WELLTOWER INC.
Form 10-K
February 22, 2017

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2016

Commission File No. 1-8923

WELLTOWER INC.

(Exact name of registrant as specified in its charter)

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

(419) 247-2800

(Registrant's telephone number, including area code)

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

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

6.50% Series I Cumulative	New York Stock Exchange
Convertible Perpetual Preferred Stock, $1.00 par value	
6.50% Series J Cumulative	New York Stock Exchange
Redeemable Preferred Stock, $1.00 par value	
4.800% Notes due 2028	New York Stock Exchange
4.500% Notes due 2034	New York Stock Exchange

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

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

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

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. R

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

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

(Do not check if a smaller reporting company)

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

The aggregate market value of the shares of voting common stock held by non-affiliates of the registrant, computed by reference to the closing sales price of such shares on the New York Stock Exchange as of the last business day of the registrant's most recently completed second fiscal quarter was $27,176,263,145.

As of January 31, 2017, the registrant had 362,558,457 shares of common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement for the annual stockholders' meeting to be held May 4, 2017, are incorporated by reference into Part III.

WELLTOWER INC.

2016 FORM 10-K ANNUAL REPORT

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PART I

Item 1. *Business*

General

Welltower Inc. (NYSE:HCN), an S&P 500 company headquartered in Toledo, Ohio, is driving the transformation of health care infrastructure. The company invests with leading seniors housing operators, post-acute providers and health systems to fund real estate and infrastructure needed to scale innovative care delivery models and improve people's wellness and overall health care experience. Welltower™, a real estate investment trust ("REIT"), owns interests in properties concentrated in major, high-growth markets in the United States, Canada and the United Kingdom, consisting of seniors housing and post-acute communities and outpatient medical properties. Our capital programs, when combined with comprehensive planning, development and property management services, make us a single-source solution for acquiring, planning, developing, managing, repositioning and monetizing real estate assets. More information is available on the Internet at www.welltower.com. The information on our website is not incorporated by reference in this Annual Report on Form 10-K, and our web address is included as an inactive textual reference only.

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

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

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

Portfolio of Properties

Please see “Item 7 – Management’s Discussion and Analysis of Financial Condition and Results of Operation – Executive Summary – Company Overview” for a table that summarizes our portfolio as of December 31, 2016.

Property Types

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

Triple-Net

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

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

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

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

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

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

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

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

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

Our triple-net segment accounted for 28%, 31% and 31% of total revenues for the years ended December 31, 2016, 2015 and 2014, respectively. We lease 85 facilities to Genesis Healthcare, LLC, an operator of long-term/post-acute care facilities, pursuant to a long-term, triple-net master lease. In addition to rent, the master lease requires Genesis to pay all operating costs, utilities, real estate taxes, insurance, building repairs, maintenance costs and all obligations under certain ground leases. All obligations under the master lease have been guaranteed by FC-GEN Operations Investment, LLC, a subsidiary of Genesis Healthcare, LLC. For the year ended December 31, 2016, our lease with

Genesis accounted for approximately 27% of our triple-net segment revenues and 8% of our total revenues.

Seniors Housing Operating

Our seniors housing operating properties include several of the facility types described in "Item 1 – Business – Property Types – Triple-Net", including independent living facilities and independent supportive living facilities, assisted living facilities, care homes and Alzheimer's/dementia care facilities. Properties are primarily held in consolidated joint venture entities with operating partners. We utilize the structure proposed in the REIT Investment Diversification and Empowerment Act of 2007, which is commonly referred to as a "RIDEA" structure (the provisions of the Internal Revenue Code authorizing the RIDEA structure were enacted as part of the Housing and Economic Recovery Act of 2008). See Note 18 to our consolidated financial statements for more information.

Our seniors housing operating segment accounted for 59%, 56% and 57% of total revenues for the years ended December 31, 2016, 2015 and 2014, respectively. We have relationships with 16 operators to own and operate 420 facilities (plus 69 unconsolidated facilities). In each instance, our partner provides management services to the properties pursuant to an incentive-based management contract. We rely on our partners to effectively and efficiently manage these properties. For the year ended December 31, 2016, our relationship with Sunrise Senior Living accounted for approximately 40% of our seniors housing operating segment revenues and 23% of our total revenues.

Outpatient Medical

Our outpatient medical properties include outpatient medical buildings and, prior to June 30, 2015, life science facilities. We typically lease our outpatient medical buildings to multiple tenants and provide varying levels of property management. Our life science investment represented an investment in an unconsolidated joint venture entity. Our outpatient medical segment accounted for 13%, 13% and 12% of total revenues for the years ended December 31, 2016, 2015 and 2014, respectively. No single tenant exceeds 20% of segment revenues.

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

Life Science Facilities. The life science portfolio consisted of laboratory and office facilities specifically designed and constructed for use by biotechnology and pharmaceutical companies. These facilities were located adjacent to The Massachusetts Institute of Technology, which is a well-established market known for pharmaceutical and biotechnology research. They are similar to commercial office buildings with advanced HVAC (heating, ventilation and air conditioning), electrical and mechanical systems. On June 30, 2015, we disposed of our life science investments.

Investments

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

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

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

Investment Types

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

At December 31, 2016, approximately 92% of our triple-net properties were subject to master leases. A master lease is a lease of multiple properties to one tenant entity under a single lease agreement. From time to time, we may acquire additional properties that are then leased to the tenant under the master lease. The tenant is required to make one monthly payment that represents rent on all the properties that are subject to the master lease. Typically, the master lease tenant can exercise its right to purchase the properties or to renew the master lease only with respect to all leased properties at the same time. This bundling feature benefits us because the tenant cannot limit the purchase or renewal to the better performing properties and terminate the leasing arrangement with respect to the poorer performing properties. This spreads our risk among the entire group of properties within the master lease. The bundling feature should provide a similar advantage to us if the master lease tenant is in bankruptcy. Subject to certain restrictions, a debtor in bankruptcy has the right to assume or reject each of its leases. It is our intent that a tenant in bankruptcy would be required to assume or reject the master lease as a whole, rather than deciding on a property by property basis.

Our outpatient medical portfolio is primarily self-managed and consists principally of multi-tenant properties leased to health care providers. Our leases typically include increasers and some form of operating expense reimbursement by the tenant. As of December 31, 2016, 80% of our portfolio included leases with full pass through, 17% with a partial expense reimbursement (modified gross) and 3% with no expense reimbursement (gross). Our outpatient medical leases are non-cancellable operating leases that have a weighted-average remaining term of seven years at December 31, 2016 and are often credit enhanced by security deposits, guaranties and/or letters of credit.

Construction. We occasionally provide for the construction of properties for tenants as part of long-term operating leases. We capitalize certain interest costs associated with funds used for the construction of properties owned by us. The amount capitalized is based upon the amount advanced during the construction period using the rate of interest that approximates our Company-wide cost of financing. Our interest expense is reduced by the amount capitalized. We also typically charge a transaction fee at the commencement of construction which we defer and amortize to income over the term of the resulting lease. The construction period commences upon funding and terminates upon the earlier of the completion of the applicable property or the end of a specified period. During the construction period, we advance funds to the tenants in accordance with agreed upon terms and conditions which require, among other things, periodic site visits by a Company representative. During the construction period, we generally require an additional credit enhancement in the form of payment and performance bonds and/or completion guaranties. At December 31, 2016, we had outstanding construction investments of $506,091,000 and were committed to provide additional funds of approximately $493,972,000 to complete construction for investment properties.

Real Estate Loans. Our real estate loans are typically structured to provide us with interest income, principal amortization and transaction fees and are generally secured by first/second mortgage liens, leasehold mortgages, corporate guaranties and/or personal guaranties. At December 31, 2016, we had outstanding real estate loans of $622,627,508. The interest yield averaged approximately 9.5% per annum on our outstanding real estate loan balances. Our yield on real estate loans depends upon a number of factors, including the stated interest rate, average principal amount outstanding during the term of the loan and any interest rate adjustments. The real estate loans outstanding at December 31, 2016 are generally subject to one to 15-year terms with principal amortization schedules and/or balloon payments of the outstanding principal balances at the end of the term. Typically, real estate loans are cross-defaulted and cross-collateralized with other real estate loans, operating leases or agreements between us and the obligor and its affiliates.

Investments in Unconsolidated Entities. Investments in entities that we do not consolidate but have the ability to exercise significant influence over operating and financial policies are reported under the equity method of accounting. Our investments in unconsolidated entities generally represent interests ranging from 10% to 50% in real estate assets. Under the equity method of accounting, our share of the investee's earnings or losses is included in our consolidated results of operations. To the extent that our cost basis is different from the basis reflected at the entity level, the basis difference is generally amortized over the lives of the related assets and liabilities, and such amortization is included in our share of equity in earnings of the entity. The initial carrying value of investments in unconsolidated entities is based on the amount paid to purchase the entity interest or the estimated fair value of the assets prior to the sale of interests in the entity. We evaluate our equity method investments for impairment based upon a comparison of the estimated fair value of the equity method investment to its carrying value. When we determine a decline in the estimated fair value of such an investment below its carrying value is other-than-temporary,

an impairment is recorded. See Note 7 to our consolidated financial statements for more information.

Principles of Consolidation

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

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

For investments in joint ventures, GAAP may preclude consolidation by the sole general partner in certain circumstances based on the type of rights held by the limited partner(s). We assess the limited partners' rights and their impact on our consolidation conclusions, and we reassess if there is a change to the terms or in the exercisability of the rights of the limited partners, the sole general partner increases or decreases its ownership of limited partnership interests, or there is an increase or decrease in the number of outstanding limited partnership interests. We similarly evaluate the rights of managing members of limited liability companies.

Borrowing Policies

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

Competition

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

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

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

Employees As of January 31, 2017, we had 466 employees.

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

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

Health Care Industry

The demand for health care services, and consequently health care properties, is projected to reach unprecedented levels in the near future. The Centers for Medicare and Medicaid Services ("CMS") projects that national health expenditures will rise to approximately $3.5 trillion in 2017 or 18.2% of gross domestic product. The average annual growth in national health expenditures for 2015 through 2025 is expected to be 5.8%. While demographics are the primary driver of demand, economic conditions and availability of services contribute to health care service utilization rates. We believe the health care property market may be less susceptible to fluctuations and economic downturns relative to other property sectors. Investor interest in the market remains strong, especially in specific sectors such as private-pay senior living and outpatient medical buildings. The total U.S. population for 2015 through 2025 is projected to increase by 9.3%. The elderly population aged 65 and over is projected to increase by 36% through 2025. The elderly are an important component of health care utilization, especially independent living services, assisted living services, long-term/post-acute care services, inpatient and outpatient hospital services and physician ambulatory care. Most health care services are provided within a health care facility such as a hospital, a physician's office or a seniors housing community. Therefore, we believe there will be continued demand for companies, such as ours, with expertise in health care real estate.

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

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

Certain Government Regulations

United States

Health Law Matters — Generally

Typically, operators of seniors housing facilities do not receive significant funding from government programs and are largely subject to state laws, as opposed to federal laws. Operators of long-term/post-acute care facilities and hospitals do receive significant funding from government programs, and these facilities are subject to the federal and state laws that regulate the type and quality of the medical and/or nursing care provided, ancillary services (*e.g.*, respiratory, occupational, physical and infusion therapies), qualifications of the administrative personnel and nursing staff, the adequacy of the physical plant and equipment, reimbursement and rate setting and operating policies. In addition, as described below, operators of these facilities are subject to extensive laws and regulations pertaining to health care fraud and abuse, including, but not limited to, the federal Anti-Kickback Statute ("AKS"), the federal Stark Law ("Stark Law"), and the federal False Claims Act ("FCA"), as well as comparable state laws. Hospitals, physician group practice clinics, and other health care providers that operate in our portfolio are subject to extensive federal, state, and local licensure, registration, certification, and inspection laws, regulations, and industry standards. Our tenants' failure to comply with any of these, and other, laws could result in, among other things, loss of accreditation; denial of reimbursement; imposition of fines; suspension, decertification, or exclusion from federal and state health care programs; loss of license; or closure of the facility. See Risk Factors "The requirements of, or changes to, governmental reimbursement programs, such as Medicare or Medicaid, could have a material adverse effect on our obligors' liquidity, financial condition and results of operations, which could adversely affect our obligors' ability to meet their obligations to us" and "Our operators' or tenants' failure to comply with federal, state, local, and industry-regulated licensure, certification and inspection laws, regulations, and standards could adversely affect such operators' or tenants' operations, which could adversely affect our operators' and tenants' ability to meet their obligations to us" below.

Licensing and Certification

The primary regulations that affect long-term and post-acute care facilities are state licensing and registration laws. For example, certain health care facilities are subject to a variety of licensure and certificate of need ("CON") laws and regulations. Where applicable, CON laws generally require, among other requirements, that a facility demonstrate the need for (1) constructing a new facility, (2) adding beds or expanding an existing facility, (3) investing in major capital equipment or adding new services, (4) changing the ownership or control of an existing licensed facility, or (5) terminating services that have been previously approved through the CON process. Certain state CON laws and regulations may restrict the ability of operators to add new properties or expand an existing facility's size or services. In addition, CON laws may constrain the ability of an operator to transfer responsibility for operating a particular facility to a new operator.

With respect to licensure, generally our long-term/post-acute care facilities and acute care facilities are required to be licensed and certified for participation in Medicare, Medicaid, and other federal and state health care programs. The failure of our operators to maintain or renew any required license or regulatory approval as well as the failure of our operators to correct serious deficiencies identified in a compliance survey could require those operators to discontinue operations at a property. In addition, if a property is found to be out of compliance with Medicare, Medicaid, or other federal or state health care program conditions of participation, the property operator may be excluded from participating in those government health care programs.

Reimbursement

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

- *Seniors Housing Facilities (excluding long-term/post-acute care facilities).* Approximately 55% of our overall revenues for the year ended December 31, 2016 were attributable to U.S. seniors housing facilities. The majority of the revenues received by the operators of these facilities are from private pay sources. The remaining revenue source is primarily Medicaid under certain waiver programs. As of September 30, 2016, 15 of our 44 seniors housing operators received Medicaid reimbursement pursuant to Medicaid waiver programs. For the twelve months ended September 30, 2016, approximately 1.7% of the revenues at our seniors housing facilities were from Medicaid reimbursement. There can be no guarantee that a state Medicaid program operating pursuant to a waiver will be able to maintain its waiver status. Rates paid by self-pay residents are set by the facilities and are determined by local market conditions and operating costs. Generally, facilities receive a higher payment per day for a private pay resident than for a Medicaid beneficiary who requires a comparable level of care. The level of Medicaid reimbursement varies from state to state. Thus, the revenues generated by operators of our assisted living facilities may be adversely affected by payor mix, acuity level, changes in Medicaid eligibility, and

reimbursement levels. In addition, a state could lose its Medicaid waiver and no longer be permitted to utilize Medicaid dollars to reimburse for assisted living services.

• *Long-Term/Post-Acute Care Facilities*. Approximately 13% of our overall revenues for the year ended December 31, 2016 were attributable to long-term/post-acute care facilities. The majority of the revenues received by the operators of these facilities are from the Medicare and Medicaid programs, with the balance representing reimbursement payments from private payors. Consequently, changes in federal or state reimbursement policies may adversely affect an operator's ability to cover its expenses, including our rent or debt service. Long-term/post-acute care facilities are subject to periodic pre- and post-payment reviews, and other audits by federal and state authorities. A review or audit of a property operator's claims could result in recoupments, denials, or delay of payments in the future. Due to the significant judgments and estimates inherent in payor settlement accounting, no assurance can be given as to the adequacy of any reserves maintained by our property operators to cover potential adjustments to reimbursements, or to cover settlements made to payors. Recent attention on billing practices, payments, and quality of care, or ongoing government pressure to reduce spending by government health care programs, could result in lower payments to long-term/post-acute care facilities and, as a result, may impair an operator's ability to meet its financial obligations to us.

o *Medicare Reimbursement.* For the twelve months ended September 30, 2016, approximately 39% of the revenues at our long-term/post-acute care facilities were paid by Medicare. Generally, long-term/post-acute care facilities are reimbursed under the Medicare Skilled Nursing Facility Prospective Payment System ("SNF PPS"), the Inpatient Rehabilitation Facility Prospective Payment System ("IRF PPS"), or the Long Term Care Hospital Prospective Payment System ("LTCH PPS"), which generally provide reimbursement based upon a predetermined fixed amount per episode of care and are updated by CMS, an agency of the Department of Health and Human Services ("HHS") annually. CMS made some positive payment updates for fiscal year ("FY") 2017 under the SNF PPS, the IRF PPS and the LTCH PPS, specifically:

§ On August 5, 2016, CMS published a final rule regarding FY 2017 Medicare payment policies and rates for skilled nursing facilities ("SNFs"). Under the final SNF rule, CMS projects that aggregate payments to SNFs will increase in FY 2017 by $920 million, or 2.4%, from payments in FY 2016.

§ On August 5, 2016, CMS published a final rule regarding FY 2017 Medicare payment policies and rates for inpatient rehabilitation facilities ("IRFs"). Under the rule, CMS estimates that aggregate payments to IRFs will increase in FY 2017 by $145 million, or 1.9%, relative to payments in FY 2016.

§ On August 22, 2016, CMS published a final rule regarding FY 2017 Medicare payment policies and rates for long term care hospitals ("LTCHs"). As a result of the continuation of the phase-in of site neutral payment rates for specified cases in LTCHs, CMS projects FY 2017 Medicare payments to LTCHs will decrease by 7.1%, or approximately $363 million. Payment rates will increase by 0.7% for cases that qualify for the higher standard LTCH PPS rate. In response to a federal district court's review of the "Two-Midnight" payment policy, CMS finalized its proposal to remove the 0.2% Medicare Part A hospital payment cut and also its effects for FYs 2014, 2015, and 2016 though an approximate 0.8% increase to FY 2017 payment rates.

There is a risk under these payment systems that costs will exceed the fixed payments, or that payments may be set below the costs to provide certain items and services. In addition, the HHS Office of Inspector General has released recommendations to address SNF billing practices and Medicare payment rates. If followed, these recommendations regarding SNF payment reform may impact our tenants and operators.

o *Medicaid Reimbursement*. For the twelve months ended September 30, 2016, approximately 33% of the revenues of long-term/post-acute care facilities were paid by Medicaid. Many states reimburse SNFs, for example, using fixed daily rates, which are applied prospectively based on patient acuity and the historical costs incurred in providing patient care. In most states, Medicaid does not fully reimburse the cost of providing services. Certain states are attempting to slow the rate of Medicaid growth by freezing rates or restricting eligibility and benefits. In addition, Medicaid reimbursement rates may decline if revenues in a particular state are not sufficient to fund budgeted expenditures.

• *Medicare Reimbursement for Physicians, Hospital Outpatient Departments, and Ambulatory Surgical Centers.* Changes in reimbursement to physicians, Hospital Outpatient Departments ("HOPDs"), and Ambulatory Surgical Centers ("ASCs") may further affect our tenants and operators. Generally, Medicare reimburses physicians under the Physician Fee Schedule, while HOPDs and ASCs are reimbursed under prospective payment systems. The Physician Fee Schedule and the HOPD and ASC prospective payment systems are updated annually by CMS. These annual Medicare payment regulations have resulted in lower net pay increases than providers of those services have often expected. In addition, Congress recently passed the Medicare and CHIP Reauthorization Act of 2015 ("MACRA"), which includes payment reductions for providers who do not meet government quality standards. The implementation of pay-for-quality models like those required under MACRA is expected to produce funding disparities that could adversely impact some provider tenants in medical buildings and other health care properties. Changes in Medicare Advantage plan payments may also indirectly affect our operators and tenants that contract with Medicare Advantage plans.

• *Health Reform Laws.* On March 23, 2010, President Obama signed into law the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 (collectively, the "Health Reform Laws"), which dramatically

altered how health care is delivered and reimbursed in the United States and contained various provisions, including Medicaid expansion and the establishment of Health Insurance Exchanges providing subsidized health insurance, that may directly impact us or the operators and tenants of our properties. We expect that the new Presidential Administration and U.S. Congress will seek to modify, repeal, or otherwise invalidate all, or certain provisions of, the Health Reform Laws. Since taking office, President Trump has continued to support the repeal of all or portions of the Health Reform Laws. The House and Senate have recently passed a budget resolution that authorizes congressional committees to draft legislation to repeal all or portions of the Health Reform Laws and permits such legislation to pass with a majority vote in the Senate. President Trump has also recently issued an executive order in which he stated that it is his Administration's policy to seek the prompt repeal of the Health Reform Laws and directed executive departments and federal agencies to waive, defer, grant exemptions from, or delay the implementation of the provisions of the Health Reform Laws to the maximum extent permitted by law. There is still uncertainty with respect to the impact President Trump's Administration and the U.S. Congress may have, if any, and any changes will likely take time to unfold, and could have an impact on coverage and reimbursement for health care items and services covered by plans that were authorized by the Health Reform Laws. We cannot predict whether the existing Health Reform Laws, or future health care reform legislation or regulatory changes, will have a material impact on our operators' or tenants' property or business.

Fraud & Abuse Enforcement

Long-term/post-acute care facilities (and seniors housing facilities that receive Medicaid payments) are subject to federal, state, and local laws, regulations, and applicable guidance that govern the operations and financial and other arrangements that may be entered into by health care providers. Certain of these laws, such as the AKS and Stark Law, prohibit direct or indirect payments of any kind for the purpose of inducing or encouraging the referral of patients for medical products or services reimbursable by government health care programs. Other laws require providers to furnish only medically necessary services and submit to the government valid and accurate statements for each service. Specifically, our operators and tenants that receive payments from federal healthcare programs, such as Medicare and Medicaid, are subject to substantial financial penalties under the Civil Monetary Penalties Act and the FCA and, in particular, actions under the FCA's "whistleblower" provisions. Private enforcement of health care fraud has increased due in large part to amendments to the FCA that encourage private individuals to sue on behalf of the government. In addition, states may also have separate false claims acts, which, among other things, generally prohibit health care providers from filing false claims or making false statements to receive payments. Still other laws require providers to comply with a variety of safety, health and other requirements relating to the condition of the licensed property and the quality of care provided. Sanctions for violations of these laws, regulations, and other applicable guidance may include, but are not limited to, criminal and/or civil penalties and fines, loss of licensure, immediate termination of government payments, exclusion from any government health care program, damage assessments, and imprisonment. In certain circumstances, violation of these rules (such as those prohibiting abusive and fraudulent behavior) with respect to one property may subject other facilities under common control or ownership to sanctions, including exclusion from participation in the Medicare and Medicaid programs, as well as other government health care programs. In the ordinary course of its business, a property operator is regularly subjected to inquiries, investigations, and audits by the federal and state agencies that oversee these laws and regulations.

Prosecutions, investigations, or whistleblower actions could have a material adverse effect on a property operator's liquidity, financial condition, and operations, which could adversely affect the ability of the operator to meet its financial obligations to us. In addition, government investigations and enforcement actions brought against the health care industry have increased dramatically over the past several years and are expected to continue. Although the responsibility for enforcing these laws and regulations lies with a variety of federal, state and local governmental agencies, some may be enforced by private litigants through federal and state false claims acts and other laws, including some state privacy laws, that allow for private individuals to bring actions. The costs for an operator of a health care property associated with both defending such enforcement actions and the undertakings in settling these actions can be substantial and could have a material adverse effect on the ability of an operator to meet its obligations to us.

Federal and State Data Privacy and Security Laws

The Health Insurance Portability and Accountability Act of 1996, as amended by Health Information Technology for Economic and Clinical Health Act, and numerous other state and federal laws govern the collection, security, dissemination, use, access to and confidentiality of individually identifiable health information. Violations of these laws may result in substantial civil and/or criminal fines and penalties.

United Kingdom

In England, care home services are principally regulated by the Health and Social Care Act 2008 (as amended) and other regulations. This legislation subjects service providers to a number of legally binding "Fundamental Standards" and requires, amongst other things, that all persons carrying out "Regulated Activities" in England, and the managers of such persons, be registered. Providers of care home services are also subject (as data controllers) to laws governing their use of personal data (including in relation

to their employees, clients and recipients of their services). These laws currently take the form of the UK's Data Protection Act 1998, enforced by the UK's Information Commissioner's Office, but this will be replaced in mid-2018 by the EU's new General Data Protection Regulation ("GDPR"). The GDPR will impose a significant number of new obligations with the potential for fines of up to 4% of annual worldwide turnover or €20 million, whichever is greater. Entities incorporated in or carrying on a business in the UK as well as individuals residing in the U.K. are also subject to the UK Bribery Act 2010. The UK recently introduced a new national minimum wage with a maximum fine for non-payment of £20,000 per worker and employers who fail to pay will be banned from being a company director for up to 15 years. The UK recently voted to exit from the EU ("Brexit"). Negotiations on the exit agreement are underway but at present it is not possible to predict whether Brexit will have a material impact on our operators' or tenants' property or business.

Canada

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

Licensing and Regulation

Alberta

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

- *Retirement Homes* (also called independent living) are designed for older adults able to live on their own, and may offer various lifestyle amenities. These residences may be rented, privately owned, or life-leased, and may be operated for profit or non-profit. Support services are not usually offered, but can be arranged by residents. Retirement homes do not generally receive government funding; residents pay for tenancy and services received. Rental subsidies may be available to qualified seniors. Independent living residences are subject to provincial tenancy and housing laws.

- *Supportive Living* (also called assisted living) provides home-like accommodation for residents who wish or need to access care, assistance, and services. Operators provide at least one meal a day or housekeeping services. There are four levels of supportive living, addressing care needs from basic to advanced. In addition, there are two specialized designations of supportive care to address the needs of residents who require the highest level of care including for those who have cognitive impairments. Supportive living can include seniors lodges, group homes, and mental health and designated supportive living accommodations, which can be operated by private for-profit or not-for-profit, or public operators. Supportive living services are licensed and regulated under Provincial laws, and

governed by the Ministry of Health. Operators receiving public funds for health and personal care services must also comply with additional provincial legislation, and are subject to legislated safeguards aimed at investigation of suspected abuse. The maximum accommodation fee in publicly-funded designated supportive living is regulated by Alberta Health. In other supportive living settings, the operator sets the cost of accommodation. Health services are publicly-funded and provided through Alberta Health Services. Private sector operators are eligible to apply for government funding under a government capital grant program that provides funding to develop long-term care and affordable supportive living spaces.

• *Nursing Homes* (also called long-term care) are for residents who have complex, unpredictable medical needs and who require 24-hour on-site registered nurse assessment or treatment. Nursing homes are regulated by Provincial laws, and governed by the Ministry of Health. Operators are not licensed, but enter into agreements with the Ministry for the operation of nursing homes and must comply with certain accommodation standards. Homes can be operated by private for-profit or not-for-profit, or public operators. Operators that receive public funds for health and personal care services must also comply with certain health service standards and legislation aimed at protecting residents. Alberta Health regulates the maximum accommodation fee in publicly-funded nursing homes. Health services in long-term care are publicly-funded, provided through Alberta Health Services. Private sector operators are eligible to apply for government funding, and the Minister may make grants to an operator in respect of its operating or capital costs.

Ontario

Long-term care homes (also called nursing homes), receive government funding, are licensed under provincial law aimed at resident protection, and are governed by the Ministry of Health and Long-Term Care. Retirement homes are regulated and licensed under a provincial law aimed at protecting residents. Retirement homes do not receive government funding; residents enter into tenancy agreements under provincial tenancy law, and pay for tenancy and services received. Residents may access publicly-funded external care services at the home from external suppliers. Retirement home licenses are granted by the Retirement Homes Regulatory Authority ("RHRA"), and are non-transferable. The RHRA administers the law governing retirement homes, to ensure that licensees are meeting certain standards, generally with respect to care and safety. The law requires any person to report to the RHRA when there are reasonable grounds to suspect abuse of a resident by anyone, or neglect of a resident by staff. The RHRA conducts a

mandatory inspection and issues a report that is posted on the RHRA's public website, and also must be posted in the subject home if it is the most recent report. The Registrar of the RHRA can receive complaints about a retirement home contravening a provision of the law, and if such a complaint is received, it must be reviewed promptly. The Registrar has broad powers relating to complaint investigation and action. The RHRA Registrar has the power to inspect a retirement home at any time without warning or issue a warrant to ensure compliance. Compliance inspections occur at least every three years. The Registrar has the power to make a variety of orders including the imposition of a fine or an order revoking the operator's license. The applicable law also enumerates offenses, such as operating without a license, and provides for penalties for offenses. All of the homes in which we have an interest in Ontario are licensed as retirement homes. One of the homes also has some licensed long-term care beds.

British Columbia

Provincial laws regulate and license "community care facilities" (long-term care homes) in substantially the same manner as retirement homes are regulated under Ontario laws. Community care facilities are defined 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).

Provincial law also recognizes and regulates "assisted living residences," for seniors who can live independently, but require assistance with certain activities. Services available can include meals, housekeeping, monitoring and emergency support, social/recreational opportunities, and transportation. Assisted living residences do not require a license, but must be registered with the registrar of assisted living residences and must be operated in a manner that does not jeopardize the health or safety of residents. If the registrar believes the standard is not being met, the registrar may inspect the residence and may suspend or cancel a registration.

Independent living residences offer housing and hospitality services for retired adults who are functionally independent and able to direct their own care. Most of the residences in which we have an interest in B.C. are assisted living residences, with one being an independent living residence.

Québec

Provincial laws in Québec regulate retirement homes (private seniors' residences) as well as long-term care homes (residential and long-term care centers). All homes in which we have an interest in Québec are private seniors' residences which are required to obtain a certificate of compliance based on prescribed operating standards.

A certificate of compliance is issued for a period of four years and is renewable. The regional health and social agency may revoke or refuse to issue or renew a certificate of compliance if, among other things, the operator fails to comply with the applicable law. The agency may also order corrective measures, further to an inspection, complaint or investigation. The agency is authorized to inspect a residence, at any reasonable time of day, in order to ascertain whether it complies with the law.

Private seniors' residences may belong to either or both of the following categories: (i) those offering services to independent elderly persons and (ii) those offering services to semi-independent elderly persons. The operator must, for each category, comply with the applicable criteria and standards, with some exceptions for residences with fewer than six or ten rooms or apartments. There are requirements with respect to residents' health and safety, meal services and recreation, content of residents' files, disclosure of information to residents, and staffing, among other things.

Other Related Laws

Privacy

The services provided in our facilities are subject to privacy legislation in Canada, including, in certain provinces, privacy laws specifically related to personal health information. Although the obligations of custodians of personal information in the various provinces differ, they all include the obligation to protect the information. The organizations with which we have management agreements may be the custodian of personal information collected in connection with the operation of our facilities.

Privacy laws in Canada are consent-based and require the implementation of a privacy program involving policies, procedures and the designation of an individual or team with primary responsibility for privacy law compliance. Mandatory breach notification to affected individuals is a requirement under some laws. Mandatory breach notification to the applicable regulator is a requirement in some provinces. Some laws require notification where personal information is processed or stored outside of Canada. One provincial law (in Quebec) provides for fines where an organization fails to perform due diligence before outsourcing activities involving personal information to a service provider outside of the province.

The powers of privacy regulators and penalties for violations of privacy law vary according to the applicable law or are left to the courts. To date, monetary penalties granted have been on the low side, although that is changing with civil actions for breach of privacy and may change further as a result of class action activity. Regulators have the authority to make public the identity of a custodian that has been found to have committed a breach, so there is a reputational risk associated with privacy law violations even where no monetary damages are incurred. The notification of residents (mandatory under some privacy laws) and other activities required to manage a privacy breach can give rise to significant costs.

Other Legislation

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

Taxation

Federal Income Tax Considerations

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

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

other tax consequences of acquiring, owning and selling our securities.

General

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

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

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

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

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

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

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

• If we fail to satisfy either the 75% or 95% gross income tests (as discussed below), but nonetheless maintain our qualification as a REIT because certain other requirements are met, we will be subject to a 100% tax on an amount equal to (1) the gross income attributable to the greater of (i) 75% of our gross income over the amount of qualifying gross income for purposes of the 75% gross income test (discussed below) or (ii) 95% of our gross income over the amount of qualifying gross income for purposes of the 95% gross income test (discussed below) multiplied by (2) a fraction intended to reflect our profitability;

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

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

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

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

Qualification as a REIT

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

currency fluctuations with respect to any item of income or gain that is included in gross income in the 95% and 75% gross income tests is excluded from the 95% and 75% gross income tests.

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

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

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

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

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

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

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

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

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

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

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

If we fail to satisfy one or both of the 75% or 95% gross income tests for any taxable year, we may nevertheless qualify as a REIT for such year if we are eligible for relief. These relief provisions generally will be available if (1) following our identification of the failure, we file a schedule for such taxable year describing each item of our gross income, and (2) the failure to meet such tests was due to reasonable cause and not due to willful neglect. It is not now possible to determine the circumstances under which we may be entitled to the benefit of these relief provisions. If these relief provisions apply, a 100% tax is imposed on an amount equal to (a) the gross income attributable to (1) 75% of our gross income over the amount of qualifying gross income for purposes of the 75% income test and (2) 95% of our gross income over the amount of qualifying gross income for purposes of the 95% income test, multiplied by (b) a fraction intended to reflect our profitability. The Secretary of the Treasury is given broad authority to determine whether particular items of income or gain qualify or not under the 75% and 95% gross income tests, or are to be excluded from the measure of gross income for such purposes.

Asset Tests. Within 30 days after the close of each quarter of our taxable year, we must also satisfy several tests relating to the nature and diversification of our assets determined in accordance with generally accepted accounting principles. At least 75% of the value of our total assets must be represented by real estate assets, cash, cash items (including receivables arising in the ordinary course of our operation), government securities and qualified temporary investments. Although the remaining 25% of our assets generally may be invested without restriction, we are prohibited from owning securities representing more than 10% of either the vote (the “10% vote test”) or value (the “10% value test”) of the outstanding securities of any issuer other than a qualified REIT subsidiary, another REIT or a taxable REIT subsidiary. Further, no more than 25% (20% for tax years beginning after 2017) of the total assets may be represented by securities of one or more taxable REIT subsidiaries (the “25% asset test”) and no more than 5% of the value of our total assets may be represented by securities of any non-governmental issuer other than a qualified REIT subsidiary (the “5% asset test”), another REIT or a taxable REIT subsidiary. Each of the 10% vote test, the 10% value test and the 25% and 5% asset tests must be satisfied at the end of each quarter. There are special rules which provide relief if the value related tests are not satisfied due to changes in the value of the assets of a REIT.

Certain items are excluded from the 10% value test, including: (1) straight debt securities (as defined in Internal Revenue Code Section 1361(c)(5)) of an issuer (including straight debt that provides certain contingent payments); (2) any loan to an individual or an

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

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

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

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

Investments in Taxable REIT Subsidiaries. REITs may own more than 10% of the voting power and value of securities in taxable REIT subsidiaries. Unlike a qualified REIT subsidiary, other disregarded entity or partnership, the income and assets of a taxable REIT subsidiary are not attributable to the REIT for purposes of satisfying the income and asset ownership requirements applicable to REIT qualification. We and any taxable corporate entity in which we own an interest are allowed to jointly elect to treat such entity as a "taxable REIT subsidiary."

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

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

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

Annual Distribution Requirements. In order to avoid being taxed as a regular corporation, we are required to make distributions (other than capital gain distributions) to our stockholders which qualify for the dividends paid deduction in an amount at least equal to (1) the sum of (i) 90% of our "REIT taxable income" (computed without regard to the dividends paid deduction and our net capital gain) and (ii) 90% of the after-tax net income, if any, from foreclosure property, minus (2) a portion of certain items of non-cash income. These distributions must be paid in the taxable year to which they relate, or in the following taxable year if declared before we timely file our tax return for that year and if paid on or before the first regular distribution payment after such declaration. Prior to recently enacted legislation, with respect to all REITs the amount distributed could not be preferential. This means that every stockholder of the class of stock to which a distribution is made must be treated the same as every other stockholder of that class, and

no class of stock may be treated otherwise than in accordance with its dividend rights as a class (the "preferential dividend rule"). Beginning in tax years after 2014, the preferential dividend rule no longer applies to publicly offered REITs, however, the rule is still applicable to other entities taxed as REITs, which would include several of our subsidiaries. To the extent that we do not distribute all of our net capital gain or distribute at least 90%, but less than 100%, of our "REIT taxable income," as adjusted, we will be subject to tax on the undistributed amount at regular corporate tax rates. As discussed above, we may be subject to an excise tax if we fail to meet certain other distribution requirements. We believe we have satisfied the annual distribution requirements for the year of our initial REIT election and each year thereafter through the year ended December 31, 2016. Although we intend to make timely distributions sufficient to satisfy these annual distribution requirements for subsequent years, economic, market, legal, tax or other factors could limit our ability to meet those requirements. See "Item 1A — Risk Factors."

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

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

Failure to Qualify as a REIT

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

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

Federal Income Taxation of Holders of Our Stock

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

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

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

Generally, the current maximum marginal rate of tax payable by individuals on dividends received from corporations that are subject to a corporate level of tax is 20%. Except in limited circumstances, this tax rate will not apply to dividends paid to you by us on our shares, because generally we are not subject to federal income tax on the portion of our REIT taxable income or capital gains

distributed to our stockholders. The reduced maximum federal income tax rate will apply to that portion, if any, of dividends received by you with respect to our shares that are attributable to: (1) dividends received by us from non-REIT corporations or other taxable REIT subsidiaries; (2) income from the prior year with respect to which we were required to pay federal corporate income tax during the prior year (if, for example, we did not distribute 100% of our REIT taxable income for the prior year); or (3) the amount of any earnings and profits that were distributed by us and accumulated in a non-REIT year.

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

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

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

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

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

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

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

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

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

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

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

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

Backup Withholding and Information Reporting. Under certain circumstances, you may be subject to backup withholding at applicable rates on payments made with respect to, or cash proceeds of a sale or exchange of, shares of our stock. Backup withholding will apply only if you: (1) fail to provide a correct taxpayer identification number, which if you are an individual, is ordinarily your social security number; (2) furnish an incorrect taxpayer

identification number; (3) are notified by the Internal Revenue Service that you have failed to properly report payments of interest or dividends; or (4) fail to certify, under penalties of perjury, that you have furnished a correct taxpayer identification number and that the Internal Revenue Service has not notified you that you are subject to backup withholding.

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

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

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

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

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

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

Any capital gain dividend with respect to any class of stock that is "regularly traded" on an established securities market will be treated as an ordinary dividend if the foreign stockholder did not own more than 10% of such class of stock at any time during the taxable year. Foreign stockholders generally will not be required to report distributions received from us on U.S. federal income tax returns and all distributions treated as dividends for U.S. federal income tax purposes (including any such capital gain dividends) will be subject to a 30% U.S. withholding tax (unless reduced under an applicable income tax treaty) as discussed above. In addition, the branch profits tax will not apply to such distributions.

Unless our shares constitute a "United States real property interest" within the meaning of FIRPTA or are effectively connected with a U.S. trade or business, a sale of our shares by you generally will not be subject to United States taxation. Though, under the Protecting Americans from Tax Hikes Act of 2015 (the "PATH Act"), enacted on December 18, 2015, even if our shares were to constitute a "United States real property interest," non-U.S. stockholders that are "qualified foreign pension funds" (or are owned by a qualified foreign pension) meeting certain requirements may be exempt from FIRPTA withholding on the sale or disposition of our shares. Our shares will not constitute a United States real property interest if we qualify as a "domestically controlled REIT." We believe that we, and expect to continue to, qualify as a domestically controlled REIT. A domestically controlled REIT is a REIT in which at all times during a specified testing period less than 50% in value of its shares is held directly or indirectly by foreign stockholders. Generally, under the PATH Act, we are permitted to assume that holders of less than 5% of our shares at all times during a specified testing period are U.S. persons. However, if you are a nonresident alien individual who is present in the United States for 183 days or more during the taxable year and certain other conditions apply, you will be subject to a 30% tax on such capital gains. In any event, a purchaser of our shares from you will not be required under FIRPTA to withhold on the purchase price if the purchased shares are "regularly traded" on an established securities market or if we are a domestically controlled REIT. Otherwise, under FIRPTA, the purchaser may be required to withhold 10% (increased to 15% under the PATH Act for distributions occurring after February 16, 2016) of the purchase price and remit such amount to the Internal Revenue Service.

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

Withholding tax at a rate of 30% will be imposed on certain payments to you or certain foreign financial institutions (including investment funds) and other non-US persons receiving payments on your behalf, including distributions in respect of shares of our stock and gross proceeds from the sale of shares of our stock, if you or such institutions fail to comply with certain due diligence, disclosure and reporting rules, as set forth in recently issued Treasury regulations. Accordingly, the entity through which shares of our stock are held will affect the determination of whether such withholding is required. Withholding currently applies to payments of dividends made after June 30, 2014, and will apply to payments of gross proceeds from a sale of shares of our stock made after December 31, 2018. Stockholders that are otherwise eligible for an exemption from, or reduction of, U.S. withholding taxes with respect to such dividends and proceeds will be required to seek a refund from the Internal Revenue Service to obtain the benefit of such exemption or reduction. Additional requirements and conditions may be imposed pursuant to an intergovernmental agreement, if and when entered into, between the United States and such institution's home jurisdiction. We will not pay any additional amounts to any stockholders in respect of any amounts withheld. You are encouraged to consult with your tax advisor regarding U.S. withholding taxes and the application of the recently issued Treasury regulations in light of your particular circumstances.

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

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

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

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

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

U.S. Holders

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

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

- a citizen or resident of the United States;

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

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

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

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

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

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

- your adjusted tax basis in the notes.

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

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

The amount of any reportable payments, including interest, made to you (unless you are an exempt recipient) and the amount of tax withheld, if any, with respect to such payments will be reported to you and to the Internal Revenue Service for each calendar year.

You should consult your tax advisor regarding your qualification for an exemption from backup withholding and the procedures for obtaining such an exemption, if applicable. The backup withholding tax is not an additional tax and will be credited against your U.S. federal income tax liability, provided that correct information is provided to the Internal Revenue Service.

Non-U.S. Holders

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

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

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

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

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

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

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

- us or our paying agent; or

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

Treasury regulations provide that:

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

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

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

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

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

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

Withholding tax at a rate of 30% will be imposed on payments of interest (including original issue discount) and gross proceeds of sale in respect of debt instruments to you or certain foreign financial institutions (including investment funds) and other non-US persons receiving payments on your behalf, if you or such institutions fail to comply with certain due diligence, disclosure and reporting rules, as set forth in recently issued Treasury regulations. However, the Treasury regulations generally exempt from such withholding requirement obligations, such as debt instruments, issued before July 1, 2014, provided that any material modification of such an obligation made after such date will result in such obligation being considered newly issued as of the effective date of such

modification. These withholding rules are generally effective with respect to payments of interest made after June 30, 2014, and with respect to proceeds of sales received after December 31, 2018. We will not pay any additional amounts to any holders or our debt instruments in respect of any amounts withheld. You are encouraged to consult with your tax advisor regarding U.S. withholding taxes and the application of the recently issued Treasury regulations in light of your particular circumstances.

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

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

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

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

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

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

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

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

sell your notes through a non-U.S. office of a broker that:

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

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

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

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

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

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

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

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

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

Potential Legislation or Other Actions Affecting Tax Consequences

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

State, Local and Foreign Taxes

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

Changes in applicable tax regulations could negatively affect our financial results

The Company is subject to taxation in the U.S. and numerous foreign jurisdictions. Because the U.S. maintains a worldwide corporate tax system, the foreign and U.S. tax systems are somewhat interdependent. Longstanding international tax norms that determine each country’s jurisdiction to tax cross-border international trade are evolving, such as the Base Erosion and Profit Shifting project (“BEPS") currently being undertaken by the G8, G20, and Organization for Economic Cooperation and Development. Tax changes pursuant to BEPS could reduce the ability of our foreign subsidiaries to deduct for foreign tax purposes the interest they pay on loans from the Company, thereby increasing the foreign tax liability of the subsidiaries; it is also possible that foreign countries could increase their

withholding taxes on dividends and interest. Given the unpredictability of these possible changes and their potential interdependency, it is very difficult to assess the overall effect of such potential tax changes on our earnings and cash flow, but such changes could adversely impact our financial results.

Internet Access to Our SEC Filings

Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports, as well as our proxy statements and other materials that are filed with, or furnished to, the Securities and Exchange Commission are made available, free of charge, on the Internet at www.welltower.com, as soon as reasonably practicable after they are filed with, or furnished to, the Securities and Exchange Commission. We routinely post important information on our website at www.welltower.com in the "Investors" section, including corporate and investor presentations and financial information. We intend to use our website as a means of disclosing material, non-public information and for complying with our disclosure obligations under Regulation FD. Such disclosures will be included on our website under the heading "Investors." Accordingly, investors should monitor such portion of our website in addition to following our press releases, public conference calls and filings with the Securities and Exchange Commission. The information on our website is not incorporated by reference in this Annual Report on Form 10-K, and our web address is included as an inactive textual reference only.

Cautionary Statement Regarding Forward-Looking Statements

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

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

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

- key management personnel recruitment and retention; and
- the risks described under "Item 1A — Risk Factors."

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

Item 1A. *Risk Factors*

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

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

Risks Arising from Our Business

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

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

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

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

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

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

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

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

such asset. Furthermore, if we determine to dispose of an underperforming property, such sale may result in a loss. Any such impairment or loss on sale would negatively affect our financial results.

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

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

A severe cold and flu season, epidemics or any other widespread illnesses could adversely affect the occupancy of our seniors housing operating and triple-net properties

Our and our operators' revenues are dependent on occupancy. It is impossible to predict the severity of the cold and flu season or the occurrence of epidemics or any other widespread illnesses. The occupancy of our seniors housing operating and triple-net properties could significantly decrease in the event of a severe cold and flu season, an epidemic or any other widespread illness. Such a decrease could affect the operating income of our seniors housing operating properties and the ability of our triple-net operators to make payments to us.

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

We are exposed to the risk that our obligors may not be able to meet the rent, principal and interest or other payments due us, which may result in an obligor bankruptcy or insolvency, or that an obligor might become subject to bankruptcy or insolvency

proceedings for other reasons. Although our operating lease agreements provide us with the right to evict a tenant, demand immediate payment of rent and exercise other remedies, and our loans provide us with the right to terminate any funding obligation, demand immediate repayment of principal and unpaid interest, foreclose on the collateral and exercise other remedies, the bankruptcy and insolvency laws afford certain rights to a party that has filed for bankruptcy or reorganization. An obligor in bankruptcy or subject to insolvency proceedings may be able to limit or delay our ability to collect unpaid rent in the case of a lease or to receive unpaid principal and interest in the case of a loan, and to exercise other rights and remedies. We may be required to fund certain expenses (e.g., real estate taxes and maintenance) to preserve the value of an investment property, avoid the imposition of liens on a property and/or transition a property to a new tenant. In some instances, we have terminated our lease with a tenant and relet the property to another tenant. In some of those situations, we have provided working capital loans to and limited indemnification of the new obligor. If we cannot transition a leased property to a new tenant, we may take possession of that property, which may expose us to certain successor liabilities. Should such events occur, our revenue and operating cash flow may be adversely affected.

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

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

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

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

We depend on Genesis Healthcare, LLC ("Genesis") and Brookdale Senior Living for a significant portion of our revenues and any inability or unwillingness by Genesis and Brookdale Senior Living to satisfy their obligations under their agreements with us could adversely affect us

The properties we lease to Genesis and Brookdale Senior Living account for a significant portion of our revenues, and because our leases with Genesis and Brookdale Senior Living are triple-net leases, we also depend on Genesis and Brookdale Senior Living to pay all insurance, taxes, utilities and maintenance and repair expenses in connection with the leased properties. We cannot assure you that Genesis and Brookdale Senior Living will have sufficient assets, income and access to financing to enable them to make rental payments to us or to otherwise satisfy their respective obligations under our leases, and any inability or unwillingness by Genesis or Brookdale Senior Living to do so could have an adverse effect on our business, results of operations and financial condition. Genesis and Brookdale Senior Living have also agreed to indemnify, defend and hold us harmless from and against various claims, litigation and liabilities arising in connection with their respective businesses, and we cannot assure you that Genesis and Brookdale Senior Living will have sufficient assets, income, access to financing and insurance coverage to enable them to satisfy their respective indemnification obligations. Genesis and Brookdale Senior Living's failure to effectively conduct their operations or to maintain and improve our properties could adversely affect their business reputations and their ability to attract and retain patients and residents in our properties, which, in turn, could adversely affect our business, results of operations and financial condition.

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

Sunrise Senior Living, LLC manages our entire Sunrise property portfolio, which as of December 31, 2016, consisted of 157 seniors housing properties. These properties account for a significant portion of our revenues, and we rely on Sunrise Senior Living, LLC to manage these properties efficiently and effectively. We also rely on Sunrise Senior Living, LLC to set appropriate resident fees, to provide accurate property-level financial results for our properties in a timely manner and to otherwise operate them in compliance with the terms of our management agreements and all applicable laws and regulations. Any adverse developments in Sunrise Senior Living, LLC's business or financial condition could impair its ability to manage our properties efficiently and effectively, which could adversely affect our business, results of operations, and financial condition. Also, if Sunrise Senior Living, LLC experiences any significant financial, legal, accounting or regulatory difficulties, such difficulties could result in, among other things, acceleration of its indebtedness, impairment of its continued access to capital or the commencement of insolvency proceedings by or against it under the U.S. Bankruptcy Code, which, in turn, could adversely affect our business, results of operations and financial condition.

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

We have operations in Canada and the United Kingdom. International development, ownership, and operating activities involve risks that are different from those we face with respect to our domestic properties and operations. These risks include, but are not limited to, any international currency gain recognized with respect to changes in exchange rates may not qualify under the 75% gross income test or the 95% gross income test that we must satisfy annually in order to qualify and maintain our status as a REIT; challenges with respect to the repatriation of foreign earnings and cash; changes in foreign political, regulatory, and economic conditions, including regionally, nationally, and locally, including, but not limited to, the United Kingdom's June 2016 vote to exit the European Union (commonly known as "Brexit"); challenges in managing international operations; challenges of complying with a wide variety of foreign laws and regulations, including those relating to real estate, corporate governance, operations, taxes, employment and other civil and criminal legal proceedings; foreign ownership restrictions with respect to operations in countries; differences in lending practices and the willingness of domestic or foreign lenders to provide financing; regional or country-specific business cycles and political and economic instability; and failure to comply with applicable laws and regulations in the United States that affect foreign operations, including, but not limited to, the U.S. Foreign Corrupt Practices Act. If we are unable to successfully manage the risks associated with international expansion and operations, our results of operations and financial condition may be adversely affected.

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

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

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

We maintain or require our operators and managers to maintain comprehensive insurance coverage on our properties and their operations with terms, conditions, limits and deductibles that we believe are customary for similarly-situated companies in our industry, and we continually review our insurance programs and requirements. That said, we cannot assure you that we or our operators or managers will continue to be able to maintain adequate levels of insurance and required coverages, which could adversely affect us in the event of a significant uninsured loss. Also, in recent years, long-term/post-acute care and seniors housing operators and managers have experienced

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

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

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

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

Some of our obligors' businesses are affected by government reimbursement. To the extent that an operator/tenant receives a significant portion of its revenues from government payors, primarily Medicare and Medicaid, such revenues may be subject to statutory and regulatory changes, retroactive rate adjustments, recovery of program overpayments or set-offs, court decisions, administrative rulings, policy interpretations, payment or other delays by fiscal intermediaries or carriers, government funding restrictions (at a program level or with respect to specific facilities) and interruption or delays in payments due to any ongoing government investigations and audits at such property. In recent years, government payors have frozen or reduced payments to health care providers due to budgetary pressures. Health care reimbursement will likely continue to be of paramount importance to federal and state authorities. We cannot make any assessment as to the ultimate timing or effect any future legislative reforms may have on the financial condition of our obligors and properties. There can be no assurance that adequate reimbursement levels will be available

for services provided by any property operator, whether the property receives reimbursement from Medicare, Medicaid or private payors. Significant limits on the scope of services reimbursed and on reimbursement rates and fees could have a material adverse effect on an obligor's liquidity, financial condition and results of operations, which could adversely affect the ability of an obligor to meet its obligations to us.

The Patient Protection and Affordable Care Act, as modified by the Health Care and Education Reconciliation Act of 2010 (collectively, the "Health Reform Laws"), provides those states that expand their Medicaid coverage to otherwise eligible state residents with incomes at or below 138% of the federal poverty level with an increased federal medical assistance percentage, effective January 1, 2014, when certain conditions are met. Given that the federal government substantially funds the Medicaid expansion, it is unclear how many states will ultimately pursue this option, although, as of early February 2017, more than half of the states have expanded Medicaid coverage. The participation by states in the Medicaid expansion could have the dual effect of increasing our tenants' revenues, through new patients, but further straining state budgets and their ability to pay our tenants. We expect that the new Presidential Administration and U.S. Congress will seek to modify, repeal, or otherwise invalidate all, or certain provisions of, the Health Reform Laws, including Medicaid expansion. Since taking office, President Trump has continued to support the repeal of all or portions of the Health Reform Laws. The House and Senate have recently passed a budget resolution that authorizes congressional committees to draft legislation to repeal all or portions of the Health Reform Laws and permits such legislation to pass with a majority vote in the Senate. President Trump has also recently issued an executive order in which he stated that it is his Administration's policy to seek the prompt repeal of the Health Reform Laws and directed executive departments and federal agencies to waive, defer, grant exemptions from, or delay the implementation of the provisions of Health Reform Laws to the maximum extent permitted by law. There is still uncertainty with respect to the impact President Trump's Administration and the U.S. Congress may have, if any, and any changes will likely take time to unfold, and could have an impact on coverage and reimbursement for health care items and services covered by plans that were authorized by the Health Reform Laws. We cannot predict whether the existing Health Reform Laws, or future health care reform legislation or regulatory changes, will have a material impact on our operators' or tenants' property or business. If the operations, cash flows or financial condition of our operators and tenants are materially adversely impacted by the Health Reform Laws or future legislation, our revenue and operations may be adversely affected as well. See "Item 1 — Business — Certain Government Regulations — United States — Reimbursement" above.

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

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

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

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

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

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

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

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

Development, redevelopment and construction risks could affect our profitability

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

In connection with our renovation, redevelopment, development and related construction activities, we may be unable to obtain, or suffer delays in obtaining, necessary zoning, land-use, building, occupancy and other required governmental permits and authorizations. These factors could result in increased costs or our abandonment of these projects. In addition, we may not be able to obtain financing on favorable terms, which may render us unable to proceed with our development activities, and we may not be able to complete construction and lease-up of a property on schedule, which could result in increased debt service expense or construction costs. Additionally, the time frame required for development, construction and lease-up of these properties means that we may have to wait years for significant cash returns. Because we are required to make cash distributions to our stockholders, if the cash flow from operations or refinancing is not sufficient, we may be forced to borrow additional money to fund such distributions. Newly developed and acquired properties may not produce the cash flow that we expect, which could adversely affect our overall financial performance.

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

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

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

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

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

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

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

Actual or threatened terrorist attacks could adversely affect the occupancy and the value of our properties

We have significant investments in large metropolitan markets that have been or may be in the future the targets of actual or threatened terrorism attacks, including Boston, Chicago, New York, San Diego, San Francisco, Los Angeles and Washington D.C. As a result, some of our tenants in these markets may choose to relocate to other markets that may be perceived to be less likely targets of future terrorist activity. This could result in an overall decrease in the occupancy of our properties. In addition, terrorist attacks could also result in significant damages to, or loss of, our properties, which could exceed our insurance coverage.

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

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

Provisions and agreements that inhibit or discourage takeover attempts could reduce the market value of our common stock.

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

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

Risks Arising from Our Capital Structure

We may become more leveraged

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

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

Our debt agreements contain various covenants, restrictions and events of default. Among other things, these provisions require us to maintain certain financial ratios and minimum net worth and impose certain limits on our ability to incur indebtedness, create liens and make investments or acquisitions. Breaches of these covenants could result in defaults under the instruments governing the

applicable indebtedness, in addition to any other indebtedness cross-defaulted against such instruments. These defaults could have a material adverse impact on our business, results of operations and financial condition.

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

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

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

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

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

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

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

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

Risks Arising from Our Status as a REIT

We might fail to qualify or remain qualified as a REIT

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

• we would not be allowed a deduction for distributions to stockholders in computing our taxable income and would be subject to U.S. federal income tax at regular corporate rates;

• we could be subject to the federal alternative minimum tax and possibly increased state and local taxes; and

• unless we are entitled to relief under statutory provisions, we could not elect to be subject to tax as a REIT for four taxable years following the year during which we were disqualified.

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

profits, although corporate stockholders may be eligible for the dividends received deduction, and individual stockholders may be eligible for taxation at the rates generally applicable to long-term capital gains (currently at a maximum rate of 20%) with respect to distributions.

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

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

We own interests in a number of entities which have elected to be taxed as REITs for federal income tax purposes, some of which we consolidate for financial reporting purposes but each of which is treated as a separate REIT for federal income tax purposes (each a “Subsidiary REIT”). To qualify as a REIT, each Subsidiary REIT must independently satisfy all of the REIT qualification requirements under the Code, together with all other rules applicable to REITs. Provided that each Subsidiary REIT qualifies as a REIT, our interests in the Subsidiary REITs will be treated as qualifying real estate assets for purposes of the REIT asset tests. See “Item 1 – Business – Taxation – Federal Income Tax Considerations – Qualification as a REIT – Asset Tests” above. If a Subsidiary REIT fails to qualify as a REIT in any taxable year, such Subsidiary REIT will be subject to federal and state income taxes and may not be able to qualify as a REIT for the four subsequent taxable years. Any such failure could have an adverse effect on our ability to comply with the REIT income and asset tests, and thus our ability to qualify as a REIT, unless we are able to avail ourselves of certain relief provisions.

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

To comply with the 90% distribution requirement applicable to REITs and to avoid the nondeductible excise tax, we must make distributions to our stockholders. See “Item 1 — Business — Taxation — Federal Income Tax Considerations – Qualification as a REIT — Annual Distribution Requirements” above. Although we anticipate that we generally will have sufficient cash or liquid assets to enable us to satisfy the REIT distribution requirement, it is possible that, from time to time, we may not have sufficient cash or other liquid assets to meet the 90% distribution requirement, or we may decide to retain cash or distribute such greater amount as may be necessary to avoid income and excise taxation. This may be due to timing differences between the actual receipt of income and actual payment of deductible expenses, on the one hand, and the inclusion of that income and deduction of those expenses in arriving at our taxable income, on the other hand. In addition, non-deductible expenses such as principal amortization or repayments or capital

expenditures in excess of non-cash deductions may cause us to fail to have sufficient cash or liquid assets to enable us to satisfy the 90% distribution requirement. In the event that timing differences occur, or we deem it appropriate to retain cash, we may borrow funds, issue additional equity securities (although we cannot assure you that we will be able to do so), pay taxable stock dividends, if possible, distribute other property or securities or engage in another transaction intended to enable us to meet the REIT distribution requirements. This may require us to raise additional capital to meet our obligations.

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

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

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

We have purchased certain properties and leased them back to the sellers of such properties, and we may enter into similar transactions in the future. We intend for any such sale-leaseback transaction to be structured in such a manner that the lease will be characterized as a "true lease," thereby allowing us to be treated as the owner of the property for U.S. federal income tax purposes. However, depending on the terms of any specific transaction, the Internal Revenue Service might take the position that the transaction is not a "true lease" but is more properly treated in some other manner. In the event any sale-leaseback transaction is challenged and successfully re-characterized by the Internal Revenue Service, we would not be entitled to claim the deductions for depreciation and

cost recovery generally available to an owner of property. Furthermore, if a sale-leaseback transaction were so re-characterized, we might fail to satisfy the REIT asset tests or income tests and, consequently, could lose our REIT status effective with the year of re-characterization. See “Item 1 — Business — Taxation — Federal Income Tax Considerations — Qualification as a REIT — Asset Tests” and “Item 1 — Business — Taxation — Federal Income Tax Considerations — Qualification as a REIT — Income Tests” above. Alternatively, the amount of our REIT taxable income could be recalculated, which may cause us to fail to meet the REIT annual distribution requirements for a taxable year. See “Item 1 — Business — Taxation — Federal Income Tax Considerations — Qualification as a REIT — Annual Distributio Requirements” above.

The new Presidential Administration may propose substantial changes to fiscal and tax policies that, if enacted, may adversely affect REITs and our business

The recently inaugurated U.S. President and his Administration have called for substantial changes to fiscal and tax policies, which may include comprehensive tax reform. We cannot predict the impact, if any, of such tax reform to REITs or to our business. It is possible that any comprehensive tax reform could adversely affect REITs in general or our business specifically. Until any such tax reform changes are enacted, we will not know whether we will benefit from, or will be negatively affected by, such changes.

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

None.

Item 2. ***Properties***

We own our corporate headquarters located at 4500 Dorr Street, Toledo, Ohio 43615. We also lease corporate offices in Canada, the United Kingdom and Luxembourg and have ground leases relating to certain of our properties. The following table sets forth certain information regarding the properties that comprise our consolidated real property and real estate loan investments as of December 31, 2016 (dollars in thousands and annualized revenues adjusted for timing of investment):

	Triple-Net			Seniors Housing Operating		
Property Location	Number of Properties	Total Investment	Annualized Revenues	Number of Properties	Total Investment	Annualized Revenues
Alabama	4	$ 35,149	$ 3,856	-	$ -	$ -
Arizona	2	26,126	2,237	4	60,346	22,075
California	28	506,530	54,595	69	2,564,855	585,482
Colorado	7	241,603	21,311	5	140,940	40,800
Connecticut	14	178,295	21,102	15	391,695	126,697
District Of Columbia	-	-	-	1	63,194	14,544
Delaware	6	105,106	15,537	1	21,160	6,268
Florida	34	585,009	48,896	6	550,064	78,566
Georgia	8	98,973	11,019	7	122,512	36,955
Iowa	4	56,783	5,346	1	32,434	10,068
Idaho	2	32,254	3,564	-	-	-
Illinois	12	259,844	25,446	14	448,055	114,224
Indiana	37	519,632	54,568	-	-	-
Kansas	29	267,942	24,639	3	70,132	17,262
Kentucky	7	74,482	10,037	2	38,805	13,096
Louisiana	3	20,260	3,369	2	50,879	12,278
Massachusetts	21	226,246	31,814	39	1,159,025	224,522
Maryland	8	144,638	8,829	4	153,359	47,671
Maine	-	-	-	2	49,790	17,831
Michigan	6	99,727	9,989	5	110,532	26,436
Minnesota	9	205,989	17,162	4	113,982	23,538
Missouri	2	28,164	870	4	134,202	20,225
Mississippi	3	27,446	3,241	-	-	-
Montana	1	6,050	959	-	-	-
North Carolina	49	359,869	33,706	1	40,413	7,181
Nebraska	4	32,988	4,067	-	-	-
New Hampshire	4	52,757	19,578	4	118,242	28,647
New Jersey	56	1,238,636	131,635	8	239,091	65,946
New Mexico	-	-	-	1	18,606	1,496
Nevada	5	83,529	12,519	2	36,658	10,576
New York	9	197,196	38,570	11	468,303	85,404
Ohio	28	222,137	41,569	4	193,825	37,672
Oklahoma	19	175,095	13,864	2	40,441	3,864
Oregon	10	76,035	6,741	-	-	-
Pennsylvania	31	911,973	90,347	6	81,188	39,484
Rhode Island	-	-	4,603	3	60,107	20,290

South Carolina	5	33,116	5,656	-	-	-
Tennessee	4	40,926	3,600	2	50,044	15,624
Texas	47	631,977	66,283	20	593,826	118,877
Utah	2	30,908	2,533	1	16,892	10,796
Virginia	13	181,903	19,166	2	37,677	11,252
Vermont	-	-	2,680	1	27,428	6,405
Washington	24	444,970	45,324	12	410,424	74,123
Wisconsin	8	130,602	15,138	-	-	-
West Virginia	4	68,678	19,591	-	-	-
Total domestic	569	8,659,543	955,556	268	8,709,126	1,976,175
Canada	6	153,544	10,530	104	2,058,447	427,444
United Kingdom	56	996,194	88,262	48	1,291,441	273,270
Total international	62	1,149,738	98,792	152	3,349,888	700,714
Grand total	631	$ 9,809,281	$ 1,054,348	420	$ 12,059,014	$ 2,676,889

Outpatient Medical

Property Location	Number of Properties	Total Investment	Annualized Revenues
Alaska	1	$ 21,859	$ 2,562
Alabama	3	30,531	5,233
Arkansas	1	22,845	2,079
Arizona	4	65,537	8,466
California	29	841,277	80,417
Colorado	3	29,924	4,097
Connecticut	1	41,153	2,318
Florida	33	400,031	48,218
Georgia	10	175,245	24,572
Iowa	1	6,794	1,653
Illinois	5	51,613	8,920
Indiana	8	146,612	18,383
Kansas	7	75,300	12,673
Kentucky	1	7,677	752
Maryland	5	85,994	13,394
Maine	1	20,470	2,980
Michigan	2	22,315	1,931
Minnesota	8	172,680	28,877
Missouri	7	142,631	18,383
North Carolina	3	55,776	7,199
Nebraska	2	35,186	5,465
New Hampshire	1	14,009	806
New Jersey	7	205,118	42,169
New Mexico	3	33,235	3,715
Nevada	5	45,069	4,194
New York	8	102,417	6,849
Ohio	7	67,209	11,365
Oklahoma	2	24,987	3,262
Oregon	1	9,506	1,575
South Carolina	1	25,853	2,138
Tennessee	7	78,058	10,499
Texas	53	891,821	97,226
Virginia	2	33,073	5,103
Washington	6	179,100	20,751
Wisconsin	20	267,226	27,991
Total domestic	258	4,428,131	536,215
United Kingdom	4	267,204	23,849
Grand total	262	$ 4,695,335	$ 560,064

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

	Occupancy[1]		Coverages[1,2]		Average Annualized Revenues[3]		
	2016	2015	2016	2015	2016	2015	
Triple-net[4]	86.5%	87.2%	1.43x	1.49x	$ 16,841	$ 15,966	per bed/unit

Seniors housing operating[5]	88.7%	91.2%	n/a	n/a	59,627	60,260	per unit
Outpatient medical[6]	94.7%	95.1%	n/a	n/a	33	32	per sq. ft.

(1) We use unaudited, periodic financial information provided solely by tenants/borrowers to calculate occupancy and coverages for properties other than medical office buildings and have not independently verified the information.
(2) Represents the ratio of our triple-net customers' earnings before interest, taxes, depreciation, amortization, rent and management fees to contractual rent or interest due us. Data reflects the 12 months ended September 30 for the periods presented.
(3) Represents annualized revenues divided by total beds, units or square feet as presented in the tables above.
(4) Occupancy represents average quarterly operating occupancy based on the quarters ended September 30 and excludes properties that are unstabilized, closed or for which data is not available or meaningful.
(5) Occupancy for seniors housing operating represents average occupancy for the three months ended December 31.
(6) Outpatient medical facilities occupancy represents the percentage of total rentable square feet leased and occupied (including month-to-month and holdover leases and excluding terminations) as of December 31.

The following table sets forth information regarding lease expirations for certain portions of our portfolio as of December 31, 2016 (dollars in thousands):

	Expiration Year									
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2
Triple-net:										
Properties	30	51	0	14	12	7	4	5	61	
Base rent[(1)]	$ 12,936	$ 37,120	$ 0	$ 17,740	$ 24,906	$ 7,295	$ 4,175	$ 11,076	$ 72,866	$ 6
% of base rent	1.4%	4.0%	0.0%	1.9%	2.7%	0.8%	0.5%	1.2%	7.9%	
Units	1,165	3,151	0	1,225	2,289	690	317	762	4,538	
% of units	2.0%	5.5%	0.0%	2.1%	4.0%	1.2%	0.6%	1.3%	7.9%	
Outpatient medical:										
Square feet	1,253,812	923,728	1,171,476	1,153,444	1,442,424	2,297,626	1,168,037	1,347,883	669,305	1,0
Base rent[(1)]	$ 32,570	$ 23,952	$ 30,651	$ 30,505	$ 38,660	$ 48,713	$ 28,635	$ 37,287	$ 18,552	$ 2
% of base rent	8.1%	6.0%	7.7%	7.6%	9.7%	12.2%	7.1%	9.3%	4.6%	
Leases	337	263	296	259	255	222	171	100	91	
% of leases	15.1%	11.8%	13.2%	11.6%	11.4%	9.9%	7.6%	4.5%	4.1%	

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

Item 3. ***Legal Proceedings***

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

From time to time, we are party to certain legal proceedings for which third parties, such as tenants, operators and/or managers are contractually obligated to indemnify, defend and hold us harmless. In some of these matters, the indemnitors have insurance for the potential damages. In other matters, we are being defended by tenants and other obligated third parties and these indemnitors may not have sufficient insurance, assets, income or resources to satisfy their defense and indemnification obligations to us. The unfavorable resolution of such legal proceedings could, individually or in the aggregate, materially adversely affect the indemnitors' ability to satisfy their respective obligations to us, which, in turn, could have a material adverse effect on our business, results of operations or financial

condition. It is management's opinion that there are currently no such legal proceedings pending that will, individually or in the aggregate, have such a material adverse effect.

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

None.

PART II

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

There were 5,066 stockholders of record as of January 31, 2017. The following table sets forth, for the periods indicated, the high and low prices of our common stock on the New York Stock Exchange (NYSE:HCN), and common dividends paid per share:

		Sales Price		Dividends Paid
		High	Low	Per Share
2016				
	First Quarter	$ 70.45	$ 52.80	$ 0.86
	Second Quarter	76.24	66.55	0.86
	Third Quarter	80.19	72.34	0.86
	Fourth Quarter	74.85	59.39	0.86
2015				
	First Quarter	$ 84.88	$ 73.20	$ 0.825
	Second Quarter	79.60	65.48	0.825
	Third Quarter	70.22	61.00	0.825
	Fourth Quarter	71.25	58.21	0.825

Our Board of Directors has approved a new quarterly cash dividend rate of $0.87 per share of common stock per quarter, commencing with the February 2017 dividend. The declaration and payment of quarterly dividends remains subject to the review and approval of the Board of Directors.

Stockholder Return Performance Presentation

Set forth below is a line graph comparing the yearly percentage change and the cumulative total stockholder return on our shares of common stock against the cumulative total return of the S & P Composite-500 Stock Index and the FTSE NAREIT Equity Index. As of December 31, 2016, 161 companies comprised the FTSE NAREIT Equity Index. The Index consists of REITs identified by NAREIT as equity (those REITs which have at least 75% of their investments in real property). The data are based on the closing prices as of December 31 for each of the five years. 2011 equals $100 and dividends are assumed to be reinvested.

	12/31/11	12/31/12	12/31/13	12/31/14	12/31/15	12/31/16
S & P 500	100.00	116.00	153.57	174.60	177.01	198.18
Welltower Inc.	100.00	118.21	108.27	160.79	151.58	156.69
FTSE NAREIT Equity	100.00	118.06	120.97	157.43	162.46	176.30

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

Issuer Purchases of Equity Securities

Period	Total Number of	Average Price Paid Per Share	Total Number of Shares Purchased	Maximum Number of

	Shares Purchased[1]			as Part of Publicly Announced Plans or Programs[2]	Shares that May Yet Be Purchased Under the Plans or Programs
October 1, 2016 through October 31, 2016	-	$	-		
November 1, 2016 through November 30, 2016	145		62.33		
December 1, 2016 through December 31, 2016	37,916		66.93		
Totals	38,061	$	66.90		

(1) During the three months ended December 31, 2016, the Company acquired shares of common stock held by employees who tendered owned shares to satisfy tax withholding obligations.
(2) No shares were purchased as part of publicly announced plans or programs.

Item 6. ***Selected Financial Data***

The following selected financial data for the five years ended December 31, 2016 are derived from our audited consolidated financial statements (in thousands, except per share data):

	Year Ended December 31,				
	2012	**2013**	**2014**	**2015**	**2016**
Operating Data					
Revenues	$ 1,805,044	$ 2,880,608	$ 3,343,546	$ 3,859,826	$ 4,281,160
Expenses	1,619,132	2,778,363	2,959,333	3,223,709	3,571,907
Income from continuing operations before income taxes and income (loss) from unconsolidated entities	185,912	102,245	384,213	636,117	709,253
Income tax (expense) benefit	(7,612)	(7,491)	1,267	(6,451)	19,128
Income (loss) from unconsolidated entities	2,482	(8,187)	(27,426)	(21,504)	(10,357)
Income from continuing operations	180,782	86,567	358,054	608,162	718,024
Income from discontinued operations, net	114,058	51,713	7,135	-	-
Gain (loss) on real estate dispositions, net	-	-	147,111	280,387	364,046
Net income	294,840	138,280	512,300	888,549	1,082,070
Preferred stock dividends	69,129	66,336	65,408	65,406	65,406
Preferred stock redemption charge	6,242	-	-	-	-
Net income (loss) attributable to noncontrolling interests	(2,415)	(6,770)	147	4,799	4,267
Net income attributable to common stockholders	$ 221,884	$ 78,714	$ 446,745	$ 818,344	$ 1,012,397
Other Data					
Average number of common shares outstanding:					
Basic	224,343	276,929	306,272	348,240	358,275
Diluted	225,953	278,761	307,747	349,424	360,227
Per Share Data					
Basic:					
Income from continuing operations attributable to common stockholders	$ 0.48	$ 0.10	$ 1.44	$ 2.35	$ 2.83
Discontinued operations, net	0.51	0.19	0.02	-	-
Net income attributable to common stockholders *	$ 0.99	$ 0.28	$ 1.46	$ 2.35	$ 2.83
Diluted:					
Income from continuing operations attributable to common stockholders	$ 0.48	$ 0.10	$ 1.43	$ 2.34	$ 2.81
Discontinued operations, net	0.50	0.19	0.02	-	-
	$ 0.98	$ 0.28	$ 1.45	$ 2.34	$ 2.81

Net income attributable to common stockholders *					
Cash distributions per common share	$ 2.96	$ 3.06	$ 3.18	$ 3.30	$ 3.44

	December 31,				
Balance Sheet Data	**2012**	**2013**	**2014**	**2015**	**2016**
Net real estate investments	$ 17,423,009	$ 21,680,221	$ 22,851,196	$ 26,888,685	$ 26,563,629
Total assets	19,491,552	23,026,666	24,962,923	29,023,845	28,865,184
Total long-term obligations	8,474,342	10,594,723	10,776,640	12,967,686	12,358,245
Total liabilities	8,936,441	11,235,296	11,403,465	13,664,877	13,185,279
Total preferred stock	1,022,917	1,017,361	1,006,250	1,006,250	1,006,250
Total equity	10,520,519	11,756,331	13,473,049	15,175,885	15,281,472

* Amounts may not sum due to rounding

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

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

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

Executive Summary

Company Overview

Welltower Inc. (NYSE: HCN), an S&P 500 company headquartered in Toledo, Ohio, is driving the transformation of health care infrastructure. The Company invests with leading seniors housing operators, post-acute providers and health systems to fund the real estate and infrastructure needed to scale innovative care delivery models and improve people's wellness and overall health care experience. Welltower™, a real estate investment trust ("REIT"), owns interests in properties concentrated in major, high-growth markets in the United States, Canada and the United Kingdom, consisting of seniors housing and post-acute communities and outpatient medical properties. Our capital programs, when combined with comprehensive planning, development and property management services, make us a single-source solution for acquiring, planning, developing, managing, repositioning and monetizing real estate assets.

The following table summarizes our consolidated portfolio for the year ended December 31, 2016 (dollars in thousands):

Type of Property	Net Operating Income (NOI)[1]	Percentage of NOI	Number of Properties
Triple-net	$ 1,208,860	50.3%	631
Seniors housing operating	814,114	33.9%	420
Outpatient medical	380,264	15.8%	262
Totals	$ 2,403,238	100.0%	1,313

(1) Excludes our share of investments in unconsolidated entities and non-segment/corporate NOI. 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 review of tenant relations, lease expirations, the mix of health service providers, hospital/health system relationships, property performance, capital improvement needs, and market conditions among other things. In monitoring our portfolio, our personnel use a proprietary database to collect and analyze property-specific data.

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

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

For the year ended December 31, 2016, rental income and resident fees represented 39% and 59%, 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 likely that investment dispositions may occur in the future. To the extent that investment dispositions exceed new investments, our revenues and cash flows from operations could be adversely affected. We expect to reinvest the proceeds from any investment dispositions in new investments. To the extent that new investment requirements exceed our available cash on-hand, we expect to borrow under our primary unsecured credit facility. At December 31, 2016, we had $419,378,000 of cash and cash equivalents, $187,842,000 of restricted cash and $2,313,122,000 of available borrowing capacity under our primary unsecured credit facility.

Capital Market Outlook

We believe the capital markets remain supportive of our investment strategy. For the year ended December 31, 2016, we raised $1,235,138,000 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 pro rata gross new investments of $3,007,040,000 for the year. We expect attractive investment opportunities to remain available in the future as we continue to leverage the benefits of our relationship investment strategy.

Key Transactions in 2016

Capital. In March 2016, we issued $700,000,000 of 4.25% senior unsecured notes due 2026, generating approximately $688,560,000 of net proceeds. In May 2016, we closed on a new primary unsecured credit facility that includes a $3,000,000,000 unsecured revolving credit facility, a $500,000,000 unsecured term credit facility and a $250,000,000 Canadian-denominated unsecured term credit facility plus an option to upsize the unsecured revolving credit facility and the $500,000,000 unsecured term credit facility by up to an additional $1,000,000,000, in the aggregate, and the $250,000,000 Canadian-denominated unsecured term credit facility by up to an additional $250,000,000. The facility also allows us to borrow up to $1,000,000,000 in alternate currencies. Based on our

current credit ratings, the unsecured revolving credit facility is priced at 0.90% over LIBOR with a 0.15% annual facility fee and the unsecured term credit facilities are priced at 0.95% over LIBOR for the U.S. tranche and CDOR for the Canadian tranche. The unsecured term credit facilities mature on May 13, 2021 and the unsecured revolving credit facility matures on May 13, 2020. The unsecured revolving credit facility can be extended for two successive terms of six months each at our option. Also, for the year ended December 31, 2016, we raised $527,530,000 through our dividend reinvestment program and our Equity Shelf Program (as defined below).

Investments. The following summarizes our acquisitions and joint venture investments made during the year ended December 31, 2016 (dollars in thousands):

	Properties	Investment Amount(1)	Capitalization Rates(2)	Book Amount(3)
Triple-net	14	$ 450,537	6.7%	$ 526,814
Seniors housing operating	34	1,680,165	6.2%	1,801,446
Outpatient medical	3	51,434	6.3%	56,386
Totals	51	$ 2,182,136	6.3%	$ 2,384,646

(1) Represents stated pro rata purchase price including cash and any assumed debt but excludes fair value adjustments pursuant to U.S. GAAP.
(2) Represents annualized contractual or projected income to be received in cash divided by investment amounts.
(3) Represents amounts recorded on our books including fair value adjustments pursuant to U.S. GAAP. See Note 3 to our consolidated financial statements for additional information.

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

Dispositions. The following summarizes property dispositions made during the year ended December 31, 2016 (dollars in thousands):

	Properties	Proceeds(1)	Capitalization Rates(2)	Book Amount(3)
Triple-net	151	$ 2,288,211	8.8%	$ 1,773,614
Outpatient medical	7	80,300	7.9%	78,786
Totals	158	$ 2,368,511	8.8%	$ 1,852,400

(1) Represents pro rata proceeds received upon disposition including any seller financing.
(2) Represents annualized contractual income that was being received in cash at date of disposition divided by disposition proceeds.
(3) Represents carrying value of assets at time of disposition. See Note 5 to our consolidated financial statements for additional information.

Dividends. Our Board of Directors increased the annual cash dividend to $3.48 per common share ($0.87 per share quarterly), as compared to $3.44 per common share for 2016, beginning in February 2017. The dividend declared for the quarter ended December 31, 2016 represents the 183rd consecutive quarterly dividend payment.

Key Performance Indicators, Trends and Uncertainties

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

Operating Performance. We believe that net income attributable to common stockholders ("NICS") is the most appropriate earnings measure. Other useful supplemental measures of our operating performance include funds from operations attributable to common stockholders ("FFO"), net operating income from continuing operations ("NOI") and same store NOI ("SSNOI"); however, these supplemental measures are not defined by U.S. generally accepted accounting principles ("U.S. GAAP"). Please refer to the section entitled "Non-GAAP Financial Measures" for further discussion and reconciliations of FFO, NOI and SSNOI. These earnings measures are widely used by investors and analysts in the valuation, comparison and investment recommendations of companies. The following table reflects the recent historical trends of our operating performance measures for the periods presented (in thousands):

	Year Ended December 31,		
	2014	2015	2016
	$ 446,745	$ 818,344	$ 1,012,397

Net income attributable to common stockholders			
Funds from operations attributable to common stockholders	1,174,081	1,409,640	1,593,143
Net operating income from continuing operations	1,940,188	2,237,569	2,404,177
Same store net operating income	1,404,158	1,425,795	1,445,748

Credit Strength. We measure our credit strength both in terms of leverage ratios and coverage ratios. The leverage ratios indicate how much of our balance sheet capitalization is related to long-term debt, net of cash and IRC section 1031 deposits. The coverage ratios indicate our ability to service interest and fixed charges (interest, secured debt principal amortization and preferred dividends). We expect to maintain capitalization ratios and coverage ratios sufficient to maintain a capital structure consistent with our current profile. The coverage ratios are based on earnings before interest, taxes, depreciation and amortization ("EBITDA") which is discussed in further detail, and reconciled to net income, below in "Non-GAAP Financial Measures." Leverage ratios and coverage ratios are widely used by investors, analysts and rating agencies in the valuation, comparison, investment recommendations and rating of companies. The following table reflects the recent historical trends for our credit strength measures for the periods presented:

	Year Ended December 31,		
	2014	2015	2016
Net debt to book capitalization ratio	43%	45%	43%
Net debt to undepreciated book capitalization ratio	38%	40%	37%
Net debt to market capitalization ratio	28%	33%	31%
Adjusted interest coverage ratio	3.73x	4.20x	4.19x
Adjusted fixed charge coverage ratio	2.96x	3.32x	3.32x

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

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

	December 31,		
	2014	2015	2016
Property mix:[1]			
Triple-net	53%	54%	50%
Seniors housing operating	33%	31%	34%
Outpatient medical	14%	15%	16%
Relationship mix:[1]			
Genesis Healthcare	16%	17%	16%
Sunrise Senior Living[2]	15%	13%	13%
Revera	4%	5%	6%
Brookdale Senior Living[2]	9%	7%	6%
Benchmark Senior Living	4%	4%	4%
Remaining customers	52%	54%	55%
Geographic mix:[1]			
California	10%	10%	10%
New Jersey	8%	8%	8%
Canada	5%	6%	7%
United Kingdom	7%	9%	7%
Texas	7%	7%	7%
Remaining	63%	60%	61%

(1) Excludes our share of investments in unconsolidated entities and non-segment/corporate NOI. Entities in which we have a joint venture with a minority partner are shown at 100% of the joint venture amount.
(2) Revera owns a controlling interest in Sunrise Senior Living.

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

and to appropriately respond to emerging economic and Company-specific trends. Please refer to “Item 1 — Business,” “Item 1A — Risk Factors” and “Item 7 — Management’s Discussion and Analysis of Financial Condition and Results of Operations” in this Annual Report on Form 10-K for further discussion of these risk factors.

Corporate Governance

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

Liquidity and Capital Resources

Sources and Uses of Cash

Our primary sources of cash include rent and interest receipts, resident fees and services, borrowings under our primary unsecured credit facility, public issuances of debt and equity securities, proceeds from investment dispositions and principal payments on loans receivable. Our primary uses of cash include dividend distributions, debt service payments (including principal and interest), real

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

property investments (including acquisitions, capital expenditures, construction advances and transaction costs), loan advances, property operating expenses, and general and administrative expenses. These sources and uses of cash are reflected in our Consolidated Statements of Cash Flows and are discussed in further detail below. The following is a summary of our sources and uses of cash flows (dollars in thousands):

	Year Ended		One Year Change		Year Ended	One Year Change		Two Year Cha	
	December 31, 2014	December 31, 2015	$	%	December 31, 2016	$	%	$	
Beginning cash and cash equivalents	$ 158,780	$ 473,726	$ 314,946	198%	$ 360,908	$ (112,818)	-24%	$ 202,128	1
Cash provided from (used in):									
Operating activities	1,138,670	1,373,468	234,798	21%	1,628,695	255,227	19%	490,025	
Investing activities	(2,126,206)	(3,484,160)	(1,357,954)	64%	(309,503)	3,174,657	-91%	1,816,703	
Financing activities	1,303,172	2,006,449	703,277	54%	(1,240,448)	(3,246,897)	n/a	(2,543,620)	
Effect of foreign currency translation on cash and cash equivalents	(690)	(8,575)	(7,885)	1,143%	(20,274)	(11,699)	136%	(19,584)	2,8
Ending cash and cash equivalents	$ 473,726	$ 360,908	$ (112,818)	-24%	$ 419,378	$ 58,470	16%	$ (54,348)	

Operating Activities. The change in net cash provided from operating activities is primarily attributable to increases in NOI, which is primarily due to acquisitions, net of dispositions. Please see "Results of Operations" for further discussion. For the years ended December 31, 2014, 2015 and 2016, cash flows 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 2016." Please refer to Notes 3 and 6 of our consolidated financial statements for additional information. The following is a summary of cash used in non-acquisition capital improvement activities (dollars in thousands):

Year Ended		One Year Change		Year Ended	One Year Change		Two Year Change	
December 31, 2014	December 31, 2015	$	%	December 31, 2016	$	%	$	%

New development	$ 197,881	$ 244,561	$ 46,680	24%	$ 403,131	$ 158,570	65%	$ 205,250	104%
Recurring capital expenditures, tenant improvements and lease commissions	59,134	64,458	5,324	9%	66,332	1,874	3%	7,198	12%
Renovations, redevelopments and other capital improvements	73,646	123,294	49,648	67%	152,814	29,520	24%	79,168	107%
Total	$ 330,661	$ 432,313	$ 101,652	31%	$ 622,277	$ 189,964	44%	$ 291,616	88%

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/redemptions of common and preferred stock, and dividend payments which are summarized above in "Key Transactions in 2016." Please refer to Notes 9, 10 and 13 of our consolidated financial statements for additional information.

Off-Balance Sheet Arrangements

At December 31, 2016, we had investments in unconsolidated entities with our ownership ranging from 10% to 50%. Please see Note 7 to our consolidated financial statements for additional information. We use financial derivative instruments to hedge interest rate and foreign currency exchange rate exposure. Please see Note 11 to our consolidated financial statements for additional information. At December 31, 2016, we had twelve outstanding letter of credit obligations. Please see Note 12 to our consolidated financial statements for additional information.

Contractual Obligations

The following table summarizes our payment requirements under contractual obligations as of December 31, 2016 (in thousands):

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	Payments Due by Period				
Contractual Obligations	Total	2017	2018-2019	2020-2021	Thereafter
Unsecured revolving credit facility[1]	$ 645,000	$ -	$ -	$ 645,000	$ -
Senior unsecured notes and term credit facilities:[2]					
U.S. Dollar senior unsecured notes	6,050,000	-	1,050,000	900,000	4,100,000
Canadian Dollar senior unsecured notes[3]	223,447	-	-	223,447	-
Pounds Sterling senior unsecured notes[3]	1,295,385	-	-	-	1,295,385
U.S. Dollar term credit facility	505,000	-	5,000	500,000	-
Canadian Dollar term credit facility[3]	186,206	-	-	186,206	-
Secured debt:[2,3]					
Consolidated	3,465,066	550,620	1,321,310	516,038	1,077,098
Unconsolidated	668,282	22,886	153,360	40,919	451,117
Contractual interest obligations:[4]					
Unsecured revolving credit facility	53,638	10,728	21,455	21,455	-
Senior unsecured notes and term loans[3]	3,386,130	352,450	686,783	578,625	1,768,272
Consolidated secured debt[3]	623,851	132,620	188,243	121,016	181,972
Unconsolidated secured debt[3]	163,201	24,801	49,414	33,968	55,018
Capital lease obligations[5]	93,836	4,731	9,012	8,346	71,747
Operating lease obligations[5]	1,105,992	16,939	34,332	33,457	1,021,264
Purchase obligations[5]	523,099	242,962	277,995	-	2,142
Other long-term liabilities[6]	4,179	1,475	2,704	-	-
Total contractual obligations	$18,992,312	$1,360,212	$3,799,608	$3,808,477	$10,024,015

(1) Relates to our unsecured revolving credit facility with an aggregate commitment of $3,000,000,000. See Note 9 to our consolidated financial statements.
(2) Amounts represent principal amounts due and do not reflect unamortized premiums/discounts or other fair value adjustments as reflected on the balance sheet.
(3) Based on foreign currency exchange rates in effect as of balance sheet date.
(4) Based on variable interest rates in effect as of balance sheet date.
(5) See Note 12 to our consolidated financial statements.
(6) Primarily relates to payments to be made under our Supplemental Executive Retirement Plan, which is discussed in Note 19 to the consolidated financial statements.

Capital Structure

Please refer to "Credit Strength" above for a discussion of our leverage and coverage ratio trends. Our debt agreements contain various covenants, restrictions and events of default. Certain agreements require us to maintain financial ratios and minimum net worth and impose certain limits on our ability to incur indebtedness, create liens and make investments or acquisitions. As of December 31, 2016, we were in compliance with all of the covenants under our debt agreements. None of our debt agreements contain provisions for acceleration which could be triggered by our debt ratings. However, under our primary unsecured credit facility, the ratings on our senior unsecured notes are used to determine the fees and interest charged. We plan to manage the Company to maintain compliance with our debt covenants and with a capital structure consistent with our current profile. Any downgrades in terms of ratings or outlook by any or all of the rating agencies could have a material adverse impact on our cost and availability of

capital, which could in turn have a material adverse impact on our consolidated results of operations, liquidity and/or financial condition.

On May 1, 2015, we filed with the Securities and Exchange Commission (1) an open-ended automatic or “universal” shelf registration statement covering an indeterminate amount of future offerings of debt securities, common stock, preferred stock, depositary shares, warrants and units and (2) a registration statement in connection with our enhanced dividend reinvestment plan under which we may issue up to 15,000,000 shares of common stock. As of January 31, 2017, 7,737,978 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, KeyBanc Capital Markets Inc. and Credit Agricole Securities (USA) Inc. relating to the offer and sale from time to time of up to $630,015,000 aggregate amount of our common stock (“Equity Shelf Program”). As of January 31, 2017, we had $170,640,000 of remaining capacity under the Equity Shelf Program. Depending upon market conditions, we anticipate issuing securities under our registration statements to invest in additional properties and to repay borrowings under our primary unsecured credit facility.

Results of Operations

Summary

Our primary sources of revenue include rent, resident fees and services, and interest income. Our primary expenses include interest

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

	Year Ended		One Year Change		Year Ended	One Year Change		Two Year Change	
	December 31, 2014	December 31, 2015	Amount	%	December 31, 2016	Amount	%	Amount	%
Net income attributable to common stockholders	$ 446,745	$ 818,344	$ 371,599	83%	$ 1,012,397	$ 194,053	24%	$ 565,652	127%
Funds from operations attributable to common stockholders	1,174,081	1,409,640	235,559	20%	1,593,143	183,503	13%	419,062	36%
Adjusted EBITDA	1,813,241	2,091,754	278,513	15%	2,246,507	154,753	7%	433,266	24%
Net operating income from continuing operations	1,940,188	2,237,569	297,381	15%	2,404,177	166,608	7%	463,989	24%
Same store NOI	1,404,158	1,425,795	21,637	2%	1,445,748	19,953	1%	41,590	3%
Per share data (fully diluted):									
Net income attributable to common stockholders	$ 1.45	$ 2.34	$ 0.89	61%	$ 2.81	$ 0.47	20%	$ 1.36	94%
Funds from operations attributable to common stockholders	3.82	4.03	0.21	5%	4.42	0.39	10%	0.60	16%
Adjusted interest coverage ratio	3.73x	4.20x	0.47x	13%	4.19x	-0.01x	0%	0.46x	12%
	2.96x	3.32x	0.36x	12%	3.32x	0.00x	0%	0.36x	12%

Adjusted fixed
charge coverage
ratio

The following table represents the changes in outstanding common stock for the period from January 1, 2014 to December 31, 2016 (in thousands):

	Year Ended			
	December 31, 2014	December 31, 2015	December 31, 2016	Totals
Beginning balance	289,564	328,790	354,778	289,564
Public offerings	33,925	19,550	-	53,475
Dividend reinvestment plan issuances	4,123	4,024	4,145	12,292
Senior note conversions	259	1,330	-	1,589
Preferred stock conversions	233	-	-	233
Option exercises	498	249	141	888
Equity Shelf Program issuances	-	696	3,135	3,831
Other, net	188	139	403	730
Ending balance	328,790	354,778	362,602	362,602
Average number of shares outstanding:				
Basic	306,272	348,240	358,275	
Diluted	307,747	349,424	360,227	

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

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Triple-net

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

	Year Ended		One Year Change		Year Ended	One Year Change		Two Year Change	
	December 31, 2014	December 31, 2015	$	%	December 31, 2016	$	%	$	%
SSNOI[1]	$ 536,231	$ 566,188	$ 29,957	6%	$ 575,764	$ 9,576	2%	$ 39,533	7%
Non-cash NOI attributable to same store properties[1]	43,448	53,578	10,130	23%	44,215	(9,363)	-17%	767	2%
NOI attributable to non same store properties[2]	447,455	556,040	108,585	24%	588,881	32,841	6%	141,426	32%
NOI	$ 1,027,134	$ 1,175,806	$ 148,672	14%	$ 1,208,860	$ 33,054	3%	$ 181,726	18%

(1) Change is due to increases in cash and non-cash NOI (described below) related to 397 same store properties.
(2) Change is primarily due to the acquisition of 144 properties and the conversion of 26 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):

	Year Ended		One Year Change		Year Ended	One Year Change		Two Year Change	
	December 31, 2014	December 31, 2015	$	%	December 31, 2016	$	%	$	%
Revenues:									
Rental income	$ 992,638	$ 1,094,827	$ 102,189	10%	$ 1,112,325	$ 17,498	2%	$ 119,687	12%
Interest income	32,255	74,108	41,853	130%	90,476	16,368	22%	58,221	181%
Other income	2,973	6,871	3,898	131%	6,059	(812)	-12%	3,086	104%
	1,027,866	1,175,806	147,940	14%	1,208,860	33,054	3%	180,994	18%
Property operating expenses	732	-	(732)	-100%	-	-	n/a	(732)	-100%

Net operating income from continuing operations (NOI)	1,027,134	1,175,806	148,672	14%	1,208,860	33,054	3%	181,726	18%
Other expenses:									
Interest expense	32,135	28,384	(3,751)	-12%	21,370	(7,014)	-25%	(10,765)	-33%
Loss (gain) on derivatives, net	(1,770)	(58,427)	(56,657)	3,201%	68	58,495	-100%	1,838	-104%
Depreciation and amortization	273,296	288,242	14,946	5%	297,197	8,955	3%	23,901	9%
Transaction costs	45,146	53,195	8,049	18%	10,016	(43,179)	-81%	(35,130)	-78%
Loss (gain) on extinguishment of debt, net	98	10,095	9,997	10,201%	863	(9,232)	-91%	765	781%
Provision for loan losses	-	-	-	n/a	6,935	6,935	n/a	6,935	n/a
Impairment of assets	-	2,220	2,220	n/a	20,169	17,949	809%	20,169	n/a
Other expenses	8,825	35,648	26,823	304%	-	(35,648)	-100%	(8,825)	-100%
	357,730	359,357	1,627	%	356,618	(2,739)	-1%	(1,112)	0%
Income from continuing operations before income taxes and income (loss) from unconsolidated entities	669,404	816,449	147,045	22%	852,242	35,793	4%	182,838	27%
	6,141	(4,244)	(10,385)	n/a	(1,087)	3,157	-74%	(7,228)	-118%

Income tax benefit (expense)									
Income (loss) from unconsolidated entities	5,423	8,260	2,837	52%	9,767	1,507	18%	4,344	80%
Income from continuing operations	680,968	820,465	139,497	20%	860,922	40,457	5%	179,954	26%
Discontinued operations, net	7,135	-	(7,135)	-100%	-	-	n/a	(7,135)	-100%
Gain (loss) on real estate dispositions, net	146,205	86,261	(59,944)	-41%	355,394	269,133	312%	209,189	143%
Net income	834,308	906,726	72,418	9%	1,216,316	309,590	34%	382,008	46%
Less: Net income attributable to noncontrolling interests	1,874	6,348	4,474	239%	1,221	(5,127)	-81%	(653)	-35%
Net income attributable to common stockholders	$ 832,434	$ 900,378	$ 67,944	8%	$ 1,215,095	$ 314,717	35%	$ 382,661	46%

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The increase in rental income is primarily attributable to the acquisitions of new properties and the conversion of newly constructed triple-net properties from which we receive rent. Certain of our leases contain annual rental escalators that are contingent upon changes in the Consumer Price Index and/or changes in the gross operating revenues of the tenant's properties. These escalators are not fixed, so no straight-line rent is recorded; however, rental income is recorded based on the contractual cash rental payments due for the period. If gross operating revenues at our facilities and/or the Consumer Price Index do not increase, a portion of our revenues may not continue to increase. Sales of real property would offset revenue increases and, to the extent that they exceed new acquisitions, could result in decreased revenues. Our leases could renew above or below current rent rates, resulting in an increase or decrease in rental income. For the three months ended December 31, 2016, we had no lease renewals but we had 26 leases with rental rate increasers ranging from 0.07% to 0.60% in our triple-net portfolio.

The increase in interest income is attributable to higher loan volume in the current year, which includes first mortgage loans to Genesis Healthcare. The decrease in other income is due to the receipt of an early prepayment fee in 2015 related to a real estate loan receivable.

During the year ended December 31, 2016, we completed two triple-net construction projects totaling $46,094,000 or $251,880 per bed/unit and one expansion project totaling $2,879,000. The following is a summary of triple-net construction projects pending as of December 31, 2016 (dollars in thousands):

Location	Units/Beds		Commitment		Balance	Est. Completion
Raleigh, NC	225	$	95,700	$	83,566	1Q17
Livingston, NJ	120		53,439		37,566	1Q17
Edmond, OK	142		27,300		23,881	1Q17
Tulsa, OK	145		28,500		19,197	1Q17
Lititz, PA	80		15,200		13,867	1Q17
Lancaster, PA	80		15,875		12,778	1Q17
Piscataway, NJ	124		40,800		34,924	2Q17
Bracknell, England	64		15,573		10,394	2Q17
Alexandria,VA	116		60,156		20,918	1Q18
Total	1,096	$	352,543	$	257,091	

Total interest expense represents secured debt interest expense and gains and losses on forward exchange contracts. The change in secured debt interest expense is due to the net effect and timing of assumptions, segment transitions, fluctuations in foreign currency rates, extinguishments and principal amortizations. The following is a summary of our triple-net secured debt principal activity (dollars in thousands):

	Year Ended December 31, 2014			Year Ended December 31, 2015			Year Ended December 31, 2016		
		Amount	Weighted Avg. Interest Rate		Amount	Weighted Avg. Interest Rate		Amount	Weighted Avg. Interest Rate
Beginning balance	$	587,136	5.394%	$	670,769	5.337%	$	554,014	5.488%
Debt issued		-	0.000%		-	0.000%		166,155	2.205%

Debt assumed		120,352	5.404%		44,142	5.046%		-	0.000%
Debt extinguished		(22,970)	6.235%		(132,545)	4.695%		(118,500)	5.562%
Foreign currency		(2,180)	5.317%		(15,633)	5.315%		3,157	5.247%
Principal payments		(11,569)	5.564%		(12,719)	5.450%		(10,627)	5.682%
Ending balance	$	670,769	5.337%	$	554,014	5.488%	$	594,199	4.580%
Monthly averages	$	596,941	5.381%	$	551,803	5.518%	$	497,213	5.414%

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. This event resulted in $58,427,000 gain. During the fourth quarter of 2015, the cost basis of this investment exceeded the fair value. Management performed an assessment to determine whether the decline in fair value was other than temporary and concluded that it was. As a result, we recognized an other than temporary impairment charge of $35,648,000 which is recorded in other expense.

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

Transaction costs are 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 change in transaction costs from year to year is primarily a function of investment volume. The fluctuations in loss (gain) on extinguishment of debt is primarily attributable to the volume of extinguishments and terms of the related secured debt.

Changes in gains on sales of properties are related to the volume of property sales and the sales prices. We recognized impairment losses on certain held-for-sale properties as the fair value less estimated costs to sell exceeded our carrying values.

During the year ended December 31, 2016, we recorded a provision for loan loss related to the restructuring of two first mortgage loans. During the years ended December 31, 2014 and 2015, we did not record a provision for loan loss or record loan write-offs. The provision for loan losses is related to our critical accounting estimate for the allowance for loan losses and is discussed in "Critical Accounting Policies" and Note 6 to our consolidated financial statements.

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

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Seniors Housing Operating

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

	Year Ended		One Year Change		Year Ended	One Year Change		Two Year Change	
	December 31, 2014	December 31, 2015	$	%	December 31, 2016	$	%	$	%
SSNOI[1]	$ 625,732	$ 614,044	$ (11,688)	-2%	$ 619,850	$ 5,806	1%	$ (5,882)	-1%
Non-cash NOI attributable to same store properties	(1,044)	(1,003)	41	-4%	(2,404)	(1,401)	140%	(1,360)	130%
NOI attributable to non same store properties[2]	6,575	88,221	81,646	1,242%	196,668	108,447	123%	190,093	2,891%
NOI	$ 631,263	$ 701,262	$ 69,999	11%	$ 814,114	$ 112,852	16%	$ 182,851	29%

(1) Relates to 278 same store properties.
(2) Primarily due to the acquisition of 137 properties subsequent to January 1, 2014.

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

	Year Ended		One Year Change		Year Ended	One Year Change		Two Year Change	
	December 31, 2014	December 31, 2015	$	%	December 31, 2016	$	%	$	%
Revenues:									
Resident fees and services	$ 1,892,237	$ 2,158,031	$ 265,794	14%	$ 2,504,731	$ 346,700	16%	$ 612,494	32%
Interest income	2,119	4,180	2,061	97%	4,180	-	0%	2,061	97%
Other income	3,215	6,060	2,845	88%	17,085	11,025	182%	13,870	431%
	1,897,571	2,168,271	270,700	14%	2,525,996	357,725	16%	628,425	33%
Property operating	1,266,308	1,467,009	200,701	16%	1,711,882	244,873	17%	445,574	35%

expenses									
Net operating income from continuing operations (NOI)	631,263	701,262	69,999	11%	814,114	112,852	16%	182,851	29%
Other expenses:									
Interest expense	64,130	70,388	6,258	10%	81,853	11,465	16%	17,723	28%
Loss (gain) on derivatives, net	275	-	(275)	-100%	-	-	n/a	(275)	-100%
Depreciation and amortization	418,199	351,733	(66,466)	-16%	415,429	63,696	18%	(2,770)	-1%
Transaction costs	16,880	54,966	38,086	226%	29,207	(25,759)	-47%	12,327	73%
Loss (gain) on extinguishment of debt, net	383	(195)	(578)	-151%	(88)	107	-55%	(471)	-123%
Impairment of assets	-	-	-	n/a	12,403	12,403	n/a	12,403	n/a
Other expenses	1,437	-	(1,437)	-100%	-	-	n/a	(1,437)	-100%
	501,304	476,892	(24,412)	-5%	538,804	61,912	13%	37,500	7%
(Loss) income from continuing operations before income from unconsolidated entities	129,959	224,370	94,411	73%	275,310	50,940	23%	145,351	112%
Income tax expense	(3,047)	986	4,033	-132%	(3,762)	(4,748)	-482%	(715)	23%
(Loss) income from unconsolidated entities	(38,204)	(32,672)	5,532	-14%	(20,442)	12,230	-37%	17,762	-46%
Net income (loss)	88,708	192,684	103,976	117%	251,106	58,422	30%	162,398	183%
Less: Net income (loss) attributable	(2,335)	(1,438)	897	-38%	2,292	3,730	-259%	4,627	-198%

to noncontrolling interests								
Net income (loss) attributable to common stockholders	$ 91,043	$ 194,122	$ 103,079	113%	$ 248,814	$ 54,692	28%	$ 157,771	173%

Fluctuations in revenues and property operating expenses are primarily a result of acquisitions and the movement of U.S. and foreign currency exchange rates. The increase in other income for the year ended December 31, 2016 is primarily a result of insurance proceeds received relating to a property as well as a bargain purchase gain recognized in conjunction with a single property acquisition. The fluctuations in depreciation and amortization are due to the net impact of acquisitions and variations in amortization of short-lived intangible assets. To the extent that we acquire or dispose of additional properties in the future, these amounts will change accordingly. Losses from unconsolidated entities are primarily attributable to depreciation and amortization of short-lived

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intangible assets related to our investments in unconsolidated joint ventures with Chartwell in 2012, Sunrise in 2013 and Senior Resource Group in 2014.

During the year ended December 31, 2016, we completed one seniors housing operating construction project representing $18,979,000 or $210,878 per unit plus one expansion project representing $8,484,000. The following is a summary of our seniors housing operating construction projects, excluding expansions, pending as of December 31, 2016 (dollars in thousands):

Location	Units/Beds	Commitment	Balance	Est. Completion
Camberley, England	12	$ 3,487	$ 3,436	1Q17
Chertsey, England	93	38,160	18,727	1Q18
Bushey, England	95	48,861	16,949	2Q18
Total	200	$ 90,508	39,112	
New York, NY	Project in planning stage		126,781	
			$ 165,893	

Interest expense represents secured debt interest expense. Please refer to Note 10 to our consolidated financial statements for additional information. The following is a summary of our seniors housing operating property secured debt principal activity (dollars in thousands):

	Year Ended December 31, 2014		Year Ended December 31, 2015		Year Ended December 31, 2016	
	Amount	Weighted Avg. Interest Rate	Amount	Weighted Avg. Interest Rate	Amount	Weighted Avg. Interest Rate
Beginning balance	$ 1,714,714	4.622%	$ 1,654,531	4.422%	$ 2,290,552	3.958%
Debt issued	109,503	3.374%	228,685	2.776%	293,860	2.895%
Debt assumed	18,484	4.359%	842,316	3.420%	60,898	4.301%
Debt extinguished	(114,793)	3.626%	(285,599)	4.188%	(159,498)	3.656%
Foreign currency	(39,379)	3.727%	(110,691)	3.625%	26,549	3.483%
Principal payments	(33,998)	4.296%	(38,690)	4.126%	(49,112)	3.888%
Ending balance	$ 1,654,531	4.422%	$ 2,290,552	3.958%	$ 2,463,249	3.936%
Monthly averages	$ 1,657,416	4.515%	$ 1,894,609	4.261%	$ 2,391,706	3.926%

The fluctuations in gains/losses on debt extinguishments is primarily attributable the volume of extinguishments and terms of the related secured debt. During the year ended December 31, 2016, we recorded impairment charges totaling $12,403,000 relating to two properties. Transaction costs represent costs incurred with property acquisitions (including due diligence costs, fees for legal and valuation services, and termination of pre-existing relationships

computed based on the fair value of the assets acquired), lease termination fees and other similar costs. The change in transaction costs from year to year is primarily a function of investment volume. The majority of our seniors housing operating properties are formed through partnership interests. Net income attributable to noncontrolling interests represents our partners' share of net income or loss related to those partnerships where we are the controlling partner.

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Outpatient Medical

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

	Year Ended		One Year Change		Year Ended	One Year Change		Two Year Change	
	December 31, 2014	December 31, 2015	$	%	December 31, 2016	$	%	$	%
SSNOI[1]	$ 242,195	$ 245,563	$ 3,368	1%	$ 250,134	$ 4,571	2%	$ 7,939	3%
Non-cash NOI attributable to same store properties[1]	8,015	5,186	(2,829)	-35%	2,440	(2,746)	-53%	(5,575)	-70%
NOI attributable to non same store properties[2]	30,904	108,661	77,757	252%	127,690	19,029	18%	96,786	313%
NOI	$ 281,114	$ 359,410	$ 78,296	28%	$ 380,264	$ 20,854	6%	$ 99,150	35%

(1) Due to increases in cash and non-cash NOI (described below) related to 176 same store properties.
(2) Primarily due to the acquisition of 54 properties and conversions of construction projects into 17 revenue-generating properties subsequent to January 1, 2013.

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

	Year Ended		One Year Change		Year Ended	One Year Change		Two Year Change	
	December 31, 2014	December 31, 2015	$	%	December 31, 2016	$	%	$	%
Revenues:									
Rental income	$ 413,129	$ 504,121	$ 90,992	22%	$ 536,490	$ 32,369	6%	$ 123,361	30%
Interest income	3,293	5,853	2,560	78%	3,307	(2,546)	-43%	14	0%
Other income	1,010	4,684	3,674	364%	5,568	884	19%	4,558	451%
	417,432	514,658	97,226	23%	545,365	30,707	6%	127,933	31%
Property operating expenses	136,318	155,248	18,930	14%	165,101	9,853	6%	28,783	21%
Net operating	281,114	359,410	78,296	28%	380,264	20,854	6%	99,150	35%

income from continuing operations (NOI)									
Other expenses:									
Interest expense	31,050	27,542	(3,508)	-11%	19,087	(8,455)	-31%	(11,963)	-39%
Depreciation and amortization	152,635	186,265	33,630	22%	188,616	2,351	1%	35,981	24%
Transaction costs	7,512	2,765	(4,747)	-63%	3,687	922	33%	(3,825)	-51%
Loss (gain) on extinguishment of debt, net	405	-	(405)	-100%	-	-	n/a	(405)	-100%
Provision for loan losses	-	-	-	n/a	3,280	3,280	n/a	3,280	n/a
Impairment of assets	-	-	-	n/a	4,635	4,635	n/a	4,635	n/a
	191,602	216,572	24,970	13%	219,305	2,733	1%	27,703	14%
Income from continuing operations before income taxes and income (loss) from unconsolidated entities	89,512	142,838	53,326	60%	160,959	18,121	13%	71,447	80%
Income tax expense	(1,827)	245	2,072	n/a	(511)	(756)	n/a	1,316	-72%
Income (loss) from unconsolidated entities	5,355	2,908	(2,447)	-46%	318	(2,590)	-89%	(5,037)	-94%
Income from continuing operations	93,040	145,991	52,951	57%	160,766	14,775	10%	67,726	73%
Gain (loss) on real estate dispositions, net	906	194,126	193,220	21,327%	(1,228)	(195,354)	n/a	(2,134)	n/a
Net income (loss)	93,946	340,117	246,171	262%	159,538	(180,579)	-53%	65,592	70%
Less: Net income (loss)	608	(110)	(718)	n/a	768	878	n/a	160	26%

attributable to noncontrolling interests								
Net income (loss) attributable to common stockholders	$ 93,338	$ 340,227	$ 246,889	265%	$ 158,770	$ (181,457)	-53%	$ 65,432	70%

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. Revenue from real property that is sold would offset revenue increases and, to the extent that revenues from sold properties exceed those from new acquisitions, we would experience decreased revenues. Our leases could renew above or below current rent rates, resulting in an increase or decrease in rental income. For the

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three months ended December 31, 2016, our consolidated outpatient medical portfolio signed 81,930 square feet of new leases and 305,176 square feet of renewals. The weighted-average term of these leases was eight years, with a rate of $35.61 per square foot and tenant improvement and lease commission costs of $18.23 per square foot. Substantially all of these leases during the referenced quarter contain an annual fixed or contingent escalation rent structure ranging from the change in CPI to 5%.

The increase in other income is primarily attributable to the acquisition of a controlling interest in a portfolio of properties that were historically reported as unconsolidated property investments, and subsequent adjustments made to certain contingent receivables.

During the year ended December 31, 2016, we completed five outpatient medical construction projects representing $108,001,000 or $304 per square foot. The following is a summary of outpatient medical construction projects pending as of December 31, 2016 (dollars in thousands):

Location	Square Feet		Commitment		Balance	Est. Completion
Wausau, WI	43,883	$	14,100	$	13,125	1Q17
Castle Rock, CO	56,822		13,148		7,290	1Q17
Timmonium, MD	46,000		20,996		10,717	2Q17
Howell, MI	56,211		15,509		7,174	2Q17
Brooklyn, NY	140,955		103,624		39,867	1Q18
Total	343,871	$	167,377	$	78,173	

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):

	Year Ended December 31, 2014			Year Ended December 31, 2015			Year Ended December 31, 2016		
		Amount	Weighted Avg. Interest Rate		Amount	Weighted Avg. Interest Rate		Amount	Weighted Avg. Interest Rate
Beginning balance	$	700,427	5.999%	$	609,268	5.838%	$	627,689	5.177%
Debt assumed		66,113	3.670%		120,959	2.113%		-	0.000%
Debt extinguished		(141,796)	5.567%		(88,182)	5.257%		(210,115)	5.970%
Principal payments		(15,476)	5.797%		(14,356)	5.975%		(13,495)	6.552%
Ending balance	$	609,268	5.838%	$	627,689	5.177%	$	404,079	4.846%
Monthly averages	$	626,797	5.928%	$	613,155	5.434%	$	536,774	5.106%

The increases in property operating expenses and depreciation and amortization are 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, termination of pre-existing relationships, a lease termination expense and other similar costs. During the year ended December 31, 2016, we recorded a provision for loan loss related to our critical accounting estimate for the allowance for loan losses discussed in “Critical Accounting Policies” and Note 6 to our consolidated financial statements. In addition, we recognized impairment losses on certain held-for-sale properties as the fair value less estimated costs to sell exceeded our carrying values. Income from unconsolidated entities represents our share of net income or losses related to the periods for which we held a joint venture investment with Forest City Enterprises and certain unconsolidated property investments. Changes in gains/losses on sales of properties are related to volume of property sales and the sales prices.

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.

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Non-Segment/Corporate

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

	Year Ended		One Year Change		Year Ended	One Year Change		Two Year Change	
	December 31, 2014	December 31, 2015	$	%	December 31, 2016	$	%	$	%
Revenues:									
Other income	$ 677	$ 1,091	$ 414	61%	$ 939	$ (152)	-14%	$ 262	39%
Expenses:									
Interest expense	353,724	365,855	12,131	3%	399,035	33,180	9%	45,311	13%
Loss (gain) on derivatives, net	-	-	-	n/a	(2,516)	(2,516)	n/a	(2,516)	n/a
General and administrative	142,943	147,416	4,473	3%	155,241	7,825	5%	12,298	9%
Loss (gain) on extinguishments of debt, net	8,672	24,777	16,105	186%	16,439	(8,338)	-34%	7,767	90%
Other expenses	-	10,583	10,583	n/a	11,998	1,415	13%	11,998	n/a
	505,339	548,631	43,292	9%	580,197	31,566	6%	74,858	15%
Loss from continuing operations before income taxes	(504,662)	(547,540)	(42,878)	8%	(579,258)	(31,718)	6%	(74,596)	15%
Income tax expense	-	(3,438)	(3,438)	n/a	24,488	27,926	n/a	24,488	n/a
Net loss	(504,662)	(550,978)	(46,316)	9%	(554,770)	(3,792)	1%	(50,108)	10%
Preferred stock dividends	65,408	65,406	(2)	0%	65,406	-	0%	(2)	0%
Net loss attributable to common stockholders	$ (570,070)	$ (616,384)	$ (46,314)	8%	$ (620,176)	$ (3,792)	1%	$ (50,106)	9%

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

	Year Ended		One Year Change		Year Ended	One Year Change		Two Year Change	
	December 31, 2014	December 31, 2015	$	%	December 31, 2016	$	%	$	%
Senior unsecured notes	$ 329,352	$ 341,265	$ 11,913	4%	$ 368,775	$ 27,510	8%	$ 39,423	12%
Secured debt	460	357	(103)	-22%	310	(47)	-13%	(150)	-33%
Primary unsecured credit	8,914	10,812	1,898	21%	16,811	5,999	55%	7,897	89%

facility									
Loan expense	14,998	13,421	(1,577)	-11%	13,139	(282)	-2%	(1,859)	-12%
Totals	$ 353,724	$ 365,855	$ 12,131	3%	$ 399,035	$ 33,180	9%	$ 45,311	13%

The change in interest expense on senior unsecured notes is due to the net effect of issuances and extinguishments. Please refer to Note 10 to our consolidated financial statements for additional information. The increases in interest expense are attributed to the £500,000,000 Sterling-denominated senior unsecured notes issued in November 2014, the $300,000,000 Canadian-denominated senior unsecured notes issued in November 2015 and the $700,000,000 of 4.25% senior unsecured notes issued in March 2016. Loan expense represents the amortization of deferred loan costs incurred in connection with the issuance and amendments of debt. Loan expense changes are due to amortization of charges for costs incurred in connection with senior unsecured note issuances. The change in interest expense on our primary unsecured credit facility is due primarily to the net effect and timing of draws, paydowns and variable interest rate changes. Please refer to Note 9 of our consolidated financial statements for additional information regarding our primary unsecured credit facility.

General and administrative expenses for 2014 included $19,688,000 of CEO transition costs. Excluding these costs, general and administrative expenses as a percentage of consolidated revenues for the years ended December 31, 2016, 2015 and 2014 were 3.63%, 3.82% and 3.69%, respectively. The loss on extinguishment of debt in 2015 is primarily due to the early extinguishment of the 2016 senior unsecured notes. The loss on extinguishment of debt in 2016 is due to the early extinguishment of the 2017 senior unsecured notes. Other expenses in 2016 and 2015 included costs associated with the departure of executive officers. Other expenses in 2015 also included costs associated with the termination of our investment in a strategic outpatient medical partnership.

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

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. SSNOI is used to evaluate the operating performance of our properties under a consistent population which eliminates changes in the composition of our portfolio. As used herein, same store is generally defined as those revenue-generating properties in the portfolio for the reporting period subsequent to January 1, 2015. Land parcels, loans and sub-leases as well as any properties acquired, developed/redeveloped, transitioned, sold or classified as held for sale during that period are excluded from the same store amounts. We believe NOI and SSNOI provide investors relevant and useful information because they measure the operating performance of our properties at the property level on an unleveraged basis. We use NOI and SSNOI to make decisions about resource allocations and to assess the property level performance of our properties.

EBITDA stands for earnings 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 items per our covenant. We use Adjusted EBITDA to measure our adjusted fixed charge coverage ratio, which represents Adjusted EBITDA divided by fixed charges on a trailing twelve months basis. Fixed charges include total interest (excluding capitalized interest and non-cash interest expenses), secured debt principal

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

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 to demonstrate our compliance with a comparable 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. The provisions for depreciation and amortization include provisions for depreciation and amortization from discontinued operations. Noncontrolling interest and unconsolidated entity amounts represent adjustments to reflect our share of depreciation and amortization. Amounts are in thousands except for per share data.

	Year Ended December 31,		
FFO Reconciliation:	2014	2015	2016
Net income attributable to common stockholders	$ 446,745	$ 818,344	$ 1,012,397
Depreciation and amortization	844,130	826,240	901,242
Impairment of assets	-	2,220	37,207
Loss (gain) on sales of properties, net	(153,522)	(280,387)	(364,046)
Noncontrolling interests	(37,852)	(39,271)	(71,527)
Unconsolidated entities	74,580	82,494	67,667
Funds from operations attributable to common stockholders	$ 1,174,081	$ 1,409,640	$ 1,582,940
Average common shares outstanding:			
Basic	306,272	348,240	358,275
Diluted	307,747	349,424	360,227
Per share data:			
Net income attributable to common stockholders			
Basic	$ 1.46	$ 2.35	$ 2.83
Diluted	1.45	2.34	2.81
Funds from operations attributable to common stockholders			
Basic	$ 3.83	$ 4.05	$ 4.42
Diluted	3.82	4.03	4.39

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

	Year Ended December 31,		
Adjusted EBITDA Reconciliation:	2014	2015	2016
Net income	$ 512,300	$ 888,549	$ 1,082,070
Interest expense	481,196	492,169	521,345
Income tax expense (benefit), net	(1,267)	6,451	(19,128)
Depreciation and amortization	844,130	826,240	901,242
EBITDA	1,836,359	2,213,409	2,485,529
Stock-based compensation expense	32,075	30,844	28,869
Transaction costs	69,538	110,926	42,910
Provision for loan losses	-	-	10,215
Loss (gain) on extinguishment of debt, net	9,558	34,677	17,214
Loss/impairment (gain) on sales of properties, net	(153,522)	(278,167)	(326,839)
Loss (gain) on derivatives, net	(1,495)	(58,427)	(2,448)
CEO transition costs	10,465	-	-
Other expenses	10,262	40,636	7,721
Additional other income	-	(2,144)	(16,664)
Adjusted EBITDA	$ 1,813,240	$ 2,091,754	$ 2,246,507
Adjusted Interest Coverage Ratio:			
Interest expense	$ 481,196	$ 492,169	$ 521,345
Capitalized interest	7,150	8,670	16,943
Non-cash interest expense	(2,427)	(2,586)	(1,681)
Total interest	485,919	498,253	536,607
Adjusted EBITDA	$ 1,813,240	$ 2,091,754	$ 2,246,507
Adjusted interest coverage ratio	3.73x	4.20x	4.19x
Adjusted Fixed Charge Coverage Ratio:			
Interest expense	$ 481,196	$ 492,169	$ 521,345
Capitalized interest	7,150	8,670	16,943
Non-cash interest expense	(2,427)	(2,586)	(1,681)
Secured debt principal payments	62,280	67,064	74,466
Preferred dividends	65,408	65,406	65,406
Total fixed charges	613,607	630,723	676,479
Adjusted EBITDA	$ 1,813,240	$ 2,091,754	$ 2,246,507
Adjusted fixed charge coverage ratio	2.96x	3.32x	3.32x

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The following tables reflect the reconciliation of NOI and SSNOI to net operating income from continuing operations, the most directly comparable U.S. GAAP measure, for the periods presented. Dollar amounts are in thousands.

	Year Ended December 31,		
NOI Reconciliation:	2014	2015	2016
Total revenues:			
Triple-net	$ 1,027,866	$ 1,175,806	$ 1,208,860
Seniors housing operating	1,897,571	2,168,271	2,525,996
Outpatient medical	417,432	514,658	545,365
Non-segment/corporate	677	1,091	939
Total revenues	3,343,546	3,859,826	4,281,160
Property operating expenses:			
Triple-net	732	-	-
Seniors housing operating	1,266,308	1,467,009	1,711,882
Outpatient medical	136,318	155,248	165,101
Total property operating expenses	1,403,358	1,622,257	1,876,983
Net operating income:			
Triple-net	1,027,134	1,175,806	1,208,860
Seniors housing operating	631,263	701,262	814,114
Outpatient medical	281,114	359,410	380,264
Non-segment/corporate	677	1,091	939
Net operating income from continuing operations	$ 1,940,188	$ 2,237,569	$ 2,404,177

	Year Ended December 31,		
Same Store NOI Reconciliation:	2014	2015	2016
Net operating income from continuing operations:			
Triple-net	$ 1,027,134	$ 1,175,806	$ 1,208,860
Seniors housing operating	631,263	701,262	814,114
Outpatient medical	281,114	359,410	380,264
Total	1,939,511	2,236,478	2,403,238
Adjustments:			
Triple-net:			
Non-cash NOI on same store properties	(43,448)	(53,578)	(44,215)
NOI attributable to non same store properties	(447,455)	(556,040)	(588,881)
Subtotal	(490,903)	(609,618)	(633,096)
Seniors housing operating:			
Non-cash NOI on same store properties	1,044	1,003	2,404
NOI attributable to non same store properties	(6,575)	(88,221)	(196,668)
Subtotal	(5,531)	(87,218)	(194,264)
Outpatient medical:			
Non-cash NOI on same store properties	(8,015)	(5,186)	(2,440)
NOI attributable to non same store properties	(30,904)	(108,661)	(127,690)
Subtotal	(38,919)	(113,847)	(130,130)

Total	(535,353)	(810,683)	(957,490)
Same store net operating income:			
Triple-net	536,231	566,188	575,764
Seniors housing operating	625,732	614,044	619,850
Outpatient medical	242,195	245,563	250,134
Total	$ 1,404,158	$ 1,425,795	$ 1,445,748

Same Store NOI Property Reconciliation:

Total properties	1,313
Acquisitions	(335)
Developments	(44)
Disposals/Held-for-sale	(72)
Segment transitions	(2)
Other[1]	(9)
Same store properties	851

(1) Includes eight land parcels and one loan.

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Critical Accounting Policies

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

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

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

Management has discussed the development and selection of its critical accounting policies with the Audit Committee of the Board of Directors and the Audit Committee has reviewed the disclosure presented below relating to them. Management believes the current assumptions and other considerations used to estimate amounts reflected in our consolidated financial statements are appropriate and are not reasonably likely to change in the future. However, since these estimates require assumptions to be made that were uncertain at the time the estimate was made, they bear the risk of change. If actual experience differs from the assumptions and other considerations used in estimating amounts reflected in our consolidated financial statements, the resulting changes could have a material adverse effect on our consolidated results of operations, liquidity and/or financial condition. Please refer to Note 2 to our consolidated financial statements for further information on significant accounting policies that impact us and for the impact of new accounting standards, including accounting pronouncements that were issued but not yet adopted by us.

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

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

Income Taxes

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

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

Nature of Critical Accounting Estimate	Assumptions/Approach Used
Business Combinations	
Real property developed by us is recorded at cost, including the capitalization of construction period interest. The cost of real property acquired is allocated to net tangible and identifiable intangible assets based on their respective fair values. Tangible assets primarily consist of land, buildings and improvements. The remaining purchase price is allocated among identifiable intangible assets primarily consisting of the above or below market component of in-place leases and the value of in-place leases. The total amount of other intangible assets acquired is further allocated to in-place lease values and customer relationship values based on management's evaluation of the specific characteristics of each tenant's lease and the Company's overall relationship with that respective tenant.	We make estimates as part of our allocation of the purchase price of acquisitions to the various components of the acquisition based upon the relative fair value of each component. The most significant components of our allocations are typically the allocation of fair value to the buildings as-if-vacant, land and in-place leases. In the case of the fair value of buildings and the allocation of value to land and other intangibles, our estimates of the values of these components will affect the amount of depreciation and amortization we record over the estimated useful life of the property acquired or the remaining lease term. In the case of the value of in-place leases, we make our best estimates based on our evaluation of the specific characteristics of each tenant's lease. Factors considered include estimates of carrying costs during hypothetical expected lease-up periods, market conditions and costs to execute similar leases. Our assumptions affect the amount of future revenue that we will recognize over the remaining lease term for the acquired in-place leases. We compute depreciation and amortization on our properties using the straight-line method based on their estimated useful lives which range from 15 to 40 years for buildings and five to 15 years for improvements. Amortization periods for intangibles are based on the remaining life of the lease.
Allowance for Loan Losses	
We maintain an allowance for loan losses in accordance with U.S. GAAP. The allowance for loan losses is maintained at a level believed adequate to absorb potential losses in our loans receivable. The determination of the allowance is based on a quarterly evaluation of all outstanding loans. If this evaluation indicates that there is a greater risk of loan charge-offs, additional allowances or placement on non-accrual status may be required. A loan is impaired when, based on current information and events, it is probable that we	The determination of the allowance is based on a quarterly evaluation of all outstanding loans, including general economic conditions and estimated collectability of loan payments and principal. We evaluate the collectability of our loans receivable based on a combination of factors, including, but not limited to, delinquency status, historical loan charge-offs, financial strength of the borrower and guarantors and value of the underlying property. Any loans with

will be unable to collect all amounts due as scheduled according to the contractual terms of the original loan agreement or if it has been modified in a troubled debt restructuring. Consistent with this definition, all loans on non-accrual are deemed impaired. To the extent circumstances improve and the risk of collectability is diminished, we will return these loans to full accrual status. collectability concerns are subjected to a projected payoff valuation. The valuation is based on the expected future cash flows and/or the estimated fair value of the underlying collateral. The valuation is compared to the outstanding balance to determine the reserve needed for each loan. We may base our valuation on a loan's observable market price, if any, or the fair value of collateral, net of sales costs, if the repayment of the loan is expected to be provided solely by the collateral.

Fair Value of Derivative Instruments

The valuation of derivative instruments is accounted for in accordance with U.S. GAAP, which requires companies to record derivatives at fair market value on the balance sheet as assets or liabilities.

The valuation of derivative instruments requires us to make estimates and judgments that affect the fair value of the instruments. Fair values of our forward exchange contracts are estimated using pricing models that consider forward currency spot rates, forward trade rates and discount rates. Fair values of our interest rate swaps are estimated by utilizing pricing models that consider forward yield curves, discount rates and counterparty credit risk. Such amounts and their recognition are subject to significant estimates which may change in the future.

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

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

it is determined that a permanent impairment of a long-lived asset has occurred, the carrying value of the asset is reduced to its fair value and an impairment charge is recognized for the difference between the carrying value and the fair value.

changes in the market that may permanently reduce the value of the property. If indicators of impairment exist, then the undiscounted future cash flows from the most likely use of the property are compared to the current net book value. This analysis requires us to determine if indicators of impairment exist and to estimate the most likely stream of cash flows to be generated from the property during the period the property is expected to be held.

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

We are exposed to various market risks, including the potential loss arising from adverse changes in interest rates and foreign currency exchange rates. We seek to mitigate the underlying foreign currency exposures with gains and losses on derivative contracts hedging these exposures. We seek to mitigate the effects of fluctuations in interest rates by matching the terms of new investments with new long-term fixed rate borrowings to the extent possible. We may or may not elect to use financial derivative instruments to hedge interest rate exposure. These decisions are principally based on our policy to match our variable rate investments with comparable borrowings, but are also based on the general trend in interest rates at the applicable dates and our perception of the future volatility of interest rates. This section is a discussion of the risks associated with potential fluctuations in interest rates and foreign currency exchange rates. For additional information, see "Item 7 — Management's Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Policies" and Notes 11 and 16 to our consolidated financial statements.

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

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

	December 31, 2016		December 31, 2015	
	Principal balance	Fair value change	Principal balance	Fair value change
Senior unsecured notes	$ 7,568,832	$ (521,203)	$ 7,965,107	$ (519,901)
Secured debt	2,489,276	(73,944)	2,757,123	(91,376)
Totals	$ 10,058,108	$ (595,147)	$ 10,722,230	$ (611,277)

Our variable rate debt, including our primary unsecured credit facility, is reflected at fair value. At December 31, 2016, we had $2,311,996,000 outstanding related to our variable rate debt. Assuming no changes in outstanding balances, a 1% increase in interest rates would result in increased annual interest expense of $23,120,000. At December 31, 2015, we had $2,236,733,000 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 $22,367,000.

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 year ended December 31, 2016, including the impact of existing hedging arrangements, if these exchange rates were to increase or decrease by 10%, our net income from these investments would increase or

decrease, as applicable, by less than $2,000,000. We will continue to mitigate these underlying foreign currency exposures with non-U.S. denominated borrowings and gains and losses on derivative contracts. If we increase our international presence through investments in, or acquisitions or development of, seniors housing and health care properties outside the U.S., we may also decide to transact additional business or borrow funds in currencies other than U.S. Dollars, Canadian Dollars or Pounds Sterling. To illustrate the impact of changes in foreign currency markets, we performed a sensitivity analysis on our derivative portfolio whereby we modeled the change in net present values arising from a hypothetical 1% increase in foreign currency exchange rates to determine the instruments' change in fair value. The following table summarizes the results of the analysis performed, excluding cross currency hedge activity (dollars in thousands):

	December 31, 2016		December 31, 2015	
	Carrying value	Fair value change	Carrying value	Fair value change
Foreign currency exchange contracts	$ 87,962	$ 722	$ 117,452	$ 1,915
Debt designated as hedges	1,481,591	13,000	1,728,979	13,000
Totals	$ 1,569,553	$ 13,722	$ 1,846,431	$ 14,915

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

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders of Welltower Inc.

We have audited the accompanying consolidated balance sheets of Welltower Inc. and subsidiaries as of December 31, 2016 and 2015, and the related consolidated statements of comprehensive income, equity, and cash flows for each of the three years in the period ended December 31, 2016. Our audits also included the financial statement schedules listed in Item 15(a)(2) of this Form 10-K. These financial statements and schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedules based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Welltower Inc. and subsidiaries at December 31, 2016 and 2015, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2016, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedules, when considered in relation to the basic financial statements taken as a whole, present fairly in all material respects the information set forth therein.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Welltower Inc.'s internal control over financial reporting as of December 31, 2016, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 22, 2017 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Toledo, Ohio

February 22, 2017

CONSOLIDATED BALANCE SHEETS

WELLTOWER INC. AND SUBSIDIARIES

	December 31, 2016		December 31, 2015	
Assets	(In thousands)			
Real estate investments:				
Real property owned:				
Land and land improvements	$	2,591,071	$	2,563,445
Buildings and improvements		24,496,153		25,522,542
Acquired lease intangibles		1,402,884		1,350,585
Real property held for sale, net of accumulated depreciation		1,044,859		169,950
Construction in progress		506,091		258,968
Gross real property owned		30,041,058		29,865,490
Less accumulated depreciation and amortization		(4,093,494)		(3,796,297)
Net real property owned		25,947,564		26,069,193
Real estate loans receivable		622,628		819,492
Less allowance for losses on loans receivable		(6,563)		-
Net real estate loans receivable		616,065		819,492
Net real estate investments		26,563,629		26,888,685
Other assets:				
Investments in unconsolidated entities		457,138		542,281
Goodwill		68,321		68,321
Cash and cash equivalents		419,378		360,908
Restricted cash		187,842		61,782
Straight-line receivable		342,578		395,562
Receivables and other assets		826,298		706,306
Total other assets		2,301,555		2,135,160
Total assets	$	28,865,184	$	29,023,845
Liabilities and equity				
Liabilities:				
Borrowings under primary unsecured credit facility	$	645,000	$	835,000
Senior unsecured notes		8,161,619		8,548,055
Secured debt		3,477,699		3,509,142
Capital lease obligations		73,927		75,489
Accrued expenses and other liabilities		827,034		697,191
Total liabilities		13,185,279		13,664,877
Redeemable noncontrolling interests		398,433		183,083
Equity:				
Preferred stock		1,006,250		1,006,250
Common stock		363,071		354,811
Capital in excess of par value		16,999,691		16,478,300
Treasury stock		(54,741)		(44,372)
Cumulative net income		4,803,575		3,725,772
Cumulative dividends		(8,144,981)		(6,846,056)
Accumulated other comprehensive income (loss)		(169,531)		(88,243)
Other equity		3,059		4,098
Total Welltower Inc. stockholders' equity		14,806,393		14,590,560
Noncontrolling interests		475,079		585,325

Total equity		15,281,472		15,175,885
Total liabilities and equity	$	28,865,184	$	29,023,845

See accompanying notes

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

WELLTOWER INC. AND SUBSIDIARIES

(In thousands, except per share data)

Year Ended December 31,

	2016	2015	2014
Revenues:			
Rental income	$ 1,648,815	$ 1,598,948	$ 1,405,767
Resident fees and services	2,504,731	2,158,031	1,892,237
Interest income	97,963	84,141	37,667
Other income	29,651	18,706	7,875
Total revenues	4,281,160	3,859,826	3,343,546
Expenses:			
Interest expense	521,345	492,169	481,039
Property operating expenses	1,876,983	1,622,257	1,403,358
Depreciation and amortization	901,242	826,240	844,130
General and administrative	155,241	147,416	142,943
Transaction costs	42,910	110,926	69,538
Loss (gain) on derivatives, net	(2,448)	(58,427)	(1,495)
Loss (gain) on extinguishment of debt, net	17,214	34,677	9,558
Provision for loan losses	10,215	-	-
Impairment of assets	37,207	2,220	-
Other expenses	11,998	46,231	10,262
Total expenses	3,571,907	3,223,709	2,959,333
Income from continuing operations before income taxes and income from unconsolidated entities	709,253	636,117	384,213
Income tax (expense) benefit	19,128	(6,451)	1,267
Income (loss) from unconsolidated entities	(10,357)	(21,504)	(27,426)
Income from continuing operations	718,024	608,162	358,054
Discontinued operations:			
Gain (loss) on sales of properties, net	-	-	6,411
Income (loss) from discontinued operations, net	-	-	724
Discontinued operations, net	-	-	7,135
Gain (loss) on real estate dispositions, net	364,046	280,387	147,111
Net income	1,082,070	888,549	512,300
Less: Preferred stock dividends	65,406	65,406	65,408
Less: Net income (loss) attributable to noncontrolling interests[(1)]	4,267	4,799	147
Net income attributable to common stockholders	$ 1,012,397	$ 818,344	$ 446,745
Average number of common shares outstanding:			
Basic	358,275	348,240	306,272
Diluted	360,227	349,424	307,747
Earnings per share:			
Basic:			
Income from continuing operations attributable to common stockholders, including real estate dispositions	$ 2.83	$ 2.35	$ 1.44
Discontinued operations, net	-	-	0.02
Net income attributable to common stockholders*	$ 2.83	$ 2.35	$ 1.46
Diluted:			

Income from continuing operations attributable to common stockholders, including real estate dispositions	$	2.81	$	2.34	$	1.43
Discontinued operations, net		-		-		0.02
Net income attributable to common stockholders*	$	2.81	$	2.34	$	1.45

* Amounts may not sum due to rounding

(1) Includes amounts attributable to redeemable noncontrolling interests

See accompanying notes

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (CONTINUED)

WELLTOWER INC. AND SUBSIDIARIES

(In thousands)

Year Ended December 31,

	2016	2015	2014
Net income	$ 1,082,070	$ 888,549	$ 512,300
Other comprehensive income (loss):			
Unrecognized gain/(loss) on equity investments	5,120	-	389
Unrecognized gain/(loss) on cash flow hedges	1,414	(766)	4,409
Unrecognized actuarial gain/(loss)	190	246	(137)
Foreign currency translation gain/(loss)	(85,557)	(46,679)	(71,964)
Total other comprehensive income (loss)	(78,833)	(47,199)	(67,303)
Total comprehensive income	1,003,237	841,350	444,997
Less: Total comprehensive income (loss) attributable to noncontrolling interests[1]	6,722	(31,166)	(14,678)
Total comprehensive income attributable to stockholders	$ 996,515	$ 872,516	$ 459,675

(1) Includes amounts attributable to redeemable noncontrolling interests.

See accompanying notes

CONSOLIDATED STATEMENTS OF EQUITY

WELLTOWER INC. AND SUBSIDIARIES

Accumulated

(in thousands)	Preferred Stock	Common Stock	Capital in Excess of Par Value	Treasury Stock	Cumulative Net Income	Cumulative Dividends	Other Comprehensive Income	Other Equity	Noncontrolling Interests	Total
Balances at December 31, 201[illegible]	$1,017,361	$ 289,461	$ 12,418,520	$ (21,263)	$ 2,329,869	$ (4,600,854)	$ (24,531)	$ 6,020	$ 341,748	$ 11,756,331
Comprehensive income:										
Net income					512,153				(342)	511,811
Other comprehensive income:							(52,478)		(14,825)	(67,303)
Total comprehensive income										444,508
Net change in noncontrolling interests			(17,653)						(28,685)	(46,338)
Amounts related to issuance of common stock from dividend reinvestment and stock incentive plans, net of forfeitures		337	22,710	(13,978)				(1,425)		7,644
Net proceeds from sale of common stock		38,546	2,305,322							2,343,868
Equity component		258	935							1,193

of convertible debt										
Conversion of preferred stock	(11,111)	233	10,878							-
Option compensation expense								912		912
Cash dividends paid:										
Common stock cash dividends						(969,661)				(969,661)
Preferred stock cash dividends						(65,408)				(65,408)
Balances at December 31, 2014	1,006,250	328,835	14,740,712	(35,241)	2,842,022	(5,635,923)	(77,009)	5,507	297,896	13,473,049
Comprehensive income:										
Net income					883,750				4,878	888,628
Other comprehensive income:							(11,234)		(35,965)	(47,199)
Total comprehensive income										841,429
Net change in noncontrolling interests			(23,077)						318,516	295,439
Amounts related to issuance of common stock incentive plans, net		126	25,053	(9,131)				(2,107)		13,941

of forfeitures										
Net proceeds from sale of common stock		24,520	1,730,181							1,754,701
Equity component of convertible debt		1,330	5,431							6,761
Option compensation expense								698		698
Cash dividends paid:										
Common stock cash dividends						(1,144,727)				(1,144,727)
Preferred stock cash dividends						(65,406)				(65,406)
Balances at December 31, 2015	1,006,250	354,811	16,478,300	(44,372)	3,725,772	(6,846,056)	(88,243)	4,098	585,325	15,175,885
Comprehensive income:										
Net income					1,077,803				9,277	1,087,080
Other comprehensive income:							(81,288)		2,455	(78,833)
Total comprehensive income										1,008,247
Net change in noncontrolling interests			(51,478)						(121,978)	(173,456)
Amounts related to										

issuance of common stock from dividend reinvestment and stock incentive plans, net of forfeitures		839	46,938	(10,369)				(1,305)		36,103
Net proceeds from sale of common stock		7,421	525,931							533,352
Option compensation expense								266		266
Cash dividends paid:										
Common stock cash dividends						(1,233,519)				(1,233,519)
Preferred stock cash dividends						(65,406)				(65,406)
Balances at December 31, 2015	$ 1,006,250	$ 363,071	$ 16,999,691	$ (54,741)	$ 4,803,575	$ (8,144,981)	$ (169,531)	$ 3,059	$ 475,079	$ 15,281,472

See accompanying notes

CONSOLIDATED STATEMENTS OF CASH FLOWS

WELLTOWER INC. AND SUBSIDIARIES

Year Ended December 31,

(In thousands)		2016		2015		2014
Operating activities						
Net income	$	1,082,070	$	888,549	$	512,300
Adjustments to reconcile net income to net cash provided from (used in) operating activities:						
Depreciation and amortization		901,242		826,240		844,130
Other amortization expenses		8,822		4,991		6,971
Provision for loan losses		10,215		-		-
Impairment of assets		37,207		2,220		-
Stock-based compensation expense		28,869		30,844		32,075
Loss (gain) on derivatives, net		(2,448)		(58,427)		(1,495)
Loss (gain) on extinguishment of debt, net		17,214		34,677		9,558
Loss (income) from unconsolidated entities		10,357		21,504		27,426
Rental income in excess of cash received		(83,233)		(115,756)		(74,552)
Amortization related to above (below) market leases, net		322		4,018		739
Loss (gain) on sales of properties, net		(364,046)		(280,387)		(153,522)
Other (income) expense, net		(4,853)		31,979		-
Distributions by unconsolidated entities		1,065		637		9,060
Increase (decrease) in accrued expenses and other liabilities		3,929		(18,099)		(48,381)
Decrease (increase) in receivables and other assets		(18,037)		478		(25,639)
Net cash provided from (used in) operating activities		1,628,695		1,373,468		1,138,670
Investing activities						
Cash disbursed for acquisitions		(2,145,590)		(3,364,891)		(2,210,600)
Cash disbursed for capital improvements to existing properties		(219,146)		(187,752)		(132,780)
Cash disbursed for construction in progress		(403,131)		(244,561)		(197,881)
Capitalized interest		(16,943)		(8,670)		(7,150)
Investment in real estate loans receivable		(129,884)		(598,722)		(202,207)
Other investments, net of payments		4,760		(141,994)		(100,033)
Principal collected on real estate loans receivable		249,552		131,830		105,496
Contributions to unconsolidated entities		(101,415)		(160,323)		(353,496)
Distributions by unconsolidated entities		119,723		130,880		57,183
Proceeds from (payments on) derivatives		108,347		106,360		10,269
Decrease (increase) in restricted cash		(125,844)		29,719		(6,072)
Proceeds from sales of real property		2,350,068		823,964		911,065
		(309,503)		(3,484,160)		(2,126,206)

Net cash provided from (used in) investing activities						
Financing activities						
Net increase (decrease) under unsecured credit facilities		(190,000)		835,000		(130,000)
Proceeds from issuance of senior unsecured notes		693,560		1,451,434		773,992
Payments to extinguish senior unsecured notes		(865,863)		(558,830)		(365,188)
Net proceeds from the issuance of secured debt		460,015		228,685		109,503
Payments on secured debt		(563,759)		(573,390)		(341,839)
Net proceeds from the issuance of common stock		534,194		1,755,722		2,343,868
Decrease (increase) in deferred loan expenses		(22,196)		(11,513)		(16,782)
Contributions by noncontrolling interests[1]		148,666		173,018		9,962
Distributions to noncontrolling interests[1]		(134,578)		(50,877)		(43,691)
Acquisitions of noncontrolling interests		-		(5,663)		(1,175)
Cash distributions to stockholders		(1,298,925)		(1,210,133)		(1,035,069)
Other financing activities		(1,562)		(27,004)		(409)
Net cash provided from (used in) financing activities		(1,240,448)		2,006,449		1,303,172
Effect of foreign currency translation on cash and cash equivalents		(20,274)		(8,575)		(690)
Increase (decrease) in cash and cash equivalents		58,470		(112,818)		314,946
Cash and cash equivalents at beginning of period		360,908		473,726		158,780
Cash and cash equivalents at end of period	$	419,378	$	360,908	$	473,726
Supplemental cash flow information:						
Interest paid	$	541,545	$	492,771	$	504,165
Income taxes paid		8,011		12,214		18,548

(1) Includes amounts attributable to redeemable noncontrolling interests.

See accompanying notes.

WELLTOWER INC.

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1. Business

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

2. Accounting Policies and Related Matters

Principles of Consolidation

The consolidated financial statements include the accounts of our wholly-owned subsidiaries and joint venture ("JV") entities that we control, through voting rights or other means. All material intercompany transactions and balances have been eliminated in consolidation. At inception of JV transactions, we identify entities for which control is achieved through means other than voting rights ("variable interest entities" or "VIEs") and determine which business enterprise is the primary beneficiary of its operations. A VIE is broadly defined as an entity where either (i) the equity investors as a group, if any, do not have a controlling financial interest, or (ii) the equity investment at risk is insufficient to finance that entity's activities without additional subordinated financial support. We consolidate investments in VIEs when we are determined to be the primary beneficiary. Accounting Standards Codification Topic 810, *Consolidations* ("ASC 810"), requires enterprises to perform a qualitative approach to determining whether or not a VIE will need to be consolidated on a continuous basis. This evaluation is based on an enterprise's ability to direct and influence the activities of a VIE that most significantly impact that entity's economic performance. For investments in JVs, GAAP may preclude consolidation by the sole general partner in certain circumstances based on the type of rights held by the limited partner(s). We assess the limited partners' rights and their impact on our consolidation conclusions, and we reassess if there is a change to the terms or in the exercisability of the rights of the limited partners, the sole general partner increases or decreases its ownership of limited partnership interests, or there is an increase or decrease in the number of outstanding limited partnership interests. We similarly evaluate the rights of managing members of limited liability companies.

Use of Estimates

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

Revenue Recognition

Revenue is recorded in accordance with U.S. GAAP, which requires that revenue be recognized after four basic criteria are met. These four criteria include persuasive evidence of an arrangement, the rendering of service, fixed and determinable income and reasonably assured collectability. Interest income on loans is recognized as earned based upon the principal amount outstanding subject to an evaluation of collectability risk. Substantially all of our operating leases contain escalating rent structures. Leases with fixed annual rental escalators are generally recognized on a straight-line basis over the initial lease period, subject to a collectability assessment. Rental income related to leases with contingent rental escalators is generally recorded based on the contractual cash rental payments due for the

period. Leases in our outpatient medical portfolio typically include some form of operating expense reimbursement by the tenant. Certain payments made to operators are treated as lease incentives and amortized as a reduction of revenue over the lease term. We recognize resident fees and services, other than move-in fees, monthly as services are provided. Lease agreements with residents generally have a term of one year and are cancelable by the resident with 30 days' notice.

Cash and Cash Equivalents

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

Restricted Cash

Restricted cash primarily consists of amounts held by lenders to provide future payments for real estate taxes, insurance, tenant and capital improvements, amounts held in escrow relating to acquisitions we are entitled to receive over a period of time as outlined in the escrow agreement and net proceeds from property sales that were executed as tax-deferred dispositions. At December 31, 2016, $138,281,000 of sales proceeds is on deposit in an Internal Revenue Code Section 1031 exchange escrow account with a qualified intermediary.

Deferred Loan Expenses

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Deferred loan expenses are costs incurred by us in connection with the issuance, assumption and amendments of debt arrangements. Deferred loan expenses related to debt instruments, excluding the primary unsecured credit facility, are recorded as a reduction of the related debt liability. Deferred loan expenses related to the primary unsecured credit facility are included in other assets. We amortize these costs over the term of the debt using the straight-line method, which approximates the effective interest method.

Investments in Unconsolidated Entities

Investments in entities that we do not consolidate but have the ability to exercise significant influence over operating and financial policies are reported under the equity method of accounting. Under the equity method, our share of the investee's earnings or losses is included in our consolidated results of operations. The initial carrying value of investments in unconsolidated entities is based on the amount paid to purchase the entity interest inclusive of transaction costs. To the extent that our cost basis is different from the basis reflected at the entity level, the basis difference is generally amortized over the lives of the related assets and liabilities, and such amortization is included in our share of equity in earnings of the entity. We evaluate our equity method investments for impairment based upon a comparison of the estimated fair value of the equity method investment to its carrying value. When we determine a decline in the estimated fair value of such an investment below its carrying value is other-than-temporary, an impairment is recorded.

Marketable Securities

We classify marketable securities as available-for-sale. These securities are carried at their fair value with unrealized gains and losses recognized in stockholders' equity as a component of accumulated other comprehensive income (loss). When we determine declines in fair value of marketable securities are other-than-temporary, a loss is recognized in earnings.

Redeemable Noncontrolling Interests

Certain noncontrolling interests are redeemable at fair value. Accordingly, we record the carrying amount of the noncontrolling interests at the greater of (i) the initial carrying amount, increased or decreased for the noncontrolling interest's share of net income or loss and its share of other comprehensive income or loss and dividends or (ii) the redemption value. If it is probable that the interests will be redeemed in the future, we accrete the carrying value to the redemption value over the period until expected redemption, currently a weighted-average period of approximately four years. In accordance with ASC 810, the redeemable noncontrolling interests are classified outside of permanent equity, as a mezzanine item, in the balance sheet. At December 31, 2016, the current redemption value of redeemable noncontrolling interests exceeded the carrying value of $398,433,000 by $70,818,000.

During the year ended December 31, 2016, we determined that an immaterial portion of our noncontrolling interests related to a 2015 transaction was misclassified in permanent equity rather than temporary equity based on a redemption feature of the partnership agreement. We have corrected the $114,714,000 misclassification by recording the change in the consolidated statement of equity for the year ended December 31, 2016.

During 2014 and 2015, we entered into DownREIT partnerships which give a real estate seller the ability to exchange its property on a tax deferred basis for equity membership interests ("OP units"). The OP units may be

redeemed any time following the first anniversary of the date of issuance at the election of the holders for one share of our common stock per unit or, at our option, cash.

Real Property Owned

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

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

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

The net book value of long-lived assets is reviewed quarterly on a property by property basis to determine if facts and circumstances suggest that the assets may be impaired or that the depreciable life may need to be changed. We consider external factors relating to each asset and the existence of a master lease which may link the cash flows of an individual asset to a larger portfolio of assets leased to the same tenant. If these factors and the projected undiscounted cash flows of the asset over the remaining depreciation period indicate that the asset will not be recoverable, the carrying value is reduced to the estimated fair market value. In addition, we are exposed to the risks inherent in concentrating investments in real estate, and in particular, the seniors housing and health care industries. A downturn in the real estate industry could adversely affect the value of our properties and our ability to sell properties for a price or on terms acceptable to us.

Capitalization of Construction Period Interest

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

Gain on Sale of Assets

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

Real Estate Loans Receivable

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

Allowance for Losses on Loans Receivable

The allowance for losses on loans receivable is maintained at a level believed adequate to absorb potential losses in our loans receivable. The determination of the allowance is based on a quarterly evaluation of these loans, including general economic conditions and estimated collectability of loan payments. We evaluate the collectability of our loans receivable based on a combination of factors, including, but not limited to, delinquency status, historical loan charge-offs, financial strength of the borrower and guarantors and value of the underlying collateral. If such factors indicate that there is greater risk of loan charge-offs, additional allowances or placement on non-accrual status may be required. A loan is impaired when, based on current information and events, it is probable that we will be unable to collect all amounts due as scheduled according to the contractual terms of the original loan agreement. Consistent with this definition, all loans on non-accrual are deemed impaired. To the extent circumstances improve and the risk of collectability is diminished, we will return these loans to full accrual status. While a loan is on non-accrual status, any cash receipts are applied against the outstanding principal balance. Any loans with collectability concerns are subjected to a projected payoff valuation. The valuation is based on the expected future cash flows and/or the estimated fair value of the underlying collateral. The valuation is compared to the outstanding balance to determine the reserve needed for each loan. We may base our valuation on a loan’s observable market price, if any, or the fair value of collateral, net of sales costs, if the repayment of the loan is expected to be provided solely by the collateral.

Goodwill

We account for goodwill in accordance with U.S. GAAP. Goodwill is tested annually for impairment and is tested for impairment

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more frequently if events and circumstances indicate that the asset might be impaired. An impairment loss is recognized to the extent that the carrying amount, including goodwill, exceeds the reporting unit's fair value and the implied fair value of goodwill is less than the carrying amount of that goodwill. We have not had any goodwill impairments.

Fair Value of Derivative Instruments

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

Federal Income Tax

We have elected to be treated as a REIT under the applicable provisions of the Internal Revenue Code of 1986, as amended (the "Code"), commencing with our first taxable year, and made no provision for federal income tax purposes prior to our acquisition of our "taxable REIT subsidiaries." As a result of these as well as subsequent acquisitions, we now record income tax expense or benefit with respect to certain of our entities that are taxed as taxable REIT subsidiaries under provisions similar to those applicable to regular corporations and not under the REIT provisions. We account for deferred income taxes using the asset and liability method and recognize deferred tax assets and liabilities for the expected future tax consequences of events that have been included in our financial statements or tax returns. Under this method, we determine deferred tax assets and liabilities based on the differences between the financial reporting and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. Any increase or decrease in the deferred tax liability that results from a change in circumstances, and that causes a change in our judgment about expected future tax consequences of events, is included in the tax provision when such changes occur. Deferred income taxes also reflect the impact of operating loss and tax credit carryforwards. A valuation allowance is provided if we believe it is more likely than not that all or some portion of the deferred tax asset will not be realized. Any increase or decrease in the valuation allowance that results from a change in circumstances, and that causes a change in our judgment about the realizability of the related deferred tax asset, is included in the tax provision when such changes occur. See Note 18 for additional information.

Foreign Currency

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

Earnings Per Share

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

Reclassifications

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

Immaterial Error Correction

During the year ended December 31, 2016, we identified and corrected an immaterial mathematical error in the Consolidated Statement of Comprehensive Income for the years ended December 31, 2015, 2014 and 2013. The error affected only the financial statement line item of "total comprehensive income attributable to stockholders" in the Consolidated Statement of Comprehensive Income. Total comprehensive income and total accumulated comprehensive income for all periods presented were not impacted. Additionally, no other line items within any of the other financial statements and none of the footnotes were impacted. The error resulted in an understatement of total comprehensive income attributable to stockholders of $62,332,000, $29,356,000 and $26,534,000 for the years ended December 31, 2015, 2014 and 2013, respectively. See the Consolidated Statement of Comprehensive Income for corrected total comprehensive income attributable to stockholders.

New Accounting Standards

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)" ("ASU 2014-09"). The standard is a comprehensive new revenue recognition model that requires revenue to be recognized in a manner to depict the transfer

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of goods or services to a customer at an amount that reflects the consideration expected to be received in exchange for those goods or services. ASU 2014-09 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2017, and early adoption is permitted beginning after December 15, 2016. A reporting entity may apply the new standard using either a modified retrospective approach by recording a cumulative-effect adjustment to equity as of the beginning of the fiscal year of adoption or a full retrospective approach. We are currently evaluating the impact of the adoption on our consolidated financial statements and have not yet determined the method by which we will adopt the standard. A significant source of revenue for the Company is generated through leasing arrangements, which are specifically excluded from the new standard. We expect that the new standard will affect our accounting policies related to non-lease revenue, including certain fees in our RIDEA joint ventures, common area maintenance in our outpatient medical properties and real estate sales. Under 2014-09, revenue recognition for real estate sales is mainly based on the transfer of control versus current guidance of continuing involvement. We expect that the new guidance will result in more transactions qualifying as sales of real estate and being recognized at an earlier date than under the current guidance.

In 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 interest 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. We adopted ASU 2015-02 on January 1, 2016. This guidance did not have a significant impact on our consolidated financial statements.

In September 2015, the FASB issued ASU No. 2015-16, "Simplifying the Accounting for Measurement-Period Adjustments" ("ASU 2015-16") to simplify the accounting for business combinations, specifically as it relates to measurement-period adjustments. Acquiring entities in a business combination must recognize measurement-period adjustments in the reporting period in which the adjustment amounts are determined. Also, ASU 2015-16 requires entities to present separately on the face of the income statement (or disclose in the notes to the financial statements) the portion of the amount recorded in the current period earnings, by line item, that would have been recorded in previous reporting periods if the adjustment to the provisional amounts had been recognized as of the acquisition date. We adopted ASU 2015-16 on January 1, 2016. This guidance did not have a significant impact on our consolidated financial statements.

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

In February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)," which requires lessees to recognize assets and liabilities on their balance sheet related to the rights and obligations created by most leases, while continuing to recognize expenses on their income statements over the lease term. It will also require disclosures designed to give financial statement users information regarding amount, timing, and uncertainty of cash flows arising from leases. ASU 2016-02 is effective for fiscal years, and interim periods within those years, beginning after

December 15, 2018, and early adoption is permitted. Entities are required to use a modified retrospective approach for leases that exist or are entered into after the beginning of the earliest comparative period in the financial statements. We are currently evaluating the impact of this guidance on our consolidated financial statements. We believe that the adoption of this standard will likely have a material impact to our consolidated balance sheet for the recognition of certain operating leases as right-of-use assets and lease liabilities. Our operating lease obligations are described in Note 12 of the consolidated financial statements. We are in the process of analyzing our lease portfolio and evaluating systems to comply with the standard's retrospective adoption requirements.

In March 2016, the FASB issued ASU No. 2016-09, "Improvements to Employee Share-Based Payment Accounting". This standard simplifies the accounting treatment for excess tax benefits and deficiencies, forfeitures, and cash flow considerations related to share-based compensation. ASU 2016-09 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2016, and early adoption is permitted. We are currently evaluating the impact of the standard; however, we do not expect its adoption to have a significant impact on our consolidated financial statements.

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

In January 2017, the FASB issued ASU No. 2017-01, "Clarifying the Definition of a Business". This standard changes the definition of a business to assist entities with evaluating when a set of transferred assets and activities is a business. ASU 2017-01 is

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effective for fiscal years, and interim periods within those years, beginning after December 15, 2017, and early adoption is permitted. A reporting entity must apply ASU 2017-01 using a prospective approach. Upon adoption, we expect that the majority of our real estate acquisitions will be deemed asset acquisitions rather than business combinations. We will record identifiable assets acquired, liabilities assumed and any noncontrolling interests associated with any asset acquisitions at cost on a relative fair value basis and will capitalize transaction costs. Furthermore, contingent considerations associated with asset acquisitions will be recorded when the contingency is resolved.

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. Certain of our subsidiaries' functional currencies are the local currencies of their respective countries. See Note 2 for information regarding our foreign currency policies. During the year ended December 31, 2016, we finalized our purchase price allocation of certain previously reported acquisitions and there were no material changes from those previously disclosed.

Triple-Net Activity

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

	Year Ended December 31,		
	2016[1]	2015	2014
Land and land improvements	$ 104,754	$ 95,835	$ 141,387
Buildings and improvements	418,633	1,061,431	1,365,638
Acquired lease intangibles	2,876	4,408	19,196
Restricted cash	-	6	-
Receivables and other assets	551	194	4,895
Total assets acquired[2]	526,814	1,161,874	1,531,116
Secured debt	-	(47,741)	(130,638)

Senior unsecured notes	-	-	(48,567)
Accrued expenses and other liabilities	(3,384)	(2,905)	(9,067)
Total liabilities assumed	(3,384)	(50,646)	(188,272)
Noncontrolling interests	(26,771)	(13,465)	-
Non-cash acquisition related activity[3]	(51,733)	(38,355)	(3,453)
Cash disbursed for acquisitions	444,926	1,059,408	1,339,391
Construction in progress additions	181,084	143,140	135,349
Less: Capitalized interest	(8,729)	(5,699)	(4,582)
Accruals Foreign currency translation	(3,665)	(167)	421
Non-cash related activity	-	-	(14,459)
Cash disbursed for construction in progress	168,690	137,274	116,729
Capital improvements to existing properties	32,603	45,293	18,901
Total cash invested in real property, net of cash acquired	$ 646,219	$ 1,241,975	$ 1,475,021

(1) Includes acquisitions with an aggregate purchase price of $67,847,000 for which the allocation of the purchase price consideration is preliminary and subject to change.
(2) Excludes $682,000, $16,572,000 and $1,382,000 of cash acquired during the years ended December 31, 2016, 2015 and 2014, respectively.
(3) For the year ended December 31, 2016, primarily relates to $45,044,000 for the acquisition of assets previously financed as real estate loans receivable and $6,630,000 previously financed as an equity investment. For the year ended December 31, 2015, primarily relates to $23,288,000 for the acquisition of assets previously financed as real estate loans receivable and $6,743,000 previously financed as equity investments.

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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.

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

	Year Ended December 31,		
	2016[1]	2015	2014
Land and land improvements	$ 164,653	$ 218,581	$ 57,534
Buildings and improvements	1,518,472	2,367,486	297,314
Acquired lease intangibles	115,643	187,512	12,983
Construction in progress	-	-	27,957
Restricted cash	216	11,798	804
Receivables and other assets	2,462	29,501	9,327
Total assets acquired[2]	1,801,446	2,814,878	405,919
Secured debt	(63,732)	(871,471)	(19,834)
Senior unsecured notes	-	(24,621)	-
Accrued expenses and other liabilities	(23,681)	(81,778)	(17,802)
Total liabilities assumed	(87,413)	(977,870)	(37,636)
Noncontrolling interests	(6,007)	(183,854)	(482)
Non-cash acquisition related activity[3]	(47,065)	-	-
Cash disbursed for acquisitions	1,660,961	1,653,154	367,801
Construction in progress additions	157,845	44,173	12,291
Less: Capitalized interest	(5,793)	(1,740)	(714)
Less: Foreign currency translation	(8,500)	(2,499)	(2,012)
Cash disbursed for construction in progress	143,552	39,934	9,565
Capital improvements to existing properties	138,673	104,308	86,803
Total cash invested in real property, net of cash acquired	$ 1,943,186	$ 1,797,396	$ 464,169

(1) Includes an aggregate purchase price of $1,672,961,000 relating to acquisitions for which the allocation of the purchase price consideration is preliminary and subject to change.
(2) Excludes $135,000, $30,930,000 and $9,060,000 of cash acquired during the years ended December 31, 2016, 2015 and 2014, respectively.
(3) Primarily relates to the acquisition of assets previously financed as an equity investment.

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Outpatient Medical Activity

Accrued contingent consideration related to certain outpatient medical acquisitions was $0, $0 and $27,374,000 as of December 31, 2016, 2015 and 2014, respectively. The following is a summary of our outpatient medical real property investment activity for the periods presented (in thousands):

	Year Ended December 31,		
	2016[1]	2015	2014
Land and land improvements	$ 5,738	$ 223,708	$ 63,129
Buildings and improvements	46,056	614,770	567,847
Acquired lease intangibles	4,592	45,226	46,661
Receivables and other assets	-	939	-
Total assets acquired[2]	56,386	884,643	677,637
Secured debt	-	(120,977)	(66,113)
Accrued expenses and other liabilities	(1,670)	(7,777)	(22,293)
Total liabilities assumed	(1,670)	(128,754)	(88,406)
Noncontrolling interests	-	(76,535)	(39,987)
Non-cash acquisition related activity	(15,013)[3]	(27,025)[4]	(45,836)[3]
Cash disbursed for acquisitions	39,703	652,329	503,408
Construction in progress additions	113,933	70,560	99,878
Less: Capitalized interest	(3,723)	(1,286)	(1,854)
Accruals[5]	(19,321)	(1,921)	(26,437)
Cash disbursed for construction in progress	90,889	67,353	71,587
Capital improvements to existing properties	47,870	38,151	27,076
Total cash invested in real property, net of cash acquired	$ 178,462	$ 757,833	$ 602,071

(1) Includes acquisitions with an aggregate purchase price of $18,784,000 for which the allocation of the purchase price consideration is preliminary and subject to change.
(2) Excludes $0, $5,522,000 and $0 of cash acquired during the years ended December 31, 2016, 2015 and 2014, respectively.
(3) The non-cash activity relates to the acquisition of assets previously financed as real estate loans. Please refer to Note 6 for additional information.
(4) The non-cash activity relates to the acquisition of a controlling interest in a portfolio of properties that was historically reported as an unconsolidated property investment.
(5) Represents non-cash consideration accruals for amounts to be paid in future periods relating to properties that converted in the periods noted above.

Construction Activity

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

	Year Ended		
	December 31, 2016	December 31, 2015	December 31, 2014
Development projects:			

Triple-net	$	46,094	$	104,844	$	71,569
Seniors housing operating		18,979		19,869		-
Outpatient medical		108,001		16,592		127,290
Total development projects		173,074		141,305		198,859
Expansion projects		11,363		38,808		24,804
Total construction in progress conversions	$	184,437	$	180,113	$	223,663

At December 31, 2016, future minimum lease payments receivable under operating leases (excluding properties in our seniors housing operating partnerships and excluding any operating expense reimbursements) are as follows (in thousands):

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2017	$	1,258,565
2018		1,243,041
2019		1,196,065
2020		1,178,410
2021		1,126,074
Thereafter		8,459,291
Totals	$	14,461,446

4. Real Estate Intangibles

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

		December 31, 2016		December 31, 2015	
Assets:					
	In place lease intangibles	$	1,252,143	$	1,179,537
	Above market tenant leases		61,700		67,529
	Below market ground leases		61,628		80,224
	Lease commissions		27,413		23,295
	Gross historical cost		1,402,884		1,350,585
	Accumulated amortization		(966,714)		(881,096)
	Net book value	$	436,170	$	469,489
	Weighted-average amortization period in years		13.7		13.4
Liabilities:					
	Below market tenant leases	$	89,468	$	93,089
	Above market ground leases		8,107		7,907
	Gross historical cost		97,575		100,996
	Accumulated amortization		(52,134)		(46,048)
	Net book value	$	45,441	$	54,948
	Weighted-average amortization period in years		15.2		14.5

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

Year Ended December 31,

	2016	2015	2014
Rental income related to above/below market tenant leases, net	$ 919	$ (2,746)	$ 509
Property operating expenses related to above/below market ground leases, net	(1,241)	(1,272)	(1,248)
Depreciation and amortization related to in place lease intangibles and lease commissions	(132,141)	(115,855)	(214,966)

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

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		Assets		Liabilities
2017	$	141,094	$	6,544
2018		78,905		5,959
2019		33,228		5,551
2020		22,958		5,074
2021		19,045		4,586
Thereafter		140,940		17,727
Totals	$	436,170	$	45,441

5. Dispositions, Assets Held for Sale and Discontinued Operations

We periodically sell properties for various reasons, including favorable market conditions, the exercise of tenant purchase options or reduction of concentrations (e.g. property type, operator or geography). Impairment of assets, as reflected in our consolidated statements of comprehensive income, primarily represents the charges necessary to adjust the carrying values of certain properties to estimated fair values less costs to sell. The following is a summary of our real property disposition activity for the periods presented (in thousands):

		Year Ended				
		December 31, 2016		December 31, 2015		December 31, 2014
Real property dispositions:						
Triple-net	$	1,773,614	$	356,300	$	747,720
Outpatient medical[1]		78,786		181,553		45,695
Land parcels		-		5,724		-
Total dispositions		1,852,400		543,577		793,415
Gain (loss) on sales of real property, net		364,046		280,387		153,522
Net other assets/liabilities disposed		133,622		-		(35,872)
Proceeds from real property sales	$	2,350,068	$	823,964	$	911,065

(1) Dispositions occurring in the year ended December 31, 2015 primarily relate to the disposition of an unconsolidated equity investment with Forest City Enterprises.

During the year ended December 31, 2016, we completed two portfolio dispositions of properties leased to Genesis Healthcare for which we received loans for termination fees relating to the properties sold under the master lease. At December 31, 2016, $74,445,000 of principal is outstanding on the loans. The related termination fee income will be deferred and recognized as the principal balance of the loans are repaid.

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):

	Year Ended December 31,		
	2016	2015	2014
Revenues:			
Rental income	$ 310,390	$ 352,615	$ 401,640
Expenses:			
Interest expense	49,599	64,741	80,893
Property operating expenses	10,846	12,117	14,127
Provision for depreciation	68,280	88,580	111,593
Total expenses	128,725	165,438	206,613
Income (loss) from real estate dispositions, net	$ 181,665	$ 187,177	$ 195,027

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6. Real Estate Loans Receivable

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

	December 31,	
	2016	2015
Mortgage loans	$ 485,735	$ 635,492
Other real estate loans	136,893	184,000
Totals	$ 622,628	$ 819,492

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

	Year Ended								
	December 31, 2016			December 31, 2015			December 31, 2014		
	Triple-net	Outpatient Medical	Totals	Triple-net	Outpatient Medical	Totals	Triple-net	Outpatient Medical	Totals
Advances on real estate loans receivable:									
Investments in new loans	$ 8,445	$ -	$ 8,445	$ 530,497	$ -	$ 530,497	$ 61,730	$ 60,902	$ 122,632
Draws on existing loans	118,788	2,651	121,439	65,614	2,611	68,225	59,420	20,155	79,575
Net cash advances on real estate loans	127,233	2,651	129,884	596,111	2,611	598,722	121,150	81,057	202,207
Receipts on real estate loans receivable:									
Loan payoffs	275,439	27,303	302,742	121,778	-	121,778	71,004	48,258	119,262
Principal payments on loans	6,867	-	6,867	33,340	-	33,340	31,998	72	32,070
Sub-total	282,306	27,303	309,609	155,118	-	155,118	103,002	48,330	151,332
Less: Non-cash activity[1]	(45,044)	(15,013)	(60,057)	(23,288)	-	(23,288)	-	(45,836)	(45,836)
Net cash receipts on real estate loans	237,262	12,290	249,552	131,830	-	131,830	103,002	2,494	105,496
Net cash advances (receipts) on real estate loans	(110,029)	(9,639)	(119,668)	464,281	2,611	466,892	18,148	78,563	96,711

Change in balance due to foreign currency translation	(14,086)	-	(14,086)	(4,281)	-	(4,281)	(2,852)	-	(2,852)
Loan impairments[2]	-	(3,053)	(3,053)	-	-	-	-	-	-
Net change in real estate loans receivable	$ (169,159)	$ (27,705)	$ (196,864)	$ 436,712	$ 2,611	$ 439,323	$ 15,296	$ 32,727	$ 48,023

(1) Represents an acquisition of assets previously financed as a real estate loan. Please see Note 3 for additional information.
(2) Represents a direct write down of an impaired loan receivable.

The Company restructured two existing real estate loans in the triple-net segment to Genesis Healthcare. The two existing loans, with a combined principal balance of $317,000,000, were scheduled to mature in 2017 and 2018. These loans were restructured into four separate loans effective October 1, 2016. Each loan has a five year term, a 10% interest rate and 25 basis point annual escalator. We recorded a loan loss charge in the amount of $6,935,000 on one of the loans as the present value of expected future cash flows was less than the carrying value of the loan. We expect to collect all principal amounts due under the loans.

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

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	Year Ended December 31,		
	2016	2015	2014
Balance at beginning of year	$ -	$ -	$ -
Provision for loan losses[1]	6,935	-	-
Change in present value	(372)	-	-
Balance at end of year	$ 6,563	$ -	$ -

(1) Excludes direct write down of an impaired loan receivable.

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

	Year Ended December 31,		
	2016	2015	2014
Balance of impaired loans at end of year	$ 377,549	$ -	$ 21,000
Allowance for loan losses	6,563	-	-
Balance of impaired loans not reserved	$ 370,986	$ -	$ 21,000
Average impaired loans for the year	$ 188,775	$ 10,500	$ 10,750
Interest recognized on impaired loans[1]	8,707	-	757

(1) Represents interest recognized in period since loans were identified as impaired.

7. Investments in Unconsolidated Entities

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

	Percentage Ownership[1]	December 31, 2016	December 31, 2015
Triple-net	10% to 49%	$ 27,005	$ 36,351
Seniors housing operating	10% to 50%	407,172	499,537
Outpatient medical	43%	22,961	6,393
Total		$ 457,138	$ 542,281

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

At December 31, 2016, the aggregate unamortized basis difference of our joint venture investments of $149,147,000 is primarily attributable to the difference between the amount for which we purchased our interest in the entity, including transaction costs, and the historical carrying value of the net assets of the entity. 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.

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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 for the year ended December 31, 2016, excluding our share of NOI in unconsolidated entities (dollars in thousands):

Concentration by relationship:[1]	Number of Properties		Total NOI	Percent of NOI[2]
Genesis Healthcare	86	$	373,577	16%
Sunrise Senior Living[3]	152		308,771	13%
Revera	98		153,712	6%
Brookdale Senior Living	148		151,337	6%
Benchmark Senior Living	48		96,958	4%
Remaining portfolio	781		1,319,822	55%
Totals	1,313	$	2,404,177	100%

(1) Genesis Healthcare is in our triple-net segment. Sunrise Senior Living and Revera are in our seniors housing operating segment. Brookdale Senior Living and Benchmark Senior Living are in both our triple-net and seniors housing operating segments.
(2) Investments with our top five relationships comprised 46% of total NOI in 2015.
(3) Revera owns a controlling interest in Sunrise Senior Living. For the year ended December 31, 2016, we recognized $998,783,000 of revenue from Sunrise Senior Living.

9. Borrowings Under Credit Facilities and Related Items

At December 31, 2016, we had a primary unsecured credit facility with a consortium of 29 banks that includes a $3,000,000,000 unsecured revolving credit facility, a $500,000,000 unsecured term credit facility and a $250,000,000 Canadian-denominated unsecured term credit facility. We have an option, through an accordion feature, to upsize the unsecured revolving credit facility and the $500,000,000 unsecured term credit facility by up to an additional $1,000,000,000, in the aggregate, and the $250,000,000 Canadian-denominated unsecured term credit facility by up to an additional $250,000,000. The primary unsecured credit facility also allows us to borrow up to $1,000,000,000 in alternate currencies (none outstanding at December 31, 2016). Borrowings under the unsecured revolving credit facility are subject to interest payable at the applicable margin over LIBOR interest rate (1.66% at December 31, 2016). The applicable margin is based on certain of our debt ratings and was 0.90% at December 31, 2016. 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 December 31, 2016. The term credit facilities mature on May 13, 2021. The revolving credit facility is scheduled to mature on May 13, 2020 and can be extended for two successive terms of six months each at our option.

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

	Year Ended December 31,					
		2016		2015		2014
Balance outstanding at year end[1]	$	645,000	$	835,000	$	-
Maximum amount outstanding at any month end	$	1,560,000	$	835,000	$	637,000
Average amount outstanding (total of daily principal balances divided by days in period)	$	762,896	$	452,644	$	207,452

Weighted-average interest rate (actual interest expense divided by average borrowings outstanding)	1.39%	1.17%	1.50%

(1) As of December 31, 2016, letters of credit in the aggregate amount of $41,878,000 have been issued, which reduce the available borrowing capacity on our primary unsecured revolving credit facility.

10. Senior Unsecured Notes and Secured Debt

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

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December 31, 2016, the annual principal payments due on these debt obligations were as follows (in thousands):

	Senior Unsecured Notes[1,2]	Secured Debt [1,3]	Totals
2017	$ -	$ 550,620	$ 550,620
2018	450,000	697,557	1,147,557
2019	605,000	623,753	1,228,753
2020[4]	673,447	166,932	840,379
2021[5,6]	1,136,206	349,106	1,485,312
Thereafter[7,8,9,10]	5,395,385	1,077,098	6,472,483
Totals	$ 8,260,038	$ 3,465,066	$ 11,725,104

(1) Amounts represent principal amounts due and do not include unamortized premiums/discounts, debt issuance costs, or other fair value adjustments as reflected on the consolidated balance sheet.
(2) Annual interest rates range from 1.4% to 6.5%.
(3) Annual interest rates range from 1.24% to 7.98%. Carrying value of the properties securing the debt totaled $6,149,872,000 at December 31, 2016.
(4) In November 2015, one of our wholly-owned subsidiaries issued and we guaranteed $300,000,000 of Canadian-denominated 3.35% senior unsecured notes due 2020 (approximately $223,447,000 based on the Canadian/U.S. Dollar exchange rate on December 31, 2016).
(5) On May 13, 2016, we refinanced the funding on a $250,000,000 Canadian-denominated unsecured term credit facility (approximately $186,206,000 based on the Canadian/U.S. Dollar exchange rate on December 31, 2016). The loan matures on May 13, 2021 and bears interest at the Canadian Dealer Offered Rate plus 95 basis points (1.84% at December 31, 2016).
(6) On May 13, 2016, we refinanced the funding on a $500,000,000 unsecured term credit facility. The loan matures on May 13, 2021 and bears interest at LIBOR plus 95 basis points (1.63% at December 31, 2016).
(7) On November 20, 2013, we completed the sale of £550,000,000 (approximately $678,535,000 based on the Sterling/U.S. Dollar exchange rate in effect on December 31, 2016) of 4.8% senior unsecured notes due 2028.
(8) On November 25, 2014, we completed the sale of £500,000,000 (approximately $616,850,000 based on the Sterling/U.S. Dollar exchange rate in effect on December 31, 2016) of 4.5% senior unsecured notes due 2034.

(9) In May 2015, we issued $750,000,000 of 4.0% senior unsecured notes due 2025. In October 2015, we issued an additional $500,000,000 of these notes under a re-opening of the offer.
(10) In March 2016, we issued $700,000,000 of 4.25% senior unsecured notes due 2026.

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

	Year Ended					
	December 31, 2016		December 31, 2015		December 31, 2014	
	Amount	Weighted Avg. Interest Rate	Amount	Weighted Avg. Interest Rate	Amount	Weighted Avg. Interest Rate
Beginning balance	$ 8,645,758	4.237%	$ 7,817,154	4.385%	$ 7,421,707	4.395%
Debt issued	705,000	4.228%	1,475,540	3.901%	838,804	4.572%
Debt assumed	-	0.000%	24,621	6.000%	-	0.000%
Debt extinguished	(850,000)	4.194%	(300,000)	6.200%	(298,567)	5.855%
Debt redeemed	-	0.000%	(240,249)	3.303%	(59,143)	3.000%
Foreign currency	(240,720)	4.565%	(131,308)	3.966%	(85,647)	4.222%
Ending balance	$ 8,260,038	4.245%	$ 8,645,758	4.237%	$ 7,817,154	4.385%

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

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	Year Ended					
	December 31, 2016		December 31, 2015		December 31, 2014	
	Amount	Weighted Avg. Interest Rate	Amount	Weighted Avg. Interest Rate	Amount	Weighted Avg. Interest Rate
Beginning balance	$ 3,478,207	4.440%	$ 2,941,765	4.940%	$ 3,010,711	5.095%
Debt issued	460,015	2.646%	228,685	2.776%	109,503	3.374%
Debt assumed	60,898	4.301%	1,007,482	3.334%	204,949	4.750%
Debt extinguished	(489,293)	5.105%	(506,326)	4.506%	(279,559)	4.824%
Principal payments	(74,466)	4.663%	(67,064)	4.801%	(62,280)	4.930%
Foreign currency	29,705	3.670%	(126,335)	3.834%	(41,559)	3.811%
Ending balance	$ 3,465,066	4.094%	$ 3,478,207	4.440%	$ 2,941,765	4.940%

Our debt agreements contain various covenants, restrictions and events of default. Certain agreements require us to maintain certain financial ratios and minimum net worth and impose certain limits on our ability to incur indebtedness, create liens and make investments or acquisitions. As of December 31, 2016, we were in compliance with all of the covenants under our debt agreements.

11. Derivative Instruments

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

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

For instruments that are designated and qualify as a cash flow hedge, the effective portion of the gain or loss on the derivative is reported as a component of other comprehensive income ("OCI"), and reclassified into earnings in the same period, or periods, during which the hedged transaction affects earnings. Gains and losses on the derivative representing either hedge ineffectiveness or hedge components excluded from the assessment of effectiveness are recognized in earnings. Approximately $7,650,000 of gains, which are included in accumulated other comprehensive income ("AOCI"), are expected to be reclassified into earnings in the next 12 months.

Foreign Currency Hedges

For instruments that are designated and qualify as net investment hedges, the variability in the foreign currency to U.S. dollar of the instrument is recorded as a cumulative translation adjustment component of OCI. During the years ended December 31, 2016 and 2015, we settled certain net investment hedges generating cash proceeds of

$108,347,000 and $106,360,000, respectively. The balance of the cumulative translation adjustment will be reclassified to earnings when the hedged investment is sold or substantially liquidated.

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

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		December 31, 2016		December 31, 2015
Derivatives designated as net investment hedges:				
Denominated in Canadian Dollars	$	900,000	$	1,175,000
Denominated in Pounds Sterling	£	550,000	£	550,000
Financial instruments designated as net investment hedges:				
Denominated in Canadian Dollars	$	250,000	$	250,000
Denominated in Pounds Sterling	£	1,050,000	£	1,050,000
Derivatives designated as cash flow hedges				
Denominated in U.S. Dollars	$	57,000	$	57,000
Denominated in Canadian Dollars	$	54,000	$	72,000
Denominated in Pounds Sterling	£	48,000	£	60,000
Derivative instruments not designated:				
Denominated in Canadian Dollars	$	37,000	$	47,000

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

			Year Ended				
	Location		December 31, 2016		December 31, 2015		December 31, 2014
Gain (loss) on forward exchange contracts recognized in income	Interest expense	$	8,544	$	14,474	$	-
Loss (gain) on option exercise[(1)]	Loss (gain) on derivatives, net	$	-	$	(58,427)	$	-
Gain on release of cumulative translation adjustment related to ineffectiveness on net investment hedge	Loss (gain) on derivatives, net	$	(2,516)	$	-	$	-
Gain (loss) on forward exchange contracts and term loans designated as net investment hedge recognized	OCI	$	357,021	$	298,116	$	103,140

in OCI

(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 December 31, 2016, we had twelve outstanding letter of credit obligations totaling $174,799,000 and expiring between 2017 and 2024. At December 31, 2016, we had outstanding construction in process of $506,091,000 for leased properties and were committed to providing additional funds of approximately $493,972,000 to complete construction. At December 31, 2016, we had contingent purchase obligations totaling $29,127,000. These contingent purchase obligations relate to unfunded capital improvement obligations and contingent obligations on acquisitions. Rents due from the tenant are increased to reflect the additional investment in the property.

We evaluate our leases for operating versus capital lease treatment in accordance with ASC Topic 840 “Leases.” A lease is classified as a capital lease if it provides for transfer of ownership of the leased asset at the end of the lease term, contains a bargain purchase option, has a lease term greater than 75% of the economic life of the leased asset, or if the net present value of the future minimum lease payments are in excess of 90% of the fair value of the leased asset. Certain leases contain bargain purchase options

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and have been classified as capital leases. At December 31, 2016, we had operating lease obligations of $1,105,992,000 relating to certain ground leases and Company office space. Regarding the ground leases, we have sublease agreements with certain of our operators that require the operators to reimburse us for our monthly operating lease obligations. At December 31, 2016, aggregate future minimum rentals to be received under these noncancelable subleases totaled $74,744,000.

At December 31, 2016, future minimum lease payments due under operating and capital leases are as follows (in thousands):

	Operating Leases	Capital Leases[1]
2017	$ 16,939	$ 4,731
2018	17,063	4,678
2019	17,269	4,334
2020	16,810	4,173
2021	16,647	4,173
Thereafter	1,021,264	71,747
Totals	$ 1,105,992	$ 93,836

(1) Amounts above represent principal and interest obligations under capital lease arrangements. Related assets with a gross value of $167,324,000 and accumulated depreciation of $24,929,000 are recorded in real property.

13. Stockholders' Equity

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

	December 31, 2016	December 31, 2015
Preferred Stock, $1.00 par value:		
Authorized shares	50,000,000	50,000,000
Issued shares	25,875,000	25,875,000
Outstanding shares	25,875,000	25,875,000
Common Stock, $1.00 par value:		
Authorized shares	700,000,000	700,000,000
Issued shares	363,576,924	355,594,373
Outstanding shares	362,602,173	354,777,670

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

Year Ended

	December 31, 2016		December 31, 2015		December 31, 2014	
	Shares	Weighted Avg. Dividend Rate	Shares	Weighted Avg. Dividend Rate	Shares	Weighted Avg. Dividend Rate
Beginning balance	25,875,000	6.500%	25,875,000	6.500%	26,108,236	6.496%
Shares converted	-	0.000%	-	0.000%	(233,236)	6.000%
Ending balance	25,875,000	6.500%	25,875,000	6.500%	25,875,000	6.500%

During the three months ended December 31, 2010, we issued 349,854 shares of 6.00% Series H Cumulative Convertible and Redeemable Preferred Stock in connection with a business combination. During the years ended December 31, 2013 and 2014, all shares were converted into common stock, leaving zero shares outstanding.

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

During the three months ended March 31, 2012, we issued 11,500,000 of 6.50% Series J Cumulative Redeemable Preferred Stock. Dividends are payable quarterly in arrears. On February 2, 2017, we announced that we will redeem all 11,500,000 shares outstanding

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on March 7, 2017 at a redemption price of $25.00 per share plus accrued and unpaid dividends to, but not including, March 7, 2017.

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

	Shares Issued	Average Price	Gross Proceeds	Net Proceeds
June 2014 public issuance	16,100,000	$ 62.35	$ 1,003,835	$ 968,517
September 2014 public issuance	17,825,000	63.75	1,136,344	1,095,465
2014 Dividend reinvestment plan issuances	4,122,941	62.35	257,055	257,055
2014 Option exercises	498,549	45.79	22,831	22,831
2014 Preferred stock conversions	233,236		-	-
2014 Stock incentive plans, net of forfeitures	188,147		-	-
2014 Senior note conversions	258,542		-	-
2014 Totals	39,226,415		$ 2,420,065	$ 2,343,868
February 2015 public issuance	19,550,000	$ 75.50	$ 1,476,025	$ 1,423,935
2015 Dividend reinvestment plan issuances	4,024,169	67.72	272,531	272,531
2015 Option exercises	249,054	47.35	11,793	11,793
2015 Equity Shelf Program issuances	696,070	69.23	48,186	47,463
2015 Stock incentive plans, net of forfeitures	137,837		-	-
2015 Senior note conversions	1,330,474		-	-
2015 Totals	25,987,604		$ 1,808,535	$ 1,755,722
2016 Dividend reinvestment plan issuances	4,145,457	$ 70.34	$ 291,852	$ 291,571
2016 Option exercises	141,405	47.13	6,664	6,664
2016 Equity Shelf Program issuances	3,134,901	75.27	238,286	235,959
2016 Stock incentive plans, net of forfeitures	402,740		-	-
2016 Totals	7,824,503		$ 536,802	$ 534,194

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

	Year Ended					
	December 31, 2016		December 31, 2015		December 31, 2014	
	Per Share	Amount	Per Share	Amount	Per Share	Amount

Common Stock	$ 3.44000	$ 1,233,519	$ 3.30000	$ 1,144,727	$ 3.18000	$ 969,661
Series H Preferred Stock	-	-	-	-	0.00794	1
Series I Preferred Stock	3.25000	46,719	3.25000	46,719	3.25000	46,719
Series J Preferred Stock	1.62510	18,687	1.62510	18,687	1.62510	18,688
Totals		$ 1,298,925		$ 1,210,133		$ 1,035,069

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

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	Unrecognized gains (losses) related to:				
	Foreign Currency Translation	Equity Investments	Actuarial losses	Cash Flow Hedges	Total
Balance at December 31, 2015	$ (85,484)	$ -	$ (1,343)	$ (1,416)	$ (88,243)
Other comprehensive income (loss) before reclassification adjustments	(90,528)	5,120	190	1,414	(83,804)
Reclassification amount to net income	2,516	-	-	-	2,516
Net current-period other comprehensive income (loss)	(88,012)	5,120	190	1,414	(81,288)
Balance at December 31, 2016	$ (173,496)	$ 5,120	$ (1,153)	$ (2)	$ (169,531)
Balance at December 31, 2014	$ (74,770)	$ -	$ (1,589)	$ (650)	$ (77,009)
Other comprehensive income (loss) before reclassification adjustments	(10,714)	-	246	(2,626)	(13,094)
Reclassification amount to net income	-	-	-	1,860	1,860
Net current-period other comprehensive income (loss)	(10,714)	-	246	(766)	(11,234)
Balance at December 31, 2015	$ (85,484)	$ -	$ (1,343)	$ (1,416)	$ (88,243)

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

14. Stock Incentive Plans

In May 2016, our shareholders approved the 2016 Long-Term Incentive Plan (“2016 Plan”), which authorizes up to 10,000,000 shares of common stock to be issued at the discretion of the Compensation Committee of the Board of Directors. Awards granted after May 5, 2016 will be issued out of the 2016 Plan. The awards granted under the Amended and Restated 2005 Long-Term Incentive Plan continue to vest and options expire ten years from the date of grant. Our non-employee directors, officers and key employees are eligible to participate in the 2016 Plan. The 2016 Plan allows for the issuance of, among other things, stock options, stock appreciation rights, restricted stock, deferred stock units and dividend equivalent rights. Vesting periods for options, deferred stock units and restricted shares generally range from three to five years. Options expire ten years from the date of grant.

Under our long-term incentive plan, certain restricted stock awards are performance based. We will grant a target number of restricted stock units, with the ultimate award determined by the total shareholder return and operating performance metrics, measured in each case over a measurement period of three years. One third of the award will vest immediately at the end of the three year performance period, one third will vest a year after the performance period, and the remaining one third will vest two years after the performance period. Compensation expense for these performance grants is measured based on the probability of achievement of certain performance goals and is recognized over both the performance period and vesting period. For the portion of the grant for which the award is

determined by the operating performance metrics, the estimated compensation cost was based on the grant date closing price and management's estimate of corporate achievement for the financial metrics. If the estimated number of performance based restricted stock to be earned changes, an adjustment will be recorded to recognize the accumulated difference between the revised and previous estimates. For the portion of the grant determined by the total shareholder return, management used a Monte Carlo model to assess the compensation cost. The expected term represents the period from the grant date to the end of the three-year performance period.

The estimated compensation cost for each performance based plan was derived using the assumptions presented in the following table:

	Risk Free Rates	Volatility[1]	Dividend Yield
2015-2017 Program	0.16% - 1.16%	13.64% - 42.75%	4.818%
2016-2018 Program	0.40% - 1.07%	15.75% - 38.61%	5.039%

(1) Figures use 50% historical and 50% implied volatility.

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

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	Year Ended December 31,		
	2016	2015	2014
Stock options	$ 266	$ 698	$ 912
Restricted stock	28,603	30,146	31,163
	$ 28,869	$ 30,844	$ 32,075

Stock Options

We have not granted stock options since the year ended December 31, 2012 but some remain outstanding. As of December 31, 2016, there was no unrecognized compensation expense related to unvested stock options. Stock options outstanding at December 31, 2016 have an aggregate intrinsic value of $5,553,000.

Restricted Stock

The fair value of the restricted stock is equal to the market price of the Company's common stock on the date of grant and is amortized over the vesting periods. As of December 31, 2016, there was $32,830,000 of total unrecognized compensation expense related to unvested restricted stock that is expected to be recognized over a weighted-average period of three years. The following table summarizes information about non-vested restricted stock incentive awards as of and for the year ended December 31, 2016:

	Restricted Stock	
	Number of Shares (000's)	Weighted-Average Grant Date Fair Value
Non-vested at December 31, 2015	638	$ 62.00
Vested	(396)	64.36
Granted	785	59.42
Terminated	(40)	62.64
Non-vested at December 31, 2016	987	$ 58.98

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15. Earnings Per Share

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

	Year Ended December 31,		
	2016	2015	2014
Numerator for basic and diluted earnings per share - net income attributable to common stockholders	$ 1,012,397	$ 818,344	$ 446,745
Denominator for basic earnings per share: weighted-average shares	358,275	348,240	306,272
Effect of dilutive securities:			
Employee stock options	110	143	188
Non-vested restricted shares	449	535	500
Redeemable shares	1,393	310	-
Convertible senior unsecured notes	-	196	787
Dilutive potential common shares	1,952	1,184	1,475
Denominator for diluted earnings per share: adjusted-weighted average shares	360,227	349,424	307,747
Basic earnings per share	$ 2.83	$ 2.35	$ 1.46
Diluted earnings per share	$ 2.81	$ 2.34	$ 1.45

Stock options outstanding were anti-dilutive for the years ended December 31, 2016, 2015 and 2014. The Series H Cumulative Convertible and Redeemable Preferred Stock and the Series I Cumulative Convertible Perpetual Preferred Stock were excluded from the calculations as the effect of the conversions also were 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.

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

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

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

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

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

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

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

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

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

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

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

	December 31, 2016		December 31, 2015	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets:				
Mortgage loans receivable	$ 485,735	$ 521,773	$ 635,492	$ 663,501
Other real estate loans receivable	136,893	138,050	184,000	185,693
Available-for-sale equity investments	27,899	27,899	22,779	22,779
Cash and cash equivalents	419,378	419,378	360,908	360,908
Foreign currency forward contracts	135,561	135,561	129,520	129,520
Financial Liabilities:				
Borrowings under unsecured lines of credit arrangements	$ 645,000	$ 645,000	$ 835,000	$ 835,000

Senior unsecured notes		8,161,619		8,879,176		8,548,055		9,020,529
Secured debt		3,477,699		3,558,378		3,509,142		3,678,564
Foreign currency forward contracts		4,342		4,342		-		-
Redeemable OP unitholder interests	$	110,502	$	110,502	$	112,029	$	112,029

Items Measured at Fair Value on a Recurring Basis

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

	Fair Value Measurements as of December 31, 2016			
	Total	Level 1	Level 2	Level 3
Available-for-sale equity investments[(1)]	$ 27,899	$ 27,899	$ -	$ -
Foreign currency forward contracts, net[(2)]	131,219	-	131,219	-
Redeemable OP unitholder interests	110,502	-	110,502	-
Totals	$ 269,620	$ 27,899	$ 241,721	$ -

(1) Unrealized gains or losses on equity investments are recorded in accumulated other comprehensive income (loss) at each measurement date. During the year ended December 31, 2015, we recognized an other than temporary impairment charge of $35,648,000 on the Genesis Healthcare stock investment. Also, see Note 11 for details related to the gain on the derivative asset originally recognized.
(2) Please see Note 11 for additional information.

Items Measured at Fair Value on a Nonrecurring Basis

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

17. Segment Reporting

We invest in seniors housing and health care real estate. We evaluate our business and make resource allocations on our three operating segments: triple-net, seniors housing operating and outpatient medical. During the year ended December 31, 2016, we reclassified four properties previously classified in the triple-net segment to the outpatient medical segment. In addition, we reclassified interest expense on our foreign-denominated senior notes from the seniors housing operating segment to non-segment. Accordingly, the segment information provided in this Note has been reclassified to conform to the current presentation for all periods presented.

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

Our outpatient medical properties include outpatient medical buildings and, during past years, life science buildings which are aggregated into our outpatient medical reportable segment. Our outpatient medical buildings are typically leased to multiple tenants and generally require a certain level of property management. During the year ended December 31, 2015, we disposed of our life science investments.

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

properties.

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

The accounting policies of the segments are the same as those described in the summary of significant accounting policies (see Note 2). The results of operations for all acquisitions described in Note 3 are included in our consolidated results of operations from the acquisition dates and are components of the appropriate segments. There are no intersegment sales or transfers.

Summary information for the reportable segments (which excludes unconsolidated entities) during the years ended December 31, 2016, 2015 and 2014 is as follows (in thousands):

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Year Ended December 31, 2016:	Triple-net	Seniors Housing Operating	Outpatient Medical	Non-segment / Corporate	Total
Rental income	$ 1,112,325	$ -	$ 536,490	$ -	$ 1,648,815
Resident fees and services	-	2,504,731	-	-	2,504,731
Interest income	90,476	4,180	3,307	-	97,963
Other income	6,059	17,085	5,568	939	29,651
Total revenues	1,208,860	2,525,996	545,365	939	4,281,160
Property operating expenses	-	1,711,882	165,101	-	1,876,983
Net operating income from continuing operations	1,208,860	814,114	380,264	939	2,404,177
Interest expense	21,370	81,853	19,087	399,035	521,345
Loss (gain) on derivatives, net	68	-	-	(2,516)	(2,448)
Depreciation and amortization	297,197	415,429	188,616	-	901,242
General and administrative	-	-	-	155,241	155,241
Transaction costs	10,016	29,207	3,687	-	42,910
Loss (gain) on extinguishment of debt, net	863	(88)	-	16,439	17,214
Provision for loan losses	6,935	-	3,280	-	10,215
Impairment of assets	20,169	12,403	4,635	-	37,207
Other expenses	-	-	-	11,998	11,998
Income (loss) from continuing operations before income taxes and income (loss) from unconsolidated entities	852,242	275,310	160,959	(579,258)	709,253
Income tax expense	(1,087)	(3,762)	(511)	24,488	19,128
(Loss) income from unconsolidated entities	9,767	(20,442)	318	-	(10,357)
Income (loss) from continuing operations	860,922	251,106	160,766	(554,770)	718,024
Gain (loss) on real estate dispositions, net	355,394	9,880	(1,228)	-	364,046
Net income (loss)	$ 1,216,316	$ 260,986	$ 159,538	$ (554,770)	$ 1,082,070
Total assets	$ 10,713,032	$ 12,851,414	$ 4,951,538	$ 349,200	$ 28,865,184

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Year Ended December 31, 2015:	Triple-net	Seniors Housing Operating	Outpatient Medical	Non-segment / Corporate	Total
Rental income	$ 1,094,827	$ -	$ 504,121	$ -	$ 1,598,948
Resident fees and services	-	2,158,031	-	-	2,158,031
Interest income	74,108	4,180	5,853	-	84,141
Other income	6,871	6,060	4,684	1,091	18,706
Total revenues	1,175,806	2,168,271	514,658	1,091	3,859,826
Property operating expenses	-	1,467,009	155,248	-	1,622,257
Net operating income from continuing operations	1,175,806	701,262	359,410	1,091	2,237,569
Interest expense	28,384	70,388	27,542	365,855	492,169
Loss (gain) on derivatives, net	(58,427)	-	-	-	(58,427)
Depreciation and amortization	288,242	351,733	186,265	-	826,240
General and administrative	-	-	-	147,416	147,416
Transaction costs	53,195	54,966	2,765	-	110,926
Loss (gain) on extinguishment of debt, net	10,095	(195)	-	24,777	34,677
Impairment of Assets	2,220	-	-	-	2,220
Other expenses	35,648	-	-	10,583	46,231
Income (loss) from continuing operations before income taxes and income (loss) from unconsolidated entities	816,449	224,370	142,838	(547,540)	636,117
Income tax expense	(4,244)	986	245	(3,438)	(6,451)
(Loss) income from unconsolidated entities	8,260	(32,672)	2,908	-	(21,504)
Income (loss) from continuing operations	820,465	192,684	145,991	(550,978)	608,162
Gain (loss) on real estate dispositions, net	86,261	-	194,126	-	280,387
Net income (loss)	$ 906,726	$ 192,684	$ 340,117	$ (550,978)	$ 888,549
Total assets	$ 12,358,605	$ 11,519,902	$ 5,060,676	$ 84,662	$ 29,023,845

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Year Ended December 31, 2014:	Triple-net	Seniors Housing Operating	Outpatient Medical	Non-segment / Corporate	Total
Rental income	$ 992,638	$ -	$ 413,129	$ -	$ 1,405,767
Resident fees and services	-	1,892,237	-	-	1,892,237
Interest income	32,255	2,119	3,293	-	37,667
Other income	2,973	3,215	1,010	677	7,875
Total revenues	1,027,866	1,897,571	417,432	677	3,343,546
Property operating expenses	732	1,266,308	136,318	-	1,403,358
Net operating income from continuing operations	1,027,134	631,263	281,114	677	1,940,188
Interest expense	32,135	64,130	31,050	353,724	481,039
Loss (gain) on derivatives, net	(1,770)	275	-	-	(1,495)
Depreciation and amortization	273,296	418,199	152,635	-	844,130
General and administrative	-	-	-	142,943	142,943
Transaction costs	45,146	16,880	7,512	-	69,538
Loss (gain) on extinguishment of debt, net	98	383	405	8,672	9,558
Other expenses	8,825	1,437	-	-	10,262
Income (loss) from continuing operations before income taxes and income (loss) from unconsolidated entities	669,404	129,959	89,512	(504,662)	384,213
Income tax expense	6,141	(3,047)	(1,827)	-	1,267
(Loss) income from unconsolidated entities	5,423	(38,204)	5,355	-	(27,426)
Income from continuing operations	680,968	88,708	93,040	(504,662)	358,054
Income (loss) from discontinued operations	7,135	-	-	-	7,135
Gain (loss) on real estate dispositions, net	146,205	-	906	-	147,111
Net income (loss)	$ 834,308	$ 88,708	$ 93,946	$ (504,662)	$ 512,300

Our portfolio of properties and other investments are located in the United States, the United Kingdom and Canada. Revenues and assets are attributed to the country in which the property is physically located. The following is a summary of geographic information for the periods presented (dollars in thousands):

	Year Ended					
	December 31, 2016		December 31, 2015		December 31, 2014	
Revenues:	Amount	%	Amount	%	Amount	%
United States	$ 3,453,485	80.6%	$ 3,133,327	81.2%	$ 2,801,474	83.8%
United Kingdom	388,383	9.1%	407,745	10.6%	305,275	9.1%
Canada	439,292	10.3%	318,754	8.3%	236,797	7.1%
Total	$ 4,281,160	100.0%	$ 3,859,826	100.0%	$ 3,343,546	100.0%

	As of			
	December 31, 2016		December 31, 2015	
Assets:	Amount	%	Amount	%
United States	$ 23,572,459	81.7%	$ 23,513,498	81.0%
United Kingdom	2,782,489	9.6%	2,958,509	10.2%
Canada	2,510,236	8.7%	2,551,838	8.8%
Total	$ 28,865,184	100.0%	$ 29,023,845	100.0%

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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 are also subject to a 4% federal excise tax. The main differences between net income for federal income tax purposes and financial statement purposes are the recognition of straight-line rent for reporting purposes, basis differences in acquisitions, recording of impairments, differing useful lives and depreciation and amortization methods for real property and the provision for loan losses for reporting purposes versus bad debt expense for tax purposes.

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

	Year Ended December 31,					
		2016		2015		2014
Per Share:						
Ordinary income	$	2.5067	$	1.9134	$	1.7861
Qualified dividend		0.0047		0.0529		-
Return of capital		0.0573		0.0503		0.8368
Long-term capital gains		0.4593		0.9352		0.1638
Unrecaptured section 1250 gains		0.4120		0.3482		0.3933
Totals	$	3.4400	$	3.3000	$	3.1800

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

	Year Ended December 31,					
		2016		2015		2014
Current	$	14,944	$	10,177	$	2,672
Deferred		(34,072)		(3,726)		(3,939)
Totals	$	(19,128)	$	6,451	$	(1,267)

REITs generally are not subject to U.S. federal income taxes on that portion of REIT taxable income or capital gain that is distributed to stockholders. For the tax year ended December 31, 2016, as a result of acquisitions located in Canada and the United Kingdom, we were subject to foreign income taxes under the respective tax laws of these jurisdictions.

The provision for income taxes for the year ended December 31, 2016 primarily relates to state taxes, foreign taxes, and taxes based on income generated by entities that are structured as taxable REIT subsidiaries. For the tax years ended December 31, 2016, 2015 and 2014, the foreign tax provision/(benefit) amount included in the consolidated provision for income taxes was ($3,315,000), $7,385,000 and ($6,069,000), respectively.

A reconciliation of income tax expense, which is computed by applying the federal corporate tax rate for the years ended December 31, 2016, 2015 and 2014, to the income tax provision/(benefit) is as follows for the periods presented (dollars in thousands):

WELLTOWER INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	Year Ended December 31,		
	2016	2015	2014
Tax at statutory rate on earnings from continuing operations before unconsolidated entities, noncontrolling interests and income taxes	$ 372,030	$ 313,250	$ 178,862
Increase / (decrease) in valuation allowance[1]	(2,128)	13,759	9,133
Tax at statutory rate on earnings not subject to federal income taxes	(399,571)	(319,832)	(189,070)
Foreign permanent depreciation	9,205	7,500	4,383
Other differences	1,336	(8,226)	(4,575)
Totals	$ (19,128)	$ 6,451	$ (1,267)

(1) Excluding purchase price accounting.

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

	Year Ended December 31,		
	2016	2015	2014
Investments and property, primarily differences in investment basis, depreciation and amortization, the basis of land assets and the treatment of interests and certain costs	$ (7,089)	$ (30,564)	$ (1,020)
Operating loss and interest deduction carryforwards	82,469	75,455	47,528
Expense accruals and other	15,978	6,259	26,191
Valuation allowance	(96,838)	(98,966)	(85,207)
Totals	$ (5,480)	$ (47,816)	$ (12,508)

We assess the available positive and negative evidence to estimate if sufficient future taxable income will be generated to use the existing deferred tax assets. As required under the provisions of ASC 740, we apply the concepts on an entity-by-entity, jurisdiction-by-jurisdiction basis. With respect to the analysis of certain entities in multiple jurisdictions, a significant piece of objective negative evidence evaluated was the cumulative loss incurred over the three-year period ended December 31, 2016. Such objective evidence limits the ability to consider other subjective evidence such as our projections for future growth.

On the basis of the evaluations performed as required by the codification, valuation allowances totaling $96,838,000 were recorded on U.S. taxable REIT subsidiaries as well as entities in other jurisdictions to limit the deferred tax assets to the amount that we believe is more likely that not realizable. However, the amount of the deferred tax asset considered realizable could be adjusted if (i) estimates of future taxable income during the

carryforward period are reduced or increased or (ii) objective negative evidence in the form of cumulative losses is no longer present (and additional weight may be given to subjective evidence such as our projections for growth). The valuation allowance rollforward is summarized as follows for the periods presented (dollars in thousands):

	Year Ended December 31,		
	2016	2015	2014
Beginning balance	$ 98,966	$ 85,207	$ 71,955
Additions:			
Purchase price accounting	-	-	4,119
Expense	(2,128)	13,759	9,133
Ending balance	$ 96,838	$ 98,966	$ 85,207

As a result of certain acquisitions, we are subject to corporate level taxes for any related asset dispositions that may occur during the five-year period immediately after such assets were owned by a C corporation ("built-in gains tax"). The amount of income potentially subject to this special corporate level tax is generally equal to the lesser of (a) the excess of the fair value of the asset over its adjusted tax basis as of the date it became a REIT asset, or (b) the actual amount of gain. Some but not all gains recognized during this period of time could be offset by available net operating losses and capital loss carryforwards. During the year ended December 31, 2016, we acquired certain additional assets with built-in gains as of the date of acquisition that could be subject to the built-in

WELLTOWER INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

gains tax if disposed of prior to the expiration of the applicable ten-year period. We have not recorded a deferred tax liability as a result of the potential built-in gains tax based on our intentions with respect to such properties and available tax planning strategies.

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

Given the applicable statute of limitations, we generally are subject to audit by the Internal Revenue Service (“IRS”) for the year ended December 31, 2013 and subsequent years. The statute of limitations may vary in the states in which we own properties or conduct business. We do not expect to be subject to audit by state taxing authorities for any year prior to the year ended December 31, 2010. We are also subject to audit by the Canada Revenue Agency and provincial authorities generally for periods subsequent to May 2012 related to entities acquired or formed in connection with acquisitions, and by HM Revenue & Customs for periods subsequent to August 2012 related to entities acquired or formed in connection with acquisitions.

At December 31, 2016, we had a net operating loss (“NOL”) carryforward related to the REIT of $418,739,000. Due to our uncertainty regarding the realization of certain deferred tax assets, we have not recorded a deferred tax asset related to NOLs generated by the REIT. These amounts can be used to offset future taxable income (and/or taxable income for prior years if an audit determines that tax is owed), if any. The REIT will be entitled to utilize NOLs and tax credit carryforwards only to the extent that REIT taxable income exceeds our deduction for dividends paid. The NOL carryforwards will expire through 2035.

At December 31, 2016 and 2015, we had a net operating loss carryforward related to Canadian entities of $104,988,000, and $78,680,000, respectively. These Canadian losses have a 20-year carryforward period. At December 31, 2016 and 2015, we had a net operating loss carryforward related to United Kingdom entities of $158,156,000 and $179,598,000, respectively. These United Kingdom losses do not have a finite carryforward period.

19. Retirement Arrangements

We have a Supplemental Executive Retirement Plan (“SERP”), a non-qualified defined benefit pension plan, which provides one former executive officer with supplemental deferred retirement benefits. The SERP provides an opportunity for the participant to receive retirement benefits that cannot be paid under our tax-qualified plans because of the restrictions imposed by ERISA and the Internal Revenue Code of 1986, as amended. Benefits are based on compensation and length of service and the SERP is unfunded. Benefit payments are expected to total $4,179,000 during the next three fiscal years. We use a December 31 measurement date for the SERP. The accrued liability on our balance sheet for the SERP was $4,081,000 at December 31, 2016 ($5,474,000 at December 31, 2015).

On April 13, 2014, George L. Chapman, formerly the Chairman, Chief Executive Officer and President of the Company, informed the Board of Directors that he wished to retire from the Company, effective immediately. As a result of Mr. Chapman’s retirement, general and administrative expenses for the year ended December 31, 2014 included charges of $19,688,000 related to: (i) the acceleration of $9,223,000 of deferred compensation for restricted stock; and (ii) consulting, retirement payments and other costs of $10,465,000.

WELLTOWER INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

20. Quarterly Results of Operations (Unaudited)

The following is a summary of our unaudited quarterly results of operations for the years ended December 31, 2016 and 2015 (in thousands, except per share data). The sum of individual quarterly amounts may not agree to the annual amounts included in the consolidated statements of income due to rounding.

	Year Ended December 31, 2016			
	1st Quarter	2nd Quarter	3rd Quarter[(1)]	4th Quarter
Revenues	$ 1,047,050	$ 1,076,657	$ 1,079,133	$ 1,078,321
Net income (loss) attributable to common stockholders	148,969	195,474	334,910	333,044
Net income (loss) attributable to common stockholders per share:				
Basic	$ 0.42	$ 0.55	$ 0.93	$ 0.92
Diluted	0.42	0.54	0.93	0.91

	Year Ended December 31, 2015			
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Revenues	$ 894,177	$ 957,169	$ 978,997	$ 1,029,484
Net income attributable to common stockholders	190,799	312,573	182,043	132,929
Net income attributable to common stockholders per share:				
Basic	$ 0.57	$ 0.89	$ 0.52	$ 0.38
Diluted	0.56	0.89	0.52	0.37

(1) The increase in net income and amounts per share are primarily attributable to gains on sales of real estate of $162,351,000 for the third quarter as compared to gains of $1,530,000 for the second quarter.

21. Variable Interest Entities

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

	December 31, 2016	December 31, 2015
Assets		
Net real property owned	$ 989,596	$ 453,889
Cash and cash equivalents	10,501	8,759
Receivables and other assets	12,102	8,082
Total assets[1]	$ 1,012,199	$ 470,730
Liabilities and equity		
Secured debt	$ 450,255	$ 147,021
Accrued expenses and other liabilities	13,803	7,732
Redeemable noncontrolling interests	185,556	70,090
Total equity	362,585	245,887
Total liabilities and equity	$ 1,012,199	$ 470,730

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

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

Not applicable.

Item 9A. ***Controls and Procedures***

Disclosure Controls and Procedures

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

Management's Report on Internal Control over Financial Reporting

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

Management has assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2016 based on the criteria established by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) in a report entitled Internal Control — Integrated Framework.

The scope of management's assessment as of December 31, 2016 did not include an assessment of the internal control over financial reporting for certain acquisitions because the business combinations occurred during the year ended December 31, 2016. The acquired businesses represent 4% of total assets at December 31, 2016 and less than 1% of revenues and net operating income for the year then ended. The scope of management's assessment on internal control over financial reporting for the year ended December 31, 2017 will include the aforementioned acquired operations.

Based on this assessment, using the criteria above, management concluded that the Company's system of internal control over financial reporting was effective as of December 31, 2016.

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

Changes in Internal Control over Financial Reporting

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

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of Welltower Inc.

We have audited Welltower Inc.'s internal control over financial reporting as of December 31, 2016, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria, 2013 framework). Welltower Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

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

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

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

As indicated in the accompanying Management's Report on Internal Control over Financial Reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of certain acquisitions, which are included in the 2016 consolidated financial statements

of Welltower Inc. and subsidiaries and aggregate to 4% of total assets as of December 31, 2016 and less than 1% of revenues and net operating income for the year then ended. Our audit of the internal control over financial reporting of Welltower Inc. also did not include an evaluation of the internal control over financial reporting of the aforementioned acquisitions.

In our opinion, Welltower Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Welltower Inc. and subsidiaries as of December 31, 2016 and 2015, and the related consolidated statements of comprehensive income, equity, and cash flows for each of the three years in the period ended December 31, 2016 of Welltower Inc. and subsidiaries and our report dated February 22, 2017 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Toledo, Ohio

February 22, 2017

Item 9B. ***Other Information***

None.

PART III

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

The information required by this Item is incorporated herein by reference to the information under the headings "Election of Directors," "Corporate Governance," "Executive Officers," and "Security Ownership of Directors and Management and Certain Beneficial Owners — Section 16(a) Beneficial Ownership Reporting Compliance" in our definitive proxy statement, which will be filed with the Securities and Exchange Commission (the "Commission") prior to May 1, 2017.

We have adopted a Code of Business Conduct and Ethics that applies to our directors, officers and employees. The code is posted on the Internet at www.welltower.com/investors/governance. Any amendment to, or waivers from, the code that relate to any officer or director of the Company will be promptly disclosed on the Internet at www.welltower.com.

In addition, the Board has adopted charters for the Audit, Compensation and Nominating/Corporate Governance Committees. These charters are posted on the Internet at www.welltower.com/investors/governance.

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

Item 11. *Executive Compensation*

The information required by this Item is incorporated herein by reference to the information under the headings "Executive Compensation" and "Director Compensation" in our definitive proxy statement, which will be filed with the Commission prior to May 1, 2017.

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

The information required by this Item is incorporated herein by reference to the information under the headings "Security Ownership of Directors and Management and Certain Beneficial Owners" and "Equity Compensation Plan Information" in our definitive proxy statement, which will be filed with the Commission prior to May 1, 2017.

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

The information required by this Item is incorporated herein by reference to the information under the headings "Corporate Governance — Independence and Meetings" and "Security Ownership of Directors and Management and Certain Beneficial Owners — Certain Relationships and Related Transactions" in our definitive proxy statement, which will be filed with the Commission prior to May 1, 2017.

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

The information required by this Item is incorporated herein by reference to the information under the heading "Ratification of the Appointment of the Independent Registered Public Accounting Firm" in our definitive proxy statement, which will be filed with the Commission prior to May 1, 2017.

PART IV

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

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

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Consolidated Balance Sheets – December 31, 2016 and 2015	65
Consolidated Statements of Comprehensive Income — Years ended December 31, 2016, 2015 and 2014	66
Consolidated Statements of Equity — Years ended December 31, 2016, 2015 and 2014	68
Consolidated Statements of Cash Flows — Years ended December 31, 2016, 2015 and 2014	69
Notes to Consolidated Financial Statements	70

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

III – Real Estate and Accumulated Depreciation

IV – Mortgage Loans on Real Estate

The financial statement schedule required by Item15(a) (Schedule II, Valuation and Qualifying Accounts) is included in Item 8 of this Annual Report on Form 10-K.

3. *Exhibit Index:*

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

(b) *Exhibits:*

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

(c) *Financial Statement Schedules:*

Financial statement schedules are included beginning on page 105.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: February 22, 2017

WELLTOWER INC.

By: /s/ T homas J. DeRosa

Thomas J. DeRosa,

Chief Executive Officer and Director

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below on February 22, 2017 by the following persons on behalf of the Registrant and in the capacities indicated.

/s/ Jeffrey H. Donahue **

Jeffrey H. Donahue, Chairman of the Board

/s/ Sergio D. Rivera **

Sergio D. Rivera, Director

/s/ Kenneth J. Bacon **

Kenneth J. Bacon, Director

/s/ R. Scott Trumbull **

R. Scott Trumbull, Director

/s/ Fred S. Klipsch **

Fred S. Klipsch, Director

/s/ Thomas J. DeRosa **

Thomas J. DeRosa, Chief Executive Officer and Director

(Principal Executive Officer)

/s/ Geoffrey G. Meyers **

Geoffrey G. Meyers, Director

/s/ Scott A. Estes **

Scott A. Estes, Executive Vice President and Chief

Financial Officer (Principal Financial Officer)

/s/ Timothy J. Naughton **
Timothy J. Naughton, Director

/s/ Paul D. Nungester, Jr.**
Paul D. Nungester, Jr., Senior Vice President and Controller (Principal Accounting Officer)

/s/ Sharon M. Oster **
Sharon M. Oster, Director

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

/s/ Judith C. Pelham **
Judith C. Pelham, Director

Welltower Inc.
Schedule III
Real Estate and Accumulated Depreciation
December 31, 2016

(Dollars in thousands)	Initial Cost to Company				Gross Amount at Which Carried at C of Period		
Description	Encumbrances	Land	Building & Improvements	Cost Capitalized Subsequent to Acquisition	Land	Building & Improvements	Accumul Depreciati
Triple-net:							
Abilene, TX	$ -	$ 950	$ 20,987	$ 185	$ 950	$ 21,172	$
Abilene, TX	-	990	8,187	800	990	8,987	
Aboite Twp, IN	-	1,770	19,930	1,601	1,770	21,531	
Agawam, MA	-	880	16,112	2,134	880	18,246	
Agawam, MA	-	1,230	13,618	593	1,230	14,211	
Agawam, MA	-	930	15,304	292	930	15,596	
Agawam, MA	-	920	10,661	36	920	10,697	
Agawam, MA	-	920	10,562	45	920	10,607	
Albertville, AL	1,956	170	6,203	280	176	6,477	
Alexandria, IN	-	190	6,491	-	190	6,491	
Ames, IA	-	330	8,870	-	330	8,870	
Anderson, SC	-	710	6,290	419	710	6,709	
Ankeny, IA	-	1,129	10,270	-	1,129	10,270	
Apple Valley, CA	10,250	480	16,639	168	486	16,801	
Asheboro, NC	-	290	5,032	165	290	5,197	
Asheville, NC	-	204	3,489	-	204	3,489	
Asheville, NC	-	280	1,955	351	280	2,306	
Aspen Hill, MD	-	-	9,008	2,394	-	11,402	
Atchison, KS	-	140	5,610	8	140	5,618	
Atlanta, GA	7,294	2,058	14,914	1,143	2,080	16,035	1
Aurora, OH	-	1,760	14,148	106	1,760	14,254	
Aurora, CO	-	2,600	5,906	7,915	2,600	13,821	
Aurora, CO	-	2,440	28,172	-	2,440	28,172	
Austin, TX	18,076	880	9,520	1,216	885	10,731	
Avon, IN	-	1,830	14,470	-	1,830	14,470	
Avon, IN	-	900	19,444	-	900	19,444	
Avon Lake, OH	-	790	10,421	5,822	790	16,243	
Ayer, MA	-	-	22,074	3	-	22,077	
Baldwin City, KS	-	190	4,810	40	190	4,850	
Bartlesville, OK	-	100	1,380	-	100	1,380	
Beachwood, OH	-	1,260	23,478	-	1,260	23,478	
Bellingham, WA	8,272	1,500	19,861	321	1,507	20,175	
Benbrook, TX	-	1,550	13,553	1,148	1,550	14,701	
Bend, OR	-	1,210	9,181	25	1,210	9,206	
Bethel Park, PA	-	1,700	16,007	-	1,700	16,007	
Beverly Hills, CA	-	6,000	13,385	-	6,000	13,385	
Bexleyheath, UKI	-	3,750	10,807	-	3,750	10,807	
Birmingham, UKG	-	1,647	14,853	-	1,647	14,853	

Birmingham, UKG	-	1,591	19,092	-	1,591	19,092
Birmingham, UKG	-	1,462	9,056	-	1,462	9,056
Birmingham, UKG	-	1,184	10,085	-	1,184	10,085
Bloomington, IN	-	670	17,423	-	670	17,423
Boardman, OH	-	1,200	12,800	-	1,200	12,800
Bowling Green, KY	-	3,800	26,700	149	3,800	26,849
Bradenton, FL	-	252	3,298	-	252	3,298
Bradenton, FL	-	480	9,953	-	480	9,953
Braintree, MA	-	170	7,157	1,290	170	8,447
Braintree, UKH	-	-	13,296	-	-	13,296
Brandon, MS	-	1,220	10,241	-	1,220	10,241
Brecksville, OH	-	990	19,353	-	990	19,353
Bremerton, WA	-	390	2,210	144	390	2,354
Bremerton, WA	-	830	10,420	950	830	11,370
Bremerton, WA	-	590	2,899	13	590	2,912
Brentwood, UKH	47,467	8,537	45,869	-	8,537	45,869
Brick, NJ	-	1,290	25,247	660	1,290	25,907
Brick, NJ	-	1,170	17,372	1,323	1,184	18,681
Brick, NJ	-	690	17,125	5,484	692	22,607
Bridgewater, NJ	-	1,850	3,050	37	1,850	3,087
Bridgewater, NJ	-	1,730	48,201	1,289	1,752	49,469
Bridgewater, NJ	-	1,800	31,810	552	1,800	32,362
Broadview Heights, OH	-	920	12,400	2,393	920	14,793
Brookfield, WI	-	1,300	12,830	-	1,300	12,830
Brooks, AB	1,971	376	4,951	164	387	5,103
Brookville, IN	-	300	13,461	-	300	13,461
Burleson, TX	-	670	13,985	345	670	14,330
Burleson, TX	-	3,150	10,437	576	3,150	11,013
Burlington, NC	-	280	4,297	707	280	5,004
Burlington, NC	-	460	5,467	-	460	5,467
Burlington, NJ	-	1,700	12,554	482	1,700	13,036
Burlington, NJ	-	1,170	19,205	172	1,170	19,377
Burlington, WA	-	3,860	31,722	84	3,860	31,805
Burnaby, BC	8,082	7,623	13,844	660	7,858	14,270
Calgary, AB	16,716	2,341	42,768	1,408	2,413	44,105
Calgary, AB	27,724	4,569	70,199	2,300	4,709	72,358
Canton, MA	-	820	8,201	263	820	8,464
Canton, OH	-	300	2,098	-	300	2,098
Cape Coral, FL	-	530	3,281	-	530	3,281
Cape Coral, FL	8,716	760	18,868	-	760	18,868
Cape May Court House, NJ	-	1,440	17,002	1,673	1,440	18,675
Carmel, IN	-	1,700	19,491	-	1,700	19,491
Carrollton, TX	-	4,280	31,444	861	4,280	32,305
Carrollton, TX	-	-	-	21,559	2,010	19,549
Carson City, NV	-	520	8,238	250	520	8,488
Cary, NC	-	1,500	4,350	986	1,500	5,336
Castleton, IN	-	920	15,137	-	920	15,137
Cedar Grove, NJ	-	2,850	27,737	20	2,850	27,757
Centreville, MD[2]	-	600	14,602	241	600	14,843
Chapel Hill, NC	-	354	2,646	783	354	3,429
Charles Town, WV	-	230	22,834	62	230	22,896

Charleston, WV	-	440	17,575	304	440	17,879
Chatham, VA	-	320	14,039	-	320	14,039
Chelmsford, MA	-	1,040	10,951	1,499	1,040	12,450
Chester, VA	-	1,320	18,127	-	1,320	18,127
Chickasha, OK	-	85	1,395	-	85	1,395
Cinnaminson, NJ	-	860	6,663	157	860	6,820
Citrus Heights, CA	14,252	2,300	31,876	589	2,300	32,465
Claremore, OK	-	155	1,427	6,130	155	7,557
Clarksville, TN	-	330	2,292	-	330	2,292
Clayton, NC	-	520	15,733	-	520	15,733
Cleburne, TX	-	520	5,369	-	520	5,369
Clevedon, UKK	-	2,838	16,927	-	2,838	16,927
Cloquet, MN	-	340	4,660	120	340	4,780
Cobham, UKJ	-	9,808	24,991	-	9,808	24,991
Colchester, CT	-	980	4,860	532	980	5,392
Colleyville, TX	-	1,050	17,082	-	1,050	17,082
Colorado Springs, CO	-	4,280	62,168	-	4,280	62,168
Colorado Springs, CO	-	1,730	25,493	693	1,730	26,186
Colts Neck, NJ	-	780	14,733	1,244	1,028	15,729
Columbia, TN	-	341	2,295	-	341	2,295
Columbia, SC	-	2,120	4,860	5,709	2,120	10,569
Columbia Heights, MN	-	825	14,175	163	825	14,338
Columbus, IN	-	610	3,190	-	610	3,190
Concord, NC	-	550	3,921	55	550	3,976
Concord, NH	-	1,760	43,179	606	1,760	43,785
Concord, NH	-	720	3,041	340	720	3,381
Congleton, UKD	-	2,036	5,120	-	2,036	5,120
Conroe, TX	-	980	7,771	-	980	7,771
Coppell, TX	-	1,550	8,386	46	1,550	8,432
Coventry, UKG	-	1,962	13,830	-	1,962	13,830
Crawfordsville, IN	-	720	17,239	1,426	720	18,665
Crown Point, IN	-	920	20,044	-	920	20,044
Dallas, OR	-	410	9,427	1,000	410	10,428
Danville, VA	-	410	3,954	722	410	4,676
Danville, VA	-	240	8,436	-	240	8,436
Daphne, AL	-	2,880	8,670	192	2,880	8,862
Dedham, MA	-	1,360	9,830	-	1,360	9,830
Denton, TX	-	1,760	8,305	90	1,760	8,395
Derby, UKF	-	-	-	10,542	2,282	8,260
Dover, DE	-	600	22,266	91	600	22,357
Dresher, PA	-	2,060	40,236	997	2,083	41,210
Dundalk, MD(2)	-	1,770	32,047	784	1,770	32,831
Durham, NC	-	1,476	10,659	2,196	1,476	12,855
Dyer, IN	-	1,800	25,061	-	1,800	25,061
Eagan, MN	17,000	2,260	31,643	4	2,260	31,647
East Brunswick, NJ	-	1,380	34,229	679	1,380	34,908
East Norriton, PA	-	1,200	28,129	1,387	1,262	29,454
Eastbourne, UKJ	-	4,071	24,438	-	4,071	24,438
Eden, NC	-	390	4,877	-	390	4,877
Edmond, OK	-	410	8,388	-	410	8,388
Edmond, OK	-	1,810	14,849	1,106	1,810	15,955

Elizabeth City, NC	-	200	2,760	2,011	200	4,771
Emeryville, CA	-	2,560	57,491	561	2,560	58,052
Englewood, NJ	-	930	4,514	17	930	4,531
Englishtown, NJ	-	690	12,520	1,141	768	13,583
Epsom, UKJ	39,189	20,159	34,803	-	20,159	34,803
Eugene, OR	-	800	5,822	35	800	5,857
Eureka, KS	-	50	3,950	40	50	3,990
Everett, WA	-	1,400	5,476	-	1,400	5,476
Fairfield, CA	-	1,460	14,040	1,541	1,460	15,581
Fairhope, AL	-	570	9,119	46	570	9,165
Fall River, MA	-	620	5,829	4,856	620	10,685
Fanwood, NJ	-	2,850	55,175	968	2,850	56,143
Faribault, MN	-	780	11,539	50	780	11,590
Farnborough, UKJ	-	2,036	5,737	-	2,036	5,737
Fayetteville, PA	-	2,150	32,951	1,802	2,150	34,753
Fayetteville, NY	-	410	3,962	500	410	4,462
Findlay, OH	-	200	1,800	-	200	1,800
Fishers, IN	-	1,500	14,500	-	1,500	14,500
Florence, NJ	-	300	2,978	-	300	2,978
Florence, AL	6,879	353	13,049	200	385	13,217
Flourtown, PA	-	1,800	14,830	236	1,800	15,066
Flower Mound, TX	-	1,800	8,414	37	1,800	8,451
Folsom, CA	-	-	33,600	-	1,582	32,018
Forest City, NC	-	320	4,497	-	320	4,497
Fort Ashby, WV	-	330	19,566	128	330	19,694
Fort Collins, CO	-	3,680	58,608	-	3,680	58,608
Fort Wayne, IN	-	170	8,232	-	170	8,232
Fort Worth, TX	-	450	13,615	5,086	450	18,701
Franconia, NH	-	360	11,320	70	360	11,390
Fredericksburg, VA	-	1,000	20,000	1,200	1,000	21,200
Fredericksburg, VA	-	1,130	23,202	-	1,130	23,202
Fredonia, KS	-	40	460	35	40	495
Fremont, CA	18,517	3,400	25,300	3,203	3,456	28,447
Fresno, CA	-	2,500	35,800	118	2,500	35,918
Gardner, KS	-	200	2,800	58	200	2,858
Gardnerville, NV	11,967	1,143	10,831	1,075	1,164	11,885
Gastonia, NC	-	470	6,129	-	470	6,129
Gastonia, NC	-	310	3,096	22	310	3,118
Gastonia, NC	-	400	5,029	120	400	5,149
Georgetown, TX	-	200	2,100	-	200	2,100
Gettysburg, PA	-	590	8,913	116	590	9,029
Gig Harbor, WA	4,867	1,560	15,947	253	1,583	16,177
Glastonbury, CT	-	1,950	9,532	2,077	2,360	11,199
Granbury, TX	-	2,040	30,670	258	2,040	30,928
Granbury, TX	-	2,550	2,940	480	2,550	3,420
Grand Ledge, MI	-	1,150	16,286	5,119	1,150	21,405
Granger, IN	-	1,670	21,280	2,401	1,670	23,681
Grapevine, TX	-	-	-	19,803	2,220	17,583
Grass Valley, CA	4,193	260	7,667	258	260	7,925
Greenfield, WI	-	-	15,204	-	890	14,314
Greensboro, NC	-	330	2,970	554	330	3,524

Greensboro, NC	-	560	5,507	1,013	560	6,520
Greenville, SC	-	310	4,750	-	310	4,750
Greenville, NC	-	290	4,393	168	290	4,561
Greenwood, IN	-	1,550	22,770	81	1,550	22,851
Groton, CT	-	2,430	19,941	911	2,430	20,852
Haddonfield, NJ	-	-	-	16,883	520	16,363
Hamburg, PA	-	840	10,543	215	840	10,758
Hamilton, NJ	-	440	4,469	-	440	4,469
Hanford, UKG	-	1,382	9,829	-	1,382	9,829
Harrow, UKI	-	7,402	8,266	-	7,402	8,266
Hatboro, PA	-	-	28,112	1,746	-	29,858
Hatfield, UKH	-	2,924	7,527	-	2,924	7,527
Haverford, PA	-	1,880	33,993	987	1,883	34,977
Hemet, CA	-	870	3,405	-	870	3,405
Herne Bay, UKJ	-	1,900	24,353	-	1,900	24,353
Hiawatha, KS	-	40	4,210	22	40	4,232
Hickory, NC	-	290	987	232	290	1,219
High Point, NC	-	560	4,443	793	560	5,236
High Point, NC	-	370	2,185	410	370	2,595
High Point, NC	-	330	3,395	28	330	3,423
High Point, NC	-	430	4,143	-	430	4,143
Highland Park, IL	-	2,820	15,832	189	2,820	16,021
Highlands Ranch, CO	-	940	3,721	4,983	940	8,704
Hinckley, UKF	-	2,159	4,194	-	2,159	4,194
Hindhead, UKJ	38,700	17,852	48,645	-	17,852	48,645
Hockessin, DE	-	1,120	6,308	1,234	1,120	7,542
Holton, KS	-	40	7,460	12	40	7,472
Howell, NJ	9,177	1,066	21,577	383	1,070	21,956
Hutchinson, KS	-	600	10,590	194	600	10,784
Indianapolis, IN	-	495	6,287	22,565	495	28,852
Indianapolis, IN	-	255	2,473	12,123	255	14,596
Indianapolis, IN	-	870	14,688	-	870	14,688
Indianapolis, IN	-	890	18,781	-	890	18,781
Jacksonville, FL	-	-	-	25,981	750	25,231
Jacksonville, FL	-	-	-	26,381	-	26,381
Kansas City, KS	-	700	20,116	-	700	20,116
Kenner, LA	-	1,100	10,036	328	1,100	10,364
Kennett Square, PA	-	1,050	22,946	293	1,083	23,206
Kent, WA	-	940	20,318	10,470	940	30,788
Kingston upon Thames, UKI	40,799	33,063	46,696	-	33,063	46,696
Kirkland, WA	-	1,880	4,315	683	1,880	4,998
Kirkstall, UKE	-	2,437	9,414	-	2,437	9,414
Kokomo, IN	-	710	16,044	-	710	16,044
Lafayette, LA	-	1,928	10,483	25	1,928	10,509
Lafayette, CO	-	1,420	20,192	-	1,420	20,192
Lafayette, IN	-	670	16,833	-	670	16,833
Lakeway, TX	-	-	-	27,982	5,142	22,840
Lakewood, CO	-	2,160	28,091	49	2,160	28,140
Lakewood Ranch, FL	-	650	6,714	1,988	650	8,702
Lakewood Ranch, FL	-	1,000	22,388	-	1,000	22,388
Lancaster, CA	9,561	700	15,295	625	712	15,907

Langhorne, PA	-	1,350	24,881	140	1,350	25,021
LaPlata, MD[2]	-	700	19,068	466	700	19,534
Las Vegas, NV	-	580	23,420	-	580	23,420
Lawrence, KS	-	250	8,716	-	250	8,716
Lecanto, FL	-	200	6,900	-	200	6,900
Lee, MA	-	290	18,135	926	290	19,061
Leeds, UKE	-	1,974	13,239	-	1,974	13,239
Leicester, UKF	-	3,060	24,410	-	3,060	24,410
Lenoir, NC	-	190	3,748	641	190	4,389
Lethbridge, AB	1,469	1,214	2,750	122	1,251	2,835
Lexana, KS	-	480	1,770	95	480	1,865
Lexington, NC	-	200	3,900	1,015	200	4,915
Libertyville, IL	-	6,500	40,024	-	6,500	40,024
Lichfield, UKG	-	1,382	30,324	-	1,382	30,324
Lillington, NC	-	470	17,579	-	470	17,579
Lillington, NC	-	500	16,451	-	500	16,451
Lincoln, NE	-	390	13,807	95	390	13,902
Linwood, NJ	-	800	21,984	979	838	22,925
Litchfield, CT	-	1,240	17,908	10,969	1,254	28,864
Little Neck, NY	-	3,350	38,461	1,235	3,357	39,689
Livermore, CA	-	4,100	24,996	-	4,100	24,996
London, UKI	-	-	-	23,257	7,439	15,818
Longview, TX	-	610	5,520	-	610	5,520
Longwood, FL	-	1,260	6,445	-	1,260	6,445
Louisburg, KS	-	280	4,320	20	280	4,340
Louisville, KY	-	490	10,010	2,768	490	12,778
Lowell, MA	-	1,070	13,481	169	1,070	13,650
Lowell, MA	-	680	3,378	44	680	3,422
Loxley, UKE	-	1,369	15,668	-	1,369	15,668
Lutherville, MD	-	1,100	19,786	1,675	1,100	21,461
Lynchburg, VA	-	340	16,114	-	340	16,114
Macungie, PA	-	960	29,033	56	960	29,089
Mahwah, NJ	-	-	-	28,854	1,605	27,249
Manalapan, NJ	-	900	22,624	347	900	22,971
Manassas, VA	-	750	7,446	530	750	7,976
Mankato, MN	12,512	1,460	32,104	13	1,460	32,117
Mansfield, TX	-	660	5,251	-	660	5,251
Manteca, CA	5,878	1,300	12,125	1,566	1,312	13,679
Marietta, PA	-	1,050	13,633	-	1,050	13,633
Marion, IN	-	720	12,750	1,136	720	13,886
Marion, IN	-	990	9,190	824	990	10,014
Marlborough, UKK	-	2,677	6,822	-	2,677	6,822
Marlow, UKJ	-	-	-	47,193	8,772	38,421
Martinsville, VA	-	349	-	-	349	-
Marysville, WA	4,355	620	4,780	903	620	5,683
Matawan, NJ	-	1,830	20,618	83	1,830	20,701
Matthews, NC	-	560	4,738	-	560	4,738
McHenry, IL	-	1,576	-	-	1,576	-
McKinney, TX	-	1,570	7,389	-	1,570	7,389
McMinnville, OR	-	720	7,984	150	720	8,134
McMurray, PA	-	1,440	15,805	3,894	1,440	19,699

Mechanicsburg, PA	-	1,350	16,650	-	1,350	16,650
Medicine Hat, AB	2,412	932	5,566	200	961	5,737
Melbourne, FL	-	7,070	48,257	16,324	7,070	64,581
Melville, NY	-	4,280	73,283	4,305	4,299	77,570
Mendham, NJ	-	1,240	27,169	638	1,240	27,807
Menomonee Falls, WI	-	1,020	6,984	1,652	1,020	8,636
Mercerville, NJ	-	860	9,929	167	860	10,096
Meriden, CT	-	1,300	1,472	98	1,300	1,570
Meridian, ID	-	3,600	20,802	251	3,600	21,053
Merrillville, IN	-	700	11,699	154	700	11,853
Mesa, AZ	5,805	950	9,087	801	950	9,888
Middleburg Heights, OH	-	960	7,780	-	960	7,780
Middleton, WI	-	420	4,006	600	420	4,606
Midland, MI	-	200	11,025	5,522	200	16,547
Mill Creek, WA	18,239	10,150	60,274	935	10,179	61,179
Millville, NJ	-	840	29,944	127	840	30,071
Milton Keynes, UKJ	-	1,826	18,654	-	1,826	18,654
Milwaukie, OR	-	400	6,782	115	400	6,897
Mishawaka, IN	-	740	16,114	-	740	16,114
Missoula, MT	-	550	7,490	377	550	7,867
Monmouth Junction, NJ	-	720	6,209	79	720	6,288
Monroe, NC	-	470	3,681	648	470	4,329
Monroe, NC	-	310	4,799	857	310	5,656
Monroe, NC	-	450	4,021	114	450	4,135
Monroe Township, NJ	-	3,250	27,771	91	3,250	27,862
Monroe Twp, NJ	-	1,160	13,193	102	1,160	13,295
Montville, NJ	-	3,500	31,002	847	3,500	31,849
Moorestown, NJ	-	2,060	51,628	1,569	2,071	53,186
Moorestown, NJ	-	6,400	23,875	-	6,400	23,875
Morehead City, NC	-	200	3,104	1,648	200	4,752
Morton Grove, IL	-	1,900	19,374	159	1,900	19,533
Mount Pleasant, SC	-	-	17,200	-	4,052	13,149
Mount Vernon, WA	-	3,440	21,842	2,227	3,440	24,069
Mt. Vernon, WA	-	400	2,200	156	400	2,356
Murphy, TX	-	1,950	19,182	578	1,950	19,760
Nacogdoches, TX	-	390	5,754	-	390	5,754
Naperville, IL	-	3,470	29,547	-	3,470	29,547
Nashville, TN	-	4,910	29,590	-	4,910	29,590
Naugatuck, CT	-	1,200	15,826	197	1,200	16,023
Needham, MA	-	1,610	13,715	366	1,610	14,081
Neodesha, KS	-	20	430	19	20	449
New Braunfels, TX	-	1,200	19,800	10,154	2,729	28,425
New Haven, IN	-	176	3,524	-	176	3,524
New Moston, UKD	-	1,480	4,378	-	1,480	4,378
Newark, DE	-	560	21,220	1,488	560	22,708
Newcastle Under Lyme, UKG	-	1,110	5,655	-	1,110	5,655
Newcastle-under-Lyme, UKG	-	1,125	5,537	-	1,125	5,537
Norman, OK	-	55	1,484	-	55	1,484
Norman, OK	-	1,480	33,330	-	1,480	33,330
North Augusta, SC	-	332	2,558	-	332	2,558
North Bend, OR	-	1,290	7,361	686	1,290	8,047

North Cape May, NJ	-	600	22,266	48	600	22,314
North Cape May, NJ	-	77	151	460	77	610
Northampton, UKF	-	5,182	17,348	-	5,182	17,348
Northampton, UKF	-	2,013	6,257	-	2,013	6,257
Nuneaton, UKG	-	3,325	8,983	-	3,325	8,983
Nuthall, UKF	-	1,628	6,263	-	1,628	6,263
Nuthall, UKF	-	2,498	10,436	-	2,498	10,436
Oakland, CA	-	4,760	16,143	57	4,760	16,200
Ocala, FL	-	1,340	10,564	-	1,340	10,564
Ogden, UT	-	360	6,700	699	360	7,399
Oklahoma City, OK	-	590	7,513	-	590	7,513
Oklahoma City, OK	-	760	7,017	-	760	7,017
Olathe, KS	-	1,930	19,765	553	1,930	20,318
Omaha, NE	-	370	10,230	-	370	10,230
Omaha, NE	-	380	8,769	-	380	8,769
Ona, WV	-	950	15,998	-	950	15,998
Oneonta, NY	-	80	5,020	-	80	5,020
Orem, UT	-	2,150	24,107	-	2,150	24,107
Osage City, KS	-	50	1,700	102	50	1,802
Osawatomie, KS	-	130	2,970	67	130	3,037
Ottawa, KS	-	160	6,590	28	160	6,618
Overland Park, KS	-	3,730	27,076	340	3,730	27,416
Overland Park, KS	-	4,500	29,105	7,295	4,500	36,400
Overland Park, KS	-	410	2,840	27	410	2,867
Overland Park, KS	-	1,300	25,311	677	1,300	25,988
Owasso, OK	-	215	1,380	-	215	1,380
Owensboro, KY	-	225	13,275	-	225	13,275
Owenton, KY	-	100	2,400	-	100	2,400
Oxford, MI	-	1,430	15,791	-	1,430	15,791
Palestine, TX	-	180	4,320	1,300	180	5,620
Palm Coast, FL	-	870	10,957	-	870	10,957
Paola, KS	-	190	5,610	10	190	5,620
Paris, TX	-	490	5,452	-	490	5,452
Paso Robles, CA	-	1,770	8,630	693	1,770	9,323
Pella, IA	-	870	6,716	89	870	6,805
Pennington, NJ	-	1,380	27,620	814	1,471	28,343
Pennsauken, NJ	-	900	10,780	179	900	10,959
Petoskey, MI	-	860	14,452	-	860	14,452
Pewaukee, WI	-	4,700	20,669	-	4,700	20,669
Philadelphia, PA	-	2,930	10,433	3,527	2,930	13,960
Phillipsburg, NJ	-	800	21,175	226	800	21,401
Phillipsburg, NJ	-	300	8,114	77	300	8,191
Pinehurst, NC	-	290	2,690	484	290	3,174
Piqua, OH	-	204	1,885	-	204	1,885
Pittsburgh, PA	-	1,750	8,572	115	1,750	8,687
Plainview, NY	-	3,990	11,969	818	3,990	12,787
Plano, TX	-	1,840	20,152	560	1,840	20,712
Plattsmouth, NE	-	250	5,650	-	250	5,650
Plymouth, MI	-	1,490	19,990	235	1,490	20,225
Port St. Lucie, FL	-	8,700	47,230	6,090	8,700	53,320
Post Falls, ID	-	2,700	14,217	2,181	2,700	16,398

Princeton, NJ	-	1,730	30,888	1,516	1,810	32,324
Prior Lake, MN	14,250	1,870	29,849	13	1,870	29,862
Puyallup, WA	10,968	1,150	20,776	445	1,156	21,216
Raleigh, NC	-	3,530	59,589	-	3,530	59,589
Raleigh, NC	-	2,580	16,837	-	2,580	16,837
Reading, PA	-	980	19,906	120	980	20,026
Red Bank, NJ	-	1,050	21,275	496	1,050	21,771
Rehoboth Beach, DE	-	960	24,248	8,632	976	32,864
Reidsville, NC	-	170	3,830	857	170	4,687
Reno, NV	-	1,060	11,440	605	1,060	12,045
Richardson, TX	-	1,800	16,562	331	1,800	16,893
Richmond, IN	-	700	14,222	393	700	14,615
Richmond, VA	-	-	12,000	-	250	11,750
Ridgeland, MS	-	520	7,675	427	520	8,102
Rochdale, MA	-	-	7,100	-	690	6,410
Rockville, MD	-	-	16,398	10	-	16,408
Rockville, CT	-	1,500	4,835	132	1,500	4,967
Rockville Centre, NY	-	4,290	20,310	781	4,290	21,091
Rockwall, TX	-	-	-	19,801	2,220	17,581
Rocky Hill, CT	-	1,090	6,710	1,500	1,090	8,210
Rohnert Park, CA	13,024	6,500	18,700	2,116	6,546	20,769
Romeoville, IL	-	1,895	-	-	1,895	-
Roseburg, OR	-	1,200	4,891	44	1,200	4,935
Roseville, MN	-	2,140	24,679	67	2,140	24,746
Roswell, GA	7,489	1,107	9,627	1,086	1,114	10,706
Rugeley, UKG	-	1,900	10,262	-	1,900	10,262
Ruston, LA	-	710	9,790	-	710	9,790
Sacramento, CA	9,762	940	14,781	251	952	15,020
Salem, OR	-	449	5,171	-	449	5,172
Salem, OR	-	440	4,726	71	440	4,796
Salisbury, NC	-	370	5,697	168	370	5,865
San Angelo, TX	-	260	8,800	425	260	9,225
San Angelo, TX	-	1,050	24,689	552	1,050	25,241
San Antonio, TX	-	6,120	28,169	2,281	6,120	30,450
San Antonio, TX	-	-	17,303	-	-	17,303
San Bernardino, CA	-	3,700	14,300	687	3,700	14,987
San Diego, CA	-	-	22,003	1,845	-	23,848
Sanatoga, PA	-	980	30,695	75	980	30,770
Sand Springs, OK	6,431	910	19,654	-	910	19,654
Sarasota, FL	-	475	3,175	-	475	3,175
Sarasota, FL	-	3,360	19,140	-	3,360	19,140
Scranton, PA	-	440	17,609	-	440	17,609
Scranton, PA	-	320	12,144	-	320	12,144
Seattle, WA	7,344	5,190	9,350	564	5,199	9,905
Seattle, WA	27,180	10,670	37,291	894	10,700	38,155
Selbyville, DE	-	750	25,912	360	769	26,253
Seven Fields, PA	-	484	4,663	60	484	4,722
Severna Park, MD[2]	-	2,120	31,273	808	2,120	32,081
Shawnee, OK	-	80	1,400	-	80	1,400
Shelbyville, KY	-	630	3,870	630	630	4,500
Shelton, WA	-	530	17,049	472	530	17,521

Sherman, TX	-	700	5,221	-	700	5,221
Shrewsbury, NJ	-	2,120	38,116	910	2,128	39,018
Silvis, IL	-	880	16,420	139	880	16,559
Sittingbourne, UKJ	-	1,357	6,539	-	1,357	6,539
Smithfield, NC	-	290	5,680	-	290	5,680
Smithfield, NC	-	360	8,216	-	360	8,216
Sonoma, CA	14,278	1,100	18,400	1,700	1,109	20,090
South Bend, IN	-	670	17,770	-	670	17,770
South Boston, MA	-	385	2,002	5,218	385	7,220
Southbury, CT	-	1,860	23,613	958	1,860	24,571
Sparks, NV	-	3,700	46,526	-	3,700	46,526
Springfield, OR	-	1,790	8,865	90	1,790	8,954
Springfield, IL	-	-	10,100	-	768	9,332
Springfield, IL	-	990	13,378	1,084	990	14,462
St. Paul, MN	-	2,100	33,019	78	2,100	33,097
Stafford, UKG	-	-	-	9,909	1,943	7,966
Stamford, UKF	-	1,820	3,238	-	1,820	3,238
Statesville, NC	-	150	1,447	266	150	1,713
Statesville, NC	-	310	6,183	8	310	6,191
Statesville, NC	-	140	3,627	-	140	3,627
Stillwater, OK	-	80	1,400	-	80	1,400
Stockton, CA	2,810	2,280	5,983	397	2,372	6,288
Stratford-upon-Avon, UKG	-	790	14,508	-	790	14,508
Stroudsburg, PA	-	340	16,313	-	340	16,313
Summit, NJ	-	3,080	14,152	-	3,080	14,152
Superior, WI	-	1,020	13,735	6,159	1,020	19,894
Swanton, OH	-	330	6,370	-	330	6,370
Terre Haute, IN	-	1,370	18,016	-	1,370	18,016
Texarkana, TX	-	192	1,403	-	192	1,403
The Villages, FL	-	1,035	7,446	-	1,035	7,446
Tomball, TX	-	1,050	13,300	779	1,050	14,079
Toms River, NJ	-	1,610	34,627	813	1,679	35,371
Tonganoxie, KS	-	310	3,690	69	310	3,759
Topeka, KS	-	260	12,712	-	260	12,712
Towson, MD(2)	-	1,180	13,280	195	1,180	13,475
Troy, OH	-	200	2,000	4,254	200	6,254
Troy, OH	-	470	16,730	-	470	16,730
Trumbull, CT	-	4,440	43,384	-	4,440	43,384
Tucson, AZ	-	1,190	18,318	668	1,190	18,985
Tulsa, OK	-	3,003	6,025	20	3,003	6,045
Tulsa, OK	-	1,390	7,110	517	1,390	7,627
Tulsa, OK	-	1,320	10,087	-	1,320	10,087
Tyler, TX	-	650	5,268	-	650	5,268
Upper Providence, PA	-	-	-	30,095	1,900	28,195
Vacaville, CA	13,392	900	17,100	1,651	900	18,751
Vallejo, CA	13,407	4,000	18,000	2,344	4,030	20,315
Vallejo, CA	7,147	2,330	15,407	310	2,330	15,717
Valparaiso, IN	-	112	2,558	-	112	2,558
Valparaiso, IN	-	108	2,962	-	108	2,962
Vancouver, WA	11,214	1,820	19,042	270	1,821	19,311
Venice, FL	-	1,150	10,674	-	1,150	10,674

Vero Beach, FL	-	263	3,187	-	263	3,187
Vero Beach, FL	-	297	3,263	-	297	3,263
Vero Beach, FL	-	2,930	40,070	15,112	2,930	55,182
Virginia Beach, VA	-	1,540	22,593	-	1,540	22,593
Voorhees, NJ	-	1,800	37,299	657	1,800	37,956
Voorhees, NJ(2)	-	1,900	26,040	894	1,900	26,934
Voorhees, NJ	-	3,100	25,950	21	3,100	25,971
Voorhees, NJ	-	3,700	24,312	1,560	3,847	25,725
Wabash, IN	-	670	14,588	-	670	14,588
Waconia, MN	-	890	14,726	4,495	890	19,221
Wake Forest, NC	-	200	3,003	1,742	200	4,745
Wall, NJ	-	1,650	25,350	2,421	1,692	27,729
Wallingford, CT	-	490	1,210	65	490	1,275
Walsall, UKG	-	1,184	8,562	-	1,184	8,562
Wamego, KS	-	40	2,510	14	40	2,524
Wareham, MA	-	875	10,313	1,701	875	12,014
Warren, NJ	-	2,000	30,810	727	2,000	31,537
Watchung, NJ	-	1,920	24,880	1,030	1,976	25,853
Waukee, IA	-	1,870	31,878	1,075	1,870	32,953
Waxahachie, TX	-	650	5,763	-	650	5,763
Weatherford, TX	-	660	5,261	-	660	5,261
Wellingborough, UKF	-	1,480	5,724	-	1,480	5,724
West Bend, WI	-	620	17,790	38	620	17,828
West Chester, PA	-	1,350	29,237	251	1,350	29,488
West Orange, NJ	-	2,280	10,687	182	2,280	10,869
Westerville, OH	-	740	8,287	3,105	740	11,392
Westfield, IN	-	890	15,964	-	890	15,964
Westfield, NJ(2)	-	2,270	16,589	497	2,270	17,086
Westlake, OH	-	1,330	17,926	-	1,330	17,926
Weston Super Mare, UKK	-	2,517	7,054	-	2,517	7,054
Westworth Village, TX	-	2,060	31,296	-	2,060	31,296
White Lake, MI	-	2,920	20,179	92	2,920	20,271
Wichita, KS	-	1,400	11,000	-	1,400	11,000
Wichita, KS	-	860	8,873	-	860	8,873
Wichita, KS	13,208	629	19,749	-	629	19,752
Wichita, KS	-	260	2,240	81	260	2,321
Wichita, KS	-	-	-	11,034	900	10,134
Wilkes-Barre, PA	-	570	2,301	44	570	2,345
Williamstown, KY	-	70	6,430	-	70	6,430
Wilmington, DE	-	800	9,494	59	800	9,553
Wilmington, NC	-	210	2,991	-	210	2,991
Wilmington, NC	-	400	15,356	-	400	15,356
Windsor, CT	-	2,250	8,539	1,848	2,250	10,387
Windsor, CT	-	1,800	600	944	1,800	1,544
Winston-Salem, NC	-	360	2,514	459	360	2,973
Winter Garden, FL	-	1,350	7,937	-	1,350	7,937
Witherwack, UKC	-	944	6,915	-	944	6,915
Wolverhampton, UKG	-	1,573	6,678	-	1,573	6,678
Worcester, MA	-	3,500	54,099	-	3,500	54,099
Worcester, MA	-	2,300	9,060	5,037	2,300	14,097
Wyncote, PA	-	2,700	22,244	233	2,700	22,477

York, UKE		-	2,961	8,266	-	2,961	8,266	
Youngsville, NC		-	380	10,689	-	380	10,689	
Zionsville, IN		-	1,610	22,400	1,691	1,610	24,091	
Triple-net total	$	594,199$	804,007$	7,794,067$	718,637$	853,984$	8,462,729$	1,31

Welltower Inc.
Schedule III
Real Estate and Accumulated Depreciation
December 31, 2016

(Dollars in thousands)

		Initial Cost to Company			Gross Amount at Which Carried at Cl Period		
Description	Encumbrances	Land	Building & Improvements	Cost Capitalized Subsequent to Acquisition	Land	Building & Improvements	Accumu Deprecia
Seniors housing operating:							
Acton, MA	$ -	$ -	$ 31,346	$ 1,107	$ 14	$ 32,440	$
Agawam, MA	6,334	880	10,044	629	959	10,594	
Albuquerque, NM	-	1,270	20,837	1,543	1,275	22,375	
Alhambra, CA	-	600	6,305	8,987	600	15,292	
Altrincham, UKD	-	4,244	25,187	-	4,244	25,187	
Amherstview, ON	591	473	4,446	236	500	4,654	
Arlington, TX	21,090	1,660	37,395	2,990	1,709	40,336	
Arnprior, ON	412	788	6,283	331	813	6,590	
Atlanta, GA	-	2,100	20,603	749	2,154	21,298	
Austin, TX	-	1,560	21,413	113	1,560	21,526	
Austin, TX	-	4,200	74,850	418	4,200	75,268	
Avon, CT	18,645	1,550	30,571	2,290	1,580	32,831	
Azusa, CA	-	570	3,141	6,941	570	10,082	
Bagshot, UKJ	-	4,960	29,881	-	4,960	29,881	
Banstead, UKJ	-	6,695	55,113	-	6,695	55,113	
Basingstoke, UKJ	-	3,420	18,853	-	3,420	18,853	
Basking Ridge, NJ	-	2,356	37,710	1,000	2,389	38,677	
Bassett, UKJ	-	4,874	32,304	-	4,874	32,304	
Baton Rouge, LA	9,186	790	29,436	367	801	29,792	
Beaconsfield, UKJ	-	5,566	50,952	-	5,566	50,952	
Beaconsfield, QC	-	1,149	17,484	739	1,197	18,175	
Bedford, NH	-	-	-	33,235	2,548	30,687	
Bee Cave, TX	-	1,820	21,084	634	1,820	21,718	
Bellevue, WA	-	2,800	19,004	1,543	2,816	20,531	
Belmont, CA	-	3,000	23,526	1,889	3,000	25,415	
Belmont, CA	-	-	35,300	1,206	-	36,506	
Berkeley, CA	12,663	3,050	32,677	2,058	3,050	34,735	
Bethesda, MD	-	-	45,309	500	3	45,807	
Bethesda, MD	-	-	-	127	-	127	
Bethesda, MD	-	-	-	405	-	405	
Billerica, MA	-	1,619	21,381	657	1,624	22,034	
Birmingham, UKG	-	4	21,321	-	4	21,321	
Birmingham, UKG	-	-	-	14,494	1,480	13,014	
Birmingham, UKG	-	-	-	14,119	2,807	11,313	
Blainville, QC	-	2,077	8,902	399	2,141	9,237	
Bloomfield Hills, MI	-	2,000	35,662	604	2,000	36,266	
Borehamwood, UKH	-	5,367	41,937	-	5,367	41,937	
Bothell, WA	-	1,350	13,439	1,928	1,361	15,357	

Boulder, CO	-	2,994	27,458	1,821	3,014	29,259
Bournemouth, UKK	-	5,527	42,547	-	5,527	42,547
Braintree, MA	20,617	-	41,290	607	56	41,841
Brampton, ON	43,804	10,256	60,021	-	10,256	60,021
Brighton, MA	10,127	2,100	14,616	1,060	2,109	15,667
Brockport, NY	-	1,500	23,496	94	1,500	23,590
Brockville, ON	4,604	484	7,445	338	506	7,761
Brookfield, CT	19,001	2,250	30,180	1,630	2,262	31,799
Broomfield, CO	-	4,140	44,547	10,646	10,054	49,279
Brossard, QC	11,401	5,499	31,854	-	5,499	31,854
Buckingham, UKJ	-	2,979	13,880	-	2,979	13,880
Buffalo Grove, IL	-	2,850	49,129	785	2,850	49,914
Burbank, CA	-	4,940	43,466	1,003	4,940	44,469
Burbank, CA	19,935	3,610	50,817	2,503	3,610	53,320
Burlington, ON	12,810	1,309	19,311	885	1,349	20,156
Burlington, MA	-	2,443	34,354	1,022	2,522	35,298
Burlington, MA	-	2,750	57,488	3,024	2,750	60,512
Calabasas, CA	-	-	6,438	877	-	7,315
Calgary, AB	12,534	2,252	37,415	1,566	2,324	38,909
Calgary, AB	14,376	2,793	41,179	1,565	2,888	42,650
Calgary, AB	11,364	3,122	38,971	1,461	3,229	40,325
Calgary, AB	23,014	3,431	28,983	1,292	3,551	30,155
Calgary, AB	24,579	2,385	36,776	1,348	2,463	38,047
Camberley, UKJ	-	2,654	5,736	16,874	7,217	18,048
Cardiff, UKL	-	3,191	12,566	-	3,191	12,566
Cardiff by the Sea, CA	38,767	5,880	64,711	1,174	5,880	65,885
Carol Stream, IL	-	1,730	55,048	1,420	1,730	56,468
Cary, NC	-	740	45,240	390	740	45,630
Cedar Park, TX	-	1,750	15,664	118	1,750	15,782
Centerville, MA	-	1,300	27,357	1,041	1,324	28,375
Cerritos, CA	-	-	27,494	3,554	-	31,048
Chatham, ON	1,422	1,098	12,462	1,114	1,139	13,536
Chelmsford, MA	-	1,589	26,432	714	1,594	27,141
Chesterfield, MO	-	1,857	48,366	798	1,857	49,164
Chorleywood, UKH	-	5,636	43,191	-	5,636	43,191
Chula Vista, CA	-	2,072	22,163	695	2,128	22,802
Church Crookham, UKJ	-	2,591	14,215	-	2,591	14,215
Cincinnati, OH	-	2,060	109,388	10,021	2,060	119,409
Claremont, CA	-	2,430	9,928	1,100	2,438	11,019
Cohasset, MA	-	2,485	26,147	1,202	2,487	27,347
Colorado Springs, CO	-	800	14,756	1,409	840	16,125
Concord, NH	13,081	720	21,164	702	779	21,807
Coquitlam, BC	10,245	3,047	24,567	1,035	3,142	25,507
Costa Mesa, CA	-	2,050	19,969	1,176	2,050	21,145
Crystal Lake, IL	-	875	12,461	1,040	893	13,483
Dallas, TX	-	1,080	9,655	612	1,080	10,267
Dallas, TX	-	6,330	114,794	637	6,330	115,431
Danvers, MA	9,175	1,120	14,557	910	1,145	15,442
Danvers, MA	-	2,203	28,761	154	2,257	28,860
Davenport, IA	-	1,403	35,893	3,068	1,480	38,884
Decatur, GA	-	-	-	30,456	1,946	28,510

Denver, CO	12,283	1,450	19,389	3,009	1,470	22,379
Denver, CO	-	2,910	35,838	1,002	2,933	36,817
Dix Hills, NY	-	3,808	39,014	1,059	3,809	40,072
Dollard-Des-Ormeaux, QC	-	1,957	14,431	629	2,017	15,000
Dresher, PA	7,103	1,900	10,664	774	1,900	11,438
Dublin, OH	-	1,680	43,423	5,727	1,775	49,055
East Haven, CT	22,079	2,660	35,533	2,234	2,681	37,746
East Meadow, NY	-	69	45,991	848	124	46,783
East Setauket, NY	-	4,920	37,354	1,047	4,975	38,347
Eastbourne, UKJ	-	4,145	33,744	-	4,145	33,744
Edgbaston, UKG	-	-	-	16,689	2,720	13,969
Edgewater, NJ	-	4,561	25,047	1,000	4,564	26,044
Edison, NJ	-	1,892	32,314	1,051	1,896	33,361
Edmonds, WA	10,991	1,650	24,449	541	1,651	24,989
Edmonton, AB	9,222	1,589	29,819	1,176	1,638	30,946
Edmonton, AB	11,914	2,063	37,293	1,587	2,127	38,816
Encinitas, CA	-	1,460	7,721	2,377	1,460	10,098
Encino, CA	-	5,040	46,255	1,195	5,040	47,450
Escondido, CA	-	1,520	24,024	1,300	1,520	25,324
Esher, UKJ	-	5,783	48,361	-	5,783	48,361
Fairfax, VA	-	19	2,678	175	47	2,825
Fairfield, NJ	-	3,120	43,868	934	3,175	44,747
Fareham, UKJ	-	3,408	17,970	-	3,408	17,970
Flossmoor, IL	-	1,292	9,496	1,339	1,339	10,788
Folsom, CA	-	1,490	32,754	11	1,490	32,765
Fort Worth, TX	-	2,080	27,888	3,217	2,085	31,100
Fort Worth, TX	-	1,740	19,799	961	1,740	20,760
Franklin, MA	-	2,430	30,597	2,416	2,442	33,000
Frome, UKK	-	2,720	14,813	-	2,720	14,813
Fullerton, CA	12,537	1,964	19,989	638	1,998	20,593
Gahanna, OH	-	772	11,214	1,209	787	12,408
Gilbert, AZ	16,042	2,160	28,246	472	2,160	28,718
Gilroy, CA	-	760	13,880	24,615	1,575	37,680
Glen Cove, NY	-	4,594	35,236	1,447	4,615	36,662
Glenview, IL	-	2,090	69,288	1,542	2,090	70,830
Golden Valley, MN	19,396	1,520	33,513	827	1,545	34,314
Grimsby, ON	-	636	5,617	259	655	5,857
Grosse Pointe Woods, MI	-	950	13,662	250	950	13,912
Grosse Pointe Woods, MI	-	1,430	31,777	799	1,430	32,576
Guelph, ON	4,313	1,190	7,597	380	1,237	7,930
Guildford, UKJ	-	5,361	56,494	-	5,361	56,494
Gurnee, IL	-	890	27,931	1,005	935	28,891
Hamden, CT	14,857	1,460	24,093	1,296	1,487	25,362
Hampshire, UKJ	-	4,172	26,035	-	4,172	26,035
Haverhill, MA	-	1,720	50,046	831	1,723	50,873
Henderson, NV	-	880	29,809	471	895	30,265
Henderson, NV	5,572	1,190	11,600	499	1,212	12,078
Highland Park, IL	-	2,250	25,313	847	2,259	26,150
Hingham, MA	-	1,440	32,292	64	1,440	32,356
Holbrook, NY	-	3,957	35,337	773	4,016	36,051
Horley, UKJ	-	2,332	12,144	-	2,332	12,144

Houston, TX	-	3,830	55,674	5,115	3,830	60,789
Houston, TX	17,274	1,040	31,965	5,258	1,044	37,218
Houston, TX	-	1,750	15,603	210	1,750	15,813
Houston, TX	-	960	27,598	1,538	960	29,136
Hove, UKJ	-	1,360	6,979	-	1,360	6,979
Huntington Beach, CA	-	3,808	31,172	1,743	3,886	32,838
Irving, TX	-	1,030	6,823	1,421	1,030	8,244
Johns Creek, GA	-	1,580	23,285	362	1,588	23,639
Kanata, ON	-	1,689	28,670	-	1,689	28,670
Kansas City, MO	-	1,820	34,898	4,138	1,845	39,011
Kansas City, MO	5,950	1,930	39,997	3,760	1,963	43,724
Kansas City, MO	-	541	23,962	52	541	24,015
Kelowna, BC	5,802	2,688	13,647	620	2,771	14,184
Kennebunk, ME	-	2,700	30,204	3,199	3,022	33,081
Kingston, ON	4,614	1,030	11,416	549	1,061	11,933
Kingwood, TX	-	480	9,777	1,033	480	10,810
Kirkland, WA	24,600	3,450	38,709	595	3,515	39,239
Kitchener, ON	1,473	640	2,744	161	660	2,885
Kitchener, ON	4,645	1,130	9,939	437	1,167	10,338
Kitchener, ON	3,539	1,093	7,327	372	1,129	7,663
Kitchener, ON	13,146	1,341	13,939	2,419	1,341	16,358
La Palma, CA	-	2,950	16,591	640	2,966	17,216
Lafayette Hill, PA	-	1,750	11,848	1,738	1,867	13,469
Laguna Hills, CA	-	12,820	75,926	10,284	12,820	86,210
Laguna Woods, CA	-	11,280	76,485	7,142	11,280	83,627
Laguna Woods, CA	-	9,150	57,842	5,246	9,150	63,088
Lake Zurich, IL	-	1,470	9,830	2,799	1,470	12,629
Lawrenceville, GA	15,602	1,500	29,003	507	1,508	29,502
Leawood, KS	15,328	2,490	32,493	3,191	5,690	32,484
Lenexa, KS	9,581	826	26,251	599	836	26,841
Leominster, MA	-	944	23,164	534	947	23,695
Lincroft, NJ	-	9	19,958	1,268	9	21,226
Lombard, IL	16,603	2,130	59,943	501	2,130	60,444
London, UKI	-	3,121	10,027	-	3,121	10,027
London, ON	835	987	8,228	473	1,037	8,651
London, ON	6,329	1,969	16,985	1,087	2,029	18,012
London, ON	-	1,445	13,631	570	1,598	14,048
Longueuil, QC	9,905	3,992	23,711	852	4,166	24,388
Los Angeles, CA	-	-	11,430	2,034	-	13,464
Los Angeles, CA	62,843	-	114,438	1,599	-	116,037
Los Angeles, CA	-	3,540	19,007	1,151	3,540	20,158
Los Angeles, CA	-	-	28,050	1,122	-	29,172
Louisville, KY	-	2,420	20,816	1,039	2,420	21,855
Louisville, KY	10,977	1,600	20,326	333	1,600	20,659
Lynnfield, MA	-	3,165	45,200	1,817	3,165	47,016
Malvern, PA	-	1,651	17,194	1,318	1,708	18,454
Mansfield, MA	27,347	3,320	57,011	5,846	3,431	62,747
Maple Ridge, BC	8,781	2,875	11,922	-	2,875	11,922
Marieville, QC	6,762	1,278	12,113	87	1,323	12,155
Markham, ON	39,383	3,727	48,939	1,801	3,848	50,620
Marlboro, NJ	-	2,222	14,888	680	2,222	15,568

Medicine Hat, AB	11,092	1,432	14,141	137	1,476	14,234
Memphis, TN	-	1,800	17,744	1,116	1,800	18,860
Meriden, CT	9,056	1,500	14,874	1,032	1,538	15,868
Metairie, LA	13,013	725	27,708	380	725	28,089
Middletown, CT	14,916	1,430	24,242	1,226	1,439	25,458
Middletown, RI	15,863	2,480	24,628	1,577	2,511	26,174
Milford, CT	11,128	3,210	17,364	1,420	3,213	18,781
Milton, ON	14,760	4,542	25,321	2,068	4,687	27,244
Minnetonka, MN	13,938	2,080	24,360	1,923	2,376	25,987
Minnetonka, MN	15,959	920	29,344	564	920	29,908
Mission Viejo, CA	14,375	6,600	52,118	4,025	6,600	56,143
Mississauga, ON	9,046	1,602	17,996	729	1,651	18,675
Mississauga, ON	3,046	873	4,655	270	900	4,899
Mississauga, ON	19,440	3,649	35,137	1,569	3,778	36,577
Mississauga, ON	6,191	2,548	15,158	842	2,626	15,922
Mobberley, UKD	-	5,146	26,665	-	5,146	26,665
Monterey, CA	-	6,440	29,101	680	6,440	29,781
Montgomery Village, MD	-	3,530	18,246	5,175	3,570	23,381
Moose Jaw, SK	2,507	582	12,973	584	600	13,539
Mystic, CT	11,128	1,400	18,274	860	1,427	19,107
Naperville, IL	-	1,550	12,237	2,227	1,550	14,464
Naperville, IL	-	1,540	28,204	887	1,540	29,091
Naples, FL	57,939	8,989	119,398	2,012	9,068	121,331
Nashua, NH	-	1,264	43,026	492	1,264	43,519
Nashville, TN	-	3,900	35,788	2,004	3,900	37,792
Needham, MA	-	1,240	32,992	1,068	1,240	34,060
Nepean, ON	5,794	1,575	5,770	383	1,638	6,090
Newbury, UKJ	-	-	-	15,646	2,850	12,796
Newburyport, MA	-	1,750	29,187	1,063	1,750	30,250
Newmarket, UKH	-	4,071	11,902	-	4,071	11,902
Newton, MA	26,992	2,250	43,614	992	2,263	44,593
Newton, MA	15,558	2,500	30,681	1,897	2,514	32,564
Newton, MA	-	3,360	25,099	1,508	3,385	26,582
Newtown Square, PA	-	1,930	14,420	669	1,941	15,078
Niagara Falls, ON	6,814	1,225	7,963	380	1,263	8,305
Niantic, CT	-	1,320	25,986	4,266	1,334	30,238
North Andover, MA	21,901	1,960	34,976	1,459	2,019	36,377
North Chelmsford, MA	11,542	880	18,478	839	927	19,271
North Dartmouth, MA	-	1,700	35,337	1,463	1,700	36,800
North Tustin, CA	-	2,880	18,059	562	2,901	18,600
Oak Park, IL	-	1,250	40,383	1,058	1,250	41,441
Oakland, CA	-	3,877	47,508	2,539	3,900	50,024
Oakton, VA	-	2,250	37,576	1,753	2,260	39,319
Oakville, ON	5,890	1,252	7,382	322	1,291	7,666
Oakville, ON	10,145	2,134	29,963	1,310	2,214	31,192
Oakville, ON	5,306	1,271	13,754	674	1,310	14,389
Oceanside, CA	-	2,160	18,352	3,518	2,202	21,829
Okotoks, AB	18,174	714	20,943	716	736	21,636
Oshawa, ON	3,119	841	7,570	363	882	7,892
Ottawa, ON	10,221	1,341	15,425	1,018	1,395	16,388
Ottawa, ON	19,153	3,454	23,309	1,033	3,606	24,190

Ottawa, ON	22,027	4,305	39,106	-	4,305	39,106
Ottawa, ON	6,720	2,103	18,421	2,337	2,176	20,685
Ottawa, ON	12,149	2,963	26,424	2,093	3,054	28,425
Ottawa, ON	10,138	1,561	18,170	848	1,612	18,966
Ottawa, ON	13,924	3,403	31,090	2,159	3,511	33,142
Ottawa, ON	18,783	3,411	28,335	4,221	3,516	32,451
Ottawa, ON	2,991	724	4,710	215	747	4,902
Ottawa, ON	2,180	818	2,165	1,129	702	3,409
Ottawa, ON	10,626	2,809	27,299	1,134	2,899	28,343
Ottawa, ON	4,795	1,156	9,758	439	1,221	10,132
Ottawa, ON	6,246	746	7,800	426	775	8,198
Ottawa, ON	9,389	1,176	12,764	715	1,228	13,427
Overland Park, KS	3,405	1,540	16,269	1,177	1,728	17,258
Palo Alto, CA	16,535	-	39,639	1,937	22	41,554
Paramus, NJ	-	2,840	35,728	1,457	2,851	37,174
Parkland, FL	57,514	4,880	111,481	1,612	4,885	113,088
Peabody, MA	6,235	-	-	19,199	2,250	16,949
Pembroke, ON	-	1,931	9,427	-	1,931	9,427
Pittsburgh, PA	-	1,580	18,017	427	1,587	18,436
Placentia, CA	-	8,480	17,076	1,663	8,480	18,739
Plainview, NY	-	3,066	19,901	597	3,174	20,390
Plano, TX	28,215	3,120	59,950	1,009	3,120	60,959
Plano, TX	-	1,750	15,390	418	1,750	15,808
Playa Vista, CA	-	1,580	40,531	862	1,584	41,389
Plymouth, MA	-	1,444	34,951	625	1,444	35,576
Plymouth, MA	13,742	2,550	35,055	2,004	2,550	37,059
Port Perry, ON	9,723	3,685	26,788	2,405	3,799	29,079
Providence, RI	-	2,655	21,910	-	2,655	21,910
Purley, UKI	-	7,365	35,161	-	7,365	35,161
Queensbury, NY	-	1,260	21,744	655	1,260	22,399
Quincy, MA	-	1,350	12,584	765	1,423	13,276
Rancho Cucamonga, CA	-	1,480	10,055	671	1,539	10,667
Rancho Palos Verdes, CA	-	5,450	60,034	1,681	5,450	61,715
Randolph, NJ	-	1,540	46,934	636	1,540	47,570
Red Deer, AB	12,215	1,247	19,283	740	1,285	19,984
Red Deer, AB	14,375	1,199	22,339	825	1,238	23,125
Redondo Beach, CA	-	-	9,557	821	-	10,378
Regina, SK	6,937	1,485	21,148	790	1,531	21,892
Regina, SK	6,749	1,244	21,036	844	1,287	21,838
Regina, SK	13,241	1,539	24,053	2,709	1,586	26,715
Renton, WA	21,150	3,080	51,824	606	3,103	52,407
Ridgefield, CT	-	3,100	80,614	1,892	3,150	82,456
Riviere-du-Loup, QC	3,258	592	7,601	-	592	7,601
Riviere-du-Loup, QC	9,331	1,454	16,848	2,636	1,585	19,353
Rocky Hill, CT	10,063	810	16,351	682	909	16,934
Romeoville, IL	-	854	12,646	59,857	6,168	67,189
Roseville, MN	-	1,540	35,877	720	1,585	36,553
Roseville, CA	-	3,300	41,652	2,785	3,300	44,437
Roswell, GA	-	2,080	6,486	1,425	2,385	7,606
Sacramento, CA	-	1,300	23,394	961	1,334	24,321
Saint-Lambert, QC	23,342	10,259	61,903	-	10,259	61,903

Salem, NH	20,184	980	32,721	2,031	1,051	34,680
Salinas, CA	-	5,110	41,424	3,996	5,110	45,420
Salisbury, UKK	-	2,720	15,269	-	2,720	15,269
Salt Lake City, UT	-	1,360	19,691	1,766	1,360	21,457
San Diego, CA	-	4,200	30,707	315	4,228	30,995
San Diego, CA	-	5,810	63,078	1,790	5,810	64,868
San Diego, CA	-	3,000	27,164	510	3,000	27,674
San Francisco, CA	-	5,920	91,639	8,480	5,920	100,120
San Francisco, CA	-	11,800	77,214	6,911	11,800	84,125
San Gabriel, CA	-	3,120	15,566	548	3,130	16,103
San Jose, CA	-	2,850	35,098	453	2,856	35,545
San Jose, CA	-	3,280	46,823	1,833	3,280	48,656
San Jose, CA	-	11,900	27,647	2,606	11,900	30,253
San Juan Capistrano, CA	-	1,390	6,942	1,304	1,390	8,246
San Rafael, CA	-	1,620	27,392	1,308	1,620	28,700
San Ramon, CA	-	8,700	72,223	6,220	8,700	78,443
Sandy Springs, GA	-	2,214	8,360	552	2,220	8,905
Santa Maria, CA	-	6,050	50,658	2,450	6,089	53,069
Santa Monica, CA	19,551	5,250	28,340	767	5,263	29,094
Santa Rosa, CA	-	2,250	26,273	1,634	2,250	27,907
Saskatoon, SK	4,280	981	13,905	639	1,011	14,514
Saskatoon, SK	10,080	1,382	17,609	714	1,425	18,280
Schaumburg, IL	-	2,460	22,863	980	2,479	23,824
Scottsdale, AZ	-	2,500	3,890	1,507	2,500	5,397
Seal Beach, CA	-	6,204	72,954	1,232	6,229	74,161
Seattle, WA	48,540	6,790	85,369	2,103	6,825	87,437
Seattle, WA	10,539	1,150	19,887	1,002	1,150	20,889
Sevenoaks, UKJ	-	6,181	40,240	-	6,181	40,240
Severna Park, MD	-	-	67,623	4,391	-	72,015
Shelburne, VT	19,178	720	31,041	1,833	772	32,821
Shelby Township, MI	16,207	1,040	26,344	486	1,093	26,777
Shrewsbury, MA	-	950	26,824	924	950	27,747
Sidcup, UKI	-	7,446	56,570	-	7,446	56,570
Simi Valley, CA	-	3,200	16,664	580	3,217	17,227
Simi Valley, CA	-	5,510	51,406	4,123	5,510	55,529
Solihull, UKG	-	5,070	43,297	-	5,070	43,297
Solihull, UKG	-	3,571	26,053	-	3,571	26,053
Solihull, UKG	-	-	-	12,436	1,851	10,585
Sonning, UKJ	-	5,644	42,155	-	5,644	42,155
Sonoma, CA	-	2,820	21,890	1,352	2,820	23,241
South Windsor, CT	-	3,000	29,295	2,630	3,099	31,826
Spokane, WA	-	3,200	25,064	558	3,271	25,551
Spokane, WA	-	2,580	25,342	306	2,639	25,589
St. Albert, AB	8,616	1,145	17,863	851	1,180	18,679
St. John's, NL	6,063	706	11,765	-	706	11,765
Stittsville, ON	4,732	1,175	17,397	748	1,211	18,109
Stockport, UKD	-	4,369	25,018	-	4,369	25,018
Studio City, CA	-	4,006	25,307	807	4,040	26,080
Sugar Land, TX	-	960	31,423	1,535	960	32,958
Sun City, FL	21,636	6,521	48,476	1,244	6,560	49,680
Sun City, FL	24,378	5,040	50,923	1,383	5,066	52,280

Sun City West, AZ	12,026	1,250	21,778	1,030	1,271	22,787
Sunnyvale, CA	-	5,420	41,682	1,564	5,420	43,246
Surrey, BC	7,047	3,605	18,818	795	3,716	19,503
Surrey, BC	16,391	4,552	22,338	1,380	4,692	23,578
Sutton, UKI	-	-	-	18,628	4,096	14,532
Suwanee, GA	-	1,560	11,538	742	1,560	12,280
Sway, UKJ	-	4,145	15,508	-	4,145	15,508
Swift Current, SK	2,248	492	10,119	381	507	10,485
Tacoma, WA	18,080	2,400	35,053	413	2,457	35,408
Tacoma, WA	-	1,535	6,068	39	1,535	6,107
Tacoma, WA	-	4,170	73,377	7,687	4,170	81,064
Tampa, FL	69,330	4,910	114,148	1,699	4,950	115,807
Tewksbury, MA	-	2,350	24,118	1,779	2,350	25,897
The Woodlands, TX	-	480	12,379	787	480	13,166
Toledo, OH	-	2,040	47,129	3,125	2,144	50,150
Toronto, ON	17,354	2,927	20,713	1,203	3,017	21,826
Toronto, ON	9,601	5,082	25,493	1,298	5,243	26,629
Toronto, ON	13,336	2,040	19,822	-	2,040	19,822
Toronto, ON	22,989	5,132	41,657	3,422	5,290	44,921
Toronto, ON	4,335	2,480	7,571	508	2,556	8,003
Toronto, ON	1,445	1,079	5,364	257	1,112	5,588
Toronto, ON	8,351	2,513	19,695	897	2,602	20,504
Toronto, ON	18,699	3,400	32,757	1,483	3,509	34,131
Toronto, ON	1,027	1,361	2,915	233	1,405	3,104
Toronto, ON	1,700	1,447	3,918	264	1,491	4,137
Toronto, ON	32,956	5,304	53,488	2,399	5,467	55,725
Trumbull, CT	23,795	2,850	37,685	1,395	2,927	39,004
Tucson, AZ	4,528	830	6,179	3,645	905	9,749
Tulsa, OK	-	1,330	21,285	3,318	1,350	24,583
Tulsa, OK	-	1,500	20,861	2,912	1,551	23,722
Tustin, CA	-	840	15,299	577	840	15,876
Upland, CA	-	3,160	42,596	3	3,160	42,600
Upper St Claire, PA	-	1,102	13,455	614	1,102	14,069
Vancouver, BC	14,862	24,122	42,675	2,620	37,543	31,874
Vankleek Hill, ON	994	389	2,960	215	401	3,164
Vaudreuil, QC	8,348	1,852	14,214	-	1,852	14,214
Venice, FL	64,425	6,820	100,501	1,225	6,832	101,714
Victoria, BC	7,502	2,856	18,038	745	2,944	18,695
Victoria, BC	6,916	3,681	15,774	717	3,795	16,377
Victoria, BC	7,756	2,476	15,379	980	2,554	16,281
Virginia Water, UKJ	-	7,106	29,937	314	5,419	31,938
Walnut Creek, CA	-	3,700	12,467	1,397	3,794	13,770
Walnut Creek, CA	-	10,320	100,890	9,225	10,320	110,115
Waltham, MA	-	2,462	40,062	1,115	2,486	41,153
Warwick, RI	15,390	2,400	24,635	1,420	2,407	26,048
Washington, DC	31,489	4,000	69,154	909	4,002	70,061
Waterbury, CT	23,854	2,460	39,547	2,511	2,495	42,023
Wayland, MA	-	1,207	27,462	1,163	1,307	28,525
Welland, ON	6,637	983	7,530	-	983	7,530
Wellesley, MA	-	4,690	77,462	111	4,690	77,573
West Babylon, NY	-	3,960	47,085	912	3,960	47,997

West Bloomfield, MI	-	1,040	12,300	564	1,060	12,844	
West Hills, CA	-	2,600	7,521	477	2,610	7,988	
West Vancouver, BC	19,151	7,059	28,155	1,578	7,276	29,516	
Westbourne, UKK	-	5,441	41,420	-	5,441	41,420	
Westford, MA	-	1,440	32,607	67	1,440	32,674	
Weston, MA	-	1,160	6,200	812	1,160	7,012	
Weybridge, UKJ	-	7,899	48,240	-	7,899	48,240	
Weymouth, UKK	-	2,591	16,551	-	2,591	16,551	
White Oak, MD	-	2,304	24,768	1,417	2,316	26,173	
Wilbraham, MA	10,773	660	17,639	835	685	18,449	
Wilmington, DE	-	1,040	23,338	691	1,129	23,940	
Winchester, UKJ	-	6,009	29,405	-	6,009	29,405	
Winnipeg, MB	13,116	1,960	38,612	1,973	2,024	40,521	
Winnipeg, MB	16,190	1,276	21,732	894	1,315	22,586	
Winnipeg, MB	13,111	1,317	15,609	1,631	1,357	17,200	
Wolverhampton, UKG	-	2,941	8,922	-	2,941	8,922	
Woodbridge, CT	-	1,370	14,219	1,180	1,426	15,343	
Woodland Hills, CA	-	3,400	20,478	742	3,436	21,183	
Worcester, MA	13,496	1,140	21,664	993	1,156	22,640	
Yarmouth, ME	16,811	450	27,711	1,185	470	28,876	
Yonkers, NY	-	3,962	50,107	1,341	3,967	51,443	
Yorkton, SK	3,384	467	8,762	355	476	9,102	
Seniors housing operating total	$ 2,400,836	$ 1,085,554	$ 11,775,094	$ 807,677	$ 1,151,566	$ 12,516,758	$ 1,79

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Welltower Inc.
Schedule III
Real Estate and Accumulated Depreciation
December 31, 2016

(Dollars in thousands)

		Initial Cost to Company			Gross Amount at Which Carried at Close of Period			
Description	Encumbrances	Land	Building & Improvements	Cost Capitalized Subsequent to Acquisition	Land	Building & Improvements	Accumulated Depreciation[1]	A
Outpatient medical:								
Akron, OH	$ -	$ 821	$ 12,105	$ -	$ 821	$ 12,105	$ 2,050	
Allen, TX	-	726	14,196	412	726	14,607	3,626	
Alpharetta, GA	-	476	14,757	31	476	14,789	3,798	
Alpharetta, GA	-	1,862	-	-	1,862	-	-	
Alpharetta, GA	-	548	17,103	205	548	17,308	5,331	
Alpharetta, GA	-	773	18,902	522	773	19,424	4,755	
Alpharetta, GA	-	1,769	36,152	594	1,769	36,745	10,190	
Arcadia, CA	-	5,408	23,219	3,343	5,618	26,352	8,913	
Arlington, TX	-	82	18,243	295	82	18,537	1,941	
Atlanta, GA	-	4,931	18,720	6,650	5,301	25,000	9,325	
Atlanta, GA	-	1,947	24,248	1,687	1,947	25,934	5,558	
Atlanta, GA	25,347	-	43,425	611	-	44,036	10,358	
Bardstown, KY	1,928	-	-	8,238	274	7,964	561	
Bartlett, TN	-	187	15,015	1,889	187	16,904	5,734	
Bel Air, MD	-	-	-	24,708	-	24,708	464	
Bellevue, NE	-	-	16,680	-	-	16,680	4,032	
Bettendorf, IA	-	-	7,110	73	-	7,183	389	
Beverly Hills, CA	-	20,766	40,730	124	20,766	40,854	2,755	
Beverly Hills, CA	-	18,863	1,192	-	18,863	1,192	332	
Beverly Hills, CA	-	19,863	31,690	156	19,863	31,846	2,334	
Beverly Hills, CA	33,729	32,603	28,639	2	32,603	28,642	2,918	
Beverly Hills, CA	78,271	52,772	87,192	-	52,772	87,192	5,720	
Birmingham, AL	-	52	10,201	503	52	10,704	3,496	
Birmingham, AL	-	124	11,733	1,235	124	12,967	4,127	
Birmingham, AL	-	476	18,726	1,881	476	20,607	6,776	
Boardman, OH	-	80	12,161	10	80	12,170	3,768	
Boca Raton, FL	-	31	12,312	88	50	12,381	2,548	
Boca Raton, FL	-	109	34,002	2,588	214	36,485	12,111	
Boerne, TX	-	50	13,120	-	50	13,120	3,067	
Boynton Beach, FL	-	2,048	7,692	588	2,048	8,280	3,253	
Boynton Beach, FL	-	2,048	7,403	1,261	2,048	8,664	3,324	
Boynton Beach, FL	-	214	5,611	8,279	270	13,834	4,708	
Boynton Beach, FL	25,399	13,324	40,369	2,175	13,963	41,905	7,314	
Bradenton, FL	-	1,184	9,799	30	1,184	9,829	1,037	
Bradenton, FL	-	1,035	4,298	-	1,035	4,298	498	
Bridgeton, MO	-	450	21,084	-	450	21,084	5,382	
Buckhurst Hill, UKH	-	11,597	49,243	-	11,597	49,243	2,263	
Burleson, TX	-	10	12,611	401	10	13,012	3,068	

Burnsville, MN	-	-	31,596	391	-	31,987	4,373
Carmel, IN	-	2,280	19,238	425	2,280	19,663	6,292
Carmel, IN	-	2,026	21,559	26	2,026	21,586	7,140
Castle Rock, CO	-	80	13,004	571	79	13,576	1,679
Cedar Grove, WI	-	113	618	-	113	618	154
Charleston, SC	-	2,773	25,928	53	2,815	25,939	2,900
Cincinnati, OH	-	-	17,880	135	-	18,015	2,151
Claremore, OK	-	132	12,829	811	132	13,640	4,900
Clarkson Valley, MO	-	-	35,592	-	-	35,592	9,599
Clear Lake, TX	-	-	13,882	-	-	13,882	810
Columbia, MD	-	2,333	19,232	12	2,333	19,243	3,412
Columbia, MD	-	23	33,885	-	23	33,885	1,039
Coon Rapids, MN	-	-	26,679	1,106	-	27,785	3,124
Cypress, TX	-	1,287	-	-	1,287	-	-
Cypress, TX	-	2,985	-	-	2,985	-	-
Dade City, FL	-	1,211	5,511	-	1,211	5,511	1,078
Dallas, TX	-	-	-	15,541	122	15,419	421
Dallas, TX	-	137	28,690	3,395	137	32,085	11,242
Dallas, TX	-	462	52,488	36	462	52,524	8,297
Dayton, OH	-	730	6,919	85	730	7,005	2,165
Deerfield Beach, FL	-	2,408	7,809	137	2,540	7,814	2,872
Delray Beach, FL	-	1,882	34,767	6,015	2,152	40,512	15,966
Durham, NC	-	1,212	22,858	1	1,212	22,859	2,375
Edina, MN	-	310	15,132	263	310	15,395	3,791
El Paso, TX	-	677	17,075	2,132	677	19,208	7,613
Everett, WA	-	4,842	26,010	-	4,842	26,010	5,637
Fenton, MO	11,258	958	27,485	329	958	27,814	4,826
Fenton, MO	5,345	369	13,911	49	369	13,961	1,666
Flower Mound, TX	-	737	9,654	71	737	9,724	807
Flower Mound, TX	-	4,164	27,529	80	4,164	27,609	2,525
Flower Mound, TX	-	4,620	-	-	4,620	-	-
Fort Wayne, IN	-	1,105	22,836	-	1,105	22,836	3,707
Fort Worth, TX	-	462	26,020	218	462	26,238	2,785
Fort Worth, TX	-	401	6,099	-	401	6,099	639
Franklin, TN	-	2,338	12,138	2,449	2,338	14,587	4,973
Franklin, WI	4,445	6,872	7,550	-	6,872	7,550	1,976
Frisco, TX	-	-	18,635	1,443	-	20,078	6,460
Frisco, TX	-	-	15,309	2,314	-	17,623	6,401
Gallatin, TN	-	20	21,801	533	20	22,334	6,053
Gig Harbor, WA	-	-	-	30,890	80	30,810	1,481
Glendale, CA	-	37	18,398	1,207	37	19,605	5,747
Grand Prairie, TX	-	981	6,086	-	981	6,086	1,490
Grapevine, TX	-	-	5,943	4,778	2,081	8,640	802
Grapevine, TX	-	3,365	15,669	-	3,365	15,669	2,170
Green Bay, WI	6,053	-	14,891	-	-	14,891	3,442
Green Bay, WI	-	-	20,098	-	-	20,098	4,557
Green Bay, WI	-	-	11,696	-	-	11,696	3,683
Greeneville, TN	-	970	10,104	73	970	10,178	2,894
Greenwood, IN	-	8,316	26,384	-	8,316	26,384	4,763
Greenwood, IN	-	1,262	7,045	645	1,262	7,691	863
Grenwood, IN	-	2,098	21,538	1	2,098	21,538	1,761

Harker Heights, TX	-	1,907	3,575	-	1,907	3,575	387
High Point, NC	-	2,659	29,069	163	2,659	29,232	4,463
Highland, IL	-	-	8,834	-	-	8,834	999
Houston, TX	-	-	-	10,403	10,403	-	3
Houston, TX	-	5,837	33,128	9	5,837	33,137	8,093
Houston, TX	-	3,102	32,323	910	3,242	33,094	3,999
Houston, TX	-	378	31,206	-	378	31,206	6,893
Houston, TX	-	91	10,613	1,217	91	11,830	3,098
Houston, TX	-	3,688	13,313	91	3,688	13,405	2,374
Houston, TX	-	-	-	80,886	12,815	68,072	9,242
Hudson, OH	-	2,587	13,720	396	2,587	14,116	3,403
Humble, TX	-	-	9,941	-	-	9,941	539
Jackson, MI	-	607	17,367	83	668	17,389	2,917
Jupiter, FL	-	2,252	11,415	2,903	2,608	13,962	4,344
Jupiter, FL	-	2,825	5,858	884	3,005	6,562	2,579
Kenosha, WI	6,110	-	18,058	-	-	18,058	4,086
Killeen, TX	-	760	22,878	76	760	22,954	6,000
Kyle, TX	-	2,569	14,384	372	2,569	14,756	1,676
La Jolla, CA	-	12,855	32,229	-	12,855	32,229	2,871
La Jolla, CA	-	9,425	26,571	-	9,425	26,571	1,665
La Quinta, CA	-	3,266	22,066	180	3,279	22,234	2,727
Lake St Louis, MO	-	240	14,249	106	240	14,355	3,919
Lakeway, TX	-	-	-	2,801	2,801	-	-
Lakewood, CA	-	146	14,885	1,957	146	16,842	5,315
Lakewood, WA	-	72	16,017	658	72	16,675	2,561
Las Vegas, NV	-	-	-	6,127	6,127	-	-
Las Vegas, NV	-	2,319	4,612	1,021	2,319	5,632	2,254
Las Vegas, NV	-	74	15,287	1,259	74	16,546	5,430
Las Vegas, NV	-	433	6,921	212	433	7,133	2,763
Lenexa, KS	-	540	17,926	302	540	18,228	3,995
Lenexa, KS	-	100	13,723	-	100	13,723	969
Lincoln, NE	-	1,420	29,723	153	1,420	29,876	8,758
London, UKI	-	17,395	152,642	-	17,395	152,642	7,015
London, UKI	-	3,948	27,188	-	3,948	27,188	1,250
London, UKI	-	5,058	11,174	-	5,058	11,174	514
Los Alamitos, CA	-	39	18,635	1,087	39	19,722	6,191
Los Gatos, CA	-	488	22,386	1,761	488	24,147	9,201
Loxahatchee, FL	-	1,637	5,048	1,024	1,719	5,990	2,272
Loxahatchee, FL	-	1,340	6,509	761	1,440	7,170	2,582
Loxahatchee, FL	-	1,553	4,694	1,121	1,650	5,719	2,083
Marietta, GA	-	2,682	20,053	-	2,682	20,053	-
Marinette, WI	5,455	-	13,538	-	-	13,538	3,685
Melbourne, FL	-	3,439	50,461	318	3,439	50,779	5,089
Menasha, WI	-	1,374	13,861	3,119	1,374	16,980	650
Merced, CA	-	-	14,585	-	-	14,585	3,858
Merriam, KS	-	176	8,005	133	176	8,138	2,592
Merriam, KS	-	-	1,996	2,166	81	4,081	1,347
Merriam, KS	-	-	10,222	4,283	358	14,146	4,293
Merriam, KS	-	-	5,862	3,132	182	8,811	2,655
Merriam, KS	-	1,226	24,998	62	1,257	25,029	3,699
Merrillville, IN	-	-	22,134	689	-	22,823	5,749

Mesa, AZ	-	1,558	9,561	653	1,558	10,214	3,928
Mesquite, TX	-	496	3,834	-	496	3,834	699
Milwaukee, WI	3,658	540	8,457	-	540	8,457	2,069
Milwaukee, WI	8,062	1,425	11,520	-	1,425	11,520	3,676
Milwaukee, WI	2,016	922	2,185	-	922	2,185	871
Milwaukee, WI	15,896	-	44,535	-	-	44,535	9,857
Mission Hills, CA	24,796	-	42,276	2,080	4,791	39,565	4,793
Missouri City, TX	-	-	-	8,883	1,360	7,523	63
Moline, IL	-	-	8,783	29	-	8,812	715
Monticello, MN	8,021	61	18,489	48	61	18,537	2,651
Moorestown, NJ	-	6	50,896	6	6	50,902	8,377
Mount Juliet, TN	2,479	1,566	11,697	1,173	1,566	12,870	4,749
Mount Vernon, IL	-	-	24,892	-	-	24,892	4,238
Murrieta, CA	-	3,800	-	-	3,800	-	-
Murrieta, CA	-	-	47,190	46	-	47,236	13,323
Muskego, WI	970	964	2,159	-	964	2,159	488
Nashville, TN	-	1,806	7,165	3,120	1,806	10,285	3,787
New Albany, IN	-	2,411	16,494	30	2,411	16,524	1,656
New Berlin, WI	3,738	3,739	8,290	-	3,739	8,290	2,035
Niagara Falls, NY	-	1,433	10,891	448	1,731	11,042	4,807
Niagara Falls, NY	-	454	8,362	322	454	8,683	2,662
Oklahoma City, OK	-	216	19,135	280	216	19,415	3,515
Oro Valley, AZ	-	89	18,339	856	89	19,195	6,000
Oshkosh, WI	-	-	18,339	-	-	18,339	4,117
Oshkosh, WI	6,749	-	15,881	-	-	15,881	3,528
Palmer, AK	-	217	29,705	1,362	217	31,067	9,424
Pasadena, TX	-	1,700	8,009	-	1,700	8,009	702
Pearland, TX	-	1,500	11,253	-	1,500	11,253	894
Pearland, TX	-	9,594	32,753	191	9,807	32,731	2,569
Pendleton, OR	-	-	10,312	6	-	10,318	812
Phoenix, AZ	-	1,149	48,018	11,308	1,149	59,327	20,711
Pineville, NC	-	961	6,974	2,463	1,077	9,321	3,747
Plano, TX	-	5,423	20,698	57	5,423	20,755	10,292
Plano, TX	51,686	793	83,209	989	793	84,198	16,056
Plantation, FL	-	8,563	10,666	3,475	8,575	14,130	6,384
Plantation, FL	-	8,848	9,262	640	8,908	9,842	6,207
Plymouth, WI	1,131	1,250	1,870	-	1,250	1,870	515
Portland, ME	-	655	25,930	13	655	25,943	6,128
Redmond, WA	-	5,015	26,709	284	5,015	26,993	6,187
Reno, NV	-	1,117	21,972	2,070	1,117	24,042	7,907
Richmond, TX	-	-	-	11,118	2,000	9,118	171
Richmond, VA	-	2,969	26,697	60	3,004	26,722	5,926
Rockwall, TX	-	132	17,197	522	132	17,719	3,516
Rogers, AR	-	1,062	29,277	-	1,062	29,277	7,493
Rolla, MO	-	1,931	47,639	-	1,931	47,639	9,312
Roswell, NM	-	183	5,851	-	183	5,851	1,368
Roswell, NM	-	883	15,984	30	883	16,014	3,346
Roswell, NM	-	762	17,171	1	762	17,171	2,916
Sacramento, CA	-	866	12,756	1,834	869	14,587	5,092
Salem, NH	-	1,655	14,050	20	1,655	14,070	1,716
San Antonio, TX	-	1,012	10,178	-	1,012	10,178	4,177

San Antonio, TX	-	1,038	9,173	1,777	1,038	10,950	4,777
San Antonio, TX	-	4,518	31,041	2,610	4,548	33,621	7,824
San Antonio, TX	-	900	17,288	473	900	17,761	2,700
Santa Clarita, CA	-	-	2,338	19,914	5,196	17,056	1,932
Santa Clarita, CA	-	-	28,384	1,926	5,250	25,060	2,736
Santa Clarita, CA	-	278	185	11,595	11,872	185	95
Santa Clarita, CA	25,000	295	40,257	-	295	40,257	2,745
Santa Clarita, CA	-	-	20,618	375	4,407	16,586	1,957
Sarasota, FL	-	62	47,325	1,964	62	49,290	9,088
Seattle, WA	-	4,410	38,428	392	4,410	38,820	11,598
Sewell, NJ	-	60	57,929	294	74	58,209	18,809
Shakopee, MN	6,132	508	11,412	275	509	11,687	3,201
Shakopee, MN	10,363	707	18,089	66	773	18,089	3,781
Sheboygan, WI	1,563	1,012	2,216	-	1,012	2,216	616
Shenandoah, TX	-	-	21,135	-	-	21,135	1,057
Sherman Oaks, CA	-	-	32,186	2,423	3,121	31,488	3,439
Somerville, NJ	-	3,400	22,244	2	3,400	22,246	4,681
Southlake, TX	-	3,000	-	-	3,000	-	-
Southlake, TX	-	592	18,243	338	592	18,581	3,616
Southlake, TX	17,534	698	30,549	3,840	698	34,389	5,370
Springfield, IL	-	-	-	11,919	1,568	10,351	459
Springfield, IL	-	-	-	3,728	177	3,551	161
St Paul, MN	-	49	37,695	330	49	38,025	2,691
St. Louis, MO	-	336	17,247	1,501	336	18,748	6,141
St. Paul, MN	-	2,706	39,507	11	2,701	39,523	9,139
Stamford, CT	-	-	-	41,153	-	41,153	-
Suffern, NY	-	653	37,255	200	696	37,412	8,423
Suffolk, VA	-	1,566	11,511	25	1,566	11,537	3,829
Sugar Land, TX	8,076	3,543	15,532	-	3,543	15,532	3,526
Summit, WI	-	2,899	87,416	-	2,899	87,416	26,616
Tacoma, WA	-	-	64,307	-	-	64,307	11,469
Tallahassee, FL	-	-	17,449	-	-	17,449	4,335
Tampa, FL	-	4,319	12,234	-	4,319	12,234	2,047
Temple, TX	-	2,900	9,954	26	2,900	9,980	1,122
Tucson, AZ	-	1,302	4,925	847	1,325	5,749	2,429
Tustin, CA	-	3,345	541	-	3,345	541	193
Tustin, CA	-	3,361	12,039	1,374	3,361	13,413	1,294
Van Nuys, CA	-	-	36,187	-	-	36,187	7,655
Voorhees, NJ	-	6,404	24,251	1,474	6,477	25,651	8,389
Voorhees, NJ	-	6	96,075	77	6	96,152	17,750
Waxahachie, TX	-	-	18,784	-	-	18,784	40
Wellington, FL	-	107	16,933	2,639	316	19,364	5,685
Wellington, FL	-	388	13,697	1,572	580	15,077	4,256
West Allis, WI	2,869	1,104	3,303	-	1,106	3,301	1,100
West Seneca, NY	-	917	22,435	3,531	1,665	25,218	8,459
Zephyrhills, FL	-	3,875	27,270	-	3,875	27,270	4,992
Outpatient medical total:	$ 404,079	$ 505,698	$ 4,548,662	$ 450,707	$ 585,521	$ 4,919,550	$ 984,766

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Assets held for sale:											
Akron, OH	$	-$	630$	7,535$	-$	-$	6,212$	-	2006	1915	209 Merriman Road
Akron, OH		-	290	8,219	-	-	6,260	-	2005	1961	721 Hickory St.
Alliance, OH		-	270	7,723	-	-	5,764	-	2006	1982	1785 Freshley Ave.
Aventura, FL		-	4,540	33,986	-	-	35,599	-	2012	2001	2777 NE 183rd Street
Baltic, OH		-	50	8,709	-	-	6,339	-	2006	1983	130 Buena Vista St.
Bellingham, MA		-	9,270	-	-	-	1,372	-	2007	1900	Maple Street and High Street
Boca Raton, FL		-	1,440	31,048	-	-	30,214	-	2012	1989	1080 Northwest 15th Street
Boonville, IN		-	190	5,510	-	-	3,492	-	2002	2000	1325 N. Rockport Rd.
Chicago, IL		-	1,800	19,256	-	-	18,878	-	2012	2005	6700 South Keating Avenue
Chicago, IL		-	2,900	17,016	-	-	17,840	-	2012	2007	4239 North Oak Park Avenue
Columbus, OH		-	530	5,170	4,434	-	10,134	-	2005	1968	1425 Yorkland Rd.
Columbus, OH		-	1,010	5,022	-	-	4,386	-	2006	1983	1850 Crown Park Ct.
Columbus, OH		-	1,010	4,931	8,418	-	14,359	-	2006	1978	5700 Karl Rd.
Columbus, IN		-	530	6,710	-	-	4,703	-	2002	2001	2011 Chapa Dr.
Columbus, OH		-	-	-	7,023	-	7,023	-	2012	1994	750 Mt. Carmel Mall
Conyers, GA		-	2,740	19,302	-	-	20,186	-	2012	1998	1504 Renaissance Drive
Cortland, NY		-	700	18,041	-	-	16,935	-	2012	2001	839 Bennie Road
El Paso, TX		-	1,420	12,394	-	-	13,347	-	2014	1999	435 S Mesa Hills Drive
Fayetteville, GA		-	560	12,665	-	-	12,165	-	2012	1994	1967 Highway 54 West
Fredericksburg, VA		-	3,700	22,016	-	-	23,684	-	2012	1992	12100 Chancellors Village
Germantown, TN		-	3,049	12,456	-	-	12,202	-	2006	2002	1325 Wolf Park Drive
Greendale, WI		-	2,060	35,383	-	-	33,762	-	2012	1988	5700 Mockingbird Lane
Hanover, IN		-	210	4,430	-	-	3,025	-	2004	2000	188 Thornton Rd
Hattiesburg, MS		-	-	-	11,863	-	11,863	-	2010	2009	217 Methodist Hospital Blvd
Hemet, CA		-	1,890	28,606	-	-	22,635	-	2010	1989	1001 N. Lyon Ave
Hemet, CA		-	430	9,630	-	-	8,993	-	2010	1988	1001 N. Lyon Ave
Hermitage, TN		-	-	-	10,121	-	10,121	-	2011	2006	4131 Andrew Jackson Parkway
Hollywood, FL		-	1,240	13,806	-	-	14,106	-	2012	2001	3880 South Circle Drive
Houston, TX		-	5,090	9,471	-	-	8,503	-	2007	2009	15015 Cypress Woods Medical Dr
Huron, OH		-	160	6,088	-	-	5,566	-	2005	1983	1920 Cleveland Rd. W.
Jackson, NJ		-	6,500	26,405	-	-	32,201	-	2012	2001	2 Kathleen Drive
Jacksonville Beach, FL		-	1,210	26,207	-	-	25,088	-	2012	1999	1700 The Greens Way
Jefferson, OH		-	80	9,120	-	-	6,402	-	2006	1984	222 Beech St.
Jupiter, FL		-	3,100	47,453	-	-	46,458	-	2012	2002	110 Mangrove Bay Way
Kennesaw, GA		-	940	10,848	-	-	10,943	-	2012	1998	5235 Stilesboro Road
Kennewick, WA		-	1,820	27,991	-	-	23,390	-	2010	1994	2802 W 35th Ave
Lake Barrington, IL		-	3,400	66,179	-	-	63,190	-	2012	2000	22320 Classic Court
Lancaster, NH		-	160	434	-	-	493	-	2011	1905	63 Country Village Road
Lexington, KY		-	1,980	21,258	-	-	21,928	-	2014	2013	2531 Old Rosebud Road
Loganville, GA		-	1,430	22,912	-	-	22,257	-	2012	1997	690 Tommy Lee Fuller Drive
Marietta, GA		-	1,270	10,519	-	-	11,054	-	2012	1997	3039 Sandy Plains Road
Monclova, OH		-	1,750	11,868	-	-	12,230	-	2011	2013	6935 Monclova Road
Monroe, WA		-	2,560	34,460	-	-	29,936	-	2010	1994	15465 179th Ave. SE
Morrow, GA		-	818	8,064	-	-	5,913	-	2007	1990	6635 Lake Drive
Naples, FL		-	1,716	17,306	-	-	4,055	-	1997	1999	1710 S.W. Health Pkwy.

Olympia, WA	-	550	16,689	-	-	13,830	-	2010	1995	616 Lilly Rd. NE
Orange Village, OH	-	610	7,419	-	-	6,096	-	2007	1985	3755 Orange Place
Palm Springs, FL	-	739	4,066	-	-	2,061	-	2006	1993	1640 S. Congress Ave.
Palm Springs, FL	-	1,182	7,765	-	-	3,062	-	2006	1997	1630 S. Congress Ave.
Panama City Beach, FL	-	-	-	6,367	-	6,367	-	2011	2005	6012 Magnolia Beach Road
Plano, TX	4,032	840	8,538	-	-	2,499	-	2011	1996	5521 Village Creek Dr
San Ramon, CA	-	2,430	17,488	-	-	16,188	-	2010	1989	18888 Bollinger Canyon Rd
Sarasota, FL	-	950	8,825	-	-	9,314	-	2012	1998	3221 Fruitville Road
Sarasota, FL	-	1,120	12,489	-	-	12,360	-	2012	1999	2290 Cattlemen Road
Sarasota, FL	-	880	9,854	-	-	9,998	-	2012	1990	3749 Sarasota Square Boulevard
Seattle, WA	-	3,420	15,555	-	-	15,455	-	2010	2000	2326 California Ave SW
Seattle, WA	-	2,630	10,257	-	-	10,996	-	2010	2003	4611 35th Ave SW
St. Louis, MO	-	-	-	12,522	-	12,522	-	2010	1963	6543 Chippewa St
Stanwood, WA	-	2,260	28,474	-	-	24,648	-	2010	1998	7212 265th St NW
Thomasville, GA	-	-	-	11,378	-	11,378	-	2011	2006	423 Covington Avenue
Uhrichsville, OH	-	24	6,716	-	-	4,763	-	2006	1977	5166 Spanson Drive S.E.
Victoria, BC	-	2,674	14,218	-	-	13,876	-	2012	2002	2638 Ross Lane
Webster, NY	-	800	8,968	-	-	8,847	-	2012	2001	100 Kidd Castle Way
Webster, NY	-	1,300	21,127	-	-	20,295	-	2012	2001	200 Kidd Castle Way
Webster Groves, MO	-	1,790	15,425	-	-	15,642	-	2011	2012	45 E Lockwood Avenue
West Chester, PA	-	3,290	42,258	-	-	41,176	-	2012	2000	1615 East Boot Road
West Chester, PA	-	600	11,894	-	-	11,065	-	2012	2002	1615 East Boot Road
West Worthington, OH	-	510	5,090	-	-	4,046	-	2006	1980	111 Lazelle Rd., E.
Whittier, CA	-	4,470	22,151	-	-	20,590	-	2010	1988	13250 E Philadelphia St
Wichita Falls, TX	-	1,070	26,167	-	-	25,898	-	2014	1998	3908 Kell W Boulevard
Willard, OH	-	730	6,447	-	-	6,317	-	2011	2012	1050 Neal Zick
Winter Haven, FL	-	710	10,038	-	-	10,364	-	2014	1979	650 North Lake Howard Drive
Assets held for sale total	$ 4,032	$ 112,022	$ 1,044,065	$ 72,126	$ -	$ 1,044,859	-			

Summary:							
Triple-net	$ 594,199	$ 804,007	$ 7,794,067	$ 718,637	$ 853,984	$ 8,462,729	$ 1,317,149
Seniors housing operating	2,400,836	1,085,554	11,775,094	807,677	1,151,566	12,516,758	1,791,579
Outpatient medical	404,079	505,698	4,548,662	450,707	585,521	4,919,550	984,766
Construction in progress	58,381	-	506,091	-	-	506,091	-
Total continuing operating properties	**3,457,495**	**2,395,259**	**24,623,914**	**1,977,021**	**2,591,071**	**26,405,128**	**4,093,494**
Assets held for sale	4,032	112,022	1,044,065	72,126	-	1,044,859	-
Total investments in real property owned	$ **3,461,527**	$ **2,507,281**	$ **25,667,979**	$ **2,049,147**	$ **2,591,071**	$ **27,449,987**	$ **4,093,494**

(1) Please see Note 2 to our consolidated financial statements for information regarding lives used for depreciation and amortization.
(2) Represents real property asset associated with a capital lease.

Year Ended December 31,

	2016	2015	2014
Reconciliation of real property:		(in thousands)	
Investment in real estate:			
Balance at beginning of year	$ 29,865,490	$ 25,491,935	$ 23,734,733
Additions:			
Acquisitions	2,145,590	3,364,891	2,210,600
Improvements	672,008	445,625	380,298
Assumed other items, net	172,095	389,256	160,897
Assumed debt	63,732	1,064,810	265,152
Total additions	3,053,425	5,264,582	3,016,947
Deductions:			
Cost of real estate sold	(2,118,305)	(449,932)	(916,997)
Reclassification of accumulated depreciation and amortization for assets held for sale	(292,914)	(41,464)	(64,476)
Impairment of assets	(37,207)	(2,220)	-
Total deductions	(2,448,426)	(493,616)	(981,473)
Foreign currency translation	(429,431)	(397,411)	(278,272)
Balance at end of year[(1)]	$ 30,041,058	$ 29,865,490	$ 25,491,935
Accumulated depreciation:			
Balance at beginning of year	$ 3,796,297	$ 3,020,908	$ 2,386,658
Additions:			
Depreciation and amortization expenses	901,242	826,240	844,130
Amortization of above market leases	7,909	11,912	7,935
Total additions	909,151	838,152	852,065
Deductions:			
Sale of properties	(221,737)	(69,735)	(123,582)
Reclassification of accumulated depreciation and amortization for assets held for sale	(292,914)	(41,464)	(64,476)
Total deductions	(514,651)	(111,199)	(188,058)
Foreign currency translation	(97,303)	48,436	(29,757)
Balance at end of year	$ 4,093,494	$ 3,796,297	$ 3,020,908

(1) The unaudited aggregate cost for tax purposes for real property equals $24,887,189,000 at December 31, 2016.

Welltower Inc.
Schedule IV - Mortgage Loans on Real Estate
December 31, 2016

(in thousands)

Location	Segment	Interest Rate	Final Maturity Date	Monthly Payment Terms	Prior Liens	Face Amount of Mortgages	Carrying Amount of Mortgages	Principal Amount of Loans Subject to Delinquent Principal or Interest
First mortgages relating to 1 property located in:								
California	Outpatient Medical	6.35%	12/22/17	$ 348,542	$ -	$ 65,000	$ 60,500	$ 63,553
United Kingdom	Triple-Net	7.25%	11/21/18	105,443	-	17,149	17,149	-
United Kingdom	Triple-Net	7.00%	12/31/19	133,193	-	28,047	22,273	-
United Kingdom	Triple-Net	8.55%	07/01/19	64,706	-	14,122	9,022	-
United Kingdom	Triple-Net	8.00%	07/06/19	48,485	-	18,506	7,202	-
United Kingdom	Triple-Net	8.04%	01/16/18	8,409	-	2,591	1,233	-
United Kingdom	Triple-Net	7.00%	02/28/21	107,010	-	26,074	17,680	-
Oklahoma	Triple-Net	8.72%	11/01/19	85,043	-	11,610	11,486	-
Oregon	Triple-Net	7.10%	05/01/17	1,357	-	225	225	-
Pennsylvania	Triple-Net	7.10%	06/01/17	1,479	-	250	250	-
Texas	Triple-Net	8.00%	02/28/21	53,507	-	7,875	7,875	-
Florida	Triple-Net	8.11%	06/23/21	13,955	-	17,100	2,029	-
First mortgages relating to multiple properties:								
3 properties in two states	Triple-Net	10.00%	01/01/22	$ 76,331	$ -	$ 9,000	$ 9,000	$ -
13 properties in Texas	Triple-Net	10.00%	01/01/22	878,820	-	103,620	103,620	-
11 properties in six states	Triple-Net	10.00%	01/01/22	558,025	-	65,796	65,796	-
18 properties in six states	Triple-Net	10.00%	01/01/22	1,175,775	-	138,634	138,634	-
Second mortgages relating to 1 property located in:								
Connecticut	Triple-Net	8.11%	04/01/18	$ 43,225	$ 16,709	$ 6,270	$ 6,270	$ -
Texas	Triple-Net	12.17%	05/01/19	32,033	11,751	3,100	3,100	-
Texas	Triple-Net	10.00%	12/30/18	20,247	11,186	25,000	2,391	-
Totals					$ 39,646	$ 559,969	$ 485,735	$ 63,553

	Year Ended December 31,		
	2016	2015	2014
Reconciliation of mortgage loans:		(in thousands)	
Balance at beginning of year	$ 635,492	$ 188,651	$ 146,987
Additions:			
New mortgage loans	8,223	524,088	113,996
Draws on existing loans	92,815	30,550	26,330
Total additions	101,038	554,638	140,326
Deductions:			
Collections of principal	(191,134)	(80,552)	(49,974)
Conversions to real property	(45,044)	(23,288)	(45,836)
Charge-offs	(3,053)	-	-
Total deductions	(239,231)	(103,840)	(95,810)
Change in balance due to foreign currency translation	(11,564)	(3,957)	(2,852)
Balance at end of year	$ 485,735	$ 635,492	$ 188,651

EXHIBIT INDEX

3.1(a) Second Restated Certificate of Incorporation of the Company (filed with the Commission as Exhibit 3.1 to the Company's Form 10-K filed March 20, 2000 (File No. 001-08923), and incorporated herein by reference thereto).

3.1(b) Certificate of Amendment of Second Restated Certificate of Incorporation of the Company (filed with the Commission as Exhibit 3.1 to the Company's Form 10-K filed March 20, 2000 (File No. 001-08923), and incorporated herein by reference thereto).

3.1(c) Certificate of Amendment of Second Restated Certificate of Incorporation of the Company (filed with the Commission as Exhibit 3.1 to the Company's Form 8-K filed June 13, 2003 (File No. 001-08923), and incorporated herein by reference thereto).

3.1(d) Certificate of Amendment of Second Restated Certificate of Incorporation of the Company (filed with the Commission as Exhibit 3.9 to the Company's Form 10-Q filed August 9, 2007 (File No. 001-08923), and incorporated herein by reference thereto).

3.1(e) Certificate of Change of Location of Registered Office and of Registered Agent of the Company (filed with the Commission as Exhibit 3.1 to the Company's Form 10-Q filed August 6, 2010 (File No. 001-08923), and incorporated herein by reference thereto).

3.1(f) Certificate of Designation of 6.50% Series I Cumulative Convertible Perpetual Preferred Stock of the Company (filed with the Commission as Exhibit 3.1 to the Company's Form 8-K filed March 7, 2011 (File No. 001-08923), and incorporated herein by reference thereto).

3.1(g) Certificate of Amendment of Second Restated Certificate of Incorporation of the Company (filed with the Commission as Exhibit 3.1 to the Company's Form 8-K filed May 10, 2011 (File No. 001-08923), and incorporated herein by reference thereto).

3.1(h) Certificate of Designation of 6.50% Series J Cumulative Redeemable Preferred Stock of the Company (filed with the Commission as Exhibit 3.1 to the Company's Form 8-K filed March 8, 2012 (File No. 001-08923), and incorporated herein by reference thereto).

3.1(i) Certificate of Amendment of Second Restated Certificate of Incorporation of the Company (filed with the Commission as Exhibit 3.1 to the Company's Form 8-K filed May 6, 2014 (File No. 001-08923), and incorporated herein by reference thereto).

3.1(j) Certificate of Amendment of Second Restated Certificate of Incorporation of the Company (filed with the Commission as Exhibit 3.1 to the Company's Form 8-K filed September 30, 2015 (File No. 001-08923), and incorporated herein by reference thereto).

3.2 Fifth Amended and Restated By-Laws of the Company (filed with the Commission as Exhibit 3.2 to the Company's Form 10-Q filed October 30, 2015 (File No. 001-08923), and incorporated herein by reference thereto).

4.1(a) Indenture, dated as of March 15, 2010, between the Company and The Bank of New York Mellon Trust Company, N.A. (filed with the Commission as Exhibit 4.1 to the Company's Form 8-K filed March 15, 2010 (File No. 001-08923), and incorporated herein by reference thereto).

4.1(b) Supplemental Indenture No. 1, dated as of March 15, 2010, between the Company and The Bank of New York Mellon Trust Company, N.A. (filed with the Commission as Exhibit 4.2 to the Company's Form 8-K filed March 15, 2010 (File No. 001-08923), and incorporated herein by reference thereto).

4.1(c) Amendment No. 1 to Supplemental Indenture No. 1, dated as of June 18, 2010, between the Company and The Bank of New York Mellon Trust Company, N.A. (filed with the Commission as Exhibit 4.3 to the Company's Form 8-K filed June 18, 2010 (File No. 001-08923), and incorporated herein by reference thereto).

4.1(d) Supplemental Indenture No. 2, dated as of April 7, 2010, between the Company and The Bank of New York Mellon Trust Company, N.A. (filed with the Commission as Exhibit 4.2 to the Company's Form 8-K filed April 7, 2010 (File No. 001-08923), and incorporated herein by reference thereto).

4.1(e) Amendment No. 1 to Supplemental Indenture No. 2, dated as of June 8, 2010, between the Company and The Bank of New York Mellon Trust Company, N.A. (filed with the Commission as Exhibit 4.3 to the Company's Form 8-K filed June 8, 2010 (File No. 001-08923), and incorporated herein by reference thereto).

4.1(f) Supplemental Indenture No. 3, dated as of September 10, 2010, between the Company and The Bank of New York Mellon Trust Company, N.A. (filed with the Commission as Exhibit 4.2 to the Company's Form 8-K filed September 13, 2010 (File No. 001-08923), and incorporated herein by reference thereto).

4.1(g) Supplemental Indenture No. 4, dated as of November 16, 2010, between the Company and The Bank of New York Mellon Trust Company, N.A. (filed with the Commission as Exhibit 4.2 to the Company's Form 8-K filed November 16, 2010 (File No. 001-08923), and incorporated herein by reference thereto).

4.1(h) Supplemental Indenture No. 5, dated as of March 14, 2011, between the Company and The Bank of New York Mellon Trust Company, N.A. (filed with the Commission as Exhibit 4.2 to the Company's Form 8-K filed March 14, 2011 (File No. 001-08923), and incorporated herein by reference thereto).

4.1(i) Supplemental Indenture No. 6, dated as of April 3, 2012, between the Company and The Bank of New York Mellon Trust Company, N.A. (filed with the Commission as Exhibit 4.2 to the Company's Form 8-K filed April 4, 2012 (File No. 001-08923), and incorporated herein by reference thereto).

4.1(j) Supplemental Indenture No. 7, dated as of December 6, 2012, between the Company and The Bank of New York Mellon Trust Company, N.A. (filed with the Commission as Exhibit 4.2 to the Company's Form 8-K filed December 11, 2012 (File No. 001-08923), and incorporated herein by reference thereto).

4.1(k) Supplemental Indenture No. 8, dated as of October 7, 2013, between the Company and The Bank of New York Mellon Trust Company, N.A. (filed with the Commission as Exhibit 4.2 to the Company's Form 8-K filed October 9, 2013 (File No. 001-08923), and incorporated herein by reference thereto).

4.1(l) Supplemental Indenture No. 9, dated as of November 20, 2013, between the Company and The Bank of New York Mellon Trust Company, N.A. (filed with the Commission as Exhibit 4.2 to the Company's Form 8-K filed November 20, 2013 (File No. 001-08923), and incorporated herein by reference thereto).

4.1(m) Supplemental Indenture No. 10, dated as of November 25, 2014, between the Company and The Bank of New York Mellon Trust Company, N.A. (filed with the Commission as Exhibit 4.2 to the Company's Form 8-K filed November 25, 2014 (File No. 001-08923), and incorporated herein by reference thereto).

4.1(n) Supplemental Indenture No. 11, dated as of May 26, 2015, between the Company and The Bank of New York Mellon Trust Company, N.A. (filed with the Commission as Exhibit 4.2 to the Company's Form 8-K filed May 27, 2015 (File No. 001-08923), and incorporated herein by reference thereto).

4.1(o) Amendment No. 1 to Supplemental Indenture No. 11, dated as of October 19, 2015, between the Company and The Bank of New York Mellon Trust Company, N.A. (filed with the Commission as Exhibit 4.3 to the Company's Form 8-K filed October 20, 2015 (File No. 001-08923), and incorporated herein by reference thereto).

4.1(p) Supplemental Indenture No. 12, dated as of March 1, 2016, between the Company and The Bank of New York Mellon Trust Company, N.A. (filed with the Commission as Exhibit 4.2 to the Company's Form 8-K filed March 3, 2016 (File No. 001-08923), and incorporated herein by reference thereto).

4.2 Form of Indenture for Senior Subordinated Debt Securities (filed with the Commission as Exhibit 4.9 to the Company's Form S-3 (File No. 333-73936) filed November 21, 2001, and incorporated herein by reference thereto).

4.3 Form of Indenture for Junior Subordinated Debt Securities (filed with the Commission as Exhibit 4.10 to the Company's Form S-3 (File No. 333-73936) filed November 21, 2001, and incorporated herein by reference thereto).

4.4(a) Indenture, dated as of November 25, 2015, by and among HCN Canadian Holdings-1 LP, the Company and BNY Trust Company of Canada (filed with the Commission as Exhibit 4.5(a) to the Company's Form 10-K filed February 18, 2016 (File No. 001-08923), and incorporated herein by reference thereto).

4.4(b) First Supplemental Indenture, dated as of November 25, 2015, by and among HCN Canadian Holdings-1 LP, the Company and BNY Trust Company of Canada (filed with the Commission as Exhibit 4.5(b) to the Company's Form 10-K filed February 18, 2016 (File No. 001-08923), and incorporated herein by reference thereto).

10.1 Credit Agreement dated as of May 13, 2016 by and among the Company; the lenders listed therein; KeyBank National Association, as administrative agent, L/C issuer and a swingline lender; Bank of America, N.A. and JPMorgan Chase Bank, N.A., as co-syndication agents; Deutsche Bank Securities Inc., as documentation agent; Merrill Lynch, Pierce, Fenner & Smith Incorporated, JPMorgan Chase Bank, N.A., KeyBanc Capital Markets Inc. and Deutsche Bank Securities Inc., as U.S. joint lead arrangers; Merrill Lynch, Pierce, Fenner & Smith Incorporated, JPMorgan Chase Bank, N.A., KeyBanc Capital Markets Inc. and RBC Capital Markets, as Canadian joint lead arrangers; and Merrill Lynch, Pierce, Fenner & Smith Incorporated and JPMorgan Chase Bank, N.A., as joint book runners (filed with the Commission as Exhibit 10.1 to the Company's Form 8-K filed May 16, 2016 (File No. 001-08923), and incorporated herein by reference thereto).

10.2 Equity Purchase Agreement, dated as of February 28, 2011, by and among the Company, FC-GEN Investment, LLC and FC-GEN Operations Investment, LLC (filed with the Commission as Exhibit 10.1 to the Company's Form 8-K filed February 28, 2011 (File No. 001-08923), and incorporated herein by reference thereto).

10.3(a) Amended and Restated Health Care REIT, Inc. 2005 Long-Term Incentive Plan (filed with the Commission as Appendix A to the Company's Proxy Statement for the 2009 Annual Meeting of Stockholders, filed March 25, 2009 (File No. 001-08923), and incorporated herein by reference thereto).*

10.3(b) Form of Stock Option Agreement (with Dividend Equivalent Rights) for the Chief Executive Officer under the 2005 Long-Term Incentive Plan (filed with the Commission as Exhibit 10.18 to the Company's Form 10-K filed March 10, 2006 (File No. 001-08923), and incorporated herein by reference thereto).*

10.3(c) Form of Amendment to Stock Option Agreements (with Dividend Equivalent Rights) for the Chief Executive Officer under the 2005 Long-Term Incentive Plan (filed with the Commission as Exhibit 10.6 to the Company's Form 8-K filed January 5, 2009 (File No. 001-08923), and incorporated herein by reference thereto).*

10.3(d) Form of Stock Option Agreement (with Dividend Equivalent Rights) for the Chief Executive Officer under the 2005 Long-Term Incentive Plan (filed with the Commission as Exhibit 10.8 to the Company's Form 8-K filed January 5, 2009 (File No. 001-08923), and incorporated herein by reference thereto).*

10.3(e) Form of Stock Option Agreement (with Dividend Equivalent Rights) for Executive Officers under the 2005 Long-Term Incentive Plan (filed with the Commission as Exhibit 10.19 to the Company's Form 10-K filed March 10, 2006 (File No. 001-08923), and incorporated herein by reference thereto).*

10.3(f) Form of Amendment to Stock Option Agreements (with Dividend Equivalent Rights) for Executive Officers under the 2005 Long-Term Incentive Plan (filed with the Commission as Exhibit 10.7 to the Company's Form 8-K filed January 5, 2009 (File No. 001-08923), and incorporated herein by reference thereto).*

10.3(g) Form of Stock Option Agreement (with Dividend Equivalent Rights) for Executive Officers under the 2005 Long-Term Incentive Plan (filed with the Commission as Exhibit 10.9 to the Company's Form 8-K filed January 5, 2009 (File No. 001-08923), and incorporated herein by reference thereto).*

10.3(h) Form of Stock Option Agreement (without Dividend Equivalent Rights) for the Chief Executive Officer under the 2005 Long-Term Incentive Plan (filed with the Commission as Exhibit 10.20 to the Company's Form 10-K filed March 10, 2006 (File No. 001-08923), and incorporated herein by reference thereto).*

10.3(i) Form of Stock Option Agreement (without Dividend Equivalent Rights) for the Chief Executive Officer under the Amended and Restated 2005 Long-Term Incentive Plan (filed with the Commission as Exhibit 10.1 to the Company's Form 10-Q filed May 10, 2010 (File No. 001-08923), and incorporated herein by reference thereto).*

10.3(j) Form of Stock Option Agreement (without Dividend Equivalent Rights) for Executive Officers under the 2005 Long-Term Incentive Plan (filed with the Commission as Exhibit 10.21 to the Company's Form 10-K filed March 10, 2006 (File No. 001-08923), and incorporated herein by reference thereto).*

10.3(k) Form of Stock Option Agreement (without Dividend Equivalent Rights) for Executive Officers under the Amended and Restated 2005 Long-Term Incentive Plan (filed with the Commission as Exhibit 10.2 to the Company's Form 10-Q filed May 10, 2010 (File No. 001-08923), and incorporated herein by reference thereto).*

10.3(l) Form of Restricted Stock Agreement for the Chief Executive Officer under the 2005 Long-Term Incentive Plan (filed with the Commission as Exhibit 10.22 to the Company's Form 10-K filed March 10, 2006 (File No. 001-08923), and incorporated herein by reference thereto).*

10.3(m) Form of Restricted Stock Agreement for Executive Officers under the 2005 Long-Term Incentive Plan (filed with the Commission as Exhibit 10.23 to the Company's Form 10-K filed March 10, 2006 (File No. 001-08923), and incorporated herein by reference thereto).*

10.3(n) Form of Restricted Stock Agreement for the Chief Executive Officer under the Amended and Restated 2005 Long-Term Incentive Plan (filed with the Commission as Exhibit 10.3 to the Company's Form 10-Q filed May 10, 2010 (File No. 001-08923), and incorporated herein by reference thereto).*

10.3(o) Form of Restricted Stock Agreement for Executive Officers under the Amended and Restated 2005 Long-Term Incentive Plan (filed with the Commission as Exhibit 10.4 to the Company's Form 10-Q filed May 10, 2010 (File No. 001-08923), and incorporated herein by reference thereto).*

10.3(p) Form of Deferred Stock Unit Grant Agreement for Non-Employee Directors under the 2005 Long-Term Incentive Plan (filed with the Commission as Exhibit 10.24 to the Company's Form 10-K filed March 10, 2006 (File No. 001-08923), and incorporated herein by reference thereto).*

10.3(q) Form of Amendment to Deferred Stock Unit Grant Agreements for Non-Employee Directors under the 2005 Long-Term Incentive Plan (filed with the Commission as Exhibit 10.10 to the Company's Form 8-K filed January 5, 2009 (File No. 001-08923), and incorporated herein by reference thereto).*

10.3(r) Form of Deferred Stock Unit Grant Agreement for Non-Employee Directors under the 2005 Long-Term Incentive Plan (filed with the Commission as Exhibit 10.11 to the Company's Form 8-K filed January 5, 2009 (File No. 001-08923), and incorporated herein by reference thereto).*

10.3(s) Form of Deferred Stock Unit Grant Agreement for Non-Employee Directors under the Amended and Restated 2005 Long-Term Incentive Plan (filed with the Commission as Exhibit 10.5 to the Company's Form 10-Q filed May 10, 2010 (File No. 001-08923), and incorporated herein by reference thereto).*

10.4(a) Amended and Restated Employment Agreement, dated January 3, 2017, between the Company and Thomas J. DeRosa.*

10.4(b) Performance-Based Restricted Stock Unit Grant Agreement, dated effective as of July 30, 2014, between the Company and Thomas J. DeRosa (filed with the Commission as Exhibit 10.2 to the Company's Form 10-Q filed November 4, 2014 (File No. 001-08923), and incorporated herein by reference thereto).*

10.5 Second Amended and Restated Employment Agreement, dated December 29, 2008, between the Company and Scott A. Estes (filed with the Commission as Exhibit 10.4 to the Company's Form 8-K filed January 5, 2009 (File No. 001-08923), and incorporated herein by reference thereto).*

10.6(a) Executive Retirement Agreement, effective July 1, 2015, between the Company and Charles J. Herman, Jr. (filed with the Commission as Exhibit 10.1 to the Company's Form 10-Q filed August 4, 2015 (File No. 001-08923), and incorporated herein by reference thereto).*

10.6(b) Consulting Agreement, effective July 1, 2015, between the Company and Charles J. Herman, Jr. (filed with the Commission as Exhibit 10.2 to the Company's Form 10-Q filed August 4, 2015 (File No. 001-08923), and incorporated herein by reference thereto).*

10.7 Amended and Restated Employment Agreement, dated December 29, 2008, between the Company and Jeffrey H. Miller (filed with the Commission as Exhibit 10.8 to the Company's Form 10-K filed March 2, 2009 (File No. 001-08923), and incorporated herein by reference thereto).*

10.8 Executive Retirement Agreement, dated as of February 10, 2017, by and between Jeffery H. Miller and the Company.*

10.9 Employment Agreement, dated March 11, 2013, by and between the Company and Scott M. Brinker (filed with the Commission as Exhibit 10.3 to the Company's Form 10-Q filed May 7, 2013 (File No. 001-08923), and incorporated herein by reference thereto).*

10.10 Separation Agreement, dated as of February 6, 2017, by and between Scott M. Brinker and the Company.*

10.11 Third Amended and Restated Employment Agreement, dated December 29, 2008, between the Company and Erin C. Ibele (filed with the Commission as Exhibit 10.11 to the Company's Form 10-K filed March 2, 2009 (File No. 001-08923), and incorporated herein by reference thereto).*

10.12 Transition Agreement, dated as of June 30, 2016, by and between Erin C. Ibele and the Company (filed with the Commission as Exhibit 10.4 to the Company's Form 10-Q filed August 2, 2016 (File No. 001-08923), and incorporated herein by reference thereto).*

10.13 Employment Agreement, dated as of October 4, 2016, by and between the Company and Mercedes T. Kerr (filed with the Commission as Exhibit 10.1 to the Company's Form 10-Q filed November 2, 2016 (File No. 001-08923), and incorporated herein by reference thereto).*

10.14 Amended and Restated Health Care REIT, Inc. Supplemental Executive Retirement Plan, dated December 29, 2008 (filed with the Commission as Exhibit 10.12 to the Company's Form 8-K filed January 5, 2009 (File No. 001-08923), and incorporated herein by reference thereto).*

10.15 Form of Indemnification Agreement between the Company and each director, executive officer and officer of the Company (filed with the Commission as Exhibit 10.1 to the Company's Form 8-K filed February 18, 2005 (File No. 001-08923), and incorporated herein by reference thereto).*

10.16 Summary of Director Compensation.*

10.17 Health Care REIT, Inc. 2013-2015 Long-Term Incentive Program, as Amended and Restated (filed with the Commission as Exhibit 10.3 to the Company's Form 10-Q filed May 8, 2014 (File No. 001-08923), and incorporated herein by reference thereto).*

10.18(a) Health Care REIT, Inc. 2015-2017 Long-Term Incentive Program (filed with the Commission as Exhibit 10.3 to the Company's Form 10-Q filed August 4, 2015 (File No. 001-08923), and incorporated herein by reference thereto).*

10.18(b) Form of Performance Restricted Stock Unit Award Agreement under the 2015-2017 Long-Term Incentive Program (filed with the Commission as Exhibit 10.4 to the Company's Form 10-Q filed August 4, 2015 (File No. 001-08923), and incorporated herein by reference thereto).*

10.19 Welltower Inc. 2016 Long-Term Incentive Plan (filed with the Commission as Exhibit 10.1 to the Company's Form 8-K filed May 10, 2016 (File No. 001-08923), and incorporated herein by reference thereto).*

10.20 Welltower Inc. 2016-2018 Long-Term Incentive Program (filed with the Commission as Exhibit 10.3 to the Company's Form 10-Q filed August 2, 2016 (File No. 001-08923), and incorporated herein by reference thereto).*

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

21 Subsidiaries of the Company.

23 Consent of Ernst & Young LLP, independent registered public accounting firm.

24 Powers of Attorney.

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

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

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

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

101.INS XBRL Instance Document**

101.SCH XBRL Taxonomy Extension Schema Document**

101.CAL XBRL Taxonomy Extension Calculation Linkbase Document**

101.LAB XBRL Taxonomy Extension Label Linkbase Document**

101.PRE XBRL Taxonomy Extension Presentation Linkbase Document**

101.DEF XBRL Taxonomy Extension Definition Linkbase Document**

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* Management Contract or Compensatory Plan or Arrangement.

** Attached as Exhibit 101 to this Annual Report on Form 10-K are the following materials, formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Balance Sheets at December 31, 2016 and 2015, (ii) the Consolidated Statements of Comprehensive Income for the years ended December 31, 2016, 2015 and 2014, (iii) the Consolidated Statements of Equity for the years ended December 31, 2016, 2015 and 2014, (iv) the

Consolidated Statements of Cash Flows for the years ended December 31, 2016, 2015 and 2014, (v) the Notes to Consolidated Financial Statements, (vi) Schedule III – Real Estate and Accumulated Depreciation and (vii) Schedule IV – Mortgage Loans on Real Estate.