		9,290	
Wolverhampton, England		-		2,113		8,972		-		2,113		8,972	
Worcester, MA		-		3,500		54,099		-		3,500		54,099	
Worcester, MA		-		2,300		9,060		-		2,300		9,060	
Wyncote, PA		-		2,700		22,244		148		2,700		22,392	
Wyncote, PA		-		1,610		21,256		214		1,610		21,470	
Wyncote, PA		-		900		7,811		32		900		7,843	
Zionsville, IN		-		1,610		22,400		1,691		1,610		24,091	
Seniors Housing Triple-Net Total	$	587,136	$	781,397	$	8,430,604	$	428,753	$	782,390	$	8,858,364	$

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Health Care REIT, Inc.
Schedule III
Real Estate and Accumulated Depreciation
December 31, 2013

(Dollars in thousands)

		Initial Cost to Company			Gross Amount at Which Carried a Period		
Description	Encumbrances	Land	Building & Improvements	Cost Capitalized Subsequent to Acquisition	Land	Building & Improvements	Acc Depr
Seniors Housing Operating:							
Acton, MA	$ -	$ -	$ 31,346	$ -	$ -	$ 31,346	$
Agawam, MA	6,675	883	10,047	207	883	10,259	
Albuquerque, NM	5,525	1,270	20,837	862	1,272	21,697	
Alhambra, CA	2,972	600	6,305	72	600	6,377	
Altrincham, England	-	5,685	29,221	-	5,685	29,221	
Arlington, TX	22,210	1,660	37,395	175	1,660	37,570	
Arnprior, ON	955	940	7,896	-	940	7,896	
Avon, CT	19,641	1,550	30,571	473	1,550	31,045	
Azusa, CA	-	570	3,141	6,222	570	9,363	
Bagshot, England	-	6,537	38,668	2,255	6,663	40,798	
Banstead, England	-	8,781	54,836	17,633	8,950	72,300	
Basking Ridge, NJ	-	2,356	37,710	-	2,356	37,710	
Bassett, England	-	6,547	42,063	-	6,547	42,063	
Baton Rouge, LA	9,643	790	29,436	-	790	29,436	
Beaconsfield, England	-	7,473	68,201	-	7,473	68,201	
Beaconsfield, QC	-	3,009	20,695	-	3,009	20,695	
Bedford, NH	-	-	-	33,000	2,520	30,480	
Bellevue, WA	-	2,800	19,004	-	2,800	19,004	
Belmont, CA	-	3,000	23,526	482	3,000	24,007	
Belmont, CA	-	-	35,300	-	-	35,300	
Bethesda, MD	-	-	45,309	-	-	45,309	
Birmingham, England	-	4	28,024	-	4	28,024	
Blainville, QC	-	2,689	11,199	-	2,689	11,199	
Bloomfield Hills, MI	-	2,000	35,662	-	2,000	35,662	
Borehamwood, England	-	7,074	41,060	13,518	7,210	54,442	
Boulder, CO	-	2,994	27,458	-	2,994	27,458	
Bournemouth, England	-	7,425	57,277	-	7,425	57,277	
Braintree, MA	21,729	-	41,290	-	-	41,290	
Brighton, MA	10,718	2,100	14,616	329	2,100	14,946	
Brookfield, CT	20,015	2,250	30,180	394	2,250	30,574	
Broomfield, CO	-	4,140	44,547	-	4,140	44,547	
Buffalo Grove, IL	-	2,850	49,129	139	2,850	49,268	
Burbank, CA	-	4,940	43,466	172	4,940	43,638	

Burlington, ON	8,384	1,692	24,560	-	1,692	24,560
Burlington, MA	17,774	2,443	34,354	-	2,443	34,354
Calabasas, CA	-	-	6,438	-	-	6,438
Calgary, AB	17,663	2,928	48,408	-	2,928	48,408
Calgary, AB	14,163	3,581	50,498	-	3,581	50,498
Calgary, AB	16,059	4,026	48,507	-	4,026	48,507
Calgary, AB	-	4,398	35,898	-	4,398	35,898
Cardiff, England	-	4,277	16,353	-	4,277	16,353
Cardiff by the Sea, CA	41,115	5,880	64,711	211	5,880	64,923
Carol Stream, IL	-	1,730	55,048	545	1,730	55,593
Cary, NC	-	740	45,240	-	740	45,240
Centerville, MA	-	1,300	27,357	322	1,300	27,679
Chesterfield, MO	-	1,857	48,366	-	1,857	48,366
Chorleywood, England	-	7,542	56,322	-	7,542	56,322
Chula Vista, CA	-	2,072	22,163	-	2,072	22,163
Cincinnati, OH	-	2,060	109,388	2,744	2,060	112,132
Claremont, CA	-	2,430	9,928	-	2,430	9,928
Cohasset, MA	-	2,485	26,147	-	2,485	26,147
Colorado Springs, CO	-	800	14,756	-	800	14,756
Concord, NH	13,780	720	21,164	227	720	21,391
Coquitlam, BC	14,541	3,948	31,181	-	3,948	31,181
Costa Mesa, CA	-	2,050	19,969	126	2,050	20,095
Crystal Lake, IL	-	875	12,461	-	875	12,461
Dallas, TX	-	1,080	9,655	188	1,080	9,842
Danvers, MA	9,665	1,120	14,557	394	1,120	14,950
Davenport, IA	-	1,403	35,893	2,202	1,426	38,072
Decatur, GA	-	1,932	27,523	-	1,932	27,523
Denver, CO	12,959	1,450	19,389	160	1,450	19,550
Denver, CO	-	2,910	35,838	269	2,910	36,107
Dix Hills, NY	-	3,808	39,014	-	3,808	39,014
Dollard-Des-Ormeaux, QC	-	2,539	18,330	-	2,539	18,330
Dresher, PA	7,476	1,900	10,664	-	1,900	10,664
Dublin, OH	18,541	1,680	43,423	2,152	1,694	45,561
East Haven, CT	23,258	2,660	35,533	832	2,660	36,365
East Meadow, NY	-	69	45,991	-	69	45,991
East Setauket, NY	-	4,920	37,354	-	4,920	37,354
Eastbourne, England	-	5,552	44,549	-	5,552	44,549
Edgewater, NJ	-	4,561	25,047	-	4,561	25,047
Edison, NJ	-	1,892	32,314	-	1,892	32,314
Edmonton, AB	13,083	1,936	36,132	-	1,936	36,132
Edmonton, AB	16,774	2,660	46,017	-	2,660	46,017
Encinitas, CA	-	1,460	7,721	468	1,460	8,189
Encino, CA	-	5,040	46,255	225	5,040	46,479
Escondido, CA	12,844	1,520	24,024	217	1,520	24,241
Esher, England	-	7,740	64,204	-	7,740	64,204

Fairfax, VA	-	19	2,678	-	19	2,678
Fairfield, NJ	-	3,120	43,868	-	3,120	43,868
Flossmoor, IL	-	1,292	9,496	-	1,292	9,496
Fort Worth, TX	-	2,080	27,888	335	2,080	28,223
Franklin, MA	14,390	2,430	30,597	-	2,430	30,597
Fullerton, CA	13,214	1,964	19,989	-	1,964	19,989
Gahanna, OH	-	772	11,214	-	772	11,214
Gilbert, AZ	16,841	2,160	28,246	-	2,160	28,246
Gilroy, CA	-	760	13,880	24,013	1,520	37,133
Glen Cove, NY	-	4,594	35,236	-	4,594	35,236
Glenview, IL	-	2,090	69,288	218	2,090	69,505
Golden Valley, MN	20,417	1,520	33,513	-	1,520	33,513
Gross Pointe Woods, MI	-	950	13,662	-	950	13,662
Grosse Pointe Woods, MI	-	1,430	31,777	-	1,430	31,777
Guildford, England	-	7,195	75,166	-	7,195	75,166
Gurnee, IL	-	890	27,931	-	890	27,931
Hamden, CT	15,651	1,460	24,093	503	1,460	24,596
Hampshire, England	-	5,604	34,119	-	5,604	34,119
Henderson, NV	-	880	29,809	69	880	29,879
Henderson, NV	5,873	1,190	11,600	-	1,190	11,600
Highland Park, IL	20,893	2,250	25,313	-	2,250	25,313
Holbrook, NY	-	3,957	35,337	-	3,957	35,337
Houston, TX	-	3,830	55,674	380	3,830	56,054
Houston, TX	18,224	1,040	31,965	571	1,040	32,536
Houston, TX	7,942	960	27,598	430	960	28,028
Huntington Beach, CA	-	3,808	31,172	-	3,808	31,172
Irving, TX	-	1,030	6,823	696	1,030	7,519
Johns Creek, GA	-	1,580	23,285	-	1,580	23,285
Kanata, ON	-	2,132	39,336	-	2,132	39,336
Kansas City, MO	5,554	1,820	34,898	2,181	1,836	37,062
Kansas City, MO	6,790	1,930	39,997	1,335	1,954	41,308
Kelowna, BC	8,214	3,478	15,810	-	3,478	15,810
Kennebunk, ME	-	2,700	30,204	-	2,700	30,204
Kingwood, TX	3,176	480	9,777	166	480	9,943
Kirkland, WA	24,600	3,450	38,709	267	3,450	38,975
Kitchener, ON	-	823	3,249	-	823	3,249
Kitchener, ON	-	1,382	15,380	-	1,382	15,380
Kitchener, ON	-	1,415	10,478	-	1,415	10,478
La Palma, CA	-	2,950	16,591	-	2,950	16,591
Lafayette Hill, PA	-	1,750	11,848	-	1,750	11,848
Lawrenceville, GA	16,444	1,500	29,003	-	1,500	29,003
Leawood, KS	16,142	2,490	32,493	344	5,610	29,718
Lenexa, KS	10,085	826	26,251	-	826	26,251
Lincroft, NJ	-	9	19,958	-	9	19,958
Lombard, IL	17,429	2,130	59,943	-	2,130	59,943

Los Angeles, CA	-	-	11,430	707	-	12,137
Los Angeles, CA	66,649	-	114,438	355	-	114,793
Los Angeles, CA	-	3,540	19,007	224	3,540	19,230
Louisville, KY	-	2,420	20,816	217	2,420	21,033
Louisville, KY	11,523	1,600	20,326	-	1,600	20,326
Lynnfield, MA	17,453	3,165	45,200	-	3,165	45,200
Malvern, PA	-	1,651	17,194	-	1,651	17,194
Mansfield, MA	28,807	3,320	57,011	1,220	3,320	58,230
Markham, ON	22,788	4,762	61,686	-	4,762	61,686
Marlboro, NJ	-	2,222	14,888	-	2,222	14,888
Memphis, TN	-	1,800	17,744	227	1,800	17,971
Meriden, CT	9,540	1,500	14,874	357	1,500	15,231
Metairie, LA	13,661	725	27,708	-	725	27,708
Middletown, CT	15,713	1,430	24,242	295	1,430	24,537
Middletown, RI	16,711	2,480	24,628	565	2,480	25,193
Milford, CT	11,722	3,210	17,364	618	3,210	17,982
Minnetonka, MN	14,705	2,080	24,360	241	2,080	24,601
Minnetonka, MN	16,799	920	29,344	-	920	29,344
Mississauga, ON	2,283	2,073	24,443	-	2,073	24,443
Mississauga, ON	-	1,121	5,308	-	1,121	5,308
Mobberley, England	-	6,912	35,130	-	6,912	35,130
Monterey, CA	-	6,440	29,101	-	6,440	29,101
Montgomery Village, MD	-	3,530	18,246	-	3,530	18,246
Moose Jaw, SK	3,881	754	16,240	-	754	16,240
Mystic, CT	11,722	1,400	18,274	429	1,400	18,702
Naperville, IL	-	1,540	28,204	-	1,540	28,204
Nashville, TN	-	3,900	35,788	266	3,900	36,054
Newton, MA	28,433	2,250	43,614	211	2,250	43,826
Newton, MA	16,467	2,500	30,681	1,400	2,500	32,081
Newton, MA	-	3,360	25,099	552	3,360	25,651
Newtown Square, PA	-	1,930	14,420	-	1,930	14,420
Niantic, CT	-	1,320	25,986	368	1,320	26,354
North Andover, MA	23,071	1,960	34,976	393	1,960	35,369
North Chelmsford, MA	12,159	880	18,478	465	880	18,944
North Tustin, CA	-	2,880	18,059	-	2,880	18,059
Oak Park, IL	-	1,250	40,383	163	1,250	40,546
Oakland, CA	-	3,877	47,508	-	3,877	47,508
Oakton, VA	-	2,250	37,576	-	2,250	37,576
Oakville, ON	2,195	1,622	8,357	-	1,622	8,357
Oakville, ON	14,289	2,750	37,613	-	2,750	37,613
Oakville, ON	7,424	1,656	17,217	-	1,656	17,217
Oceanside, CA	12,951	2,160	18,352	466	2,160	18,818
Oshawa, ON	4,562	1,086	10,205	-	1,086	10,205
Ottawa, ON	4,083	895	4,998	-	895	4,998
Ottawa, ON	-	818	2,165	-	818	2,165

Ottawa, ON	14,990	3,654	34,247	-	3,654	34,247
Ottawa, ON	6,653	1,438	12,432	-	1,438	12,432
Ottawa, ON	4,935	959	9,029	-	959	9,029
Overland Park, KS	3,592	1,540	16,269	151	1,670	16,290
Palo Alto, CA	17,405	-	39,639	-	-	39,639
Paramus, NJ	-	2,840	35,728	-	2,840	35,728
Pembroke, ON	-	2,437	12,966	-	2,437	12,966
Pittsburgh, PA	-	1,580	18,017	-	1,580	18,017
Plainview, NY	-	3,066	19,901	-	3,066	19,901
Plano, TX	4,228	840	8,538	485	840	9,023
Plano, TX	29,699	3,120	59,950	-	3,120	59,950
Playa Vista, CA	-	1,580	40,531	-	1,580	40,531
Providence, RI	-	2,600	27,546	753	2,600	28,299
Purley, England	-	9,676	35,251	11,244	9,872	46,299
Quincy, MA	-	1,350	12,584	387	1,350	12,971
Rancho Cucamonga, CA	-	1,480	10,055	-	1,480	10,055
Rancho Palos Verdes, CA	-	5,450	60,034	272	5,450	60,305
Randolph, NJ	17,228	1,540	46,934	-	1,540	46,934
Redondo Beach, CA	-	-	9,557	61	-	9,618
Regina, SK	9,797	1,932	26,372	-	1,932	26,372
Regina, SK	9,352	1,608	26,330	-	1,608	26,330
Renton, WA	22,270	3,080	51,824	132	3,080	51,957
Rocky Hill, CT	10,600	810	16,351	195	810	16,547
Romeoville, IL	-	854	12,646	58,656	6,140	66,016
Roseville, MN	-	1,540	35,877	-	1,540	35,877
Roswell, GA	-	2,080	6,486	139	2,380	6,325
Sacramento, CA	-	1,300	23,394	-	1,300	23,394
Salem, NH	21,263	980	32,721	317	980	33,038
Salt Lake City, UT	-	1,360	19,691	273	1,360	19,964
San Diego, CA	-	4,200	30,707	43	4,200	30,750
San Diego, CA	-	5,810	63,078	242	5,810	63,320
San Diego, CA	-	3,000	27,164	-	3,000	27,164
San Gabriel, CA	-	3,120	15,566	-	3,120	15,566
San Jose, CA	-	2,850	35,098	78	2,850	35,176
San Jose, CA	-	3,280	46,823	222	3,280	47,045
San Juan Capistrano, CA	-	1,390	6,942	192	1,390	7,134
Sandy Springs, GA	-	2,214	8,360	160	2,220	8,513
Santa Maria, CA	-	6,050	50,658	350	6,050	51,008
Santa Monica, CA	20,653	5,250	28,340	-	5,250	28,340
Saskatoon, SK	6,044	1,274	19,207	-	1,274	19,207
Saskatoon, SK	13,846	1,797	21,579	-	1,797	21,579
Schaumburg, IL	-	2,460	22,863	-	2,460	22,863
Scottsdale, AZ	-	2,500	3,890	934	2,500	4,824
Seal Beach, CA	-	6,204	72,954	-	6,204	72,954
Seatlle, WA	48,540	6,790	85,369	688	6,790	86,057

Sevenoaks, England	-	8,131	51,963	2,984	8,287	54,790
Shelburne, VT	20,203	720	31,041	328	720	31,369
Shelby Township, MI	17,059	1,040	26,344	-	1,040	26,344
Sidcup, England	-	9,773	56,163	17,547	9,961	73,522
Simi Valley, CA	-	3,200	16,664	-	3,200	16,664
Solihull, England	-	6,667	55,336	3,380	6,809	58,574
Solihull, England	-	4,767	34,466	-	4,767	34,466
Sonning, England	-	7,552	56,227	-	7,552	56,227
South Windsor, CT	-	3,000	29,295	626	3,000	29,921
Spokane, WA	-	3,200	25,064	-	3,200	25,064
Spokane, WA	-	2,580	25,342	-	2,580	25,342
Stittsville, ON	6,704	1,529	17,762	-	1,529	17,762
Stockport, England	-	5,868	33,028	-	5,868	33,028
Studio City, CA	-	4,006	25,307	-	4,006	25,307
Sugar Land, TX	5,623	960	31,423	1,079	960	32,501
Sun City West, AZ	12,687	1,250	21,778	60	1,250	21,838
Sunnyvale, CA	-	5,420	41,682	139	5,420	41,821
Surrey, BC	9,952	4,686	29,265	-	4,686	29,265
Surrey, BC	4,914	5,923	27,210	-	5,923	27,210
Suwanee, GA	-	1,560	11,538	169	1,560	11,707
Swift Current, SK	3,450	620	12,034	-	620	12,034
Tacoma, WA	18,960	2,400	35,053	92	2,400	35,145
The Woodlands, TX	2,551	480	12,379	124	480	12,503
Toledo, OH	16,055	2,040	47,129	668	2,043	47,795
Toronto, ON	2,190	1,340	7,087	-	1,340	7,087
Toronto, ON	11,732	3,257	26,348	-	3,257	26,348
Toronto, ON	25,307	4,033	39,031	-	4,033	39,031
Toronto, ON	1,764	1,767	2,730	-	1,767	2,730
Toronto, ON	2,861	1,851	3,785	-	1,851	3,785
Toronto, ON	44,601	6,523	70,824	-	6,523	70,824
Trumbull, CT	25,066	2,850	37,685	590	2,850	38,275
Tucson, AZ	4,777	830	6,179	995	830	7,174
Tulsa, OK	6,251	1,330	21,285	542	1,330	21,827
Tulsa, OK	8,169	1,500	20,861	750	1,500	21,611
Tustin, CA	6,924	840	15,299	73	840	15,372
Upper St Claire, PA	-	1,102	13,455	-	1,102	13,455
Vankleek Hill, ON	1,681	472	5,097	-	472	5,097
Victoria, BC	-	3,478	18,180	-	3,478	18,180
Victoria, BC	10,420	3,713	22,972	-	3,713	22,972
Victoria, BC	9,607	4,754	19,351	-	4,754	19,351
Virginia Water, England	-	7,106	29,937	9,507	7,243	39,307
Walnut Creek, CA	-	3,700	12,467	-	3,700	12,467
Warwick, RI	16,212	2,400	24,635	726	2,400	25,361
Washington, DC	33,263	4,000	69,154	-	4,000	69,154
Waterbury, CT	25,128	2,460	39,547	589	2,460	40,135

Wayland, MA	-	1,207	27,462	-	1,207	27,462
West Babylon, NY	-	3,960	47,085	-	3,960	47,085
West Bloomfield, MI	-	1,040	12,300	-	1,040	12,300
West Hills, CA	-	2,600	7,521	-	2,600	7,521
West Vancouver, BC	12,537	9,128	32,217	-	9,128	32,217
Westbourne, England	-	7,297	54,745	-	7,297	54,745
Weston, MA	-	1,160	6,200	-	1,160	6,200
Weybridge, England	-	10,574	63,972	-	10,574	63,972
White Oak, MD	-	2,304	24,768	-	2,304	24,768
Wilbraham, MA	11,348	660	17,639	292	660	17,930
Wilmington, DE	-	1,040	23,338	-	1,040	23,338
Winchester, England	-	7,887	37,873	2,283	8,047	39,996
Winnipeg, MB	18,550	2,519	49,216	-	2,519	49,216
Winnipeg, MB	10,834	1,653	27,401	-	1,653	27,401
Wolverhampton, England	-	3,945	11,350	-	3,945	11,350
Woodbridge, CT	-	1,370	14,219	563	1,370	14,782
Woodland Hills, CA	-	3,400	20,478	-	3,400	20,478
Worcester, MA	14,217	1,140	21,664	482	1,140	22,146
Yarmouth, ME	17,708	450	27,711	336	450	28,046
Yonkers, NY	-	3,962	50,107	-	3,962	50,107
Yorkton, SK	4,682	599	11,233	-	599	11,233
Seniors Housing Operating Total	$ 1,714,714	$ 738,098	$ 8,145,281	$ 249,360	$ 751,712	$ 8,381,027 $

Health Care REIT, Inc.

Schedule III

Real Estate and Accumulated Depreciation

December 31, 2013

(Dollars in thousands)

		Initial Cost to Company			Gross Amount at Which Carried at Close of Period					
Description	Encumbrances	Land	Building & Improvements	Cost Capitalized Subsequent to Acquisition	Land	Building & Improvements	Accumulated Depreciation	Year Acquired	Year Built	Address
Medical Facilities:										
Akron, OH	$ -	800	20,300	$ -	800	20,300	2,113	2009	2008	200 E. Market St.
Akron, OH	-	821	11,079	-	821	11,079	603	2012	2010	701 White Pond Drive
Allen, TX	12,082	724	24,511	-	726	24,509	2,302	2012	2006	1105 N Central Expressway
Alpharetta, GA	-	1,700	162	-	1,862	-	-	2011	0	940 North Point Parkway
Alpharetta, GA	-	233	13,205	1,041	773	13,706	2,035	2011	1993	3400-A Old Milton Parkway
Alpharetta, GA	-	498	32,729	3,501	1,769	34,960	4,991	2011	1999	3400-C Old Milton Parkway
Alpharetta, GA	-	417	14,406	254	476	14,602	1,868	2011	2003	11975 Morris Road
Alpharetta, GA	-	628	16,063	947	548	17,090	2,255	2011	2007	3300 Old Milton Parkway
Arcadia, CA	-	5,408	23,219	2,312	5,618	25,321	6,039	2006	1984	301 W. Huntington Drive
Atlanta, GA	-	4,931	18,720	3,295	5,301	21,647	6,364	2006	1991	755 Mt. Vernon Hwy.
Atlanta, GA	17,637	1,945	23,437	681	1,947	24,115	1,821	2012	1984	975 Johnson Ferry Road
Atlanta, GA	26,426	-	42,468	528	-	42,996	4,645	2012	2006	5670 Peachtree-Dunwoody Road
Bartlett, TN	8,060	187	15,015	1,408	187	16,423	4,061	2007	2004	2996 Kate Bond Rd.
Bellaire, TX	-	4,551	46,105	-	4,551	46,105	9,190	2006	2005	5410 W. Loop S.
Bellaire, TX	-	2,973	23,445	2,026	2,973	25,471	8,097	2006	2005	5420 W. Loop S.
Bellevue, NE	-	4,500	109,719	-	4,500	109,719	9,849	2008	2010	2500 Bellevue Medical Center Dr
Bellevue, NE	-	-	15,833	868	-	16,701	2,155	2010	2010	2510 Bellevue Medical Center Drive
Bellingham, MA	-	9,270	-	-	9,270	-	-	2007	0	Maple Street and High Street
Birmingham, AL	-	520	9,950	230	520	10,181	2,507	2006	1971	801 Princeton Avenue SW
Birmingham, AL	-	124	12,238	112	124	12,350	2,961	2006	1985	817 Princeton Avenue SW
Birmingham, AL	-	476	18,994	717	476	19,712	4,454	2006	1989	833 Princeton Avenue SW
Boardman, OH	-	1,200	12,800	-	1,200	12,800	2,154	2008	2008	8049 South Ave.
Boardman, OH	-	801	11,787	368	801	12,155	1,850	2010	2007	8423 Market St
Boca Raton, FL	-	109	34,002	2,249	214	36,146	8,723	2006	1995	9970 S. Central Park Blvd.
Boca Raton, FL	-	311	11,659	510	311	12,168	737	2012	1993	9960 S. Central Park Boulevard
Boerne, TX	-	503	13,317	1	503	13,318	1,658	2011	2007	134 Menger Springs Road
Bowling Green, KY	-	3,806	26,700	149	3,806	26,849	3,738	2008	1992	1300 Campbell Lane
Boynton Beach, FL	-	2,048	7,692	423	2,048	8,115	2,436	2006	1995	8188 Jog Rd.
Boynton Beach, FL	-	2,048	7,403	1,058	2,048	8,461	2,208	2006	1997	8200 Jog Road

Boynton Beach, FL	5,789 214 5,611	7,390 117 3,098	3,063	2007	1996	10075 Jog Rd.
Boynton Beach, FL	26,276 3,039,981	13,303 9,981	640	2013	1995	10301 Hagen Ranch Road
Bridgeton, MO	- 30,221	278 30,499	1,525	2011	2011	12380 DePaul Drive
Bridgeton, MO	11,025 450 21,221	21 450 21,242	3,171	2010	2006	12266 DePaul Dr
Burleson, TX	- 10,619	251 10,869	1,366	2011	2007	12001 South Freeway
Carmel, IN	2,280 8,820	338 2,280 9,158	3,049	2011	2005	12188-A North Meridian Street
Carmel, IN	2,152 8,591	2,837 2,026 1,554	4,826	2011	2007	12188-B North Meridian Street
Cedar Grove, WI	- 113 618	- 113 618	87	2010	1986	313 S. Main St.
Cincinnati, OH	- 16,317	- 16,317	61	2012	2013	3301 Mercy West Boulevard
Claremore, OK	8,006 132 2,829	302 132 3,131	3,400	2007	2005	1501 N. Florence Ave.
Clarkson Valley, MO	- 35,592	- 35,592	5,278	2009	2010	15945 Clayton Rd
Columbia, MD	2,258 8,861	483 2,29 19,311	982	2012	2002	10700 Charter Drive
Columbus, OH	- 415 6,764	279 415 7,043	698	2012	1994	750 Mt. Carmel Mall
Coral Springs, FL	1,598 0,627	1,255 1,636 1,844	3,633	2006	1992	1725 N. University Dr.
Dade City, FL	1,211 5,511	1,211 5,511	481	2011	1998	13413 US Hwy 301
Dallas, TX	14,595 137 8,690	1,761 137 0,451	7,508	2006	1995	9330 Poppy Dr.
Dallas, TX	28,450 462 3,963	157 462 4,120	3,951	2012	2004	7115 Greenville Avenue
Dayton, OH	- 730 6,515	362 730 6,878	934	2011	1988	1530 Needmore Road
Deerfield Beach, FL	2,408 7,482	328 2,408 7,809	1,331	2011	2001	1192 East Newport Center Drive
Delray Beach, FL	1,882 4,767	5,342 2,069 9,932	11,089	2006	1985	5130-5150 Linton Blvd.
Denton, TX	11,810 19,407	631 20,038	4,248	2007	2005	2900 North I-35
Durham, NC	1,212 2,858	1,212 2,858	-	2013	2012	1823 Hillandale Road
Edina, MN	- 310 5,132	- 310 5,132	1,964	2010	2003	8100 W 78th St
El Paso, TX	9,787 677 7,075	1,782 677 8,857	5,198	2006	1997	2400 Trawood Dr.
Everett, WA	4,842 6,010	4,842 6,010	2,818	2010	2011	13020 Meridian Ave. S.
Fayetteville, GA	- 959 7,540	767 986 8,280	2,181	2006	1999	1275 Hwy. 54 W.
Fenton, MO	12,166 27,055	- 27,055	-	2013	2009	1011 Bowles Avenue
Fenton, MO	5,911 13,432	- 13,432	-	2013	2009	1055 Bowles Avenue
Folsom, CA	- 33,600	- 33,600	281	2013	2009	330 Montrose Drive
Fort Wayne, IN	- 170 8,232	- 170 8,232	1,445	2006	2006	2626 Fairfield Ave.
Fort Wayne, IN	16,606 1,105 2,836	1,105 2,836	1,281	2012	2004	7916 Jefferson Boulevard
Fort Worth, TX	- 450 3,615	- 450 3,615	1,220	2010	2011	425 Alabama Ave.
Franklin, WI	5,176 6,872 7,550	6,872 7,550	1,109	2010	1984	9200 W. Loomis Rd.
Franklin, TN	2,338 2,138	1,955 2,338 4,093	3,281	2007	1988	100 Covey Drive
Fresno, CA	2,505 5,800	118 2,505 5,918	5,007	2008	1991	7173 North Sharon Avenue
Frisco, TX	- 130 6,445	- 130 6,445	743	2012	2010	2990 Legacy Drive
Frisco, TX	8,677 18,635	498 19,133	4,576	2007	2004	4401 Coit Road
Frisco, TX	- 15,309	1,717 17,026	4,454	2007	2004	4461 Coit Road
Gallatin, TN	- 20 9,432	891 20 0,323	3,777	2010	1997	300 Steam Plant Rd
Germantown, TN	3,049 2,456	737 3,049 3,193	3,182	2006	2002	1325 Wolf Park Drive
Glendale, CA	7,769 37 8,398	661 37 9,059	4,228	2007	2002	222 W. Eulalia St.
Grand Prairie, TX	- 981 6,086	- 981 6,086	581	2012	2009	2740 N State Hwy 360
Green Bay, WI	8,349 14,891	- 14,891	1,932	2010	2002	2253 W. Mason St.
Green Bay, WI	- 20,098	- 20,098	2,558	2010	2002	2845 Greenbrier Road
Green Bay, WI	- 11,696	- 11,696	2,068	2010	2002	2845 Greenbrier Road

Location	Encumbrances	Initial cost	Cost capitalized	Gross amount	Accumulated depreciation	Year acquired	Year built	Address
Greeneville, TN		- 97010,032	32	97010,064	1,436	2010	2005	438 East Vann Rd
Greenfield, WI		- 15,204	-	15,204	96	2013	1983	5017 South 110th Street
Greenwood, IN		8,31026,384		8,31026,384	1,590	2012	2010	1260 Innovation Parkway
Harker Heights, TX		1,9073,575		1,9073,575	119	2011	2012	E Central Texas Expressway
High Point, NC		2,5929,013		62,6029,068	1,302	2012	2010	4515 Premier Drive
Highland, IL		- 8,612	-	8,612	98	2012	2013	12860 Troxler Avenue
Houston, TX		10,395 -		10,403 -	1	2011	0	15655 Cypress Woods Medical Drive
Houston, TX		3,6883,302		13,6883,313	791	2012	2007	10701 Vintage Preserve Parkway
Houston, TX		12,81454,717		4712,81455,191	2,478	2012	1998	2727 W Holcombe Boulevard
Houston, TX	14,000	37881,018	-	37881,018	2,694	2012	1981	18100 St John Drive
Houston, TX		- 911,136	39	911,175	1,217	2012	1986	2060 Space Park Drive
Houston, TX		5,83372,986		105,83373,087	2,975	2012	2005	15655 Cypress Woods Medical Drive
Hudson, OH		2,47313,622		208,47313,830	837	2012	2006	5655 Hudson Drive
Jackson, MI	8,197	17,617	-	17,617	-	2013	2009	1201 E Michigan Avenue
Jupiter, FL	6,812	2,25221,415		3962,25221,811	3,010	2006	2001	550 Heritage Dr.
Jupiter, FL	4,232	2,82525,858		872,82525,945	1,768	2007	2004	600 Heritage Dr.
Katy, TX		1,0991,604		1,0991,604	171	2012	1986	21660 Kingsland Blvd
Kenosha, WI	9,222	18,058	-	18,058	2,293	2010	1993	10400 75th St.
Killeen, TX		- 76022,667	206	76022,874	2,967	2010	2010	2405 Clear Creek Rd
Lafayette, LA		1,92820,483		261,92820,509	2,842	2006	1993	204 Energy Parkway
Lake St Louis, MO		- 24011,937	1,978	24013,915	2,031	2010	2008	400 Medical Dr
Lakeway, TX		5,14218,574		5,14218,574	163	2007	2011	2000 Medical Dr
Lakeway, TX		2,801 -		2,801 -	-	2007	0	Lohmans Crossing Road
Lakewood, CA		- 14644,885	1,307	14646,192	3,637	2006	1993	5750 Downey Ave.
Lakewood, WA	7,431	7225,932	-	7225,932	622	2012	2005	11307 Bridgeport Way SW
Las Vegas, NV		6,127 -		6,127 -	-	2007	0	SW corner of Deer Springs Way and Rile
Las Vegas, NV		- 58013,420	-	58013,420	1,462	2011	2002	2500 North Tenaya Way
Las Vegas, NV		2,3194,612		1,0102,3195,622	1,455	2006	1991	2870 S. Maryland Pkwy.
Las Vegas, NV	2,889	4336,921	212	4337,133	1,867	2007	1997	1776 E. Warm Springs Rd.
Las Vegas , NV	5,665	745,287	700	745,987	4,053	2006	2000	1815 E. Lake Mead Blvd.
Lenexa, KS		- 54016,013	2,377	54018,390	2,285	2010	2008	23401 Prairie Star Pkwy
Lincoln, NE		1,42029,692		91,42029,701	5,173	2010	2003	575 South 70th St
Los Alamitos, CA	7,891	3918,635	816	3919,451	4,514	2007	2003	3771 Katella Ave.
Los Gatos, CA		- 48822,386	1,361	48823,747	6,456	2006	1993	555 Knowles Dr.
Loxahatchee, FL		1,6375,048		8411,6525,875	1,511	2006	1997	12977 Southern Blvd.
Loxahatchee, FL		1,3406,509		2211,3456,731	1,738	2006	1993	12989 Southern Blvd.
Loxahatchee, FL		1,5534,694		5961,5675,275	1,344	2006	1994	12983 Southern Blvd.
Marinette, WI	7,079	13,538	-	13,538	2,068	2010	2002	4061 Old Peshtigo Rd.
Marlton, NJ		- 38,300	1,500	39,800	5,385	2008	1994	92 Brick Road
Mechanicsburg, PA		1,3506,650		1,3506,650	1,064	2011	1971	4950 Wilson Lane
Merced, CA		- 13,772	927	14,699	2,108	2009	2010	315 Mercy Ave.
Meridian, ID		3,60020,802		2513,60021,053	5,974	2006	2008	2825 E. Blue Horizon Dr.
Merriam, KS		- 1767,189	605	1767,794	1,720	2011	1972	8800 West 75th Street
Merriam, KS		- 813,122	687	813,810	495	2011	1980	7301 Frontage Street
Merriam, KS		- 33612,972	202	33613,174	2,397	2011	1977	8901 West 74th Street

Merriam, KS	15,032	182	17,393	488	182	17,881	1,354	2011	1985	9119 West 74th Street
Merriam, KS	-	-	25,458	-	-	25,458	-	2013	2009	9301 West 74th Street
Merrillville, IN	-	700	1,699	154	700	1,853	1,808	2007	2008	9509 Georgia St.
Merrillville, IN	-	-	22,134	210	-	22,344	3,652	2008	2006	101 E. 87th Ave.
Mesa, AZ	-	1,558	9,561	400	1,558	9,961	2,926	2008	1989	6424 East Broadway Road
Mesquite, TX	-	496	6,834	-	496	6,834	196	2012	2012	1575 I-30
Milwaukee, WI	4,258	540	8,457	-	540	8,457	1,162	2010	1930	1218 W. Kilbourn Ave.
Milwaukee, WI	9,386	1,425	21,519	-	1,425	21,520	2,063	2010	1962	3301-3355 W. Forest Home Ave.
Milwaukee, WI	2,347	922	2,185	-	922	2,185	489	2010	1958	840 N. 12th St.
Milwaukee, WI	20,781	-	44,535	-	-	44,535	5,533	2010	1983	2801 W. Kinnickinnic Pkwy.
Moline, IL	-	-	8,690	-	-	8,690	19	2012	2013	3900 28th Avenue Drive
Monticello, MN	9,212	61	18,489	-	61	18,489	662	2012	2008	1001 Hart Boulevard
Moorestown, NJ	-	-	52,645	1,479	-	54,124	2,311	2011	2012	401 Young Avenue
Morrow, GA	-	818	8,064	234	845	8,270	2,436	2007	1990	6635 Lake Drive
Mount Juliet, TN	4,001	1,566	11,697	1,086	1,566	12,783	3,278	2007	2005	5002 Crossing Circle
Mount Pleasant, SC	-	-	17,200	-	-	17,200	144	2013	1985	1200 Hospital Drive
Mount Vernon, IL	-	-	25,163	906	-	26,069	1,141	2011	2012	4121 Veterans Memorial Dr
Murrieta, CA	-	8,800	102,412	-	8,800	102,412	13,453	2008	2010	28062 Baxter Road
Murrieta, CA	-	-	46,520	375	-	46,895	6,362	2010	2011	28078 Baxter Rd.
Muskego, WI	1,129	964	2,158	-	964	2,159	274	2010	1993	S74 W16775 Janesville Rd.
Nashville, TN	-	1,806	7,165	1,548	1,806	8,713	2,618	2006	1986	310 25th Ave. N.
New Berlin, WI	4,352	3,739	8,290	-	3,739	8,290	1,142	2010	1993	14555 W. National Ave.
Niagara Falls, NY	-	1,145	10,574	444	1,280	10,883	3,256	2007	1995	6932 - 6934 Williams Rd
Niagara Falls, NY	-	388	7,870	417	454	8,221	1,783	2007	2004	6930 Williams Rd
Oklahoma City, OK	-	-	19,119	-	-	19,119	-	2013	2008	535 NW 9th Street
Orange Village, OH	-	610	7,419	458	610	7,877	2,131	2007	1985	3755 Orange Place
Oro Valley, AZ	9,818	89	18,339	880	89	19,218	4,431	2007	2004	1521 E. Tangerine Rd.
Oshkosh, WI	-	-	18,339	-	-	18,339	2,311	2010	2000	855 North Wethaven Dr.
Oshkosh, WI	8,758	-	15,881	-	-	15,881	1,980	2010	2000	855 North Wethaven Dr.
Palm Springs, FL	2,607	739	4,066	467	739	4,532	1,260	2006	1993	1640 S. Congress Ave.
Palm Springs, FL	-	1,182	7,765	474	1,182	8,239	2,312	2006	1997	1630 S. Congress Ave.
Palmer, AK	18,957	217	29,705	854	217	30,559	6,625	2007	2006	2490 South Woodworth Loop
Pasadena, TX	-	1,700	7,991	-	1,700	7,991	101	2012	2013	5001 E Sam Houston Parkway S
Pearland, TX	-	1,500	1,484	-	1,500	1,484	48	2012	2013	2515 Business Center Drive
Pendleton, OR	-	-	10,533	-	-	10,533	23	2012	2013	3001 St. Anthony Drive
Pewaukee, WI	-	4,700	20,669	-	4,700	20,669	4,583	2007	2007	2400 Golf Rd.
Phoenix, AZ	27,199	1,149	48,018	11,156	1,149	59,174	13,907	2006	1998	2222 E. Highland Ave.
Pineville, NC	-	961	6,974	2,081	1,077	8,939	2,368	2006	1988	10512 Park Rd.
Plano, TX	-	5,423	20,752	398	5,423	21,150	7,070	2008	2007	6957 Plano Parkway
Plano, TX	53,948	793	82,703	-	793	82,703	7,072	2012	2005	6020 West Parker Road
Plantation, FL	9,218	4,563	10,666	2,517	4,575	13,171	4,477	2006	1997	851-865 SW 78th Ave.
Plantation, FL	8,559	2,848	19,262	338	2,907	19,535	5,130	2006	1996	600 Pine Island Rd.
Plymouth, WI	1,317	1,250	1,870	-	1,250	1,870	289	2010	1991	2636 Eastern Ave.
Portland, ME	15,418	655	25,500	421	655	25,921	2,592	2011	2008	195 Fore River Parkway
Redmond, WA	-	5,015	26,697	-	5,015	26,697	3,073	2010	2011	18000 NE Union Hill Rd.

Reno, NV		1,1127,972	931,1122,903	5,710	2006	1991	343 Elm St.
Richmond, VA		- 12,000	- 12,000	100	2013	1989	2220 Edward Holland Drive
Richmond, VA		2,8326,305	39,8326,343	1,429	2012	2008	7001 Forest Avenue
Rochdale, MA		- 7,100	- 7,100	59	2013	1994	111 Huntoon Memorial Highway
Rockwall, TX		- 1327,056	139 1327,195	1,541	2012	2008	3142 Horizon Road
Rogers, AR		1,0628,680	231,0628,911	2,950	2011	2008	2708 Rife Medical Lane
Rolla, MO		1,9317,640	1,9317,639	3,816	2011	2009	1605 Martin Spring Drive
Roswell, NM	1,674	1835,851	- 1835,851	601	2011	2004	601 West Country Club Road
Roswell, NM	4,756	8835,984	- 8835,984	1,360	2011	2006	350 West Country Club Road
Roswell, NM		- 7627,171	- 7627,171	1,166	2011	2009	300 West Country Club Road
Ruston, LA		- 7109,790	- 7109,790	679	2011	1988	1401 Ezelle St
Sacramento, CA		- 8662,756	1,274 8664,030	3,284	2006	1990	8120 Timberlake Way
San Antonio, TX		- 17,303	- 17,303	4,409	2007	2007	8902 Floyd Curl Dr.
San Antonio, TX		2,0506,251	2,8112,0509,062	6,304	2006	1999	540 & 19016 Stone Oak Pkwy.
San Antonio, TX	18,400	4,5129,905	326,5180,231	3,486	2012	1986	5282 Medical Drive
San Bernardino, CA		3,7004,300	683,7004,987	1,991	2008	1993	1760 W. 16th St.
San Diego, CA		- 22,003	1,845 23,848	3,087	2008	1992	555 Washington St.
Sarasota, FL		3,3609,140	3,3609,140	1,171	2011	2006	6150 Edgelake Drive
Sarasota, FL		- 626,348	701 627,048	2,385	2012	1990	1921 Waldemere Street
Seattle, WA		4,4165,787	2,056,4107,844	4,889	2010	2010	5350 Tallman Ave
Sewell, NJ		- 53,360	4,553 57,913	10,862	2007	2009	239 Hurffville-Cross Keys Road
Shakopee, MN	6,749	4201,360	11 4201,371	1,669	2010	1996	1515 St Francis Ave
Shakopee, MN	11,428	6408,089	- 6408,089	1,877	2010	2007	1601 St Francis Ave
Sheboygan, WI	1,819	1,012,216	1,012,216	346	2010	1958	1813 Ashland Ave.
Somerville, NJ		3,4022,244	2,4022,246	3,013	2008	2007	30 Rehill Avenue
Southlake, TX	11,680	5927,905	167 5928,072	1,537	2012	2004	1545 East Southlake Boulevard
Southlake, TX	18,293	6980,524	- 6980,524	2,089	2012	2004	1545 East Southlake Boulevard
Springfield, IL		- 10,100	- 10,100	84	2013	2010	701 North Walnut Street
St. Louis, MO	7,106	3367,247	941 3368,188	4,422	2007	2001	2325 Dougherty Rd.
St. Paul, MN	25,694	2,6819,507	2,6819,507	4,229	2011	2007	435 Phalen Boulevard
Stafford, VA		- 11,260	313 11,573	1,737	2008	2009	125 Hospital Center Blvd
Suffern, NY		- 6225,220	2,035 6227,255	3,263	2011	2007	255 Lafayette Avenue
Suffolk, VA		1,5300,979	551,5471,521	2,323	2010	2007	5838 Harbour View Blvd.
Sugar Land, TX	8,727	3,5135,527	33,5435,532	879	2012	2005	11555 University Boulevard
Summit, WI		2,8997,666	2,8997,666	15,631	2008	2009	36500 Aurora Dr.
Tacoma, WA		- 67,385	- 67,385	2,570	2011	2013	1608 South J Street
Tallahassee, FL		- 14,719	2,730 17,449	2,055	2010	2011	One Healing Place
Tampa, FL		4,312,234	4,312,234	914	2011	2003	14547 Bruce B Downs Blvd
Tampa, FL		1,2109,572	61,2129,633	1,625	2012	2006	3000 Medical Park Drive
Tampa, FL		2,2086,464	20,2086,484	933	2012	1985	3000 E. Fletcher Avenue
Temple, TX		2,9009,851	103,9009,954	371	2011	2012	2601 Thornton Lane
Tucson, AZ		1,3024,925	811,3025,736	1,644	2008	1995	2055 W. Hospital Dr.
Tulsa, OK		3,0036,025	20,0036,045	2,279	2006	1992	329 S. 79th E. Ave.
Van Nuys, CA		- 36,187	- 36,187	4,374	2009	1991	6815 Noble Ave.
Virginia Beach, VA		- 8278,289	609 8958,831	2,665	2011	2007	828 Health Way

Voorhees, NJ		6,4024,251	1,3867,47725,564	5,767	2006	1997	900 Centennial Blvd.
Voorhees, NJ		- 96,006	2,642 98,642	6,548	2010	2012	200 Bowman Drive
Wellington, FL	6,605	107,933	1,705 107,638	3,667	2006	2000	10115 Forest Hill Blvd.
Wellington , FL	5,925	388,697	220 388,917	3,096	2007	2003	1395 State Rd. 7
West Allis, WI	3,341	1,106,309	-1,106,309	617	2010	1961	11333 W. National Ave.
West Palm Beach, FL	6,353	628,740	121 628,861	3,890	2006	1993	5325 Greenwood Ave.
West Palm Beach, FL	5,860	610,618	387 610,005	4,365	2006	1991	927 45th St.
West Seneca, NY	11,698	922,435	1,870,642 23,580	5,783	2007	1990	550 Orchard Park Rd
Westerville, OH		2,125,403	56,125,459	352	2012	2001	444 N Cleveland Avenue
Zephyrhills, FL		3,8723,907	3,364,8727,270	2,205	2011	1974	38135 Market Square Dr
Medical facilities total:	700,424,696,337 $		134,624,456,878 $ 5,169				
Assets held for sale:							
Durham, NC	$	5,350,920 $	- $ - $ - $	-	2006	1980	2609 N. Duke Street
Goshen, IN		- 216,120	- 4,880	-	2005	2006	1332 Waterford Circle
Kalida, OH		- 488,173	- 7,123	-	2006	2007	755 Ottawa St.
McConnelsville, OH		- 197,060	- 6,499	-	2010	1946	4114 North SR 376 NW
Assets held for sale total	$	6,230,673 $	- $ 18,502	-			
Summary:							
Seniors housing triple-net	587,178,630,604	$	428,732,985,136,755				
Seniors housing operating	1,714,718,095,281		249,370,781,021,534				
Medical facilities	700,424,696,337		134,624,456,878,169				
Construction in progress	-	141,085	- 141,085	-			
Total continuing operating properties	**3,002,2,701,085,307**		**812,782,372,346,658**				
Assets held for sale	-	6,230,673	- -18,502	-			
Total investments in real property owned	**3,002,2,706,073,980**	$	**812,782,553,346,658**				

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

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

	Year Ended December 31,		
	2013	2012	2011
Reconciliation of real property:	(in thousands)		
Investment in real estate:			
Balance at beginning of year	$ 18,082,399	$ 14,844,319	$ 8,992,495
Additions:			
Acquisitions	3,597,955	2,923,251	4,525,737
Improvements	408,844	449,964	426,000
Assumed other items, net	772,972	108,404	210,411
Assumed debt	1,340,939	481,598	961,928
Total additions	6,154,628	3,969,299	6,124,076
Deductions:			
Cost of real estate sold	(498,564)	(581,696)	(250,047)
Reclassification of accumulated depreciation and amortization for assets held for sale	(3,730)	(120,236)	(10,011)
Impairment of assets	-	(29,287)	(12,194)
Total deductions	(502,294)	(731,219)	(272,252)
Foreign currency translation	33,918	6,082	-
Balance at end of year(3)	$ 23,734,733	$ 18,082,399	$ 14,844,319
Accumulated depreciation:			
Balance at beginning of year	$ 1,555,055	$ 1,194,476	$ 836,966
Additions:			
Depreciation and amortization expenses	873,960	533,585	423,605
Amortization of above market leases	7,831	7,204	6,409
Total additions	881,791	540,789	430,014
Deductions:			
Sale of properties	(49,625)	(59,974)	(63,997)
Reclassification of accumulated depreciation and amortization for assets held for sale	(3,730)	(120,236)	(8,507)
Total deductions	(53,355)	(180,210)	(72,504)
Foreign currency translation	3,167	-	-
Balance at end of year	$ 2,386,658	$ 1,555,055	$ 1,194,476

(3) The aggregate cost for tax purposes for real property equals $20,260,297,000, $14,788,080,000, and $13,604,448,000 at December 31, 2013, 2012 and 2011, respectively.

Health Care REIT, Inc.								
Schedule IV - Mortgage Loans on Real Estate								
December 31, 2013								
					(in thousands)			
Location	Segment	Interest Rate	Final Maturity Date	Monthly Payment Terms	Prior Liens	Face Amount of Mortgages	Carrying Amount of Mortgages	Principal Amount of Loans Subject to Delinquent Principal or Interest
First mortgages relating to 1 property located in:								
Texas	Medical office buildings	6.18%	12/31/17	$133,300	$ -	$ 25,936	$ 25,864	$ -
Massachusetts	Seniors housing triple-net	7.60%	12/31/16	$130,934	-	21,000	20,285	-
California	Hospital	10.39%	06/01/20	$205,064	-	25,050	18,546	-
California	Hospital	8.72%	12/01/17	$127,158	-	17,500	17,500	-
Texas	Medical office buildings	6.18%	12/31/17	$83,353	-	16,402	16,173	-
United Kingdom	Seniors housing triple-net	7.00%	04/19/18	$87,414	-	24,032	15,002	-
United Kingdom	Seniors housing triple-net	7.00%	11/21/18	$52,667	-	23,038	9,219	-
Georgia	Medical office buildings	6.50%	10/01/14	$38,556	-	6,100	5,940	-
United Kingdom	Seniors housing triple-net	7.54%	07/31/15	$21,227	-	3,315	3,315	-
Texas	Seniors housing triple-net	7.50%	10/31/18	$12,887	-	8,800	2,023	-
Texas	Seniors housing triple-net	7.50%	10/31/18	$11,639	-	8,800	1,827	-
Texas	Seniors housing triple-net	10.50%	03/01/14	$56,574	-	2,635	534	-
Arizona	Seniors housing triple-net	3.55%	01/01/14	$12,275	-	4,500	500	500
Georgia	Medical	8.11%	10/01/14	$1,676	-	800	243	-

	office buildings							
Second mortgages relating to 1 property located in:								
Connecticut	Seniors housing triple-net	8.11%	04/01/18	$31,909	6,536	5,300	4,616	-
Florida	Seniors housing triple-net	12.17%	07/01/18	$27,908	4,107	2,700	2,700	-
Florida	Seniors housing triple-net	12.17%	11/01/18	$27,685	1,324	2,700	2,700	-
Totals					$ 11,967	$ 198,608	$ 146,987	$ 500

	Year Ended December 31,		
	2013	2012	2011
Reconciliation of mortgage loans:	(in thousands)		
Balance at beginning of year	$ 87,955	$ 63,934	$ 109,283
Additions:			
New mortgage loans	68,530	40,641	11,286
Total additions	68,530	40,641	11,286
Deductions:			
Collections of principal	(8,790)	(11,819)	(50,579)
Conversions to real property	-	(3,300)	(4,000)
Charge-offs	(2,110)	(1,501)	-
Reclass to other real estate loans	-	-	(2,056)
Total deductions	(10,900)	(16,620)	(56,635)
Change in balance due to foreign currency translation	1,402	-	-
Balance at end of year	$ 146,987	$ 87,955	$ 63,934

EXHIBIT INDEX

1.1(a) Form of Equity Distribution Agreement, dated as of November 12, 2010, entered into by and between the Company and each of UBS Securities LLC, RBS Securities Inc., KeyBanc Capital Markets Inc. and Credit Agricole Securities (USA) Inc. (filed with the Commission as Exhibit 1.1 to the Company's Form 8-K filed November 15, 2010 (File No. 001-08923), and incorporated herein by reference thereto).

1.1(b) Form of Amendment No. 1, dated September 1, 2011, to the Equity Distribution Agreements entered into by and between the Company and each of UBS Securities LLC, RBS Securities Inc., KeyBanc Capital Markets Inc. and Credit Agricole Securities (USA) Inc. (filed with the Commission as Exhibit 1.1 to the Company's Form 8-K filed September 8, 2011 (File No. 001-08923), and incorporated herein by reference thereto).

2.1 Agreement and Plan of Merger, dated as of August 21, 2012, by and among Sunrise Senior Living, Inc., Brewer Holdco, Inc., Brewer Holdco Sub, Inc., the Company and Red Fox, Inc. (the exhibits and schedules to the Agreement and Plan of Merger have been omitted pursuant to Item 601(b)(2) of Regulation S-K) (filed with the Commission as Exhibit 2.1 to the Company's Form 8-K filed August 22, 2012 (File No. 001-08923), and incorporated herein by reference thereto).

3.1(a) Second Restated Certificate of Incorporation of the Company (filed with the Commission as Exhibit 3.1 to the Company's Form 10-K filed March 20, 2000 (File No. 001-08923), and incorporated herein by reference thereto).

3.1(b) Certificate of Designation, Preferences and Rights of Junior Participating Preferred Stock, Series A, of the Company (filed with the Commission as Exhibit 3.1 to the Company's Form 10-K filed March 20, 2000 (File No. 001-08923), and incorporated herein by reference thereto).

3.1(c) Certificate of Amendment of Second Restated Certificate of Incorporation of the Company (filed with the Commission as Exhibit 3.1 to the Company's Form 10-K filed March 20, 2000 (File No. 001-08923), and incorporated herein by reference thereto).

3.1(d) Certificate of Amendment of Second Restated Certificate of Incorporation of the Company (filed with the Commission as Exhibit 3.1 to the Company's Form 8-K filed June 13, 2003 (File No. 001-08923), and incorporated herein by reference thereto).

3.1(e) Certificate of Amendment of Second Restated Certificate of Incorporation of the Company (filed with the Commission as Exhibit 3.9 to the Company's Form 10-Q filed August 9, 2007 (File No. 001-08923), and incorporated herein by reference thereto).

3.1(f) Certificate of Change of Location of Registered Office and of Registered Agent of the Company (filed with the Commission as Exhibit 3.1 to the Company's Form 10-Q filed August 6, 2010 (File No. 001-08923), and incorporated herein by reference thereto).

3.1(g) Certificate of Designation of 6% Series H Cumulative Convertible and Redeemable Preferred Stock of the Company (filed with the Commission as Exhibit 3.1 to the Company's Form 10-Q filed May 10, 2011 (File No. 001-08923), and incorporated herein by reference thereto).

3.1(h) Certificate of Designation of 6.50% Series I Cumulative Convertible Perpetual Preferred Stock of the Company (filed with the Commission as Exhibit 3.1 to the Company's Form 8-K filed March 7, 2011 (File No. 001-08923), and incorporated herein by reference thereto).

3.1(i) Certificate of Amendment of Second Restated Certificate of Incorporation of the Company (filed with the Commission as Exhibit 3.1 to the Company's Form 8-K filed May 10, 2011 (File No. 001-08923), and incorporated herein by reference thereto).

3.1(j) Certificate of Designation of 6.50% Series J Cumulative Redeemable Preferred Stock of the Company (filed with the Commission as Exhibit 3.1 to the Company's Form 8-K filed March 8, 2012 (File No. 001-08923), and incorporated herein by reference thereto).

3.2 Fourth Amended and Restated By-Laws of the Company (filed with the Commission as Exhibit 3.1 to the Company's Form 8-K filed November 1, 2011 (File No. 001-08923), and incorporated herein by reference thereto).

4.1(a) Indenture for Senior Debt Securities, dated as of September 6, 2002, between the Company and Fifth Third Bank (filed with the Commission as Exhibit 4.1 to the Company's Form 8-K filed September 9, 2002 (File No. 001-08923), and incorporated herein by reference thereto).

4.1(b) Supplemental Indenture No. 1, dated as of September 6, 2002, to Indenture for Senior Debt Securities, dated as of September 6, 2002, between the Company and Fifth Third Bank (filed with the Commission as Exhibit 4.2 to the Company's Form 8-K filed September 9, 2002 (File No. 001-08923), and incorporated herein by reference thereto).

4.1(c) Amendment No. 1, dated March 12, 2003, to Supplemental Indenture No. 1, dated as of September 6, 2002, to Indenture for Senior Debt Securities, dated as of September 6, 2002, between the Company and Fifth Third Bank (filed with the Commission as Exhibit 4.1 to the Company's Form 8-K filed March 14, 2003 (File No. 001-08923), and incorporated herein by reference thereto).

4.1(d) Supplemental Indenture No. 2, dated as of September 10, 2003, to Indenture for Senior Debt Securities, dated as of September 6, 2002, between the Company and Fifth Third Bank (filed with the Commission as Exhibit 4.2 to the Company's Form 8-K filed September 24, 2003 (File No. 001-08923), and incorporated herein by reference thereto).

4.1(e) Amendment No. 1, dated September 16, 2003, to Supplemental Indenture No. 2, dated as of September 10, 2003, to Indenture for Senior Debt Securities, dated as of September 6, 2002, between the Company and Fifth Third Bank (filed with the Commission as Exhibit 4.4 to the Company's Form 8-K filed September 24, 2003 (File No. 001-08923), and incorporated herein by reference thereto).

4.1(f) Supplemental Indenture No. 3, dated as of October 29, 2003, to Indenture for Senior Debt Securities, dated as of September 6, 2002, between the Company and Fifth Third Bank (filed with the Commission as Exhibit 4.1 to the Company's Form 8-K filed October 30, 2003 (File No. 001-08923), and incorporated herein by reference thereto).

4.1(g) Amendment No. 1, dated September 13, 2004, to Supplemental Indenture No. 3, dated as of October 29, 2003, to Indenture for Senior Debt Securities, dated as of September 6, 2002, between the Company and The Bank of New York Trust Company, N.A., as successor to Fifth Third Bank (filed with the Commission as Exhibit 4.1 to the Company's Form 8-K filed September 13, 2004 (File No. 001-08923), and incorporated herein by reference thereto).

4.1(h) Supplemental Indenture No. 4, dated as of April 27, 2005, to Indenture for Senior Debt Securities, dated as of September 6, 2002, between the Company and The Bank of New York Trust Company, N.A. (filed with the Commission as Exhibit 4.1 to the Company's Form 8-K filed April 28, 2005 (File No. 001-08923), and incorporated herein by reference thereto).

4.1(i) Supplemental Indenture No. 5, dated as of November 30, 2005, to Indenture for Senior Debt Securities, dated as of September 6, 2002, between the Company and The Bank of New York Trust Company, N.A. (filed with the Commission as Exhibit 4.1 to the Company's Form 8-K filed November 30, 2005 (File No. 001-08923), and incorporated herein by reference thereto).

4.2(a) Indenture, dated as of November 20, 2006, between the Company and The Bank of New York Trust Company, N.A. (filed with the Commission as Exhibit 4.1 to the Company's Form 8-K filed November 20, 2006 (File No. 001-08923), and incorporated herein by reference thereto).

4.2(b) Supplemental Indenture No. 1, dated as of November 20, 2006, between the Company and The Bank of New York Trust Company, N.A. (filed with the Commission as Exhibit 4.2 to the Company's Form 8-K filed November 20, 2006 (File No. 001-08923), and incorporated herein by reference thereto).

4.2(c) Supplemental Indenture No. 2, dated as of July 20, 2007, between the Company and The Bank of New York Trust Company, N.A. (filed with the Commission as Exhibit 4.1 to the Company's Form 8-K filed July 20, 2007 (File No. 001-08923), and incorporated herein by reference thereto).

4.3(a) Indenture, dated as of March 15, 2010, between the Company and The Bank of New York Mellon Trust Company, N.A. (filed with the Commission as Exhibit 4.1 to the Company's Form 8-K filed March 15, 2010 (File No. 001-08923), and incorporated herein by reference thereto).

4.3(b) Supplemental Indenture No. 1, dated as of March 15, 2010, between the Company and The Bank of New York Mellon Trust Company, N.A. (filed with the Commission as Exhibit 4.2 to the Company's Form 8-K filed March 15, 2010 (File No. 001-08923), and incorporated herein by reference thereto).

4.3(c) Amendment No. 1 to Supplemental Indenture No. 1, dated as of June 18, 2010, between the Company and The Bank of New York Mellon Trust Company, N.A. (filed with the Commission as Exhibit 4.3 to the Company's Form 8-K filed June 18, 2010 (File No. 001-08923), and incorporated herein by reference thereto).

4.3(d) Supplemental Indenture No. 2, dated as of April 7, 2010, between the Company and The Bank of New York Mellon Trust Company, N.A. (filed with the Commission as Exhibit 4.2 to the Company's Form 8-K filed April 7, 2010 (File No. 001-08923), and incorporated herein by reference thereto).

4.3(e) Amendment No. 1 to Supplemental Indenture No. 2, dated as of June 8, 2010, between the Company and The Bank of New York Mellon Trust Company, N.A. (filed with the Commission as Exhibit 4.3 to the Company's Form 8-K filed June 8, 2010 (File No. 001-08923), and incorporated herein by reference thereto).

4.3(f) Supplemental Indenture No. 3, dated as of September 10, 2010, between the Company and The Bank of New York Mellon Trust Company, N.A. (filed with the Commission as Exhibit 4.2 to the Company's Form 8-K filed September 13, 2010 (File No. 001-08923), and incorporated herein by reference thereto).

4.3(g) Supplemental Indenture No. 4, dated as of November 16, 2010, between the Company and The Bank of New York Mellon Trust Company, N.A. (filed with the Commission as Exhibit 4.2 to the Company's Form 8-K filed November 16, 2010 (File No. 001-08923), and incorporated herein by reference thereto).

4.3(h) Supplemental Indenture No. 5, dated as of March 14, 2011, between the Company and The Bank of New York Mellon Trust Company, N.A. (filed with the Commission as Exhibit 4.2 to the Company's Form 8-K filed March 14, 2011 (File No. 001-08923), and incorporated herein by reference thereto).

4.3(i) Supplemental Indenture No. 6, dated as of April 3, 2012, between the Company and The Bank of New York Mellon Trust Company, N.A. (filed with the Commission as Exhibit 4.2 to the Company's Form 8-K filed April 4, 2012 (File No. 001-08923), and incorporated herein by reference thereto).

4.3(j) Supplemental Indenture No. 7, dated as of December 6, 2012, between the Company and The Bank of New York Mellon Trust Company, N.A. (filed with the Commission as Exhibit 4.2 to the Company's Form 8-K filed December 11, 2012 (File No. 001-08923), and incorporated herein by reference thereto).

4.3(k) Supplemental Indenture No. 8, dated as of October 7, 2013, between the Company and The Bank of New York Mellon Trust Company, N.A. (filed with the Commission as Exhibit 4.2 to the Company's Form 8-K filed October 9, 2013 (File No. 001-08923), and incorporated herein by reference thereto).

4.3(l) Supplemental Indenture No. 9, dated as of November 20, 2013, between the Company and The Bank of New York Mellon Trust Company, N.A. (filed with the Commission as Exhibit 4.2 to the Company's Form 8-K filed November 20, 2013 (File No. 001-08923), and incorporated herein by reference thereto).

4.4 Form of Indenture for Senior Subordinated Debt Securities (filed with the Commission as Exhibit 4.9 to the Company's Form S-3 (File No. 333-73936) filed November 21, 2001, and incorporated herein by reference thereto).

4.5 Form of Indenture for Junior Subordinated Debt Securities (filed with the Commission as Exhibit 4.10 to the Company's Form S-3 (File No. 333-73936) filed November 21, 2001, and incorporated herein by reference thereto).

10.1 Credit Agreement dated as of January 7, 2013, by and among the Company, the lenders listed therein, KeyBank National Association, as administrative agent, LC issuer and a swingline lender, Bank of America, N.A. and JPMorgan Chase Bank, N.A., as co-syndication agents, Deutsche Bank Securities, Inc., as documentation agent, Merrill Lynch, Pierce, Fenner & Smith Incorporated, J.P. Morgan Securities LLC, KeyBanc Capital Markets Inc. and Deutsche Bank Securities Inc., as joint lead arrangers, and Merrill Lynch, Pierce, Fenner & Smith Incorporated and J.P. Morgan Securities LLC, as joint book managers (filed with the Commission as Exhibit 10.1 to the Company's Form 8-K filed January 11, 2013 (File No. 001-08923), and incorporated herein by reference thereto).

10.2 Term Loan Agreement, dated as of May 24, 2012, by and among the Company, the banks signatory thereto, KeyBank National Association, as administrative agent, JPMorgan Chase Bank, N.A., Bank of America, N.A. and Royal Bank of Canada, as co-syndication agents, Citibank, N.A., Compass Bank, Fifth Third Bank, PNC Bank, National Association, The Bank of New York Mellon and Wells Fargo Bank, National Association, as co-documentation agents, and J.P. Morgan Securities LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated and RBC Capital Markets, as joint lead arrangers and joint bookrunners (filed with the Commission as Exhibit 10.1 to the Company's Form 8-K filed May 30, 2012 (File No. No. 001-08923), and incorporated herein by reference thereto).

10.3 Equity Purchase Agreement, dated as of February 28, 2011, by and among the Company, FC-GEN Investment, LLC and FC-GEN Operations Investment, LLC (filed with the Commission as Exhibit 10.1 to the Company's Form 8-K filed February 28, 2011 (File No. 001-08923), and incorporated herein by reference thereto).

10.4(a) The 1995 Stock Incentive Plan of Health Care REIT, Inc. (filed with the Commission as Appendix II to the Company's Proxy Statement for the 1995 Annual Meeting of Stockholders, filed September 29, 1995 (File No. 001-08923), and incorporated herein by reference thereto).*

10.4(b) First Amendment to the 1995 Stock Incentive Plan of Health Care REIT, Inc. (filed with the Commission as Exhibit 4.2 to the Company's Form S-8 (File No. 333-40771) filed November 21, 1997, and incorporated herein by reference thereto).*

10.4(c) Second Amendment to the 1995 Stock Incentive Plan of Health Care REIT, Inc. (filed with the Commission as Exhibit 4.3 to the Company's Form S-8 (File No. 333-73916) filed November 21, 2001, and incorporated herein by reference thereto).*

10.4(d) Third Amendment to the 1995 Stock Incentive Plan of Health Care REIT, Inc. (filed with the Commission as Exhibit 10.15 to the Company's Form 10-K filed March 12, 2004 (File No. 001-08923), and incorporated herein by reference thereto).*

10.4(e) Form of Stock Option Agreement for Executive Officers under the 1995 Stock Incentive Plan (filed with the Commission as Exhibit 10.17 to the Company's Form 10-K filed March 16, 2005 (File No. 001-08923), and incorporated herein by reference thereto).*

10.5(a) Amended and Restated Health Care REIT, Inc. 2005 Long-Term Incentive Plan (filed with the Commission as Appendix A to the Company's Proxy Statement for the 2009 Annual Meeting of Stockholders, filed March 25, 2009 (File No. 001-08923), and incorporated herein by reference thereto).*

10.5(b) Form of Stock Option Agreement (with Dividend Equivalent Rights) for the Chief Executive Officer under the 2005 Long-Term Incentive Plan (filed with the Commission as Exhibit 10.18 to the Company's Form 10-K filed March 10, 2006 (File No. 001-08923), and incorporated herein by reference thereto).*

10.5(c) Form of Amendment to Stock Option Agreements (with Dividend Equivalent Rights) for the Chief Executive Officer under the 2005 Long-Term Incentive Plan (filed with the Commission as Exhibit 10.6 to the Company's Form 8-K filed January 5, 2009 (File No. 001-08923), and incorporated herein by reference thereto).*

10.5(d) Form of Stock Option Agreement (with Dividend Equivalent Rights) for the Chief Executive Officer under the 2005 Long-Term Incentive Plan (filed with the Commission as Exhibit 10.8 to the Company's Form 8-K filed January 5, 2009 (File No. 001-08923), and incorporated herein by reference thereto).*

10.5(e) Form of Stock Option Agreement (with Dividend Equivalent Rights) for Executive Officers under the 2005 Long-Term Incentive Plan (filed with the Commission as Exhibit 10.19 to the Company's Form 10-K filed March 10, 2006 (File No. 001-08923), and incorporated herein by reference thereto).*

10.5(f) Form of Amendment to Stock Option Agreements (with Dividend Equivalent Rights) for Executive Officers under the 2005 Long-Term Incentive Plan (filed with the Commission as Exhibit 10.7 to the Company's Form 8-K filed January 5, 2009 (File No. 001-08923), and incorporated herein by reference thereto).*

10.5(g) Form of Stock Option Agreement (with Dividend Equivalent Rights) for Executive Officers under the 2005 Long-Term Incentive Plan (filed with the Commission as Exhibit 10.9 to the Company's Form 8-K filed January 5, 2009 (File No. 001-08923), and incorporated herein by reference thereto).*

10.5(h) Form of Stock Option Agreement (without Dividend Equivalent Rights) for the Chief Executive Officer under the 2005 Long-Term Incentive Plan (filed with the Commission as Exhibit 10.20 to the Company's Form 10-K filed March 10, 2006 (File No. 001-08923), and incorporated herein by reference thereto).*

10.5(i) Form of Stock Option Agreement (without Dividend Equivalent Rights) for the Chief Executive Officer under the Amended and Restated 2005 Long-Term Incentive Plan (filed with the Commission as Exhibit 10.1 to the Company's Form 10-Q filed May 10, 2010 (File No. 001-08923), and incorporated herein by reference thereto).*

10.5(j) Form of Stock Option Agreement (without Dividend Equivalent Rights) for Executive Officers under the 2005 Long-Term Incentive Plan (filed with the Commission as Exhibit 10.21 to the Company's Form 10-K filed March 10, 2006 (File No. 001-08923), and incorporated herein by reference thereto).*

10.5(k) Form of Stock Option Agreement (without Dividend Equivalent Rights) for Executive Officers under the Amended and Restated 2005 Long-Term Incentive Plan (filed with the Commission as Exhibit 10.2 to the Company's Form 10-Q filed May 10, 2010 (File No. 001-08923), and incorporated herein by reference thereto).*

10.5(l) Form of Restricted Stock Agreement for the Chief Executive Officer under the 2005 Long-Term Incentive Plan (filed with the Commission as Exhibit 10.22 to the Company's Form 10-K filed March 10, 2006 (File No. 001-08923), and incorporated herein by reference thereto).*

10.5(m) Form of Restricted Stock Agreement for Executive Officers under the 2005 Long-Term Incentive Plan (filed with the Commission as Exhibit 10.23 to the Company's Form 10-K filed March 10, 2006 (File No. 001-08923), and incorporated herein by reference thereto).*

10.5(n) Form of Restricted Stock Agreement for the Chief Executive Officer under the Amended and Restated 2005 Long-Term Incentive Plan (filed with the Commission as Exhibit 10.3 to the Company's Form 10-Q filed May 10, 2010 (File No. 001-08923), and incorporated herein by reference thereto).*

10.5(o) Form of Restricted Stock Agreement for Executive Officers under the Amended and Restated 2005 Long-Term Incentive Plan (filed with the Commission as Exhibit 10.4 to the Company's Form 10-Q filed May 10, 2010 (File No. 001-08923), and incorporated herein by reference thereto).*

10.5(p) Form of Deferred Stock Unit Grant Agreement for Non-Employee Directors under the 2005 Long-Term Incentive Plan (filed with the Commission as Exhibit 10.24 to the Company's Form 10-K filed March 10, 2006 (File No. 001-08923), and incorporated herein by reference thereto).*

10.5(q) Form of Amendment to Deferred Stock Unit Grant Agreements for Non-Employee Directors under the 2005 Long-Term Incentive Plan (filed with the Commission as Exhibit 10.10 to the Company's Form 8-K filed January 5, 2009 (File No. 001-08923), and incorporated herein by reference thereto).*

10.5(r) Form of Deferred Stock Unit Grant Agreement for Non-Employee Directors under the 2005 Long-Term Incentive Plan (filed with the Commission as Exhibit 10.11 to the Company's Form 8-K filed January 5, 2009 (File No. 001-08923), and incorporated herein by reference thereto).*

10.5(s) Form of Deferred Stock Unit Grant Agreement for Non-Employee Directors under the Amended and Restated 2005 Long-Term Incentive Plan (filed with the Commission as Exhibit 10.5 to the Company's Form 10-Q filed May 10, 2010 (File No. 001-08923), and incorporated herein by reference thereto).*

10.6(a) Fifth Amended and Restated Employment Agreement, dated December 2, 2010, by and between the Company and George L. Chapman (filed with the Commission as Exhibit 10.1 to the Company's Form 8-K filed December 8, 2010 (File No. 001-08923), and incorporated herein by reference thereto).*

10.6(b) Letter Agreement, dated February 4, 2013, by and between the Company and George L. Chapman (filed with the Commission as Exhibit 10.8(b) to the Company's Form 10-K filed February 26, 2013 (File No. 001-08923), and incorporated herein by reference thereto).*

10.6(c) Sixth Amended and Restated Employment Agreement, dated July 16, 2013, by and between the Company and George L. Chapman (filed with the Commission as Exhibit 10.1 to the Company's Form 8-K filed July 17, 2013 (File No. 001-08923), and incorporated herein by reference thereto).*

10.7 Second Amended and Restated Employment Agreement, dated December 29, 2008, between the Company and Scott A. Estes (filed with the Commission as Exhibit 10.4 to the Company's Form 8-K filed January 5, 2009 (File No. 001-08923), and incorporated herein by reference thereto).*

10.8 Second Amended and Restated Employment Agreement, dated December 29, 2008, between the Company and Charles J. Herman, Jr. (filed with the Commission as Exhibit 10.3 to the Company's Form 8-K filed January 5, 2009 (File No. 001-08923), and incorporated herein by reference thereto).*

10.9 Amended and Restated Employment Agreement, dated December 29, 2008, between the Company and Jeffrey H. Miller (filed with the Commission as Exhibit 10.8 to the Company's Form 10-K filed March 2, 2009 (File No. 001-08923), and incorporated herein by reference thereto).*

10.10 Employment Agreement, dated March 11, 2013, by and between the Company and Scott M. Brinker (filed with the Commission as Exhibit 10.3 to the Company's Form 10-Q filed May 7, 2013 (File No. 001-08923), and incorporated herein by reference thereto).*

10.11 Third Amended and Restated Employment Agreement, dated December 29, 2008, between the Company and Erin C. Ibele (filed with the Commission as Exhibit 10.11 to the Company's Form 10-K filed March 2, 2009 (File No. 001-08923), and incorporated herein by reference thereto).*

10.12 Amended and Restated Health Care REIT, Inc. Supplemental Executive Retirement Plan, dated December 29, 2008 (filed with the Commission as Exhibit 10.12 to the Company's Form 8-K filed January 5, 2009 (File No. 001-08923), and incorporated herein by reference thereto).*

10.13 Form of Indemnification Agreement between the Company and each director, executive officer and officer of the Company (filed with the Commission as Exhibit 10.1 to the Company's Form 8-K filed February 18, 2005 (File No. 001-08923), and incorporated herein by reference thereto).*

10.14 Summary of Director Compensation.*

10.15 Health Care REIT, Inc. 2013-2015 Long-Term Incentive Program (filed with the Commission as Exhibit 10.1 to the Company's Form 10-Q filed August 6, 2013 (File No. 001-08923), and incorporated herein by reference

thereto).*

12 Statement Regarding Computation of Ratio of Earnings to Fixed Charges and Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends (Unaudited).

21 Subsidiaries of the Company.

23 Consent of Ernst & Young LLP, independent registered public accounting firm.

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24 Powers of Attorney.

31.1 Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer.

31.2 Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer.

32.1 Certification pursuant to 18 U.S.C. Section 1350 by Chief Executive Officer.

32.2 Certification pursuant to 18 U.S.C. Section 1350 by Chief Financial Officer.

101.INS XBRL Instance Document**

101.SCH XBRL Taxonomy Extension Schema Document**

101.CAL XBRL Taxonomy Extension Calculation Linkbase Document**

101.LAB XBRL Taxonomy Extension Label Linkbase Document**

101.PRE XBRL Taxonomy Extension Presentation Linkbase Document**

101.DEF XBRL Taxonomy Extension Definition Linkbase Document**

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* Management Contract or Compensatory Plan or Arrangement.

** Attached as Exhibit 101 to this Annual Report on Form 10-K are the following materials, formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Balance Sheets at December 31, 2013 and 2012, (ii) the Consolidated Statements of Comprehensive Income for the years ended December 31, 2013, 2012 and 2011, (iii) the Consolidated Statements of Equity for the years ended December 31, 2013, 2012 and 2011, (iv) the Consolidated Statements of Cash Flows for the years ended December 31, 2013, 2012 and 2011, (v) the Notes to Consolidated Financial Statements, (vi) Schedule III – Real Estate and Accumulated Depreciation and (vii) Schedule IV – Mortgage Loans on Real Estate.