

HEALTH CARE REIT INC /DE/  
Form 10-Q  
May 08, 2015

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**

**WASHINGTON, D.C. 20549**

**FORM 10-Q**

(Mark One)

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

**For the quarterly period ended March 31, 2015**

**or**

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

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

**Commission file number: 1-8923**

**HEALTH CARE REIT, INC.**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of  
incorporation or organization)

**4500 Dorr Street, Toledo, Ohio**

(Address of principal executive offices)  
**(419) 247-2800**

(Registrant's telephone number, including area code)

**34-1096634**

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

**43615**

(Zip Code)

**Not Applicable**

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

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

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

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

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

(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  No

As of May 1, 2015, the registrant had 350,626,627 shares of common stock outstanding.

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## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements

## CONSOLIDATED BALANCE SHEETS

## HEALTH CARE REIT, INC. AND SUBSIDIARIES

(In thousands)

	March 31, 2015 (Unaudited)	December 31, 2014 (Note)
Assets:		
Real estate investments:		
Real property owned:		
Land and land improvements	\$ 2,160,886	\$ 2,046,541
Buildings and improvements	23,192,154	21,799,313
Acquired lease intangibles	1,187,094	1,135,936
Real property held for sale, net of accumulated depreciation	234,829	323,818
Construction in progress	211,941	186,327
Gross real property owned	26,986,904	25,491,935
Less accumulated depreciation and amortization	(3,186,424)	(3,020,908)
Net real property owned	23,800,480	22,471,027
Real estate loans receivable	745,267	380,169
Net real estate investments	24,545,747	22,851,196
Other assets:		
Investments in unconsolidated entities	715,468	744,151
Goodwill	68,321	68,321
Deferred loan expenses	63,378	69,282
Cash and cash equivalents	202,273	473,726
Restricted cash	85,177	79,697
Straight-line rent receivable	307,050	279,806
Receivables and other assets	641,981	448,117
Total other assets	2,083,648	2,163,100
Total assets	\$ 26,629,395	\$ 25,014,296
Liabilities and equity		
Liabilities:		
Borrowings under primary unsecured credit facility	\$ 410,000	-
Senior unsecured notes	7,518,196	7,766,251
Secured debt	3,010,971	2,977,713
Capital lease obligations	75,622	84,049
Accrued expenses and other liabilities	604,149	626,825
Total liabilities	11,618,938	11,454,838
Redeemable noncontrolling interests	92,508	86,409
Equity:		

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Preferred stock	1,006,250	1,006,250
Common stock	350,434	328,835
Capital in excess of par value	16,218,794	14,740,712
Treasury stock	(41,373)	(35,241)
Cumulative net income	3,049,173	2,842,022
Cumulative dividends	(5,924,844)	(5,635,923)
Accumulated other comprehensive income (loss)	(107,496)	(77,009)
Other equity	4,449	5,507
Total Health Care REIT, Inc. stockholders' equity	14,555,387	13,175,153
Noncontrolling interests	362,562	297,896
Total equity	14,917,949	13,473,049
Total liabilities and equity	\$ 26,629,395	\$ 25,014,296

NOTE: The consolidated balance sheet at December 31, 2014 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by U.S. generally accepted accounting principles for complete financial statements.

See notes to unaudited consolidated financial statements

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

(In thousands, except per share data)

	Three Months Ended March 31,	
	2015	2014
Revenues:		
Rental income	\$ 379,587	\$ 336,455
Resident fees and services	492,510	456,265
Interest income	16,994	8,594
Other income	5,086	493
Total revenues	894,177	801,807
Expenses:		
Interest expense	121,080	120,833
Property operating expenses	376,461	341,431
Depreciation and amortization	188,829	233,318
General and administrative	35,138	32,865
Transaction costs	48,554	952
Loss (gain) on derivatives, net	(58,427)	-
Loss (gain) on extinguishment of debt, net	15,401	(148)
Impairment of assets	2,220	-
Total expenses	729,256	729,251
Income (loss) from continuing operations before income taxes and income from unconsolidated entities	164,921	72,556
Income tax (expense) benefit	304	(2,260)
Income (loss) from unconsolidated entities	(12,648)	(5,556)
Income (loss) from continuing operations	152,577	64,740
Income (loss) from discontinued operations, net	-	460
Gain (loss) on real estate dispositions, net	56,845	-
Net income	209,422	65,200
Less: Preferred stock dividends	16,352	16,353
Less: Net income (loss) attributable to noncontrolling interests <sup>(1)</sup>	2,271	(1,175)
Net income (loss) attributable to common stockholders	\$ 190,799	\$ 50,022
Average number of common shares outstanding:		
Basic	336,754	289,606
Diluted	337,812	290,917
Earnings per share:		
Basic:		
Income (loss) from continuing operations attributable to common stockholders, including real estate dispositions	\$ 0.57	\$ 0.17
Net income (loss) attributable to common stockholders*	\$ 0.57	\$ 0.17
Diluted:		

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Income (loss) from continuing operations attributable to common stockholders, including real estate dispositions	\$	0.56	\$	0.17
Net income (loss) attributable to common stockholders*	\$	0.56	\$	0.17
Dividends declared and paid per common share	\$	0.825	\$	0.795

\* Amounts may not sum due to rounding

(1) Includes amounts attributable to redeemable noncontrolling interests.

See notes to unaudited consolidated financial statements

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

(In thousands)

	Three Months Ended March 31,	
	2015	2014
Net income	\$ 209,422	\$ 65,200
Other comprehensive income (loss):		
Unrecognized gain (loss) on available for sale securities	(11,687)	549
Unrealized gains (losses) on cash flow hedges	(2,159)	440
Foreign currency translation gain (loss)	(29,197)	(9,889)
Total other comprehensive income (loss)	(43,043)	(8,900)
Total comprehensive income (loss)	166,379	56,300
Less: Total comprehensive income (loss) attributable to noncontrolling interests <sup>(1)</sup>	(10,285)	(9,187)
Total comprehensive income (loss) attributable to common stockholders	\$ 176,664	\$ 65,487

(1) Includes amounts attributable to redeemable noncontrolling interests.

See notes to unaudited consolidated financial statements



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

(In thousands)

Three Months Ended March 31, 2015										
Preferred Stock	Common Stock	Capital in Excess of Par Value	Treasury Stock	Cumulative Net Income	Cumulative Dividends	Accumulated Other Comprehensive Income		Noncontrolling Equity	Interests	Total
						(Loss)				
\$1,006,250	\$328,835	\$14,740,712	\$(35,241)	\$2,842,022	\$(5,635,923)	\$(77,009)	\$5,507	\$297,896	\$13,473,049	
Balances at beginning of period										
Comprehensive income:										
Net income (loss)										
				207,151					1,925	209,076
Other comprehensive income										
						(30,487)		(12,556)		(43,043)
Total comprehensive income										
										166,033
Net change in noncontrolling interests										
		(4,540)						75,297		70,757
Amounts related to issuance of common stock from dividend reinvestment and stock incentive plans, net of										
	1,001	73,642	(6,132)				(1,275)			67,236

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forfeitures										
Proceeds from issuance of common stock	19,550	1,404,385								1,423,935
Equity component of convertible debt	1,048	4,595								5,643
Option compensation expense							217			217
Cash dividends paid:										
Common stock cash dividends					(272,569)					(272,569)
Preferred stock cash dividends					(16,352)					(16,352)
Balances at end of period	\$1,006,250	\$350,434	\$16,218,794	\$(41,373)	\$3,049,173	\$(5,924,844)	\$(107,496)	\$4,449	\$362,562	\$14,917,949

Three Months Ended March 31, 2014

	Preferred Stock	Common Stock	Capital in Excess of Par Value	Treasury Stock	Cumulative Net Income	Cumulative Dividends	Accumulated Other Comprehensive Income (Loss)	Other Equity	Noncontrolling Interests	Total
Balances at beginning of period	\$1,017,361	\$289,461	\$12,418,520	\$(21,263)	\$2,329,869	\$(4,600,854)	\$(24,531)	\$6,020	\$341,748	\$11,756,331
Comprehensive income:										
Net income (loss)					66,375				(982)	65,393
Other comprehensive income							(888)		(8,012)	(8,900)

Total comprehensive income										56,493
Net change in noncontrolling interests		(2,713)						(4,383)		(7,096)
Amounts related to issuance of common stock from dividend reinvestment and stock incentive plans, net of forfeitures	1,397	67,725	(5,191)					(12)		63,919
Conversion of preferred stock (11,111)	233	10,878								-
Option compensation expense								233		233
Cash dividends paid:										
Common stock cash dividends								(230,801)		(230,801)
Preferred stock cash dividends								(16,353)		(16,353)
Balances at end of period	\$1,006,250	\$291,091	\$12,494,410	\$(26,454)	\$2,396,244	\$(4,848,008)	\$(25,419)	\$6,241	\$328,371	\$11,622,726

See notes to unaudited consolidated financial statements



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

(In thousands)

	Three Months Ended March 31,	
	2015	2014
Operating activities:		
Net income	\$ 209,422	\$ 65,200
Adjustments to reconcile net income to net cash provided from (used in) operating activities:		
Depreciation and amortization	188,829	233,318
Other amortization expenses	1,320	1,672
Impairment of assets	2,220	-
Stock-based compensation expense	9,054	7,667
Loss (gain) on derivatives, net	(58,427)	-
Loss (gain) on extinguishment of debt, net	15,401	(148)
Loss (income) from unconsolidated entities	12,648	5,556
Rental income in excess of cash received	(27,244)	(15,323)
Amortization related to above (below) market leases, net	113	266
Loss (gain) on sales of properties, net	(56,845)	-
Distributions by unconsolidated entities	172	4,560
Increase (decrease) in accrued expenses and other liabilities	(47,489)	(25,532)
Decrease (increase) in receivables and other assets	(22,992)	(18,575)
Net cash provided from (used in) operating activities	226,182	258,661
Investing activities:		
Cash disbursed for acquisitions	(1,500,994)	(55,041)
Cash disbursed for capital improvements to existing properties	(29,828)	(27,406)
Cash disbursed for construction in progress	(59,552)	(52,717)
Capitalized interest	(2,387)	(1,605)
Investment in real estate loans receivable	(384,695)	(29,709)
Other investments, net of payments	(102,126)	1,787
Principal collected on real estate loans receivable	16,501	10,646
Contributions to unconsolidated entities	(83,964)	(214,832)
Distributions by unconsolidated entities	89,195	12,462
Proceeds from (payments on) derivatives	72,477	-
Decrease (increase) in restricted cash	(1,660)	5,024
Proceeds from sales of real property	177,265	-
Net cash provided from (used in) investing activities	(1,809,768)	(351,391)
Financing activities:		
Net increase (decrease) under unsecured credit facilities	410,000	432,000

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Payments to extinguish senior unsecured notes	(154,654)	(1)
Net proceeds from the issuance of secured debt	82,724	10,690
Payments on secured debt	(208,057)	(129,539)
Net proceeds from the issuance of common stock	1,489,547	63,755
Decrease (increase) in deferred loan expenses	(4,485)	(2,284)
Contributions by noncontrolling interests <sup>(1)</sup>	2,514	778
Distributions to noncontrolling interests <sup>(1)</sup>	(7,417)	(7,386)
Acquisitions of noncontrolling interests	-	(1,175)
Cash distributions to stockholders	(288,921)	(247,154)
Other financing activities	(8,428)	(87)
Net cash provided from (used in) financing activities	1,312,823	119,597
Effect of foreign currency translation on cash and cash equivalents	(690)	281
Increase (decrease) in cash and cash equivalents	(271,453)	27,148
Cash and cash equivalents at beginning of period	473,726	158,780
Cash and cash equivalents at end of period	\$ 202,273	\$ 185,928
Supplemental cash flow information:		
Interest paid	\$ 134,737	\$ 126,302
Income taxes paid	2,942	10,064

(1) Includes amounts attributable to redeemable noncontrolling interests.

See notes to unaudited consolidated financial statements

**HEALTH CARE REIT, INC.**

**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

**1. Business**

Health Care REIT, Inc., an S&P 500 company with headquarters in Toledo, Ohio, is an equity real estate investment trust (“REIT”) that invests in seniors housing and health care real estate. Our full service platform offers property management and development services to our customers. As of March 31, 2015, our diversified portfolio consisted of 1,384 properties in 46 states, the United Kingdom, and Canada. Founded in 1970, we were the first real estate investment trust to invest exclusively in health care facilities.

**2. Accounting Policies and Related Matters**

*Basis of Presentation*

The accompanying unaudited consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”) for interim financial information and with instructions to Quarterly Report on Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three months ended March 31, 2015 are not necessarily an indication of the results that may be expected for the year ending December 31, 2015. For further information, refer to the financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2014.

*New Accounting Standards*

In May 2014, the Financial Accounting Standards Board (“FASB”) issued ASU No. 2014-09, “Revenue from Contracts with Customers (Topic 606)” (“ASU 2014-09”). The standard is a comprehensive new revenue recognition model that requires revenue to be recognized in a manner to depict the transfer of goods or services to a customer at an amount that reflects the consideration expected to be received in exchange for those goods or services. ASU 2014-09 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2016, and early adoption is not permitted. In April 2015, the FASB proposed deferring the effective date by one year to December 15, 2017 for annual reporting periods beginning after that date, but early adoption is permitted. We are currently evaluating the impact that the standard will have on our consolidated financial statements and have not yet determined the method by which we will adopt the standard.

In February 2015, the FASB issued ASU No. 2015-02, “Consolidation (Topic 810): Amendments to the Consolidation Analysis” (“ASU 2015-02”), which makes certain changes to both the variable interest model and the voting model, including changes to (1) the identification of variable interests (fees paid to a decision maker or service provider), (2) the variable interest entity characteristics for a limited partnership or similar entity and (3) the primary beneficiary determination. ASU 2015-02 is effective beginning January 1, 2016. We are continuing to evaluate this guidance; however, we do not expect its adoption to have a significant impact on our consolidated financial

statements.

In April 2015, the FASB issued ASU No. 2015-03, “Simplifying the Presentation of Debt Issuance Costs” (“ASU 2015-03”), which requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability. The recognition and measurement guidance for debt issuance costs are not affected. Upon adoption, we will apply the new guidance on a retrospective basis and adjust the balance sheet of each individual period presented to reflect the period-specific effects of applying the new guidance. The guidance is effective beginning January 1, 2016. We are continuing to evaluate this guidance; however, we do not expect its adoption to have a significant impact on our 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.



## HEALTH CARE REIT, INC.

## NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

*Triple-net Activity*

(In thousands)	Three Months Ended	
	March 31, 2015 <sup>(1)</sup>	March 31, 2014
Land and land improvements	\$ 70,002	\$ 2,750
Buildings and improvements	537,014	30,693
Acquired lease intangibles	799	-
Receivables and other assets	7	-
Total assets acquired	607,822	33,443
Accrued expenses and other liabilities	(732)	-
Total liabilities assumed	(732)	-
Non-cash acquisition related activity	(357)	(657)
Cash disbursed for acquisitions	606,733	32,786
Construction in progress additions	45,360	24,657
Less: Capitalized interest	(1,756)	(1,170)
Foreign currency translation	(642)	(14)
Cash disbursed for construction in progress	42,962	23,473
Capital improvements to existing properties	11,557	5,877
Total cash invested in real property, net of cash acquired	\$ 661,252	\$ 62,136

(1) Includes acquisitions with an aggregate purchase price of \$571,586,000 for which the allocation of the purchase price consideration is preliminary and subject to change.

*Seniors Housing Operating Activity*

Acquisitions of seniors housing operating properties are structured under RIDEA, which is described in Note 18. This structure results in the inclusion of all resident revenues and related property operating expenses from the operation of these qualified health care properties in our Consolidated Statements of Comprehensive Income. Certain of our subsidiaries' functional currencies are the local currencies of their respective countries. See Note 2 to the financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2014 for information regarding our foreign currency policies.

(In thousands)	Three Months Ended	
	March 31, 2015 <sup>(1)</sup>	March 31, 2014
Land and land improvements	\$ 86,184	\$ 2,100
Building and improvements	1,016,426	19,069
Acquired lease intangibles	62,838	1,331
Restricted cash	3,820	-
Receivables and other assets	23,014	-
Total assets acquired <sup>(2)</sup>	1,192,282	22,500
Secured debt	(208,960)	-
Accrued expenses and other liabilities	(16,164)	(245)

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Total liabilities assumed	(225,124)	(245)
Noncontrolling interests	(83,194)	-
Cash disbursed for acquisitions	883,964	22,255
Construction in progress additions	4,193	1,026
Less: Capitalized interest	(394)	(50)
Foreign currency translation	(1,472)	-
Cash disbursed for construction in progress	2,327	976
Capital improvements to existing properties	11,632	13,998
Total cash invested in real property, net of cash acquired	\$ 897,923	\$ 37,229

(1) Includes acquisitions with an aggregate purchase price of \$885,642,000 for which the allocation of the purchase price consideration is preliminary and subject to change.

(2) Excludes \$1,677,000 and \$245,000 of cash acquired during the three months ended March 31, 2015 and 2014, respectively.

## HEALTH CARE REIT, INC.

## NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

*Outpatient Medical Activity*

(In thousands)	Three Months Ended	
	March 31, 2015 <sup>(1)</sup>	March 31, 2014
Buildings and improvements	\$ 9,786	\$ -
Acquired lease intangibles	511	-
Total assets acquired	10,297	-
Cash disbursed for acquisitions	10,297	-
Construction in progress additions	16,421	38,237
Less: Capitalized interest	(237)	(385)
Accruals <sup>(2)</sup>	(1,921)	(9,584)
Cash disbursed for construction in progress	14,263	28,268
Capital improvements to existing properties	6,639	7,531
Total cash invested in real property	\$ 31,199	\$ 35,799

(1) Includes acquisitions with an aggregate purchase price of \$10,297,000 for which the allocation of the purchase price consideration is preliminary and subject to change.

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

*Construction Activity*

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

	Three Months Ended	
	March 31, 2015	March 31, 2014
Development projects:		
Triple-net	\$ -	\$ 8,481
Outpatient medical	16,592	42,799
Total development projects	16,592	51,280
Expansion projects	19,541	9,209
Total construction in progress conversions	\$ 36,133	\$ 60,489

## HEALTH CARE REIT, INC.

## NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

## 4. Real Estate Intangibles

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

	March 31, 2015	December 31, 2014
Assets:		
In place lease intangibles	\$ 1,037,697	\$ 988,290
Above market tenant leases	66,162	65,684
Below market ground leases	62,426	62,426
Lease commissions	20,809	19,536
Gross historical cost	1,187,094	1,135,936
Accumulated amortization	(789,546)	(776,501)
Net book value	\$ 397,548	\$ 359,435
Weighted-average amortization period in years	16.2	17.7
Liabilities:		
Below market tenant leases	\$ 91,365	\$ 91,168
Above market ground leases	7,859	7,859
Gross historical cost	99,224	99,027
Accumulated amortization	(42,853)	(40,891)
Net book value	\$ 56,371	\$ 58,136
Weighted-average amortization period in years	14.4	14.4

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

	2015	Three Months Ended March 31,	2014
Rental income related to above/below market tenant leases, net	\$ 206	\$	(45)
Property operating expenses related to above/below market ground leases, net	(319)		(311)
Depreciation and amortization related to in place lease intangibles and lease commissions	(24,324)		(79,393)

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

		Assets		Liabilities
2015	\$	72,406	\$	\$3,323
2016		60,019		8,176
2017		37,369		8,594
2018		26,596		8,500
2019		23,289		6,819
Thereafter		177,869		20,959
Total	\$	397,548	\$	56,371

## HEALTH CARE REIT, INC.

## NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

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

We periodically sell properties for various reasons, including favorable market conditions or the exercise of tenant purchase options. Of our total sales proceeds, \$19,493,000 was deposited in an Internal Revenue Code Section 1031 exchange escrow account with a qualified intermediary. The following is a summary of our real property disposition activity for the periods presented (in thousands):

	Three Months Ended	
	March 31, 2015	March 31, 2014
Real property dispositions:		
Triple-net	\$ 110,998	\$ -
Outpatient medical	9,422	-
Total dispositions	120,420	-
Gain (loss) on sales of real property, net	56,845	-
Proceeds from real property sales	\$ 177,265	\$ -

*Dispositions and Assets Held for Sale*

Pursuant to our adoption of ASU No. 2014-08, "Presentation of Financial Statements (Topic 205) and Property, Plant and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity" ("ASU 2014-08"), operating results attributable to properties sold subsequent to or classified as held for sale after January 1, 2014 and which do not meet the definition of discontinued operations are no longer reclassified on our Consolidated Statements of Comprehensive Income. The following represents the activity related to these properties for the periods presented (in thousands):

	Three Months Ended	
	2015	March 31, 2014
Revenues:		
Rental income	\$ 4,517	\$ 28,243
Expenses:		
Interest expense	1,303	7,644
Property operating expenses	14	673
Provision for depreciation	133	8,236
Total expenses	1,450	16,553
Income (loss) from real estate dispositions, net	\$ 3,067	\$ 11,690

*Discontinued Operations*

We have reclassified the income and expenses attributable to all properties sold prior to or held for sale at January 1, 2014 to discontinued operations in accordance with ASU 2014-08. The following illustrates the reclassification impact as reported in our Consolidated Statements of Comprehensive Income as a result of classifying these properties as discontinued operations for the periods presented (in thousands):

		Three Months Ended March 31,	
		2015	2014
Revenues:			
	Rental income	\$ -	\$ 583
Expenses:			
	Interest expense	-	123
	Total expenses	-	123
	Income (loss) from discontinued operations, net	\$ -	\$ 460

## HEALTH CARE REIT, INC.

## NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

**6. Real Estate Loans Receivable**

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

	Three Months Ended					
	March 31, 2015			March 31, 2014		
	Triple-net	Outpatient Medical	Totals	Triple-net	Outpatient Medical	Totals
Advances on real estate loans receivable:						
Investments in new loans	\$ 368,080	\$ -	\$ 368,080	\$ 1,203	\$ -	\$ 1,203
Draws on existing loans	14,330	2,285	16,615	23,077	5,429	28,506
Net cash advances on real estate loans	382,410	2,285	384,695	24,280	5,429	29,709
Receipts on real estate loans receivable:						
Loan payoffs	8,568	-	8,568	500	-	500
Principal payments on loans	7,933	-	7,933	10,127	19	10,146
Net cash receipts on real estate loans	16,501	-	16,501	10,627	19	10,646
Net cash advances (receipts) on real estate loans	365,909	2,285	368,194	13,653	5,410	19,063
Change in balance due to foreign currency translation	(3,096)	-	(3,096)	192	-	192
Net change in real estate loans receivable	\$ 362,813	\$ 2,285	\$ 365,098	\$ 13,845	\$ 5,410	\$ 19,255

We recorded no provision for loan losses during the three months ended March 31, 2015. At March 31, 2015, we had real estate loans with outstanding balances of \$21,000,000 on non-accrual status with an allowance for loan losses of \$0.

**7. Investments in Unconsolidated Entities**

We participate in a number of joint ventures, which generally invest in seniors housing and health care real estate. The results of operations for these properties have been included in our consolidated results of operations from



the date of acquisition by the joint ventures and are reflected in our Consolidated Statements of Comprehensive Income as income or loss from unconsolidated entities. The following is a summary of our investments in unconsolidated entities (dollars in thousands):

	Percentage Ownership <sup>(1)</sup>	March 31, 2015	December 31, 2014
Triple-net	10% to 49%	\$ 31,276	\$ 31,511
Seniors housing operating	10% to 50%	509,743	539,147
Outpatient medical	36% to 49%	174,449	173,493
Total		\$ 715,468	\$ 744,151

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

At March 31, 2015, the aggregate unamortized basis difference of our joint venture investments of \$169,696,000 is primarily attributable to appreciation of the underlying properties and transaction costs. This difference will be amortized over the remaining useful life of the related properties and included in the reported amount of income from unconsolidated entities.

## 8. Credit Concentration

We use net operating income from continuing operations (“NOI”) as our credit concentration metric. See Note 17 for additional information and reconciliation. The following table summarizes certain information about our credit concentration as of March 31, 2015, excluding our share of NOI in unconsolidated entities (dollars in thousands):

## HEALTH CARE REIT, INC.

## NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Concentration by relationship: <sup>(1)</sup>	Number of Properties		Total NOI	Percent of NOI <sup>(2)</sup>
Genesis Healthcare	180	\$	87,277	17%
Sunrise Senior Living <sup>(3)</sup>	143		71,268	14%
Brookdale Senior Living	146		42,092	8%
Benchmark Senior Living	49		21,726	4%
Revera <sup>(3)</sup>	71		19,121	4%
Remaining portfolio	727		276,232	53%
Totals	1,316	\$	517,716	100%

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

(2) NOI with our top five relationships comprised 49% of total NOI for the year ending December 31, 2014.

(3) Revera owns a controlling interest in Sunrise.

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

At March 31, 2015, we had a primary unsecured credit facility with a consortium of 28 banks that includes a \$2,500,000,000 unsecured revolving credit facility, a \$500,000,000 unsecured term credit facility and a \$250,000,000 Canadian-denominated unsecured term credit facility. We have an option, through an accordion feature, to upsize the unsecured revolving credit facility and the \$500,000,000 unsecured term credit facility by up to an additional \$1,000,000,000 and the \$250,000,000 Canadian-denominated unsecured term credit facility by up to an additional \$250,000,000. The primary unsecured credit facility also allows us to borrow up to \$500,000,000 in alternate currencies (none outstanding at March 31, 2015). Borrowings under the unsecured revolving credit facility are subject to interest payable at the applicable margin over LIBOR interest rate (1.103% at March 31, 2015). The applicable margin is based on certain of our debt ratings and was 0.925% at March 31, 2015. In addition, we pay a facility fee quarterly to each bank based on the bank's commitment amount. The facility fee depends on certain of our debt ratings and was 0.15% at March 31, 2015. The primary unsecured credit facility is scheduled to expire October 31, 2018 and can be extended for an additional year at our option.

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

	Three Months Ended March 31,	
	2015	2014
Balance outstanding at quarter end <sup>(1)</sup>	\$ 410,000	\$ 562,000

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Maximum amount outstanding at any month end	\$	430,000	\$	562,000
Average amount outstanding (total of daily principal balances divided by days in period)	\$	408,944	\$	286,889
Weighted average interest rate (actual interest expense divided by average borrowings outstanding)		1.21%		1.34%

(1) As of March 31, 2015, letters of credit in the aggregate amount of \$65,335,000 have been issued, which reduces the borrowing capacity on the unsecured revolving credit facility.

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

We may repurchase, redeem or refinance convertible and non-convertible senior unsecured notes from time to time, taking advantage of favorable market conditions when available. We may purchase senior notes for cash through open market purchases, privately negotiated transactions, a tender offer or, in some cases, through the early redemption of such securities pursuant to their terms. The non-convertible senior unsecured notes are redeemable at our option, at any time in whole or from time to time in part, at a redemption price equal to the sum of (1) the principal amount of the notes (or portion of such notes) being redeemed plus accrued and unpaid interest thereon up to the redemption date and (2) any “make-whole” amount due under the terms of the notes in connection with early redemptions. Redemptions and repurchases of debt, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. At March 31, 2015, the annual principal payments due on these debt

## HEALTH CARE REIT, INC.

## NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

obligations were as follows (in thousands):

	Senior Unsecured Notes <sup>(1,2)</sup>	Secured Debt <sup>(1,3)</sup>	Totals
2015	\$ -	\$ 332,035	\$ 332,035
2016	700,000	493,223	1,193,223
2017	450,000	379,397	829,397
2018	450,000	444,394	894,394
2019 <sup>(4,5)</sup>	1,297,150	371,800	1,668,950
Thereafter <sup>(6,7)</sup>	4,670,771	951,809	5,622,580
Totals	\$ 7,567,921	\$ 2,972,658	\$ 10,540,579

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

(2) Annual interest rates range from 1.1% to 6.5%.

(3) Annual interest rates range from 1.0% to 7.9%. Carrying value of the properties securing the debt totaled \$5,349,988,000 at March 31, 2015.

(4) On July 25, 2014, we refinanced the funding on a \$250,000,000 Canadian-denominated unsecured term credit facility (approximately \$197,150,000 based on the Canadian/U.S. Dollar exchange rate on March 31, 2015). The loan matures on October 31, 2018 (with an option to extend for an additional year at our discretion) and bears interest at the Canadian Dealer Offered Rate plus 97.5 basis points (2.0% at March 31, 2015).

(5) On July 25, 2014, we refinanced the funding on a \$500,000,000 unsecured term credit facility. The loan matures on October 31, 2018 (with an option to extend for one additional year at our discretion) and bears interest at LIBOR plus 97.5 basis points (1.15% at March 31, 2015).

(6) On November 20, 2013, we completed the sale of £550,000,000 (approximately \$816,860,000 based on the Sterling/U.S. Dollar exchange rate in effect on March 31, 2015) of 4.8% senior unsecured notes due 2028.

(7) On November 25, 2014, we completed the sale of £500,000,000 (approximately \$742,600,000 based on the Sterling/U.S. Dollar exchange rate in effect on March 31, 2015) of 4.5% senior unsecured notes due 2034.

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

	Three Months Ended			
	March 31, 2015		March 31, 2014	
	Amount	Weighted Avg. Interest Rate	Amount	Weighted Avg. Interest Rate
Beginning balance	\$ 7,817,154	4.385%	\$ 7,421,707	4.400%
Debt redeemed	(154,654)	3.000%	(1)	3.000%
Foreign currency	(94,579)	4.333%	(3,332)	3.486%
Ending balance	\$ 7,567,921	4.352%	\$ 7,418,374	4.400%

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

	Three Months Ended			
	March 31, 2015		March 31, 2014	
	Amount	Weighted Avg. Interest Rate	Amount	Weighted Avg. Interest Rate
Beginning balance	\$ 2,941,765	4.94%	\$ 3,010,711	5.10%
Debt issued	82,724	2.34%	10,690	3.54%
Debt assumed	205,897	3.98%	-	0.00%
Debt extinguished	(192,427)	4.02%	(114,084)	5.73%
Principal payments	(15,630)	5.01%	(15,455)	5.12%
Foreign currency	(49,672)	3.96%	(15,905)	3.86%
Ending balance	\$ 2,972,657	4.88%	\$ 2,875,957	5.08%

Our debt agreements contain various covenants, restrictions and events of default. Certain agreements require us to maintain certain financial ratios and minimum net worth and impose certain limits on our ability to incur indebtedness, create liens and make investments or acquisitions. As of March 31, 2015, we were in compliance with all of the covenants under our debt agreements.

## HEALTH CARE REIT, INC.

## NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

**11. Derivative Instruments**

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

*Interest Rate Swap Contracts and Foreign Currency Forward Contracts Designated as Cash Flow Hedges*

For instruments that are designated and qualify as a cash flow hedge, the effective portion of the gain or loss on the derivative is reported as a component of other comprehensive income ("OCI"), and reclassified into earnings in the same period, or periods, during which the hedged transaction affects earnings. Gains and losses on the derivative representing either hedge ineffectiveness or hedge components excluded from the assessment of effectiveness are recognized in earnings. Approximately \$5,363,000 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. During the three months ended March 31, 2015, we settled certain net investment hedges generating cash proceeds of \$72,477,000. The balance of the cumulative translation adjustment will be reclassified to earnings when the hedged investment is sold or substantially liquidated.

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

	March 31, 2015		December 31, 2014	
Derivatives designated as net investment hedges:				
Denominated in Canadian Dollars	\$	1,175,000	\$	900,000
Denominated in Pounds Sterling	£	350,000	£	350,000
Financial instruments designated as net investment hedges:				
Denominated in Canadian Dollars	\$	250,000	\$	250,000
Denominated in Pounds Sterling	£	1,050,000	£	1,050,000
Derivatives designated as cash flow hedges				
Denominated in U.S. Dollars	\$	57,000	\$	57,000

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Denominated in Canadian Dollars	\$	55,000	\$	58,000
Denominated in Pounds Sterling	£	42,000	£	40,000
Derivative instruments not designated:				
Denominated in Canadian Dollars	\$	3,000	\$	12,000

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

## HEALTH CARE REIT, INC.

## NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

			Three Months Ended March 31,		
	Location		2015		2014
Gain (loss) on interest rate swap recognized in OCI (effective portion)	OCI	\$	-	\$	(3)
Gain (loss) on interest rate swaps reclassified from AOCI into income (effective portion)	Interest expense		(466)		(443)
Gain (loss) on forward exchange contracts recognized in income	Interest expense		2,747		-
Loss (gain) on option exercise <sup>(1)</sup>	Loss (gain) on derivatives, net		(58,427)		-
Gain (loss) on foreign exchange contracts and term loans designated as net investment hedge recognized in OCI	OCI		184,051		18,489

(1) In April 2011, we completed the acquisition of substantially all of the real estate assets of privately-owned Genesis Healthcare Corporation. In conjunction with this transaction, we received the option to acquire an ownership interest in Genesis Healthcare. In February 2015, Genesis Healthcare closed on a transaction to merge with Skilled Healthcare Group to become a publicly traded company which required us to record the value of the derivative asset due to the net settlement feature.

## 12. Commitments and Contingencies

At March 31, 2015, we had seven outstanding letter of credit obligations totaling \$77,057,000 and expiring between 2015 and 2018. At March 31, 2015, we had outstanding construction in progress of \$211,941,000 and were committed to providing additional funds of approximately \$355,231,000 to complete construction. Purchase obligations include contingent purchase obligations totaling \$59,856,000. These contingent purchase obligations relate to unfunded capital improvement obligations and contingent obligations on acquisitions. Rents due from the tenant are increased to reflect the additional investment in the property.

We evaluate our leases for operating versus capital lease treatment in accordance with Accounting Standards Codification (“ASC”) Topic 840 “Leases.” A lease is classified as a capital lease if it provides for transfer of ownership of the leased asset at the end of the lease term, contains a bargain purchase option, has a lease term greater than 75% of the economic life of the leased asset, or if the net present value of the future minimum lease payments are in excess of 90% of the fair value of the leased asset. Certain leases contain bargain purchase options and have been classified as capital leases. At March 31, 2015, we had operating lease obligations of \$948,535,000 relating to certain ground



leases and company office space and capital lease obligations of \$102,117,000 relating primarily to certain investment properties. Regarding ground leases, we have sublease agreements with certain of our operators that require the operators to reimburse us for our monthly operating lease obligations. At March 31, 2015, aggregate future minimum rentals to be received under these noncancelable subleases totaled \$28,834,000.

## HEALTH CARE REIT, INC.

## NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

## 13. Stockholders' Equity

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

	March 31, 2015	December 31, 2014
<b>Preferred Stock:</b>		
Authorized shares	50,000,000	50,000,000
Issued shares	25,875,000	25,875,000
Outstanding shares	25,875,000	25,875,000
<b>Common Stock, \$1.00 par value:</b>		
Authorized shares	700,000,000	700,000,000
Issued shares	351,237,849	329,487,615
Outstanding shares	350,471,798	328,790,066

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

	Three Months Ended			
	March 31, 2015		March 31, 2014	
	Shares	Weighted Avg. Dividend Rate	Shares	Weighted Avg. Dividend Rate
Beginning balance	25,875,000	6.500%	26,108,236	6.496%
Shares converted	-	0.000%	(233,236)	6.000%
Ending balance	25,875,000	6.500%	25,875,000	6.500%

*Common Stock.* The following is a summary of our common stock issuances during the three months ended March 31, 2015 and 2014 (dollars in thousands, except per share amounts):

	Shares Issued	Average Price	Gross Proceeds	Net Proceeds
2014 Dividend reinvestment plan issuances	1,143,397	\$ 55.71	\$ 63,703	\$ 63,703
2014 Option exercises	1,155	45.02	52	52
2014 Senior note conversions	1	-	-	-
2014 Preferred stock conversions	233,236	-	-	-
2014 Totals	1,377,789		\$ 63,755	\$ 63,755
February 2015 public issuance	19,550,000	\$ 75.50	\$ 1,476,025	\$ 1,423,935
2015 Dividend reinvestment plan issuances	766,488	76.38	58,547	58,547
2015 Option exercises	149,788	47.17	7,065	7,065

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2015 Stock incentive plans, net of forfeitures	166,815		-	-
2015 Senior note conversions	1,048,641		-	-
2015 Totals	21,681,732	\$	1,541,637	\$ 1,489,547

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

## HEALTH CARE REIT, INC.

## NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

	Three Months Ended			
	March 31, 2015		March 31, 2014	
	Per Share	Amount	Per Share	Amount
Common Stock	\$ 0.8250	\$ 272,569	\$ 0.7950	\$ 230,801
Series H Preferred Stock	-	-	0.0079	1
Series I Preferred Stock	0.8125	11,680	0.8125	11,680
Series J Preferred Stock	0.4064	4,672	0.4064	4,672
Totals		\$ 288,921		\$ 247,154

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

	Unrecognized gains (losses) related to:					Total
	Foreign Currency Translation	Available for Sale Securities	Actuarial Losses	Cash Flow Hedges		
Balance at December 31, 2014	\$ (74,770)	\$ -	\$ (1,589)	\$ (650)	\$ (77,009)	
Other comprehensive income before reclassification adjustments	(16,641)	(11,687)	-	(2,625)	(30,953)	
Reclassification amount to net income	-	-	-	466 <sup>(1)</sup>	466	
Net current-period other comprehensive income	(16,641)	(11,687)	-	(2,159)	(30,487)	
Balance at March 31, 2015	\$ (91,411)	\$ (11,687)	\$ (1,589)	\$ (2,809)	\$ (107,496)	
Balance at December 31, 2013	\$ (17,631)	\$ (389)	\$ (1,452)	\$ (5,059)	\$ (24,531)	
Other comprehensive income before reclassification adjustments	(1,877)	549	-	(3)	(1,331)	
Reclassification amount to net income	-	-	-	443 <sup>(1)</sup>	443	
Net current-period other comprehensive income	(1,877)	549	-	440	(888)	
Balance at March 31, 2014	\$ (19,508)	\$ 160	\$ (1,452)	\$ (4,619)	\$ (25,419)	

(1) Please see note 11 for additional information.

#### 14. Stock Incentive Plans

Our Amended and Restated 2005 Long-Term Incentive Plan (“2005 Plan”) authorizes up to 6,200,000 shares of common stock to be issued at the discretion of the Compensation Committee of the Board of Directors. The 2005 Plan replaced the 1995 Stock Incentive Plan (“1995 Plan”) and the Stock Plan for Non-Employee Directors. The options granted to officers and key employees under the 1995 Plan vested through 2010 and expire ten years from the date of

grant. Our non-employee directors, officers and key employees are eligible to participate in the 2005 Plan. The 2005 Plan allows for the issuance of, among other things, stock options, restricted stock, deferred stock units and dividend equivalent rights. Vesting periods for options, deferred stock units and restricted shares generally range from three to five years. Options expire ten years from the date of grant. Stock-based compensation expense totaled \$9,054,000 for the three months ended March 31, 2015 and \$7,667,000 for the same period in 2014.

## HEALTH CARE REIT, INC.

## NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

**15. Earnings Per Share**

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

	Three Months Ended March 31,	
	2015	2014
Numerator for basic and diluted earnings per share - net income (loss) attributable to common stockholders	\$ 190,799	\$ 50,022
Denominator for basic earnings per share - weighted average shares	336,754	289,606
Effect of dilutive securities:		
Employee stock options	200	148
Non-vested restricted shares	416	540
Convertible senior unsecured notes	442	623
Dilutive potential common shares	1,058	1,311
Denominator for diluted earnings per share - adjusted weighted average shares	337,812	290,917
Basic earnings per share	\$ 0.57	\$ 0.17
Diluted earnings per share	\$ 0.56	\$ 0.17

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

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

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

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

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Please see Note 2 to the financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2014 for additional information.

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

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

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

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

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

## HEALTH CARE REIT, INC.

## NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

	March 31, 2015		December 31, 2014	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets:				
Mortgage loans receivable	\$ 554,731	\$ 577,232	\$ 188,651	\$ 194,935



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Other real estate loans receivable	190,536	192,005	191,518	195,375
Available-for-sale equity investments	46,740	46,740	-	-
Cash and cash equivalents	202,273	202,273	473,726	473,726
Foreign currency forward contracts	73,081	73,081	57,087	57,087
Financial liabilities:				
Borrowings under unsecured credit facilities	\$ 410,000	\$ 410,000	\$ -	\$ -
Senior unsecured notes	7,518,196	8,378,885	7,766,251	8,613,702
Secured debt	3,010,971	2,993,308	2,977,713	3,053,067
Foreign currency forward contracts	410	410	1,495	1,495
Redeemable OP unitholder interests	47,147	47,147	46,722	46,722

*Items Measured at Fair Value on a Recurring Basis*

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

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

	Fair Value Measurements as of March 31, 2015			
	Total	Level 1	Level 2	Level 3
Available-for-sale equity investments <sup>(1)</sup>	\$ 46,740	\$ 46,740	\$ -	\$ -
Foreign currency forward contracts, net <sup>(2)</sup>	72,671	-	72,671	-
Redeemable OP unitholder interests	47,147	-	47,147	-
Totals	\$ 166,558	46,740	\$ 119,818	\$ -

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

(2) Please see Note 11 for additional information.

*Items Measured at Fair Value on a Nonrecurring Basis*

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

**17. Segment Reporting**

We invest in seniors housing and health care real estate. We evaluate our business and make resource allocations on our four operating segments: triple-net, seniors housing operating, outpatient medical and life science. During the quarter ended March 31, 2015, we changed the names of our seniors housing triple-net segment to triple-net and our medical facilities segment to outpatient medical.

Our triple-net properties include long-term/post-acute care facilities, hospitals, assisted living facilities, independent living/continuing care retirement communities, care homes (United Kingdom), independent support

living facilities (Canada), care homes with nursing (United Kingdom) and combinations thereof. Under the triple-net segment, we invest in seniors housing and health care real estate through acquisition and financing of primarily single tenant properties. Properties acquired are primarily leased under triple-net leases and we are not involved in the management of the property. Our seniors housing operating properties include the seniors housing communities referenced above that are owned and/or operated through RIDEA structures (see Notes 3 and 18).

Our outpatient medical properties include medical office buildings and life science buildings which are aggregated into our outpatient medical reportable segment. Our medical office buildings are typically leased to multiple tenants and generally require a certain level of property management. Our life science investment represents an investment in an unconsolidated entity (see Note 7).

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

Non-segment revenue consists mainly of interest income on non-real estate investments and other income. Non-segment assets consist of corporate assets including cash, deferred loan expenses and corporate offices and equipment among others. Non-property specific revenues and expenses are not allocated to individual segments in determining NOI.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies (see Note 2 to the financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2014). The results of operations for all acquisitions described in Note 3 are included in our consolidated results of operations from the acquisition dates and

## HEALTH CARE REIT, INC.

## NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

are components of the appropriate segments. There are no intersegment sales or transfers.

Summary information for the reportable segments is as follows for the periods presented (in thousands):

<u>Three Months Ended March 31, 2015:</u>	Triple-net	Seniors Housing Operating	Outpatient Medical	Non-segment / Corporate	Total
Rental income	\$ 264,406	\$ -	\$ 115,181	\$ -	\$ 379,587
Resident fees and services	-	492,510	-	-	492,510
Interest income	14,699	1,031	1,264	-	16,994
Other income	3,883	1,020	161	22	5,086
Total revenues	282,988	494,561	116,606	22	894,177
Property operating expenses	-	338,507	37,954	-	376,461
Net operating income from continuing operations	282,988	156,054	78,652	22	517,716
Reconciling items:					
Interest expense	10,027	34,458	7,625	68,970	121,080
Loss (gain) on derivatives, net	(58,427)	-	-	-	(58,427)
Depreciation and amortization	70,031	76,636	42,162	-	188,829
General and administrative	-	-	-	35,138	35,138
Transaction costs	36,172	12,042	341	-	48,555
Loss (gain) on extinguishment of debt, net	10,336	-	-	5,064	15,400
Impairment of assets	2,220	-	-	-	2,220
Income (loss) from continuing operations before income taxes and income from unconsolidated entities	212,629	32,918	28,524	(109,150)	164,921
Income tax expense	418	(533)	466	(48)	303
(Loss) income from unconsolidated entities	1,393	(15,073)	1,032	-	(12,648)
Income (loss) from continuing operations	214,440	17,312	30,022	(109,198)	152,576
Gain (loss) on real estate dispositions, net	54,097	-	2,749	-	56,846
Net income (loss)	\$ 268,537	\$ 17,312	\$ 32,771	\$ (109,198)	\$ 209,422
Total assets	\$ 11,916,636	\$ 10,208,763	\$ 4,444,058	\$ 59,938	\$ 26,629,395

## HEALTH CARE REIT, INC.

## NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

<u>Three Months Ended March 31, 2014:</u>	Triple-net	Seniors Housing Operating	Outpatient Medical	Non-segment / Corporate	Total
Rental income	\$ 237,716	\$ -	\$ 98,739	\$ -	\$ 336,455
Resident fees and services	-	456,265	-	-	456,265
Interest income	7,720	-	874	-	8,594
Other income	144	54	280	15	493
Total revenues	245,580	456,319	99,893	15	801,807
Property operating expenses	243	308,184	33,004	-	341,431
Net operating income from continuing operations	245,337	148,135	66,889	15	460,376
Reconciling items:					
Interest expense	9,115	27,479	9,383	74,856	120,833
Depreciation and amortization	67,269	129,162	36,887	-	233,318
General and administrative	-	-	-	32,865	32,865
Transaction costs	275	630	47	-	952
Loss (gain) on extinguishment of debt, net	-	(148)	-	-	(148)
Income (loss) from continuing operations before income taxes and income from unconsolidated entities	168,678	(8,988)	20,572	(107,706)	72,556
Income tax expense	(355)	(1,643)	(262)	-	(2,260)
(Loss) income from unconsolidated entities	1,382	(7,961)	1,023	-	(5,556)
Income (loss) from continuing operations	169,705	(18,592)	21,333	(107,706)	64,740
Income (loss) from discontinued operations	460	-	-	-	460
Net income (loss)	\$ 170,165	\$ (18,592)	\$ 21,333	\$ (107,706)	\$ 65,200

	Three Months Ended				
	March 31, 2015		March 31, 2014		
Revenues:	Amount	%	Amount	%	
United States	\$ 745,136	83.3%	\$ 675,099	84.2%	
International	149,041	16.7%	126,708	15.8%	
Total	\$ 894,177	100.0%	\$ 801,807	100.0%	

	As of				
	March 31, 2015		December 31, 2014		
Assets:	Amount	%	Amount	%	
United States	\$ 21,880,931	82.2%	\$ 20,728,477	82.9%	
International	4,748,464	17.8%	4,285,819	17.1%	

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Total	\$	26,629,395	100.0%	\$	25,014,296	100.0%
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**HEALTH CARE REIT, INC.**

**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

**18. Income Taxes and Distributions**

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

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

Income tax expense reflected in the financial statements primarily represents U.S. federal and state and local income taxes as well as non-U.S. income based or withholding taxes on certain investments located in jurisdictions outside the U.S. In 2014, we established certain wholly-owned direct and indirect subsidiaries in Luxembourg and Jersey and transferred interests in certain foreign investments into this holding company structure. The structure includes a property holding company that is tax resident in the United Kingdom. No material adverse current tax consequences in Luxembourg, Jersey or the United Kingdom resulted from the creation of this holding company structure and all of the subsidiary entities in the structure are treated as disregarded entities of the company for U.S. federal income tax purposes. The company reflects current and deferred tax liabilities for any such withholding taxes incurred as a result of this holding company structure in its consolidated financial statements.

The income tax benefit for the three month periods ended March 31, 2015 and 2014 is due primarily to operating income or losses at our TRS entities. Net deferred tax liabilities with respect to our TRS entities totaled \$13,771,000 and \$12,451,000 as of March 31, 2015 and December 31, 2014, respectively, and related primarily to differences between the financial reporting and tax bases of fixed and intangible assets.

Generally, given current statutes of limitations, we are subject to audit by the Internal Revenue Service (“IRS”) for the year ended December 31, 2011 and subsequent years and by state taxing authorities for the year ended December

31, 2010 and subsequent years. The company and its subsidiaries are also subject to audit by the Canada Revenue Agency and provincial authorities generally for periods subsequent to our initial investments in Canada made in May 2012, by HM Revenue & Customs for periods subsequent to our initial investments in the United Kingdom made in August 2012 and by Luxembourg taxing authorities generally for periods subsequent to our establishment of certain Luxembourg-based subsidiaries during 2014.

The balance of our unrecognized tax benefits as of March 31, 2015 and December 31, 2014 was \$857,000. The unrecognized tax benefits and related penalties, as currently accrued for, have an immaterial impact on the effective tax rate to the extent that they would be recognized.



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

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

The following discussion and analysis is based primarily on the unaudited consolidated financial statements of Health Care REIT, Inc. for the periods presented and should be read together with the notes thereto contained in this Quarterly Report on Form 10-Q. Other important factors are identified in our Annual Report on Form 10-K for the year ended December 31, 2014, including factors identified under the headings "Business," "Risk Factors," and "Management's Discussion and Analysis of Financial Condition and Results of Operations." References herein to "we," "us," "our," or the "company" refer to Health Care REIT, Inc. and its subsidiaries unless specifically noted otherwise.

**Executive Summary****Company Overview**

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

The following table summarizes our consolidated portfolio as of March 31, 2015 (dollars in thousands):

Type of Property	NOI <sup>(1)</sup>	Percentage of NOI	Number of Properties
Triple-net	\$ 282,988	54.7%	731
Seniors housing operating	156,054	30.1%	342
Outpatient medical	78,652	15.2%	243
Totals	\$ 517,694	100.0%	1,316

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

**Business Strategy**

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

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

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

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

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

For the three months ended March 31, 2015, rental income and resident fees and services represented 42% and 55%, respectively, of total revenues. Substantially all of our operating leases are designed with escalating rent structures. Leases with fixed annual rental escalators are generally recognized on a straight-line basis over the initial lease period, subject to a collectability assessment. Rental income related to leases with contingent rental escalators is generally recorded based on the contractual cash rental payments due for the period. Our yield on loans receivable depends upon a number of factors, including the stated interest rate, the average principal amount outstanding during the term of the loan and any interest rate adjustments.

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

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

Depending upon market conditions, we believe that new investments will be available in the future with spreads over our cost of capital that will generate appropriate returns to our stockholders. It is also possible that investment dispositions may occur in the future. To the extent that investment dispositions exceed new investments, our revenues and cash flows from operations could be adversely affected. We expect to reinvest the proceeds from any investment dispositions in new investments. To the extent that new investment requirements exceed our available cash on-hand, we expect to borrow under our primary unsecured credit facility. At March 31, 2015, we had \$202,273,000 of cash and cash equivalents, \$85,177,000 of restricted cash and \$2,024,665,000 of available borrowing capacity under our primary unsecured credit facility.

***Capital Market Outlook***

We believe the capital markets remain supportive of our investment strategy. In July 2014, we closed on a new primary unsecured credit facility that further enhances our access to efficient capital and financial flexibility. For the 15 months ended March 31, 2015, we raised over \$4.7 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 credit facility, supported \$3.6 billion in pro rata gross new investments during 2014 and \$2.2 billion during the three months ended March 31, 2015. 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 2015***

*Capital.* In February 2015, we completed the public issuance of 19,550,000 shares of common stock at a price of \$75.50 per share for approximate gross proceeds of \$1,476,025,000. This was the largest overnight common stock offering and the highest offering price in our history. Also, during the three months ended March 31, 2015, we raised \$58,547,000 through our dividend reinvestment program.

*Investments.* The following summarizes our acquisitions and joint venture investments completed during the three months ended March 31, 2015 (dollars in thousands):

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

	Properties	Investment Amount <sup>(1)</sup>	Capitalization Rates <sup>(2)</sup>	Book Amount <sup>(3)</sup>
Triple-net	17	\$ 612,504	6.8%	\$ 607,822
Seniors housing operating	38	1,022,004	6.1%	1,192,282
Outpatient medical	1	10,300	6.5%	10,297
Totals	56	\$ 1,644,808	6.4%	\$ 1,810,401

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

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

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

*Dispositions.* The following summarizes our property dispositions completed during the three months ended March 31, 2015 (dollars in thousands):

	Properties	Proceeds <sup>(1)</sup>	Capitalization Rates <sup>(2)</sup>	Book Amount <sup>(3)</sup>
Triple-net	11	\$ 165,095	8.4%	\$ 110,998
Outpatient medical	1	10,549	7.3%	9,422
Totals	12	\$ 175,644	8.3%	\$ 120,420

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

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

(3) Represents carrying value of assets at time of disposition. See Notes 5 and 6 to our unaudited consolidated financial statements for additional information.

*Dividends.* Our Board of Directors increased the annual cash dividend to \$3.30 per common share (\$0.825 per share quarterly), as compared to \$3.18 per common share for 2014, beginning in February 2015. The dividend declared for the quarter ended March 31, 2015 represents the 176<sup>th</sup> consecutive quarterly dividend payment.

**Key Performance Indicators, Trends and Uncertainties**

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

*Operating Performance.* We believe that net income attributable to common stockholders ("NICS") is the most appropriate earnings measure. Other useful supplemental measures of our operating performance include funds from

operations (“FFO”), net operating income from continuing operations (“NOI”) and same store cash NOI (“SSCNOI”); however, these supplemental measures are not defined by U.S. generally accepted accounting principles (“U.S. GAAP”). Please refer to the section entitled “Non-GAAP Financial Measures” for further discussion and reconciliations of FFO, NOI and SSCNOI. These earnings measures and their relative per share amounts are widely used by investors and analysts in the valuation, comparison and investment recommendations of companies. The following table reflects the recent historical trends of our operating performance measures for the periods presented (in thousands, except per share amounts):



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

	March 31, 2014	June 30, 2014	Three Months Ended		March 31, 2015
			September 30, 2014	December 31, 2014	
Net income (loss) attributable to common stockholders	\$ 50,022	\$ 71,829	\$ 136,255	\$ 188,636	\$ 190,799
Funds from operations	288,803	284,245	316,512	284,516	344,250
Net operating income from continuing operations	460,376	482,692	492,366	504,754	517,716
Same store cash net operating income	411,867	424,197	428,268	425,669	419,110
Per share data (fully diluted):					
Net income (loss) attributable to common stockholders	\$ 0.17	\$ 0.24	\$ 0.44	\$ 0.58	\$ 0.57
Funds from operations	0.99	0.95	1.01	0.86	1.02

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

	March 31, 2014	June 30, 2014	September 30, 2014	December 31, 2014	March 31, 2015
Property mix: <sup>(1)</sup>					
Triple-net Seniors housing operating	53%	53%	53%	53%	55%
Outpatient medical	32%	33%	33%	32%	30%
	15%	14%	14%	15%	15%
Relationship mix: <sup>(1)</sup>					
Genesis Healthcare	15%	16%	16%	16%	17%
Sunrise Senior Living <sup>(2)</sup>	15%	15%	16%	15%	14%
Brookdale Senior Living	9%	9%	8%	8%	8%
Benchmark Senior Living	4%	4%	4%	4%	4%
Revera <sup>(2)</sup>	4%	4%	5%	4%	4%
	53%	52%	51%	53%	53%

Remaining  
relationshipsGeographic mix:<sup>(1)</sup>

California	10%	10%	10%	10%	10%
United Kingdom	7%	6%	7%	7%	8%
New Jersey	8%	8%	9%	8%	8%
Texas	7%	7%	7%	7%	7%
Pennsylvania	5%	5%	5%	5%	6%
Remaining geographic areas	63%	64%	62%	63%	61%

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

(2) Revera owns a controlling interest in Sunrise.

*Credit Strength.* We measure our credit strength both in terms of leverage ratios and coverage ratios. The leverage ratios indicate how much of our balance sheet capitalization is related to long-term debt. The coverage ratios indicate our ability to service interest and fixed charges (interest, secured debt principal amortization and preferred dividends). We expect to maintain capitalization ratios and coverage ratios sufficient to maintain compliance with our debt covenants. The coverage ratios are based on earnings before interest, taxes, depreciation and amortization (“EBITDA”) which is discussed in further detail, and reconciled to net income, below in

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

“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:

	March 31, 2014	June 30, 2014	Three Months Ended September 30, 2014	December 31, 2014	March 31, 2015
Debt to book capitalization ratio	48%	45%	43%	45%	42%
Debt to undepreciated book capitalization ratio	43%	40%	38%	40%	38%
Debt to market capitalization ratio	37%	33%	32%	29%	28%
Interest coverage ratio	3.45x	3.51x	3.86x	4.29x	4.21x
Fixed charge coverage ratio	2.74x	2.77x	3.07x	3.39x	3.34x

*Lease Expirations.* The following table sets forth information regarding lease expirations for certain portions of our portfolio as of March 31, 2015 (dollars in thousands):

	2015	2016	2017	2018	2019	Expiration Year		2022	2023	2024	T
						2020	2021				
<b>Triple-net:</b>											
Properties	13	-	33	51	3	12	26	41	14	21	
Base rent	(\$126,583 \$)	- \$	14,907 \$	37,421 \$	2,973 \$	14,900 \$	38,640 \$	36,735 \$	19,591 \$	45,752 \$	
% of base rent	2.4%	0.0%	1.3%	3.3%	0.3%	1.3%	3.4%	3.3%	1.7%	4.1%	
Units/beds	43	-	1,467	3,151	235	1,076	3,805	5,144	1,464	2,254	
% of Units/beds	6%	0.0%	2.0%	4.3%	0.3%	1.5%	5.2%	7.1%	2.0%	3.1%	

**Outpatient  
medical:**

Square

feet 551,708 939,097 1,212,299 947,840 1,094,263 1,049,196 1,103,054 2,148,033 1,164,307 1,378,599 3

Base

rent<sup>(1)</sup> \$12,868 \$ 19,915 \$ 28,346 \$ 23,178 \$ 27,879 \$ 23,496 \$ 26,484 \$ 45,323 \$ 24,441 \$ 38,147 \$

%

of

base

rent 3.7% 5.8% 8.2% 6.7% 8.1% 6.8% 7.7% 13.1% 7.1% 11.1%

Leases 200 203 252 201 215 131 129 144 82 104

%

of

Leased 1.3% 11.5% 14.3% 11.4% 12.2% 7.4% 7.3% 8.2% 4.7% 5.9%

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

We evaluate our key performance indicators in conjunction with current expectations to determine if historical trends are indicative of future results. Our expected results may not be achieved and actual results may differ materially from our expectations. Factors that may cause actual results to differ from expected results are described in more detail in “Cautionary Statement Regarding Forward-Looking Statements” and other sections of this Quarterly Report on Form 10-Q. Management regularly monitors economic and other factors to develop strategic and tactical plans designed to improve performance and maximize our competitive position. Our ability to achieve our financial objectives is dependent upon our ability to effectively execute these plans and to appropriately respond to emerging economic and company-specific trends. Please refer to our Annual Report on Form 10-K for the year ended December 31, 2014, under the headings “Business,” “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” for further discussion of these risk factors.

***Corporate Governance***

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

**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations****Liquidity and Capital Resources****Sources and Uses of Cash**

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

	Three Months Ended		Change	
	March 31, 2015	March 31, 2014	\$	%
Cash and cash equivalents at beginning of period	\$ 473,726	\$ 158,780	\$ 314,946	198%
Cash provided from (used in):				
Operating activities	226,182	258,661	(32,479)	-13%
Investing activities	(1,809,768)	(351,391)	(1,458,377)	415%
Financing activities	1,312,823	119,597	1,193,226	998%
Effect of foreign currency translation on cash and cash equivalents	(690)	281	(971)	n/a
Cash and cash equivalents at end of period	\$ 202,273	\$ 185,928	\$ 16,345	9%

*Operating Activities.* The change in net cash provided from operating activities is primarily attributable to increases in NOI, which is primarily due to acquisitions. Please see "Results of Operations" for further discussion. For the three months ended March 31, 2015, cash distributions to stockholders exceeded cash flow provided from operations. The sources of funds for these excess distributions was available cash on hand, which was \$473,726,000 at December 31, 2014 and \$202,273,000 at March 31, 2015. For the three months ended March 31, 2014, cash flow provided from operations exceeded cash distributions to stockholders.

*Investing Activities.* The changes in net cash used in investing activities are primarily attributable to net changes in real property investments, real estate loans receivable and investments in unconsolidated entities, which are summarized above in "Key Transactions in 2015" and Notes 3, 6 and 7 of our unaudited consolidated financial statements. The following is a summary of cash used in non-acquisition capital improvement activities (dollars in thousands):

	Three Months Ended		Change	
	March 31, 2015	March 31, 2014	\$	%

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New development	\$	59,552	\$	52,717	\$	6,835	13%
Recurring capital expenditures, tenant improvements and lease commissions		10,485		12,392		(1,907)	-15%
Renovations, redevelopments and other capital improvements		19,343		15,014		4,329	29%
Total	\$	89,380	\$	80,123	\$	9,257	12%

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

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

***Off-Balance Sheet Arrangements***

At March 31, 2015, we had investments in unconsolidated entities with our ownership ranging from 10% to 50%. Please see Note 7 to our unaudited consolidated financial statements for additional information. We use financial derivative instruments to hedge

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

interest rate and foreign currency exchange rate exposure. Please see Note 11 to our unaudited consolidated financial statements for additional information. At March 31, 2015, we had seven outstanding letter of credit obligations. Please see Note 12 to our unaudited consolidated financial statements for additional information.

**Contractual Obligations**

The following table summarizes our payment requirements under contractual obligations as of March 31, 2015 (in thousands):

Contractual Obligations	Total	Payments Due by Period			
		2015	2016-2017	2018-2019	Thereafter
Unsecured revolving credit facility <sup>(1)</sup>	\$ 410,000	\$ -	\$ -	\$ 410,000	\$ -
Senior unsecured notes and credit facilities: <sup>(2)</sup>					
U.S. Dollar senior unsecured notes	5,311,311	-	1,150,000	1,050,000	3,111,311
Pounds Sterling senior unsecured notes <sup>(3)</sup>	1,559,460	-	-	-	1,559,460
U.S. Dollar term credit facility	500,000	-	-	500,000	-
Canadian Dollar term credit facility <sup>(3)</sup>	197,150	-	-	197,150	-
Secured debt: <sup>(2,3)</sup>					
Consolidated	2,972,658	332,035	872,620	816,194	951,809
Unconsolidated	686,005	35,435	131,029	67,494	452,047
Contractual interest obligations: <sup>(4)</sup>					
Unsecured revolving credit facility	4,522	-	-	4,522	-
Senior unsecured notes and term loans <sup>(3)</sup>	3,386,089	241,601	619,967	520,362	2,004,159
Consolidated secured debt <sup>(3)</sup>	659,921	107,417	217,280	123,208	212,016
Unconsolidated secured debt <sup>(3)</sup>	184,022	19,521	45,743	36,812	81,946
Capital lease obligations <sup>(5)</sup>	102,117	3,548	9,464	9,012	80,093
Operating lease obligations <sup>(5)</sup>	948,535	11,310	30,225	30,361	876,639
Purchase obligations <sup>(5)</sup>	415,087	77,363	329,627	6,666	1,431
Other long-term liabilities <sup>(6)</sup>	6,759	1,106	2,950	2,703	-
<b>Total contractual obligations</b>	<b>\$ 17,343,636</b>	<b>\$ 829,336</b>	<b>\$ 3,408,905</b>	<b>\$ 3,774,484</b>	<b>\$ 9,330,911</b>

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

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

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

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

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

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

*Capital Structure*

Please refer to “Credit Strength” above for a discussion of our leverage and coverage ratio trends. Our debt agreements contain various covenants, restrictions and events of default. Certain agreements require us to maintain certain financial ratios and minimum net worth and impose certain limits on our ability to incur indebtedness, create liens and make investments or acquisitions. As of March 31, 2015, we were in compliance with all of the covenants under our debt agreements. Please refer to the section entitled “Non-GAAP Financial Measures” for further discussion. None of our debt agreements contain provisions for acceleration which could be triggered by our debt ratings. However, under our primary unsecured credit facility, the ratings on our senior unsecured notes are used to determine the fees and interest charged. A summary of certain covenants and our results as of March 31, 2015 is as follows:



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

Covenant	Per Agreement		Actual at March 31, 2015
	Primary Unsecured Credit Facility	Senior Unsecured Notes	
Total Indebtedness to Book Capitalization Ratio maximum	60%	n/a	42%
Secured Indebtedness to Total Assets Ratio maximum	30%	40%	11%
Total Indebtedness to Total Assets maximum	n/a	60%	41%
Unsecured Debt to Unencumbered Assets maximum	60%	n/a	37%
Adjusted Interest Coverage Ratio minimum	n/a	1.50x	4.09x
Adjusted Fixed Charge Coverage minimum	1.50x	n/a	3.24x

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

On May 1, 2015, we filed with the Securities and Exchange Commission (the "SEC") (1) an open-ended automatic or "universal" shelf registration statement covering an indeterminate amount of future offerings of debt securities, common stock, preferred stock, depositary shares, warrants and units and (2) a registration statement in connection with our enhanced dividend reinvestment plan under which we may issue up to 15,000,000 shares of common stock. As of May 1, 2015, 15,000,000 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 May 1, 2015, we had \$457,112,000 of remaining capacity under the Equity Shelf Program. Depending upon market conditions, we anticipate issuing securities under our registration statements to invest in additional properties and to repay borrowings under our primary unsecured credit facility.

**Results of Operations***Summary*

Our primary sources of revenue include rent and resident fees and services. Our primary expenses include interest expense, depreciation and amortization, property operating expenses, transaction costs and general and administrative expenses. We evaluate our business and make resource allocations on our three business segments: triple-net, seniors housing operating and outpatient medical. The primary performance measures for our properties are NOI and

SSCNOI, which are discussed below. Please see Note 17 to our unaudited consolidated financial statements for additional information. The following is a summary of our results of operations (dollars in thousands, except per share amounts):

	Three Months Ended		Change	
	March 31, 2015	March 31, 2014	Amount	%
Net income (loss) attributable to common stockholders	\$ 190,799	\$ 50,022	\$ 140,777	281%
Funds from operations	344,250	288,803	55,447	19%
EBITDA	519,027	421,734	97,293	23%
Net operating income from continuing operations (NOI)	517,716	460,376	57,340	12%
Same store cash NOI	419,110	411,867	7,243	2%
Per share data (fully diluted):				
Net income (loss) attributable to common stockholders	\$ 0.56	\$ 0.17	\$ 0.39	229%
Funds from operations	\$ 1.02	\$ 0.99	\$ 0.03	3%
Interest coverage ratio	4.21x	3.24x	0.97x	30%
Fixed charge coverage ratio	3.34x	2.56x	0.78x	30%

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

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

	Three Months Ended		Change	
	March 31, 2015	March 31, 2014	\$	%
SSCNOI <sup>(1)</sup>	\$ 207,224	200,740	\$ 6,484	3%
Non-cash NOI attributable to same store properties <sup>(1)</sup>	18,519	9,277	9,242	100%
NOI attributable to non same store properties <sup>(2)</sup>	57,244	35,320	21,924	62%
NOI	\$ 282,988	\$ 245,337	\$ 37,651	15%

(1) Change is due to increases in cash and non-cash NOI (described below) related to 586 same store properties.

(2) Change is primarily due to the acquisition of 118 properties and the conversion of 10 construction projects into revenue-generating properties subsequent to January 1, 2014.

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

	Three Months Ended		Change	
	March 31, 2015	March 31, 2014	\$	%
Revenues:				
Rental income	\$ 264,406	\$ 237,716	\$ 26,690	11%
Interest income	14,699	7,720	6,979	90%
Other income	3,883	144	3,739	2597%
	282,988	245,580	37,408	15%
Property operating expenses	-	243	(243)	-100%
Net operating income from continuing operations (NOI)	282,988	245,337	37,651	15%
Other expenses:				
Interest expense	10,027	9,115	912	10%
Loss (gain) on derivatives, net	(58,427)	-	(58,427)	n/a
Depreciation and amortization	70,031	67,269	2,762	4%
Transaction costs	36,172	275	35,897	13053%
Loss (gain) on extinguishment of debt, net	10,336	-	10,336	n/a
Impairment of assets	2,220	-	2,220	n/a
	70,359	76,659	(6,300)	-8%
Income from continuing operations before income taxes and income (loss) from unconsolidated entities	212,629	168,678	43,951	26%

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Income tax benefit (expense)	418	(355)	773	n/a
Income (loss) from unconsolidated entities	1,393	1,382	11	1%
Income from continuing operations	214,440	169,705	44,735	26%
Discontinued operations, net <sup>(1)</sup>	-	460	(460)	-100%
Gain (loss) on real estate dispositions, net <sup>(1)</sup>	54,097	-	54,097	n/a
Net income	268,537	170,165	98,372	58%
Less: Net income (loss) attributable to noncontrolling interests	454	510	(56)	-11%
Net income attributable to common stockholders	\$ 268,083	\$ 169,655	\$ 98,428	58%

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

The increase in rental income is primarily attributable to the acquisitions of new properties, the conversion of newly constructed triple-net properties from which we receive rent and the modification of our lease with Genesis Healthcare to replace the CPI-based component of an annual increaser with a fixed annual increaser effective April 1, 2014. Certain of our leases contain annual rental escalators that are contingent upon changes in the Consumer Price Index and/or changes in the gross operating revenues of the tenant's properties. These escalators are not fixed, so no straight-line rent is recorded; however, rental income is recorded based on the contractual cash rental payments due for the period. If gross operating revenues at our facilities and/or the Consumer Price Index do

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not increase, a portion of our revenues may not continue to increase. Sales of real property would offset revenue increases and, to the extent that they exceed new acquisitions, could result in decreased revenues. Our leases could renew above or below current rent rates, resulting in an increase or decrease in rental income. For the three months ended March 31, 2015, we had no lease renewals but we had 35 leases with rental rate increasers ranging from 0.10% to 0.53% in our triple-net portfolio.

The change in interest income is due to a higher loan volume in the current year, which includes a first mortgage loan to Genesis Healthcare to facilitate their merger with Skilled Healthcare Group. The increase in other income over the prior year includes the receipt of an early prepayment fee related to a real estate loan receivable.

During the three months ended March 31, 2015, we completed triple-net expansion projects totaling \$19,541,000. The following is a summary of our triple-net construction projects, excluding expansions, pending as of March 31, 2015 (dollars in thousands):

Location	Units/Beds	Commitment	Balance	Est. Completion
Upper Providence, PA	96	\$ 29,367	\$ 26,325	2Q15
Mahwah, NJ	96	29,400	21,354	2Q15
Haddonfield, NJ	52	18,900	13,721	2Q15
Derby, UK	74	10,965	8,092	3Q15
Frederick, MD	130	19,000	13,370	3Q15
Carrollton, TX	104	18,900	3,219	1Q16
Tulsa, OK	145	25,800	2,457	1Q16
Bracknell, UK	64	14,941	6,153	2Q16
Edmond, OK	142	24,500	3,914	3Q16
Livingston, NJ	120	51,440	12,056	3Q16
Piscataway, NJ	124	30,600	16,042	3Q16
Raleigh, NC	225	93,000	20,605	4Q16
Total	1,372	\$ 366,813	\$ 147,308	

Interest expense for the three months ended March 31, 2015 and 2014 represents secured debt interest expense offset by interest allocated to discontinued operations. The change in secured debt interest expense is due to the net effect and timing of assumptions, segment transitions, extinguishments and principal amortizations. The following is a summary of our triple-net property secured debt principal activity (dollars in thousands):

	Three Months Ended			
	March 31, 2015		March 31, 2014	
	Amount	Wtd. Avg. Interest Rate	Amount	Wtd. Avg. Interest Rate
Beginning balance	\$ 670,769	5.337%	\$ 587,136	5.394%
Debt extinguished	(90,808)	4.089%	-	0.000%
Foreign Currency	(8,334)	5.316%	-	0.000%
Principal payments	(3,519)	5.621%	(2,773)	5.897%
Ending balance	\$ 568,108	5.562%	\$ 584,363	5.391%
Monthly averages	\$ 578,679	5.494%	\$ 585,355	5.391%

In April 2011, we completed the acquisition of substantially all of the real estate assets of privately-owned Genesis Healthcare Corporation. In conjunction with this transaction, we received the option to acquire an ownership interest in Genesis Healthcare. In February 2015, Genesis Healthcare closed on a transaction to merge with Skilled Healthcare Group to become a publicly traded company which required us to record the value of the derivative asset due to the net settlement feature. We elected to exercise our option during the three months ended March 31, 2015.

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

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Transaction costs represent costs incurred with property acquisitions including due diligence costs, fees for legal and valuation services, the termination of pre-existing relationships, lease termination expenses and other similar costs. The increase in transaction costs over the prior year includes a charge related to the termination of pre-existing relationships, the termination of a lease obligation and overall higher transaction volume. The fluctuation in losses/gains on debt extinguishment is primarily attributable to the volume of extinguishments and the terms of the related secured debt.

Changes in the gain on sales of properties are related to property sales which totaled 11 and zero for the three months ended March 31, 2015 and 2014, respectively. During the three months ended March 31, 2015, we recorded an impairment of \$2,200,000 related to a land parcel that is considered held for sale.

*Seniors Housing Operating*

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

	Three Months Ended		Change	
	March 31, 2015	March 31, 2014	\$	%
SSCNOI <sup>(1)</sup>	\$ 147,271	\$ 148,284	\$ (1,013)	-1%
Non-cash NOI attributable to same store properties	(251)	(266)	15	-6%
NOI attributable to non same store properties <sup>(2)</sup>	9,034	117	8,917	7621%
NOI	\$ 156,054	\$ 148,135	\$ 7,919	5%

(1) Relates to 279 same store properties. Decrease is primarily due to unfavorable changes in USD/CAD and GBP/USD rates.

(2) Change is primarily due to the acquisition of 63 properties subsequent to January 1, 2014.

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

	Three Months Ended		Change	
	March 31, 2015	March 31, 2014	\$	%
Revenues:				
Resident fees and services	\$ 492,510	\$ 456,265	\$ 36,245	8%
Interest income	1,031	-	1,031	n/a
Other income	1,020	54	966	1789%
	494,561	456,319	38,242	8%
Property operating expenses	338,507	308,184	30,323	10%
Net operating income from continuing operations (NOI)	156,054	148,135	7,919	5%

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Other expenses:				n/a
Interest expense	34,458	27,479	6,979	25%
Depreciation and amortization	76,636	129,162	(52,526)	-41%
Transaction costs	12,042	630	11,412	1811%
Loss (gain) on extinguishment of debt, net	-	(148)	148	-100%
	123,136	157,123	(33,987)	-22%
Income (loss) from continuing operations before income taxes and income (loss) from unconsolidated entities	32,918	(8,988)	41,906	n/a
Income tax benefit (expense)	(533)	(1,643)	1,110	-68%
Income (loss) from unconsolidated entities	(15,073)	(7,961)	(7,112)	89%
Net income (loss)	17,312	(18,592)	35,904	n/a
Less: Net income (loss) attributable to noncontrolling interests	1,273	(1,821)	3,094	n/a
Net income (loss) attributable to common stockholders	\$ 16,039	\$ (16,771)	\$ 32,810	n/a



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

Fluctuations in revenues and property operating expenses are primarily a result of acquisitions subsequent to March 31, 2014 and the movement of U.S. and foreign currency exchange rates. The fluctuations in depreciation and amortization are due to acquisitions and variations in amortization of short-lived intangible assets. The decrease in depreciation and amortization for the three months ended March 31, 2015 as compared to the prior year is due primarily to a number of short lived intangible assets which were fully amortized recently. To the extent that we acquire or dispose of additional properties in the future, these amounts will change accordingly.

The following is a summary of our seniors housing operating construction projects, excluding expansions, pending as of March 31, 2015 (dollars in thousands):

Location	Units/Beds	Commitment	Balance	Est. Completion
Edgbaston, UK	70	\$ 19,849	\$ 19,468	2Q15
Camberley, UK	102	20,606	11,926	4Q15
Total	172	\$ 40,455	\$ 31,394	

Interest expense represents secured debt interest expense as well as interest expense related to our \$250,000,000 Canadian-denominated unsecured term credit facility and Sterling-denominated senior unsecured notes. The increase in interest expense from the prior year is attributed primarily to the £500,000,000 Sterling-denominated senior unsecured notes issued in November 2014. Please refer to Note 10 to our unaudited consolidated financial statements for additional information. The following is a summary of our seniors housing operating property secured debt principal activity (dollars in thousands):

	Three Months Ended			
	March 31, 2015		March 31, 2014	
	Amount	Weighted Avg. Interest Rate	Amount	Weighted Avg. Interest Rate
Beginning balance	\$ 1,654,531	4.422%	\$ 1,714,714	4.622%
Debt issued	82,724	2.336%	10,690	3.544%
Debt assumed	205,897	3.976%	-	0.000%
Debt extinguished	(82,961)	3.575%	(73,218)	5.883%
Foreign currency	(41,338)	3.686%	(15,905)	3.862%
Principal payments	(8,416)	4.327%	(8,513)	4.454%
Ending balance	\$ 1,810,437	4.356%	\$ 1,627,768	4.529%
Monthly averages	\$ 1,621,849	4.431%	\$ 1,687,910	4.596%

The increase in transaction costs in the current year is a result of increased acquisition and transaction volume in the current year. The majority of our seniors housing operating properties are formed through partnership interests. Net income attributable to noncontrolling interests for the three month periods ended March 31, 2015 and 2014

represents our partners' share of net income (loss) related to joint ventures. The increased loss from unconsolidated entities is primarily due to depreciation and amortization of short-lived intangible assets and costs associated with new investments in unconsolidated entities subsequent to March 31, 2014.

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

	Three Months Ended		Change	
	March 31, 2015	March 31, 2014	\$	%
SSCNOI <sup>(1)</sup>	\$ 64,615	\$ 62,843	\$ 1,772	3%
Non-cash NOI attributable to same store properties <sup>(1)</sup>	1,287	2,188	(901)	-41%
NOI attributable to non same store properties <sup>(2)</sup>	12,750	1,858	10,892	586%
NOI	\$ 78,652	\$ 66,889	\$ 11,763	18%

(1) Change is due to increases in cash NOI and decreases in non-cash NOI related to 191 same store properties.

(2) Change is primarily due to acquisitions of 33 properties and conversions of construction projects into 10 revenue-generating properties subsequent to January 1, 2014.

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

	Three Months Ended		Change	
	March 31, 2015	March 31, 2014	\$	%
<b>Revenues:</b>				
Rental income	\$ 115,181	\$ 98,739	\$ 16,442	17%
Interest income	1,264	874	390	45%
Other income	161	280	(119)	-43%
	116,606	99,893	16,713	17%
Property operating expenses	37,954	33,004	4,950	15%
Net operating income from continuing operations (NOI)	78,652	66,889	11,763	18%
<b>Other expenses:</b>				
Interest expense	7,625	9,383	(1,758)	-19%
Depreciation and amortization	42,162	36,887	5,275	14%
Transaction costs	341	47	294	626%
	50,128	46,317	3,811	8%
Income from continuing operations before income taxes and income from unconsolidated entities	28,524	20,572	7,952	39%
Income tax (expense) benefit	466	(262)	728	n/a
Income from unconsolidated entities	1,032	1,023	9	1%
Income from continuing operations	30,022	21,333	8,689	41%

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Gain (loss) on real estate dispositions, net <sup>(1)</sup>	2,749	-	2,749	n/a
Net income (loss)	32,771	21,333	11,438	54%
Less: Net income (loss) attributable to noncontrolling interests	544	136	408	300%
Net income (loss) attributable to common stockholders	\$ 32,227	\$ 21,197	\$ 11,030	52%

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

The increase in rental income is primarily attributable to the acquisitions of new properties and the conversion of newly constructed outpatient medical properties from which we receive rent. Certain of our leases contain annual rental escalators that are contingent upon changes in the Consumer Price Index. These escalators are not fixed, so no straight-line rent is recorded; however, rental income is recorded based on the contractual cash rental payments due for the period. If the Consumer Price Index does not increase, a portion of our revenues may not continue to increase. Sales of real property would offset revenue increases and, to the extent that they exceed new acquisitions, could result in decreased revenues. Our leases could renew above or below current rent rates, resulting in an increase or decrease in rental income. For the three months ended March 31, 2015, our consolidated outpatient medical portfolio signed 80,975

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square feet of new leases and 191,609 square feet of renewals. The weighted-average term of these leases was five years, with a rate of \$29.58 per square foot and tenant improvement and lease commission costs of \$13.65 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 5%.

During the three months ended March 31, 2015, we completed one outpatient medical construction project representing \$16,592,000 or \$325 per square foot. The following is a summary of the outpatient medical construction projects, excluding expansions, pending as of March 31, 2015 (dollars in thousands):

Location	Square Feet	Commitment	Balance	Est. Completion
Bel Air, MD	99,184	\$ 26,386	\$ 6,485	1Q16
Richmond, TX	36,475	11,670	2,100	1Q16
Brooklyn, NY	140,955	103,624	6,436	1Q17
Total	276,614	\$ 141,680	\$ 15,021	

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

	Three Months Ended			
	March 31, 2015		March 31, 2014	
	Amount	Weighted Avg. Interest Rate	Amount	Weighted Avg. Interest Rate
Beginning balance	\$ 609,268	5.838%	\$ 700,427	5.999%
Debt extinguished	(18,658)	5.696%	(40,866)	5.463%
Principal payments	(3,375)	6.006%	(3,865)	5.976%
Ending balance	\$ 587,235	5.841%	\$ 655,696	6.036%
Monthly averages	\$ 597,895	5.839%	\$ 679,495	5.889%

A portion of our outpatient medical 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. The increase is primarily due to the earnings associated with investments made in the second half of 2014.

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

operating expenses.

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 assets acquired), lease termination fees and other similar costs. The fluctuations in transaction costs are primarily due to acquisition volumes in the relevant periods.

Income from unconsolidated entities represents our share of net income or losses related to our joint venture investment with Forest City Enterprises and certain unconsolidated property investments related to our strategic joint venture relationship with a national medical office building company.

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

	Three Months Ended		Change	
	March 31, 2015	March 31, 2014	\$	%
Revenues:				
Other income	\$ 22	\$ 15	\$ 7	47%
Expenses:				
Interest expense	68,970	74,856	(5,886)	-8%
General and administrative	35,138	32,865	2,273	7%
Loss on extinguishment of debt, net	5,064	-	5,064	n/a
	109,172	107,721	1,451	1%
Loss from continuing operations before income taxes	(109,150)	(107,706)	(1,444)	1%
Income tax (expense) benefit	(48)	-	(48)	n/a
Loss from continuing operations	(109,198)	(107,706)	(1,492)	1%
Less: Preferred stock dividends	16,352	16,353	(1)	0%
Net loss attributable to common stockholders	\$ (125,550)	\$ (124,059)	\$ (1,491)	1%

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

	Three Months Ended		Change	
	March 31, 2015	March 31, 2014	\$	%
Senior unsecured notes	\$ 64,400	\$ 70,702	\$ (6,302)	-9%
Secured debt	88	104	(16)	-15%
Primary unsecured credit facility	3,047	2,301	746	32%
Capitalized interest	(1,840)	(1,553)	(287)	18%
Swap loss (savings)	(4)	(4)	-	0%
Loan expense	3,279	3,306	(27)	-1%
Totals	\$ 68,970	\$ 74,856	\$ (5,886)	-8%

The change in interest expense on senior unsecured notes is due to the net effect of issuances and extinguishments, excluding our Sterling-denominated senior unsecured notes, both of which are in our seniors housing operating segment. Please refer to Note 10 to our unaudited consolidated financial statements for additional information. We

capitalize certain interest costs associated with funds used for the construction of properties owned directly by us. The amount capitalized is based upon the balances outstanding during the construction period using the rate of interest that approximates our cost of financing. Our interest expense is reduced by the amount capitalized. Loan expense represents the amortization of deferred loan costs incurred in connection with the issuance and amendments of debt. Loan expense changes are due to amortization of charges for costs incurred in connection with senior unsecured note issuances. The change in interest expense on the primary unsecured credit facility is due primarily to the net effect and timing of draws, paydowns and variable interest rate changes. Please refer to Note 9 of our unaudited consolidated financial statements for additional information regarding our primary unsecured credit facility.

General and administrative expenses as a percentage of consolidated revenues for the three months ended March 31, 2015 and 2014 were 3.93% and 4.10%, 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 loss on extinguishment of debt is due to the redemption of convertible senior notes.



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**Other**

***Non-GAAP Financial Measures***

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

Net operating income from continuing operations ("NOI") is used to evaluate the operating performance of our properties. We define NOI as total revenues, including tenant reimbursements, less property operating expenses. Property operating expenses represent costs associated with managing, maintaining and servicing tenants for our seniors housing operating and medical facility properties. These expenses include, but are not limited to, property-related payroll and benefits, property management fees, marketing, housekeeping, food service, maintenance, utilities, property taxes and insurance. General and administrative expenses represent costs unrelated to property operations or transaction costs. These expenses include, but are not limited to, payroll and benefits, professional services, office expenses and depreciation of corporate fixed assets. Same store cash NOI ("SSCNOI") is used to evaluate the cash-based operating performance of our properties under a consistent population which eliminates changes in the composition of our portfolio. As used herein, same store is generally defined as those revenue-generating properties in the portfolio for the reporting period subsequent to January 1, 2014. Any properties acquired, developed, transitioned, sold or classified as held for sale during that period are excluded from the same store amounts. We believe NOI and SSCNOI provide investors relevant and useful information because they measure the operating performance of our properties at the property level on an unleveraged basis. We use NOI and SSCNOI to make decisions about resource allocations and to assess the property level performance of our properties.

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

A covenant in our primary unsecured credit facility contains a financial ratio based on a definition of EBITDA that is specific to that agreement. Failure to satisfy these covenants could result in an event of default that could have a material adverse impact on our cost and availability of capital, which could in turn have a material adverse impact on our consolidated results of operations, liquidity and/or financial condition. Due to the materiality of these debt

agreements and the financial covenants, we have disclosed Adjusted EBITDA, which represents EBITDA as defined above and adjusted for stock-based compensation expense, provision for loan losses and gain/loss on extinguishment of debt. We use Adjusted EBITDA to measure our adjusted fixed charge coverage ratio, which represents Adjusted EBITDA divided by fixed charges on a trailing twelve months basis. Fixed charges include total interest (excluding capitalized interest and non-cash interest expenses), secured debt principal amortization and preferred dividends. Our covenant requires an adjusted fixed charge coverage ratio of at least 1.50 times.

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

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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. Noncontrolling interest and unconsolidated entity amounts represent adjustments to reflect our share of depreciation and amortization. Amounts are in thousands except for per share data.

	Three Months Ended				
	March 31, 2014	June 30, 2014	September 30, 2014	December 31, 2014	March 31, 2015
<b>FFO Reconciliations:</b>					
Net income (loss) attributable to common stockholders	\$ 50,022	\$ 71,829	\$ 136,255	\$ 188,636	\$ 190,799
Depreciation and amortization	233,318	214,449	200,970	195,393	188,829
Impairment of assets	-	-	-	-	2,220
Loss (gain) on sales of properties, net	-	(13,079)	(29,604)	(110,839)	(56,845)
Noncontrolling interests	(10,520)	(9,741)	(9,359)	(8,234)	(7,249)
Unconsolidated entities	15,983	20,787	18,250	19,560	26,496
Funds from operations	\$ 288,803	\$ 284,245	\$ 316,512	\$ 284,516	\$ 344,250
Average common shares outstanding:					
Basic	289,606	296,256	311,117	327,492	336,754
Diluted	290,917	297,995	312,812	329,130	337,812
Per share data:					
Net income attributable to common stockholders					
Basic	\$ 0.17	\$ 0.24	\$ 0.44	\$ 0.58	\$ 0.57
Diluted	0.17	0.24	0.44	0.57	0.56
Funds from operations					
Basic	\$ 1.00	\$ 0.96	\$ 1.02	\$ 0.87	\$ 1.02
Diluted	0.99	0.95	1.01	0.86	1.02

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

	Three Months Ended				
	March 31, 2014	June 30, 2014	September 30, 2014	December 31, 2014	March 31, 2015
<b>EBITDA Reconciliations:</b>					
Net income	\$ 65,200	\$ 87,854	\$ 152,771	\$ 206,474	\$ 209,422
Interest expense	120,956	121,099	118,435	120,707	121,080
Income tax expense (benefit)	2,260	1,569	(10,198)	5,101	(304)

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Depreciation and amortization	233,318	214,449	200,970	195,393	188,829
EBITDA	\$ 421,734	\$ 424,971	\$ 461,978	\$ 527,675	\$ 519,027
Interest Coverage Ratio:					
Interest expense	\$ 120,956	\$ 121,099	\$ 118,435	\$ 120,707	\$ 121,080
Non-cash interest expense	(330)	(1,649)	(547)	100	(119)
Capitalized interest	1,605	1,700	1,779	2,066	2,387
Total interest	122,231	121,150	119,667	122,873	123,348
EBITDA	\$ 421,734	\$ 424,971	\$ 461,978	\$ 527,675	\$ 519,027
Interest coverage ratio	3.45x	3.51x	3.86x	4.29x	4.21x
Fixed Charge Coverage Ratio:					
Total interest	\$ 122,231	\$ 121,150	\$ 119,667	\$ 122,873	\$ 123,348
Secured debt principal payments	15,455	15,803	14,549	16,473	15,630
Preferred dividends	16,353	16,352	16,352	16,352	16,352
Total fixed charges	154,039	153,305	150,568	155,698	155,330
EBITDA	\$ 421,734	\$ 424,971	\$ 461,978	\$ 527,675	\$ 519,027
Fixed charge coverage ratio	2.74x	2.77x	3.07x	3.39x	3.34x

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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 includes discontinued operations. Dollars are in thousands.

<b>Adjusted EBITDA Reconciliations:</b>	Twelve Months Ended				
	March 31, 2014	June 30, 2014	September 30, 2014	December 31, 2014	March 31, 2015
Net income	\$ 131,682	\$ 212,355	\$ 331,524	\$ 512,300	\$ 656,518
Interest expense	472,827	483,082	484,975	481,197	481,321
Income tax expense (benefit)	6,987	7,341	(5,934)	(1,267)	(3,832)
Depreciation and amortization	920,156	934,128	892,117	844,130	799,641
Stock-based compensation expense	17,336	29,320	29,635	32,075	33,462
Provision for loan losses	2,110	2,110	2,110	-	-
Loss (gain) on extinguishment of debt, net	(749)	(218)	6,542	9,558	25,108
<b>Adjusted EBITDA</b>	<b>\$ 1,550,349</b>	<b>\$ 1,668,118</b>	<b>\$ 1,740,969</b>	<b>\$ 1,877,993</b>	<b>\$ 1,992,218</b>
<b>Adjusted Fixed Charge Coverage Ratio:</b>					
Interest expense	\$ 472,827	\$ 483,082	\$ 484,975	\$ 481,197	\$ 481,321
Capitalized interest	6,700	7,014	7,087	7,150	7,931
Non-cash interest expense	(880)	(1,292)	(2,790)	(2,427)	(2,215)
Total interest	478,647	488,804	489,272	485,920	487,037
<b>Adjusted EBITDA</b>	<b>\$ 1,550,349</b>	<b>\$ 1,668,118</b>	<b>\$ 1,740,969</b>	<b>\$ 1,877,993</b>	<b>\$ 1,992,218</b>
Adjusted interest coverage ratio	3.24x	3.41x	3.56x	3.86x	4.09x
Total interest	\$ 478,647	\$ 488,804	\$ 489,272	\$ 485,920	\$ 487,037
Secured debt principal payments	60,341	62,867	62,119	62,280	62,455
Preferred dividends	66,088	65,838	65,588	65,408	65,408
Total fixed charges	605,076	617,509	616,979	613,608	614,900
<b>Adjusted EBITDA</b>	<b>\$ 1,550,349</b>	<b>\$ 1,668,118</b>	<b>\$ 1,740,969</b>	<b>\$ 1,877,993</b>	<b>\$ 1,992,218</b>
Adjusted fixed charge coverage ratio	2.56x	2.70x	2.82x	3.06x	3.24x

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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. Dollars are in thousands.

	Three Months Ended				
	March 31, 2014	June 30, 2014	September 30, 2014	December 31, 2014	March 31, 2015
<b>NOI Reconciliations:</b>					
Total revenues:					
Triple-net	\$ 245,580	\$ 256,439	\$ 259,248	\$ 266,600	\$ 282,988
Seniors housing operating	456,319	468,914	483,791	488,546	494,561
Outpatient medical	99,893	101,017	104,378	112,144	116,606
Non-segment/corporate	15	76	106	479	22
Total revenues	801,807	826,446	847,523	867,769	894,177
Property operating expenses:					
Triple-net	243	447	41	-	-
Seniors housing operating	308,184	310,029	320,895	327,200	338,507
Outpatient medical	33,004	33,278	34,221	35,815	37,954
Total property operating expenses	341,431	343,754	355,157	363,015	376,461
Net operating income:					
Triple-net	245,337	255,992	259,207	266,600	282,988
Seniors housing operating	148,135	158,885	162,896	161,346	156,054
Outpatient medical	66,889	67,739	70,157	76,329	78,652
Non-segment/corporate	15	76	106	479	22
NOI	460,376	482,692	492,366	504,754	517,716
Reconciling items:					
Interest expense	(120,833)	(121,065)	(118,435)	(120,707)	(121,080)
Gain (loss) on derivatives, net	-	(351)	(49)	1,895	58,427
Depreciation and amortization	(233,318)	(214,449)	(200,970)	(195,393)	(188,829)
General and administrative	(32,865)	(51,660)	(30,803)	(27,616)	(35,138)
Transaction costs	(952)	(7,040)	(13,554)	(47,991)	(48,554)
Gain (loss) on extinguishment of debt, net	148	(531)	(2,692)	(6,484)	(15,401)
Impairment of assets	-	-	-	-	(2,220)
Other expenses	-	-	(10,262)	-	-

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Income tax benefit (expense)	(2,260)	(1,569)	10,198	(5,101)	304
Income (loss) from unconsolidated entities	(5,556)	(11,516)	(2,632)	(7,722)	(12,648)
Income (loss) from discontinued operations, net	460	6,675	-	-	-
Gain (loss) on real estate dispositions, net	-	6,668	29,604	110,839	56,845
Preferred dividends	(16,353)	(16,352)	(16,352)	(16,352)	(16,352)
Loss (income) attributable to noncontrolling interests	1,175	327	(164)	(1,486)	(2,271)
	(410,354)	(410,863)	(356,111)	(316,118)	(326,917)
Net income (loss) attributable to common stockholders	\$ 50,022	\$ 71,829	\$ 136,255	\$ 188,636	\$ 190,799

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	Three Months Ended				
	March 31,	June 30,	September	December	March 31,
	2014	2014	30,	31,	2015
	2014	2014	2014	2014	2015
<b>Same Store Cash NOI Reconciliations:</b>					
Net operating income from continuing operations:					
Triple-net	\$ 245,337	\$ 255,992	\$ 259,207	\$ 266,600	\$ 282,988
Seniors housing operating	148,135	158,885	162,896	161,346	156,054
Outpatient medical	66,889	67,739	70,156	76,329	78,652
Total	460,361	482,616	492,259	504,275	517,694
Adjustments:					
Triple-net:					
Non-cash NOI on same store properties NOI attributable to non same store properties	(9,277)	(15,622)	(16,638)	(16,496)	(18,520)
Subtotal	(35,320)	(36,884)	(38,265)	(44,482)	(57,243)
Subtotal	(44,597)	(52,506)	(54,903)	(60,978)	(75,764)
Seniors housing operating:					
Non-cash NOI on same store properties NOI attributable to non same store properties	(266)	(266)	(261)	(252)	(251)
Subtotal	117	1,705	2,432	5,386	9,034
Subtotal	149	(1,439)	(2,171)	(5,134)	(8,783)
Outpatient medical:					
Non-cash NOI on same store properties NOI attributable to non same store properties	(2,188)	(2,139)	(1,683)	(1,485)	(1,287)
Subtotal	(1,858)	(2,335)	(5,235)	(11,008)	(12,750)
Subtotal	(4,046)	(4,474)	(6,917)	(12,494)	(14,037)
Same store cash net operating income:					
Triple-net	586	200,740	203,486	204,304	207,224
Seniors housing operating	279	148,284	157,446	156,212	147,271
Outpatient medical	191	62,843	63,265	63,835	64,615



Total	1,056	\$ 411,867	\$ 424,197	\$ 428,268	\$ 425,669	\$ 419,110
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**Same Store Cash NOI****Property****Reconciliation:**

Total Properties	1,316
Acquisitions	(214)
Developments	(20)
Held-for-sale	(13)
Other <sup>(1)</sup>	(13)
Same store properties	1,056

(1) Includes ten land parcels and three loans.

**Other Disclosures****United States of America*****Health Care Reimbursements***

Policy and legislative changes that increase or decrease government reimbursement impact our operators and tenants that participate in Medicare, Medicaid or other government programs. The reimbursement methodologies applied to health care facilities continue to evolve. To the extent that policy or legislative changes, or new reimbursement methodologies decrease government reimbursement to our operators and tenants, our revenue and operations may be indirectly adversely affected.

*Medicare Reimbursement and Physicians.* Until recently, the Centers for Medicare and Medicaid Services (“CMS”) annually adjusted the Medicare Physician Fee Schedule payment rates based on an update formula that included application of the Sustainable Growth Rate (“SGR”). On April 1, 2014, President Obama signed into law the Protecting Access to Medicare Act of 2014, which

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provided for a 0% update to the 2015 Medicare Physician Fee Schedule through March 31, 2015. On November 13, 2014, CMS published the calendar year 2015 Physician Fee Schedule final rule, which, consistent with the Protecting Access to Medicare Act of 2014, called for a 0% update from January 1, 2015 through March 31, 2015 and a negative 21.2% update under the statutory SGR formula for April 1, 2015 through December 31, 2015. However, on April 16, 2015, President Obama signed and enacted into law H.R. 2, the Medicare Access and CHIP Reauthorization Act of 2015, which, among other things:

- Repeals the SGR.
- Institutes a 0% update to the single conversion factor under the Medicare Physician Fee Schedule from January 1 through June 30, 2015, a 0.5% update for July 2015 through the end of 2019, and a 0% update for 2020 through 2025. For 2026 and subsequent years, the update will be either 0.75% or 0.25%, depending in which Alternate Payment Model (“APM”) the physician participates.
- Delays the Geographic Practice Cost Indices (“GPCI”) payment adjustment until January 1, 2018.
- Extends the therapy cap exceptions process through December 31, 2017.
- Imposes a market basket update of 1% for skilled nursing providers for FY 2018.

Additionally, on April 6, 2015, CMS announced final 2016 payment rates for Medicare Advantage, with an expected average payment impact of 3.25%. Changes in Medicare Advantage plan payments may indirectly affect our operators and tenants that contract with Medicare Advantage plans.

CMS also issued several proposed rules which, if finalized, could impact our tenants and operators. On April 15, 2015, CMS issued a proposed rule regarding FY 2016 Medicare payment rates for skilled nursing facilities (“SNFs”). If finalized, CMS projects that aggregate payments to SNFs will increase by \$500 million, or 1.4%, from payments in FY 2015. On April 17, 2015, CMS also issued a proposed rule for the Hospital Inpatient Prospective Payment System and Long-Term Care Hospital (“LTCH”) Prospective Payment System that could increase payments to general acute care hospitals by 1.1% for FY 2016, if they participate in the Hospital Inpatient Quality Reporting Program and are meaningful electronic health record users. For LTCHs, CMS projects that payments would decrease by 4.6%, or approximately \$250 million, under the proposed rule. On April 23, 2015, CMS also issued a proposed rule regarding FY 2016 Medicare payment rates for inpatient rehabilitation facilities (“IRFs”). If finalized, CMS projects that aggregate payments to IRFs will increase by \$130 million, or 1.7%, from payments in FY 2015.

***Other Health Care Initiatives***

*Recent Quality Initiatives.* Recent government proposals have resulted in an increased emphasis by the government on the quality of care provided by providers. For example, on February 27, 2015, CMS announced the establishment of a Health Care Payment Learning and Action Network as part of its plan to shift the Medicare program, and the healthcare system at large, toward paying providers based on quality, rather than the quantity of care they provide to patients. Through the Learning and Action Network, CMS will work with private payers, employers, consumers, providers, states and state Medicaid programs, and other partners to expand alternative payment models into their programs. To the extent this and similar measures impose additional obligations on our operators or tenants, or decrease the reimbursements that they receive, our revenues and operations may be indirectly adversely affected.

*The Department of Health and Human Services, Office of Inspector General (“OIG”) Recommendations Addressing SNF Billing.* In the OIG’s March 2015 Compendium of Priority Recommendations, a report that highlights the OIG’s previous recommendations for which corrective action has not been completed, the OIG cited its prior November 2012 report addressing questionable billing practices by SNFs. The OIG recommended, among other things, changing the current method for determining how much therapy is needed to ensure appropriate payments, monitoring compliance with new therapy assessments, and improving accuracy of data submitted by SNFs. If followed these reports and recommendations may impact our operators and tenants.

*Challenges to the Health Reform Laws.* Since the enactment of 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”), there have been multiple attempts through legislative action and legal challenge to repeal or amend the Health Reform Laws, including the case that is currently pending before the U.S. Supreme Court, *King v. Burwell*, the outcome of which, depending on how the Supreme Court rules, could result in significant changes to the implementation of the Health Care Reform Laws. We cannot predict whether any of these or future attempts to repeal or amend the Health Reform Laws will be successful, nor can we predict the impact that such a repeal or amendment would have on our operators or tenants and their ability to meet their obligations to us.

## Canada

### *Licensing and Regulation*

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*Ontario.* Retirement homes in Ontario are regulated under the Retirement Homes Act, 2010 (the "Act"). 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").

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 can receive complaints about a retirement home contravening a provision of the Act, and if such a complaint is received, it must be reviewed promptly. The Registrar may ask the retirement home that is the subject of the complaint to provide information relevant to the complaint, and has the power to conduct an inspection, issue a written warning or take other action as prescribed in the regulations.

*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 (from a list that includes regular assistance with activities of daily living; distribution of medication; management of cash resources; monitoring of food intake; structured behavior management and intervention; and psychosocial or physical rehabilitative therapy).

**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 2014, as amended (the "2014 Regulations"), and include (among other activities):

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

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

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

### *Service Standards and Notification Obligations*

The 2014 Regulations aim to streamline the legal obligations in the 2010 Regulations, and replace them with a set of more broadly-phrased, legally binding “Fundamental Standards”. The 2014 Regulations list the standards that must be met when providing care services. The service providers’ legal obligations include:

- Care and treatment must be appropriate and reflect service user needs and preferences;
- Service users must be treated with dignity and respect;
- Care and treatment must only be provided with consent;
- Care and treatment must be provided in a safe way for service users;
- Service users must be protected from abuse and improper treatment;
- Service users nutritional and hydration needs must be met;
- All premises and equipment must be clean, secure, suitable and used properly;
- Complaints must be investigated and appropriate action taken;
- Systems and processes must be established to ensure compliance with fundamental standards;
- Sufficient numbers of suitably qualified, competent, skilled and experienced staff must be deployed;
- Persons employed must be of good character, having the necessary qualifications, skills and experience, and be able to perform the work for which they are employed;
- Health service bodies must be open and transparent with service users about their care and treatment.

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

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. Monetary penalty notices may also be issued. The Regulations also include:

- Requirements around fit and proper persons being employed for the purposes of carrying of a regulated activity. Such persons must be of good character, have the qualifications, competence, skills and experience necessary and be able by reason of their health to perform their tasks. Recruitment procedures must also be established and effectively operated with certain specified information being available in relation to each person employed and registered where required;
- A new “duty of candour” to notify and apologize to affected persons, in the event of certain incidents having actually or potentially led to the death of the service user, where the death relates directly to the incident rather than to the natural course of the service user's illness or underlying condition, or severe harm, moderate harm or prolonged psychological harm to the service user;
- A requirement for a service provider to display a performance assessment received as a rating of its performance by the Care Quality Commission (the “CQC”); and
- A requirement that registered persons have regard to guidance issued by the CQC and any code of practice from the Secretary of State in relation to prevention or control of health care associated infections.

Under the Care Quality Commission (Registration) Regulations 2009 certain matters must be notified to the CQC, the government regulatory body overseeing the provision of nursing and other care services in England. Failure to comply with 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 Care Act 2014 sets out certain provisions concerning (among others):

- The duty of a local authority to meet the needs of an adult for care and support and a carer's needs where the registered care provider is unable to carry on a regulated activity because of business failure;
- The duty of the CQC to assess the financial sustainability of providers subject to its regulatory regime with a view to identifying any threats that such providers may face to their financial sustainability. Where the CQC identifies a significant risk to financial sustainability it can require the provider to develop a sustainability plan setting out the

provider's plan to mitigate or eliminate risk or require the provider to organize an independent review of the business with the costs being recovered from the provider;

- The CQC informing local authorities where a registered care provider is likely to become unable to carry on a regulated activity; and
- A new offense where certain registered care providers supply, publish or make available information that is false or misleading in a material respect, which can also apply to a director, manager or person purporting to act as such of a company.

### **Critical Accounting Policies**

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

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

Management has discussed the development and selection of its critical accounting policies with the Audit Committee of the Board of Directors. Management believes the current assumptions and other considerations used to estimate amounts reflected in our unaudited consolidated financial statements are appropriate and are not reasonably likely to change in the future. However, since these estimates require assumptions to be made that were uncertain at the time the estimate was made, they bear the risk of change. If actual experience differs from the assumptions and other considerations used in estimating amounts reflected in our unaudited consolidated financial statements, the resulting changes could have a material adverse effect on our consolidated results of operations, liquidity and/or financial condition. Please refer to Note 2 to the financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2014 for further information regarding significant accounting policies that impact us. There have been no material changes to these policies in 2015.

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

This Quarterly Report on Form 10-Q may contain "forward-looking" statements as defined in the Private Securities Litigation

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

Reform Act of 1995. When the company uses words such as “may,” “will,” “intend,” “should,” “believe,” “expect,” “anticipate,” “project,” “estimate” or similar expressions that do not relate solely to historical matters, it is making forward-looking statements. In particular, these forward-looking statements include, but are not limited to, those relating to the company’s opportunities to acquire, develop or sell properties; the company’s ability to close its anticipated acquisitions, investments or dispositions on currently anticipated terms, or within currently anticipated timeframes; the expected performance of the company’s operators/tenants and properties; the company’s expected occupancy rates; the company’s ability to declare and to make distributions to shareholders; the company’s investment and financing opportunities and plans; the company’s continued qualification as a real estate investment trust (“REIT”); the company’s ability to access capital markets or other sources of funds; and the company’s ability to meet its earnings guidance. Forward-looking statements are not guarantees of future performance and involve risks and uncertainties that may cause the company’s actual results to differ materially from the company’s expectations discussed in the forward-looking statements. This may be a result of various factors, including, but not limited to: the status of the economy; the status of capital markets, including availability and cost of capital; issues facing the health care industry, including compliance with, and changes to, regulations and payment policies, responding to government investigations and punitive settlements and operators’/tenants’ difficulty in cost-effectively obtaining and maintaining adequate liability and other insurance; changes in financing terms; competition within the health care, seniors housing and life science industries; negative developments in the operating results or financial condition of operators/tenants, including, but not limited to, their ability to pay rent and repay loans; the company’s ability to transition or sell properties with profitable results; the failure to make new investments or acquisitions as and when anticipated; natural disasters and other acts of God affecting the company’s properties; the company’s ability to re-lease space at similar rates as vacancies occur; the company’s ability to timely reinvest sale proceeds at similar rates to assets sold; operator/tenant or joint venture partner bankruptcies or insolvencies; the cooperation of joint venture partners; government regulations affecting Medicare and Medicaid reimbursement rates and operational requirements; liability or contract claims by or against operators/tenants; unanticipated difficulties and/or expenditures relating to future investments or acquisitions; environmental laws affecting the company’s properties; changes in rules or practices governing the company’s financial reporting; the movement of U.S. and foreign currency exchange rates; the company’s ability to maintain its qualification as a REIT; and key management personnel recruitment and retention. Other important factors are identified in the company’s Annual Report on Form 10-K for the year ended December 31, 2014, including factors identified under the headings “Business,” “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” Finally, the company undertakes no obligation to update or revise publicly any forward-looking statements, whether because of new information, future events or otherwise, or to update the reasons why actual results could differ from those projected in any forward-looking statements.

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

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



general trend in interest rates at the applicable dates and our perception of the future volatility of interest rates. This section is presented to provide a discussion of the risks associated with potential fluctuations in interest rates and foreign currency exchange rates.

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

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

	March 31, 2015		December 31, 2014	
	Principal balance	Change in fair value	Principal balance	Change in fair value
Senior unsecured notes	\$ 7,567,921	\$ (513,398)	\$ 7,817,154	\$ (547,358)
Secured debt	2,653,452	(84,794)	2,673,480	(93,580)
Totals	\$ 10,221,373	\$ (598,192)	\$ 10,490,634	\$ (640,938)

Our variable rate debt, including our primary unsecured credit facility, is reflected at fair value. At March 31, 2015, we had \$1,426,356,000 outstanding under our variable rate debt. Assuming no changes in outstanding balances, a 1% increase in interest rates would result in increased annual interest expense of \$14,264,000. At December 31, 2014, we had \$983,783,000 outstanding under our variable rate debt. Assuming no changes in outstanding balances, a 1% increase in interest rates would have resulted in increased annual interest expense of \$9,838,000.

We are subject to currency fluctuations that may, from time to time, affect our financial condition and results of operations. Increases or decreases in the value of the Canadian Dollar or Pounds Sterling relative to the U.S. Dollar impact the amount of net income we earn from our investments in Canada and the United Kingdom. Based solely on our results for the three months ended March 31, 2015, if these exchange rates were to increase or decrease by 100 basis points, our net income from these investments would decrease or increase, as applicable, by less than \$1,000,000 annualized. We seek to mitigate these underlying foreign currency exposures with non-U.S. denominated borrowings and gains and losses on derivative contracts hedging these exposures. If we increase our international presence through investments in, or acquisitions or development of, seniors housing and health care properties outside the U.S., we may also decide to transact additional business or borrow funds in currencies other than U.S. Dollars, Canadian Dollars or Pounds Sterling. To illustrate the impact of changes in foreign currency markets, we performed a sensitivity analysis on our derivative portfolio whereby we modeled the change in net present values arising from a hypothetical 1% increase in foreign currency exchange rates to determine the instruments' change in fair value. The following table summarizes the results of the analysis performed (dollars in thousands):

	March 31, 2015		December 31, 2014	
	Carrying Value	Change in fair value	Carrying Value	Change in fair value
Foreign currency forward contracts <sup>(1)</sup>	\$ 60,700	\$ 4,889	\$ 54,247	\$ 4,242
Debt designated as hedges	1,756,610	13,000	1,851,189	13,000
Totals	\$ 1,817,310	\$ 17,889	\$ 1,905,436	\$ 17,242

(1) Amounts exclude cross currency hedge activity.

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

**Item 4. Controls and Procedures**

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

**PART II. OTHER INFORMATION**

**Item 1. Legal Proceedings**

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

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

There have been no material changes from the risk factors identified under the heading “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2014.

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

Period	Issuer Purchases of Equity Securities			Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
	Total Number of Shares Purchased <sup>(1)</sup>	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs <sup>(2)</sup>	
January 1, 2015 through January 31, 2015	58,241	\$ 83.04		
February 1, 2015 through February 28, 2015	9,972	81.64		
March 1, 2015 through March 31, 2015	289	75.59		
Totals	68,502	\$ 82.80		

(1) During the three months ended March 31, 2015, the company acquired shares of common stock held by employees who tendered owned shares to satisfy tax withholding obligations.

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

### **Item 5. Other Information**

None.

### **Item 6. Exhibits**

3.1(a) Certificate of Elimination of Junior Participating Preferred Stock, Series A, of the company (filed with the Securities and Exchange Commission as Exhibit 3.1(j) to the company’s Form 10-K filed February 20, 2015 (File No. 001-08923), and incorporated herein by reference thereto).

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3.1(b) Certificate of Elimination of 6% Series H Cumulative Convertible and Redeemable Preferred Stock of the company (filed with the Securities and Exchange Commission as Exhibit 3.1(k) to the company's Form 10-K filed February 20, 2015 (File No. 001-08923), and incorporated herein by reference thereto).

10 Summary of Director Compensation (filed with the Securities and Exchange Commission as Exhibit 10.13 to the company's Form 10-K filed February 20, 2015 (File No. 001-08923), and incorporated herein by reference thereto).\*

12 Statement Regarding Computation of Ratio of Earnings to Fixed Charges and Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends (Unaudited)

31.1 Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer.

31.2 Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer.

32.1 Certification pursuant to 18 U.S.C. Section 1350 by Chief Executive Officer.

32.2 Certification pursuant to 18 U.S.C. Section 1350 by Chief Financial Officer.

101.INS XBRL Instance Document\*\*

101.SCH XBRL Taxonomy Extension Schema Document\*\*

101.CAL XBRL Taxonomy Extension Calculation Linkbase Document\*\*

101.LAB XBRL Taxonomy Extension Label Linkbase Document\*\*

101.PRE XBRL Taxonomy Extension Presentation Linkbase Document\*\*

101.DEF XBRL Taxonomy Extension Definition Linkbase Document\*\*

- \* Management Contract or Compensatory Plan or Arrangement.
- \*\* Attached as Exhibit 101 to this Quarterly Report on Form 10-Q are the following materials, formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Balance Sheets at March 31, 2015 and December 31, 2014, (ii) the Consolidated Statements of Comprehensive Income for the three months ended March 31, 2015 and 2014, (iii) the Consolidated Statements of Equity for the three months ended March 31, 2015 and 2014, (iv) the Consolidated Statements of Cash Flows for the three months ended March 31, 2015 and 2014 and (v) the Notes to Unaudited Consolidated Financial Statements.

### SIGNATURES

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

#### HEALTH CARE REIT, INC.

Date: May 8, 2015                      By:                      /s/ THOMAS J. DEROSA  
Thomas J. DeRosa,  
Chief Executive Officer

(Principal Executive Officer)

Date: May 8, 2015                      By:                      /s/ SCOTT A. ESTES  
Scott A. Estes,  
Executive Vice President and Chief Financial Officer

(Principal Financial Officer)

Date: May 8, 2015                      By:                      /s/ PAUL D. NUNGESTER, JR.  
Paul D. Nungester, Jr.,  
Senior Vice President and Controller

(Principal Accounting Officer)