

VENTAS INC  
Form 10-Q  
July 29, 2016

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

FORM 10-Q

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2016

OR

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

Commission file number: 1-10989

Ventas, Inc.  
(Exact Name of Registrant as Specified in Its Charter)

Delaware 61-1055020  
(State or Other Jurisdiction of (I.R.S. Employer  
Incorporation or Organization) Identification No.)  
353 N. Clark Street, Suite 3300  
Chicago, Illinois  
(Address of Principal Executive Offices)  
60654  
(Zip Code)  
(877) 483-6827  
(Registrant's Telephone Number, Including Area Code)  
Not Applicable

(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

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

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

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

Non-accelerated filer ☐

Large accelerated filer ☒ Accelerated filer ☐ (Do not check if a Smaller reporting company ☐  
smaller reporting company)

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

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Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

| Class of Common Stock: | Outstanding at July 27, 2016: |
|------------------------|-------------------------------|
|------------------------|-------------------------------|

|                                |             |
|--------------------------------|-------------|
| Common Stock, \$0.25 par value | 351,350,059 |
|--------------------------------|-------------|

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FORM 10-Q  
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## PART I—FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

## VENTAS, INC.

## CONSOLIDATED BALANCE SHEETS

(Unaudited)

(In thousands, except per share amounts)

|                                                                                                                                                   | June 30,<br>2016 | December 31,<br>2015 |
|---------------------------------------------------------------------------------------------------------------------------------------------------|------------------|----------------------|
| Assets                                                                                                                                            |                  |                      |
| Real estate investments:                                                                                                                          |                  |                      |
| Land and improvements                                                                                                                             | \$2,041,880      | \$2,056,428          |
| Buildings and improvements                                                                                                                        | 20,272,554       | 20,309,599           |
| Construction in progress                                                                                                                          | 127,647          | 92,005               |
| Acquired lease intangibles                                                                                                                        | 1,332,173        | 1,344,422            |
|                                                                                                                                                   | 23,774,254       | 23,802,454           |
| Accumulated depreciation and amortization                                                                                                         | (4,560,504 )     | (4,177,234 )         |
| Net real estate property                                                                                                                          | 19,213,750       | 19,625,220           |
| Secured loans receivable and investments, net                                                                                                     | 1,003,561        | 857,112              |
| Investments in unconsolidated real estate entities                                                                                                | 96,952           | 95,707               |
| Net real estate investments                                                                                                                       | 20,314,263       | 20,578,039           |
| Cash and cash equivalents                                                                                                                         | 57,322           | 53,023               |
| Escrow deposits and restricted cash                                                                                                               | 65,626           | 77,896               |
| Goodwill                                                                                                                                          | 1,043,479        | 1,047,497            |
| Assets held for sale                                                                                                                              | 195,271          | 93,060               |
| Other assets                                                                                                                                      | 417,511          | 412,403              |
| Total assets                                                                                                                                      | \$22,093,472     | \$22,261,918         |
| Liabilities and equity                                                                                                                            |                  |                      |
| Liabilities:                                                                                                                                      |                  |                      |
| Senior notes payable and other debt                                                                                                               | \$10,901,131     | \$11,206,996         |
| Accrued interest                                                                                                                                  | 80,157           | 80,864               |
| Accounts payable and other liabilities                                                                                                            | 735,287          | 779,380              |
| Liabilities related to assets held for sale                                                                                                       | 88,967           | 34,340               |
| Deferred income taxes                                                                                                                             | 320,468          | 338,382              |
| Total liabilities                                                                                                                                 | 12,126,010       | 12,439,962           |
| Redeemable OP unitholder and noncontrolling interests                                                                                             | 217,686          | 196,529              |
| Commitments and contingencies                                                                                                                     |                  |                      |
| Equity:                                                                                                                                           |                  |                      |
| Ventas stockholders' equity:                                                                                                                      |                  |                      |
| Preferred stock, \$1.00 par value; 10,000 shares authorized, unissued                                                                             | —                | —                    |
| Common stock, \$0.25 par value; 600,000 shares authorized, 341,055 and 334,386 shares issued at June 30, 2016 and December 31, 2015, respectively | 85,246           | 83,579               |
| Capital in excess of par value                                                                                                                    | 11,961,951       | 11,602,838           |
| Accumulated other comprehensive loss                                                                                                              | (44,195 )        | (7,565 )             |
| Retained earnings (deficit)                                                                                                                       | (2,313,287 )     | (2,111,958 )         |
| Treasury stock, 0 and 44 shares at June 30, 2016 and December 31, 2015, respectively                                                              | —                | (2,567 )             |
| Total Ventas stockholders' equity                                                                                                                 | 9,689,715        | 9,564,327            |
| Noncontrolling interest                                                                                                                           | 60,061           | 61,100               |
| Total equity                                                                                                                                      | 9,749,776        | 9,625,427            |
| Total liabilities and equity                                                                                                                      | \$22,093,472     | \$22,261,918         |
| See accompanying notes.                                                                                                                           |                  |                      |



VENTAS, INC.  
CONSOLIDATED STATEMENTS OF INCOME  
(Unaudited)  
(In thousands, except per share amounts)

|                                                                                                                                    | For the Three Months<br>Ended June 30, |           | For the Six Months<br>Ended June 30, |           |
|------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------|-----------|--------------------------------------|-----------|
|                                                                                                                                    | 2016                                   | 2015      | 2016                                 | 2015      |
| Revenues:                                                                                                                          |                                        |           |                                      |           |
| Rental income:                                                                                                                     |                                        |           |                                      |           |
| Triple-net leased                                                                                                                  | \$210,119                              | \$182,006 | \$424,606                            | \$370,563 |
| Medical office buildings                                                                                                           | 144,087                                | 140,472   | 288,223                              | 277,532   |
|                                                                                                                                    | 354,206                                | 322,478   | 712,829                              | 648,095   |
| Resident fees and services                                                                                                         | 464,437                                | 454,645   | 928,413                              | 901,559   |
| Medical office building and other services revenue                                                                                 | 5,504                                  | 9,408     | 12,689                               | 19,951    |
| Income from loans and investments                                                                                                  | 24,146                                 | 25,215    | 46,532                               | 47,268    |
| Interest and other income                                                                                                          | 111                                    | 174       | 230                                  | 645       |
| Total revenues                                                                                                                     | 848,404                                | 811,920   | 1,700,693                            | 1,617,518 |
| Expenses:                                                                                                                          |                                        |           |                                      |           |
| Interest                                                                                                                           | 103,665                                | 83,959    | 206,938                              | 166,287   |
| Depreciation and amortization                                                                                                      | 221,961                                | 214,711   | 458,348                              | 430,930   |
| Property-level operating expenses:                                                                                                 |                                        |           |                                      |           |
| Senior living                                                                                                                      | 307,989                                | 299,252   | 620,530                              | 597,614   |
| Medical office buildings                                                                                                           | 43,966                                 | 43,410    | 87,647                               | 85,847    |
|                                                                                                                                    | 351,955                                | 342,662   | 708,177                              | 683,461   |
| Medical office building services costs                                                                                             | 1,852                                  | 5,764     | 5,303                                | 12,682    |
| General, administrative and professional fees                                                                                      | 32,094                                 | 33,959    | 63,820                               | 68,285    |
| Loss (gain) on extinguishment of debt, net                                                                                         | 2,468                                  | (455)     | 2,782                                | (434)     |
| Merger-related expenses and deal costs                                                                                             | 7,224                                  | 12,265    | 8,856                                | 42,878    |
| Other                                                                                                                              | 2,303                                  | 4,279     | 6,471                                | 9,153     |
| Total expenses                                                                                                                     | 723,522                                | 697,144   | 1,460,695                            | 1,413,242 |
| Income before unconsolidated entities, income taxes, discontinued operations, real estate dispositions and noncontrolling interest | 124,882                                | 114,776   | 239,998                              | 204,276   |
| Income (loss) from unconsolidated entities                                                                                         | 1,418                                  | 9         | 1,220                                | (242)     |
| Income tax benefit                                                                                                                 | 11,549                                 | 9,789     | 19,970                               | 17,039    |
| Income from continuing operations                                                                                                  | 137,849                                | 124,574   | 261,188                              | 221,073   |
| Discontinued operations                                                                                                            | (148)                                  | 18,243    | (637)                                | 35,817    |
| Gain on real estate dispositions                                                                                                   | 5,739                                  | 7,469     | 31,923                               | 14,155    |
| Net income                                                                                                                         | 143,440                                | 150,286   | 292,474                              | 271,045   |
| Net income attributable to noncontrolling interest                                                                                 | 278                                    | 465       | 332                                  | 782       |
| Net income attributable to common stockholders                                                                                     | \$143,162                              | \$149,821 | \$292,142                            | \$270,263 |
| Earnings per common share:                                                                                                         |                                        |           |                                      |           |
| Basic:                                                                                                                             |                                        |           |                                      |           |
| Income from continuing operations attributable to common stockholders, including real estate dispositions                          | \$0.42                                 | \$0.39    | \$0.87                               | \$0.71    |
| Discontinued operations                                                                                                            | (0.00)                                 | 0.06      | (0.00)                               | 0.11      |
| Net income attributable to common stockholders                                                                                     | \$0.42                                 | \$0.45    | \$0.87                               | \$0.82    |
| Diluted:                                                                                                                           |                                        |           |                                      |           |
| Income from continuing operations attributable to common stockholders, including real estate dispositions                          | \$0.42                                 | \$0.40    | \$0.86                               | \$0.71    |
| Discontinued operations                                                                                                            | (0.00)                                 | 0.05      | (0.00)                               | 0.11      |

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|                                                                      |         |         |         |         |
|----------------------------------------------------------------------|---------|---------|---------|---------|
| Net income attributable to common stockholders                       | \$0.42  | \$0.45  | \$0.86  | \$0.82  |
| Weighted average shares used in computing earnings per common share: |         |         |         |         |
| Basic                                                                | 338,901 | 330,715 | 337,230 | 327,890 |
| Diluted                                                              | 342,571 | 334,026 | 340,851 | 331,424 |
| Dividends declared per common share                                  | \$0.73  | \$0.79  | \$1.46  | \$1.58  |
| See accompanying notes.                                              |         |         |         |         |

VENTAS, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

(In thousands)

|                                                              | For the Three Months<br>Ended June 30, |            | For the Six Months<br>Ended June 30, |            |
|--------------------------------------------------------------|----------------------------------------|------------|--------------------------------------|------------|
|                                                              | 2016                                   | 2015       | 2016                                 | 2015       |
| Net income                                                   | \$ 143,440                             | \$ 150,286 | \$ 292,474                           | \$ 271,045 |
| Other comprehensive (loss) income                            |                                        |            |                                      |            |
| Foreign currency translation                                 | (22,715 )                              | 14,393     | (33,383 )                            | 3,521      |
| Change in unrealized gain on marketable securities           | 69                                     | (6,395 )   | 250                                  | (5,046 )   |
| Other                                                        | (1,617 )                               | (2,175 )   | (3,497 )                             | (1,416 )   |
| Total other comprehensive (loss) income                      | (24,263 )                              | 5,823      | (36,630 )                            | (2,941 )   |
| Comprehensive income                                         | 119,177                                | 156,109    | 255,844                              | 268,104    |
| Comprehensive income attributable to noncontrolling interest | 278                                    | 465        | 332                                  | 782        |
| Comprehensive income attributable to common stockholders     | \$ 118,899                             | \$ 155,644 | \$ 255,512                           | \$ 267,322 |

See accompanying notes.

## VENTAS, INC.

## CONSOLIDATED STATEMENTS OF EQUITY

For the Six Months Ended June 30, 2016 and the Year Ended December 31, 2015

(Unaudited)

(In thousands, except per share amounts)

|                                                                 | Common<br>Stock<br>Par<br>Value | Capital in<br>Excess of<br>Par Value | Accumulated<br>Other<br>Comprehensive<br>Income<br>(Loss) | Retained<br>Earnings<br>(Deficit) | Treasury<br>Stock | Total Ventas<br>Stockholders'<br>Equity | Noncontrolling<br>Interest | Total Equity |
|-----------------------------------------------------------------|---------------------------------|--------------------------------------|-----------------------------------------------------------|-----------------------------------|-------------------|-----------------------------------------|----------------------------|--------------|
| Balance at January 1, 2015                                      | \$ 74,656                       | \$ 10,119,306                        | \$ 13,121                                                 | \$(1,526,388)                     | \$(511)           | \$ 8,680,184                            | \$ 74,213                  | \$ 8,754,397 |
| Net income                                                      | —                               | —                                    | —                                                         | 417,843                           | —                 | 417,843                                 | 1,379                      | 419,222      |
| Other comprehensive loss                                        | —                               | —                                    | (20,686)                                                  | —                                 | —                 | (20,686)                                | —                          | (20,686)     |
| Acquisition-related activity                                    | 7,103                           | 2,209,202                            | —                                                         | —                                 | —                 | 2,216,305                               | 853                        | 2,217,158    |
| Impact of CCP Spin-Off                                          | —                               | (1,247,356)                          | —                                                         | —                                 | —                 | (1,247,356)                             | (4,717)                    | (1,252,073)  |
| Net change in noncontrolling interest                           | —                               | —                                    | —                                                         | —                                 | —                 | —                                       | (12,530)                   | (12,530)     |
| Dividends to common stockholders—\$3.04 per share               | —                               | —                                    | —                                                         | (1,003,413)                       | —                 | (1,003,413)                             | —                          | (1,003,413)  |
| Issuance of common stock                                        | 1,797                           | 489,227                              | —                                                         | —                                 | —                 | 491,024                                 | —                          | 491,024      |
| Issuance of common stock for stock plans                        | 23                              | 6,068                                | —                                                         | —                                 | 5,945             | 12,036                                  | —                          | 12,036       |
| Change in redeemable noncontrolling interest                    | —                               | (374)                                | —                                                         | —                                 | —                 | (374)                                   | 1,902                      | 1,528        |
| Adjust redeemable OP unitholder interests to current fair value | —                               | 7,831                                | —                                                         | —                                 | —                 | 7,831                                   | —                          | 7,831        |
| Purchase of OP units                                            | —                               | 1,719                                | —                                                         | —                                 | —                 | 1,719                                   | —                          | 1,719        |
| Grant of restricted stock, net of forfeitures                   | —                               | 17,215                               | —                                                         | —                                 | (8,001)           | 9,214                                   | —                          | 9,214        |
| Balance at December 31, 2015                                    | 83,579                          | 11,602,838                           | (7,565)                                                   | (2,111,958)                       | (2,567)           | 9,564,327                               | 61,100                     | 9,625,427    |
| Net income                                                      | —                               | —                                    | —                                                         | 292,142                           | —                 | 292,142                                 | 332                        | 292,474      |
| Other comprehensive loss                                        | —                               | —                                    | (36,630)                                                  | —                                 | —                 | (36,630)                                | —                          | (36,630)     |
|                                                                 | —                               | 399                                  | —                                                         | —                                 | —                 | 399                                     | —                          | 399          |

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|                                                                 |           |               |              |                |        |              |           |              |
|-----------------------------------------------------------------|-----------|---------------|--------------|----------------|--------|--------------|-----------|--------------|
| Impact of CCP Spin-Off                                          |           |               |              |                |        |              |           |              |
| Net change in noncontrolling interest                           | —         | (1,170 )      | —            | —              | —      | (1,170 )     | (1,625 )  | (2,795 )     |
| Dividends to common stockholders—\$1.46 per share               | —         | —             | —            | (493,471 )     | —      | (493,471 )   | —         | (493,471 )   |
| Issuance of common stock                                        | 1,529     | 376,210       | —            | —              | —      | 377,739      | —         | 377,739      |
| Issuance of common stock for stock plans                        | 31        | 8,700         | —            | —              | 1,951  | 10,682       | —         | 10,682       |
| Change in redeemable noncontrolling interest                    | —         | (445 )        | —            | —              | —      | (445 )       | 254       | (191 )       |
| Adjust redeemable OP unitholder interests to current fair value | —         | (47,403 )     | —            | —              | —      | (47,403 )    | —         | (47,403 )    |
| Purchase of OP units                                            | 80        | 21,191        | —            | —              | 1,020  | 22,291       | —         | 22,291       |
| Grant of restricted stock, net of forfeitures                   | 27        | 1,631         | —            | —              | (404 ) | 1,254        | —         | 1,254        |
| Balance at June 30, 2016                                        | \$ 85,246 | \$ 11,961,951 | \$ (44,195 ) | \$ (2,313,287) | \$ —   | \$ 9,689,715 | \$ 60,061 | \$ 9,749,776 |
| See accompanying notes.                                         |           |               |              |                |        |              |           |              |

VENTAS, INC.  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Unaudited)  
(In thousands)

|                                                                                   | For the Six Months<br>Ended June 30, |             |
|-----------------------------------------------------------------------------------|--------------------------------------|-------------|
|                                                                                   | 2016                                 | 2015        |
| Cash flows from operating activities:                                             |                                      |             |
| Net income                                                                        | \$ 292,474                           | \$ 271,045  |
| Adjustments to reconcile net income to net cash provided by operating activities: |                                      |             |
| Depreciation and amortization (including amounts in discontinued operations)      | 458,348                              | 496,660     |
| Amortization of deferred revenue and lease intangibles, net                       | (10,090)                             | (13,630)    |
| Other non-cash amortization                                                       | 4,687                                | 909         |
| Stock-based compensation                                                          | 10,037                               | 11,192      |
| Straight-lining of rental income, net                                             | (15,426)                             | (16,761)    |
| Loss (gain) on extinguishment of debt, net                                        | 2,782                                | (434)       |
| Gain on real estate dispositions (including amounts in discontinued operations)   | (31,923)                             | (14,432)    |
| Gain on real estate loan investments                                              | (33)                                 | —           |
| Gain on sale of marketable debt securities                                        | —                                    | (5,800)     |
| Income tax benefit                                                                | (21,443)                             | (18,240)    |
| (Income) loss from unconsolidated entities                                        | (1,220)                              | 242         |
| Distributions from unconsolidated entities                                        | 3,873                                | 14,973      |
| Other                                                                             | 724                                  | 3,106       |
| Changes in operating assets and liabilities:                                      |                                      |             |
| Decrease (increase) in other assets                                               | 10,609                               | (9,711)     |
| (Decrease) increase in accrued interest                                           | (769)                                | 16,108      |
| Decrease in accounts payable and other liabilities                                | (46,155)                             | (17,503)    |
| Net cash provided by operating activities                                         | 656,475                              | 717,724     |
| Cash flows from investing activities:                                             |                                      |             |
| Net investment in real estate property                                            | (34,453)                             | (1,253,910) |
| Investment in loans receivable and other                                          | (152,450)                            | (55,659)    |
| Proceeds from real estate disposals                                               | 63,561                               | 273,191     |
| Proceeds from loans receivable                                                    | 7,644                                | 93,275      |
| Proceeds from sale or maturity of marketable securities                           | —                                    | 57,225      |
| Funds held in escrow for future development expenditures                          | —                                    | 4,003       |
| Development project expenditures                                                  | (69,679)                             | (62,630)    |
| Capital expenditures                                                              | (46,925)                             | (43,429)    |
| Other                                                                             | (4,265)                              | (8,813)     |
| Net cash used in investing activities                                             | (236,567)                            | (996,747)   |
| Cash flows from financing activities:                                             |                                      |             |
| Net change in borrowings under credit facility                                    | 24,304                               | (321,334)   |
| Proceeds from debt                                                                | 416,217                              | 1,107,971   |
| Repayment of debt                                                                 | (740,337)                            | (278,442)   |
| Purchase of noncontrolling interest                                               | (1,604)                              | (3,816)     |
| Payment of deferred financing costs                                               | (3,844)                              | (14,608)    |
| Issuance of common stock, net                                                     | 377,739                              | 352,167     |
| Cash distribution to common stockholders                                          | (493,471)                            | (516,404)   |
| Cash distribution to redeemable OP unitholders                                    | (4,437)                              | (4,697)     |
| Purchases of redeemable OP units                                                  | —                                    | (33,188)    |
| Contributions from noncontrolling interest                                        | 5,680                                | —           |

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|                                                                     |            |          |
|---------------------------------------------------------------------|------------|----------|
| Distributions to noncontrolling interest                            | (3,582 )   | (9,467 ) |
| Other                                                               | 7,883      | 5,928    |
| Net cash (used in) provided by financing activities                 | (415,452 ) | 284,110  |
| Net increase in cash and cash equivalents                           | 4,456      | 5,087    |
| Effect of foreign currency translation on cash and cash equivalents | (157 )     | 97       |
| Cash and cash equivalents at beginning of period                    | 53,023     | 55,348   |
| Cash and cash equivalents at end of period                          | \$57,322   | \$60,532 |
| See accompanying notes.                                             |            |          |

VENTAS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

(Unaudited)

(In thousands)

|                                                                              | For the Six Months<br>Ended June 30, |             |
|------------------------------------------------------------------------------|--------------------------------------|-------------|
|                                                                              | 2016                                 | 2015        |
| Supplemental schedule of non-cash activities:                                |                                      |             |
| Assets and liabilities assumed from acquisitions:                            |                                      |             |
| Real estate investments                                                      | \$8,665                              | \$2,563,501 |
| Utilization of funds held for an Internal Revenue Code Section 1031 exchange | (6,954 )                             | (8,911 )    |
| Other assets acquired                                                        | 861                                  | 16,505      |
| Debt assumed                                                                 | —                                    | 177,857     |
| Other liabilities                                                            | 2,638                                | 49,788      |
| Deferred income tax liability                                                | (66 )                                | 51,620      |
| Redeemable OP unitholder interests assumed                                   | —                                    | 87,245      |
| Equity issued                                                                | —                                    | 2,204,585   |
| Equity issued for purchase of OP and Class C units                           | 20,770                               | —           |
| See accompanying notes.                                                      |                                      |             |

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

### NOTE 1—DESCRIPTION OF BUSINESS

Ventas, Inc. (together with its subsidiaries, unless otherwise indicated or except where the context otherwise requires, “we,” “us” or “our”), an S&P 500 company, is a real estate investment trust (“REIT”) with a highly diversified portfolio of seniors housing and healthcare properties located throughout the United States, Canada and the United Kingdom. As of June 30, 2016, we owned approximately 1,300 properties (including properties classified as held for sale), consisting of seniors housing communities, medical office buildings (“MOBs”), skilled nursing facilities, specialty hospitals and general acute care hospitals, and we had five properties under development, including two properties that are owned by an unconsolidated real estate entity. Our company was originally founded in 1983 and is headquartered in Chicago, Illinois. In August 2015, we completed the spin off of most of our post-acute/skilled nursing facility portfolio into an independent, publicly traded REIT named Care Capital Properties, Inc. (“CCP”) (the “CCP Spin-Off”). The historical results of operations of the CCP properties are presented as discontinued operations in the accompanying consolidated financial statements.

We primarily invest in seniors housing and healthcare properties through acquisitions and lease our properties to unaffiliated tenants or operate them through independent third-party managers. As of June 30, 2016, we leased a total of 575 properties (excluding MOBs and 34 properties owned through investments in unconsolidated entities, and including 25 properties classified as held for sale) to various healthcare operating companies under “triple-net” or “absolute-net” leases that obligate the tenants to pay all property-related expenses, including maintenance, utilities, repairs, taxes, insurance and capital expenditures, and we engaged independent operators, such as Atria Senior Living, Inc. (“Atria”) and Sunrise Senior Living, LLC (together with its subsidiaries, “Sunrise”), to manage 304 seniors housing communities for us pursuant to long-term management agreements. Our three largest tenants, Brookdale Senior Living Inc. (together with its subsidiaries, “Brookdale Senior Living”), Kindred Healthcare, Inc. (together with its subsidiaries, “Kindred”) and Ardent Health Partners, LLC (together with its subsidiaries, “Ardent”) leased from us 140 properties (excluding six properties owned through investments in unconsolidated real estate entities and one property managed by Brookdale Senior Living pursuant to a long-term management agreement), 68 properties (excluding one MOB) and ten properties, respectively, as of June 30, 2016.

Through our Lillibridge Healthcare Services, Inc. (“Lillibridge”) subsidiary and our ownership interest in PMB Real Estate Services LLC (“PMBRES”), we also provide MOB management, leasing, marketing, facility development and advisory services to highly rated hospitals and health systems throughout the United States. In addition, from time to time, we make secured and other loans and investments relating to seniors housing and healthcare operators or properties.

### NOTE 2—ACCOUNTING POLICIES

The accompanying Consolidated Financial Statements have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) for interim financial information set forth in the Accounting Standards Codification (“ASC”), as published by the Financial Accounting Standards Board (“FASB”), and with the Securities and Exchange Commission (“SEC”) instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair statement of results for the interim period have been included. Operating results for the three and six months ended June 30, 2016 are not necessarily indicative of the results that may be expected for the year ending December 31, 2016. The accompanying Consolidated Financial Statements and related notes should be read in conjunction with the audited consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2015, filed with the SEC on February 12, 2016. Certain prior period amounts have been reclassified to conform to the current period presentation.

#### Principles of Consolidation

The accompanying Consolidated Financial Statements include our accounts and the accounts of our wholly owned subsidiaries and the joint venture entities over which we exercise control. All intercompany transactions and balances have been eliminated in consolidation, and our net earnings are reduced by the portion of net earnings attributable to noncontrolling interests.

GAAP requires us to identify entities for which control is achieved through means other than voting rights and to determine which business enterprise is the primary beneficiary of variable interest entities (“VIEs”). A VIE is broadly defined as an entity with one or more of the following characteristics: (a) the total equity investment at risk is insufficient to finance the entity’s activities without additional subordinated financial support; (b) as a group, the holders of the equity investment at risk lack (i) the ability to make decisions about the entity’s activities through voting or similar rights, (ii) the obligation to absorb the expected losses of the entity, or (iii) the right to receive the expected residual returns of the entity; and (c) the equity

investors have voting rights that are not proportional to their economic interests, and substantially all of the entity's activities either involve, or are conducted on behalf of, an investor that has disproportionately few voting rights. We consolidate our investment in a VIE when we determine that we are its primary beneficiary. We may change our original assessment of a VIE upon subsequent events such as the modification of contractual arrangements that affects the characteristics or adequacy of the entity's equity investments at risk and the disposition of all or a portion of an interest held by the primary beneficiary.

We identify the primary beneficiary of a VIE as the enterprise that has both: (i) the power to direct the activities of the VIE that most significantly impact the entity's economic performance; and (ii) the obligation to absorb losses or the right to receive benefits of the VIE that could be significant to the entity. We perform this analysis on an ongoing basis.

As it relates to 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 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 also apply this guidance to managing member interests in limited liability companies.

On January 1, 2016, we adopted Accounting Standards Update ("ASU") 2015-02, Amendments to the Consolidation Analysis ("ASU 2015-02"), which makes certain changes to both the variable interest and voting models. The adoption of ASU 2015-02 did not result in any changes to our conclusions regarding the consolidation of investments under the new standard. We identified several entities already consolidated under the previous standard but not considered VIEs, which under the new standard are considered VIEs and will continue to be consolidated. In general, each of these consolidated VIEs has the following common characteristics:

- VIEs in the legal form of a limited partnership ("LP") or Limited Liability Company ("LLC");
- The VIEs were designed to own and manage their underlying real estate investments;
- Ventas (or a subsidiary thereof) is the general partner or managing member of the VIE;
- Ventas (or a subsidiary thereof) also owns a majority of the voting interests in the VIE;
- A minority of voting interests in the VIE are owned by external third parties, unrelated to us;
- The minority owners do not have substantive kick-out or participating rights in the VIEs; and
- Ventas (or a subsidiary thereof) is the primary beneficiary of the VIE.

In general, the assets of the consolidated VIEs are available only for the settlement of the obligations of the respective entities. Unless otherwise required by the LP or LLC agreement, any mortgage loans of the consolidated VIEs are non-recourse to us. The table below summarizes the total assets and liabilities of our consolidated VIEs as reported on our Consolidated Balance Sheets.

|                                                                    | June 30, 2016  |             | December 31, 2015 |             |
|--------------------------------------------------------------------|----------------|-------------|-------------------|-------------|
|                                                                    | Total          | Total       | Total             | Total       |
|                                                                    | Assets         | Liabilities | Assets            | Liabilities |
|                                                                    | (In thousands) |             |                   |             |
| NHP/PMB L.P.                                                       | \$646,407      | \$199,257   | \$645,109         | \$203,235   |
| Ventas Realty Capital Healthcare Trust Operating Partnership, L.P. | 2,288,126      | 217,027     | 2,367,296         | 233,600     |
| Other identified VIEs                                              | 1,536,594      | 379,332     | 1,582,430         | 431,582     |

#### Redeemable OP Unitholder and Noncontrolling Interests

We own a majority interest in NHP/PMB L.P. ("NHP/PMB"), a limited partnership formed in 2008 to acquire properties from entities affiliated with Pacific Medical Buildings LLC. We consolidate NHP/PMB, as our wholly owned subsidiary is the general partner, who is the primary beneficiary of this VIE. As of June 30, 2016, third party investors owned 2,779,571 Class A limited partnership units in NHP/PMB ("OP Units"), which represented 28.1% of the total units then outstanding, and we owned 7,123,312 Class B limited partnership units in NHP/PMB, representing the remaining 71.9%. At any time following the first anniversary of the date of their issuance, the OP Units may be

redeemed at the election of the holder for cash or, at our option, 0.9051 shares of our common stock per unit, subject to further adjustment in certain circumstances. We are party by assumption to a registration rights agreement with the holders of the OP Units that requires us, subject to the terms and conditions and certain exceptions set forth therein, to file and maintain a registration statement relating to the issuance of shares of our common stock upon redemption of OP Units.

We own a majority interest in Ventas Realty Capital Healthcare Trust Operating Partnership, L.P. (“Ventas Realty OP”) and we consolidate this entity, as our wholly owned subsidiary is the general partner, who is the primary beneficiary of this VIE. The limited partnership units (“Class C Units”) may be redeemed at the election of the holder for one share of our common stock per unit or, at our option, an equivalent amount in cash, subject to adjustment in certain circumstances. We are party by assumption to a registration rights agreement with the holders of the Class C Units that requires us, subject to the terms and conditions and certain exceptions set forth therein, to file and maintain a registration statement relating to the issuance of shares of our common stock upon redemption of Class C Units. As of June 30, 2016, third party investors owned 361,776 Class C Units, which represented 1.2% of the total units then outstanding, and we owned 29,307,561 Class C Units and 176,374 OP units in Ventas Realty OP, representing the remaining 98.8%.

During the six months ended June 30, 2016, third party investors redeemed 32,747 OP Units and 311,208 Class C Units for 340,845 shares of Ventas common stock, valued at \$20.8 million.

As redemption rights are outside of our control, the redeemable OP unitholder interests (OP Units and Class C Units) are classified outside of permanent equity on our Consolidated Balance Sheets. We reflect the redeemable OP unitholder interests at the greater of cost or fair value. As of June 30, 2016 and December 31, 2015, the fair value of the redeemable OP unitholder interests was \$209.5 million and \$188.5 million, respectively. We recognize changes in fair value through capital in excess of par value, net of cash distributions paid and purchases by us of any OP Units or Class C Units. Our diluted earnings per share (“EPS”) includes the effect of any potential shares outstanding from redemption of the OP Units or Class C Units.

Certain noncontrolling interests of other consolidated joint ventures were also classified as redeemable at June 30, 2016 and December 31, 2015. Accordingly, we record the carrying amount of these noncontrolling interests at the greater of their initial carrying amount (increased or decreased for the noncontrolling interest’s share of net income or loss and distributions) or the redemption value. Our joint venture partners have certain redemption rights with respect to their noncontrolling interests in these joint ventures that are outside of our control, and the redeemable noncontrolling interests are classified outside of permanent equity on our Consolidated Balance Sheets. We recognize changes in the carrying value of redeemable noncontrolling interests through capital in excess of par value.

#### Noncontrolling Interests

Excluding the redeemable noncontrolling interests described above, we present the portion of any equity that we do not own in entities that we control (and thus consolidate) as noncontrolling interests and classify those interests as a component of consolidated equity, separate from total Ventas stockholders’ equity, on our Consolidated Balance Sheets. For consolidated joint ventures with pro rata distribution allocations, net income or loss is allocated between the joint venture partners based on their respective stated ownership percentages. In other cases, net income or loss is allocated between the joint venture partners based on the hypothetical liquidation at book value method. We account for purchases or sales of equity interests that do not result in a change of control as equity transactions, through capital in excess of par value. In addition, we include net income attributable to the noncontrolling interests in net income in our Consolidated Statements of Income.

#### Assets Held for Sale and Discontinued Operations

We sell properties from time to time for various reasons, including favorable market conditions or the exercise of purchase options by tenants. We classify certain long-lived assets as held for sale once the criteria, as defined by GAAP, has been met. Long-lived assets to be disposed of are reported at the lower of their carrying amount or fair value minus cost to sell and are no longer depreciated. We report discontinued operations when the following criteria are met: (1) a component of an entity or group of components has been disposed of or classified as held for sale and represents a strategic shift that has or will have a major effect on an entity’s operations and financial results; or (2) an acquired business is classified as held for sale on the acquisition date. The results of operations for assets meeting the definition of discontinued operations are reflected in our Consolidated Statements of Income as discontinued operations for all periods presented. We allocate estimated interest expense to discontinued operations based on property values and our weighted average interest rate or the property’s actual mortgage interest.

#### Impairment of Long-Lived Assets

We periodically evaluate our long-lived assets, primarily consisting of investments in real estate, for impairment indicators. If indicators of impairment are present, we evaluate the carrying value of the related real estate investments

in relation to the future undiscounted cash flows of the underlying operations. In performing this evaluation, we consider market conditions and our current intentions with respect to holding or disposing of the asset. We adjust the net book value of leased properties and other long-lived assets to fair value if the sum of the expected future undiscounted cash flows, including sales proceeds, is less than book value. We recognize an impairment loss at the time we make any such determination.

## Fair Values of Financial Instruments

Fair value is a market-based measurement, not an entity-specific measurement, and we determine fair value based on the assumptions that we expect market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, GAAP establishes a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within levels one and two of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within level three of the hierarchy).

Level one inputs utilize unadjusted quoted prices for identical assets or liabilities in active markets that we have the ability to access. Level two inputs are inputs other than quoted prices included in level one that are directly or indirectly observable for the asset or liability. Level two inputs may include quoted prices for similar assets and liabilities in active markets and other inputs for the asset or liability that are observable at commonly quoted intervals, such as interest rates, foreign exchange rates and yield curves. Level three inputs are unobservable inputs for the asset or liability, which typically are based on our own assumptions, because there is little, if any, related market activity. If the determination of the fair value measurement is based on inputs from different levels of the hierarchy, the level within which the entire fair value measurement falls is the lowest level input that is significant to the fair value measurement in its entirety. If the volume and level of market activity for an asset or liability has decreased significantly relative to the normal market activity for such asset or liability (or similar assets or liabilities), then transactions or quoted prices may not accurately reflect fair value. In addition, if there is evidence that a transaction for an asset or liability is not orderly, little, if any, weight is placed on that transaction price as an indicator of fair value. Our assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

We use the following methods and assumptions in estimating the fair value of our financial instruments.

• Cash and cash equivalents - The carrying amount of unrestricted cash and cash equivalents reported on our Consolidated Balance Sheets approximates fair value due to the short maturity of these instruments.

• Escrow deposits and restricted cash - The carrying amount of escrow deposits and restricted cash reported on our Consolidated Balance Sheets approximates fair value due to the short maturity of these instruments.

Loans receivable - We estimate the fair value of loans receivable using level two and level three inputs: we discount future cash flows using current interest rates at which similar loans with the same terms and length to maturity would be made to borrowers with similar credit ratings.

Marketable debt securities - We estimate the fair value of corporate bonds, if any, using level two inputs: we observe quoted prices for similar assets or liabilities in active markets that we have the ability to access. We estimate the fair value of certain government-sponsored pooled loan investments using level three inputs: we consider credit spreads, underlying asset performance and credit quality, default rates and any other applicable criteria.

Derivative instruments - With the assistance of a third party, we estimate the fair value of derivative instruments, including interest rate caps, interest rate swaps, and foreign currency forward contracts, using level two inputs: for interest rate caps, we observe forward yield curves and other relevant information; for interest rate swaps, we observe alternative financing rates derived from market-based financing rates, forward yield curves and discount rates; and for foreign currency forward contracts, we estimate the future values of the two currency tranches using forward exchange rates that are based on traded forward points and calculate a present value of the net amount using a discount factor based on observable traded interest rates.

Senior notes payable and other debt - We estimate the fair value of senior notes payable and other debt using level two inputs: we discount the future cash flows using current interest rates at which we could obtain similar borrowings. For mortgage debt, we may estimate fair value using level three inputs.

Redeemable OP unitholder interests - We estimate the fair value of our redeemable OP unitholder interests using level one inputs: we base fair value on the closing price of our common stock, as OP units and Class C Units may be redeemed at the election of the holder for cash or, at our option, shares of our common stock, subject to adjustment in certain circumstances.

## Revenue Recognition

## Triple-Net Leased Properties and MOB Operations

Certain of our triple-net leases and most of our MOB leases provide for periodic and determinable increases in base rent. We recognize base rental revenues under these leases on a straight-line basis over the applicable lease term when collectibility

is reasonably assured. Recognizing rental income on a straight-line basis generally results in recognized revenues during the first half of a lease term exceeding the cash amounts contractually due from our tenants, creating a straight-line rent receivable that is included in other assets on our Consolidated Balance Sheets. At June 30, 2016 and December 31, 2015, this cumulative excess totaled \$233.4 million (net of allowances of \$103.1 million) and \$219.1 million (net of allowances of \$101.4 million), respectively (excluding properties classified as held for sale). Certain of our leases provide for periodic increases in base rent only if certain revenue parameters or other substantive contingencies are met. We recognize the increased rental revenue under these leases as the related parameters or contingencies are met, rather than on a straight-line basis over the applicable lease term.

#### Senior Living Operations

We recognize resident fees and services, other than move-in fees, monthly as services are provided. We recognize move-in fees on a straight-line basis over the average resident stay. Our lease agreements with residents generally have terms of 12 to 18 months and are cancelable by the resident upon 30 days' notice.

#### Other

We recognize interest income from loans and investments, including discounts and premiums, using the effective interest method when collectibility is reasonably assured. We apply the effective interest method on a loan-by-loan basis and recognize discounts and premiums as yield adjustments over the related loan term. We recognize interest income on an impaired loan to the extent our estimate of the fair value of the collateral is sufficient to support the balance of the loan, other receivables and all related accrued interest. When the balance of the loan, other receivables and all related accrued interest is equal to or less than our estimate of the fair value of the collateral, we recognize interest income on a cash basis. We provide a reserve against an impaired loan to the extent our total investment in the loan exceeds our estimate of the fair value of the loan collateral.

We recognize income from rent, lease termination fees, development services, management advisory services, and all other income when all of the following criteria are met in accordance with SEC Staff Accounting Bulletin 104: (i) the applicable agreement has been fully executed and delivered; (ii) services have been rendered; (iii) the amount is fixed or determinable; and (iv) collectibility is reasonably assured.

#### Allowances

We assess the collectibility of our rent receivables, including straight-line rent receivables. We base our assessment of the collectibility of rent receivables (other than straight-line rent receivables) on several factors, including, among other things, payment history, the financial strength of the tenant and any guarantors, the value of the underlying collateral, if any, and current economic conditions. If our evaluation of these factors indicates it is probable that we will be unable to recover the full value of the receivable, we provide a reserve against the portion of the receivable that we estimate may not be recovered. We also base our assessment of the collectibility of straight-line rent receivables on several factors, including, among other things, the financial strength of the tenant and any guarantors, the historical operations and operating trends of the property, the historical payment pattern of the tenant and the type of property. If our evaluation of these factors indicates it is probable that we will be unable to receive the rent payments due in the future, we provide a reserve against the recognized straight-line rent receivable asset for the portion, up to its full value, that we estimate may not be recovered. If we change our assumptions or estimates regarding the collectibility of future rent payments required by a lease, we may adjust our reserve to increase or reduce the rental revenue recognized in the period we make such change in our assumptions or estimates.

#### Recently Issued or Adopted Accounting Standards

On January 1, 2016, we adopted ASU 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. Adoption of this ASU did not have a significant impact on our consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments ("ASU 2016-13") which provides for an impairment model that is based on

expected losses rather than incurred losses. Under ASU 2016-13, an entity recognizes as an allowance its estimate of expected credit losses. ASU 2016-13 is effective for the Company beginning January 1, 2020 and we do not expect its adoption will have a significant effect on our consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842) (“ASU 2016-02”), which introduces a lessee model that brings most leases on the balance sheet and amongst other changes, eliminates the requirement in current GAAP for an entity to use bright-line tests in determining lease classification. The amendments in ASU 2016-02 do not significantly change the current lessor accounting model. ASU 2016-02 is not effective for the Company until January 1, 2019 with early adoption permitted. We are continuing to evaluate this guidance and the impact to us, as both lessor and lessee, on our consolidated financial statements.

In 2014, the FASB issued ASU 2014-09, Revenue From Contracts With Customers (“ASU 2014-09”), which outlines a comprehensive model for entities to use in accounting for revenue arising from contracts with customers. ASU 2014-09 states that “an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.” While ASU 2014-09 specifically references contracts with customers, it may apply to certain other transactions such as the sale of real estate or equipment. In 2015, the FASB provided for a one-year deferral of the effective date for ASU 2014-09, which is now effective for us beginning January 1, 2018. We are continuing to evaluate ASU 2014-09 (and related clarifying guidance issued by the FASB); however, we do not expect its adoption to have a significant impact on our consolidated financial statements, as a substantial portion of our revenue consists of rental income from leasing arrangements, which is specifically excluded from ASU 2014-09.

#### NOTE 3—CONCENTRATION OF CREDIT RISK

As of June 30, 2016, Atria, Sunrise, Brookdale Senior Living, Kindred and Ardent managed or operated approximately 23.2%, 11.8%, 8.5%, 1.8% and 5.3%, respectively, of our real estate investments based on gross book value (excluding properties classified as held for sale as of June 30, 2016). Because Atria and Sunrise manage our properties in exchange for the receipt of a management fee from us, we are not directly exposed to the credit risk of our managers in the same manner or to the same extent as our triple-net tenants.

Seniors housing communities constituted approximately 64.8% of our real estate investments based on gross book value (excluding properties classified as held for sale as of June 30, 2016), while MOB, skilled nursing facilities, specialty hospitals and general acute care hospitals collectively comprised the remaining 35.2%. Our properties were located in 46 states, the District of Columbia, seven Canadian provinces and the United Kingdom as of June 30, 2016, with properties in one state (California) accounting for more than 10% of our total revenues and total net operating income (“NOI,” which is defined as total revenues, excluding interest and other income, less property-level operating expenses and medical office building services costs) (in each case excluding amounts in discontinued operations) for the three months then ended.

#### Triple-Net Leased Properties

For the three months ended June 30, 2016 and 2015, approximately 4.9% and 5.2%, respectively, of our total revenues and 8.3% and 9.1%, respectively, of our total NOI (in each case excluding amounts in discontinued operations) were derived from our lease agreements with Brookdale Senior Living. For the same periods, approximately 5.4% and 5.7%, respectively, of our total revenues and 9.3% and 10.0%, respectively, of our total NOI (in each case excluding amounts in discontinued operations) were derived from our lease agreements with Kindred (“Kindred Master Leases”). For the three months ended June 30, 2016, approximately 3.1% of our total revenues and 5.4% of our total NOI (in each case excluding amounts in discontinued operations) were derived from our lease agreements with Ardent. Each of our leases with Brookdale Senior Living, Kindred and Ardent is a triple-net lease that obligates the tenant to pay all property-related expenses, including maintenance, utilities, repairs, taxes, insurance and capital expenditures, and to comply with the terms of the mortgage financing documents, if any, affecting the properties. In addition, each of our Brookdale Senior Living, Kindred and Ardent leases has a corporate guaranty. Brookdale Senior Living and Kindred have multiple leases with us and those leases contain cross-default provisions tied to each other, as well as bundled lease renewals.

The properties we lease to Brookdale Senior Living, Kindred and Ardent accounted for a significant portion of our triple-net leased properties segment revenues and NOI for the three months ended June 30, 2016 and 2015. If either Brookdale Senior Living, Kindred or Ardent becomes unable or unwilling to satisfy its obligations to us or to renew its leases with us upon expiration of the terms thereof, our financial condition and results of operations could decline and our ability to service our indebtedness and to make distributions to our stockholders could be impaired. We cannot assure you that Brookdale Senior Living, Kindred and Ardent will have sufficient assets, income and access to

financing to enable them to satisfy their respective obligations to us, and any failure, inability or unwillingness by Brookdale Senior Living, Kindred or Ardent to do so could have a material adverse effect on our business, financial condition, results of operations and liquidity, our ability to service our indebtedness and other obligations and our ability to make distributions to our stockholders, as required for us to continue to qualify as a REIT (a “Material Adverse Effect”). We also cannot assure you that Brookdale Senior Living, Kindred and Ardent

will elect to renew their respective leases with us upon expiration of the leases or that we will be able to reposition any non-renewed properties on a timely basis or on the same or better economic terms, if at all.

On April 3, 2016, we entered into several agreements with Kindred to improve the quality and productivity of the long term acute care hospital ("LTAC") portfolio leased by Ventas to Kindred. Certain of the agreements consist of lease amendments to the Kindred Master Leases. Under these lease amendments, annual rent on seven identified LTACs (the "7 LTACs"), which was approximately \$8 million, was immediately re-allocated to other more productive post-acute assets subject to the Kindred Master Leases. Total annual rent under the Kindred Master Leases remains the same. Separately, we agreed to sell the 7 LTACs to an unrelated third party, subject to conditions to closing. The 7 LTACs are reported as assets held for sale on our Consolidated Balance Sheets as of June 30, 2016. As a result of this pending disposition, we recognized an impairment of \$10.3 million during the six months ended June 30, 2016, which is reported in depreciation and amortization in our Consolidated Statements of Income. In April, we received \$3.5 million from Kindred in connection with the lease amendments, which is being amortized over the lease term of certain assets remaining in the Kindred Master Leases.

In December 2014, we entered into favorable agreements with Kindred to transition or sell the operations of nine licensed healthcare assets, make modifications to the master leases governing 34 leased assets, and reimburse us for certain deferred capital expenditures at skilled nursing facilities previously transferred to new operators. In January 2015, Kindred paid us \$37 million in connection with these agreements, which is being amortized over the remaining lease term for the 34 assets governed by the Kindred Master Leases. The nine licensed healthcare assets were all disposed of as of April 1, 2016.

#### Senior Living Operations

As of June 30, 2016, Atria and Sunrise, collectively, provided comprehensive property management and accounting services with respect to 268 of our 304 seniors housing communities, for which we pay annual management fees pursuant to long-term management agreements.

We rely on our managers' personnel, expertise, technical resources and information systems, proprietary information, good faith and judgment to manage our senior living operations efficiently and effectively. We also rely on our managers to set appropriate resident fees and otherwise operate our seniors housing communities in compliance with the terms of our management agreements and all applicable laws and regulations. Although we have various rights as the property owner under our management agreements, including various rights to terminate and exercise remedies under the agreements as provided therein, Atria's or Sunrise's failure, inability or unwillingness to satisfy its respective obligations under those agreements, to efficiently and effectively manage our properties or to provide timely and accurate accounting information with respect thereto could have a Material Adverse Effect on us. In addition, significant changes in Atria's or Sunrise's senior management or equity ownership or any adverse developments in their businesses and affairs or financial condition could have a Material Adverse Effect on us.

Our 34% ownership interest in Atria entitles us to certain rights and minority protections, as well as the right to appoint two of five members on the Atria Board of Directors.

#### Brookdale Senior Living, Kindred, Atria, Sunrise and Ardent Information

Each of Brookdale Senior Living and Kindred is subject to the reporting requirements of the SEC and is required to file with the SEC annual reports containing audited financial information and quarterly reports containing unaudited financial information. The information related to Brookdale Senior Living and Kindred contained or referred to in this Quarterly Report on Form 10-Q has been derived from SEC filings made by Brookdale Senior Living or Kindred, as the case may be, or other publicly available information, or was provided to us by Brookdale Senior Living or Kindred, and we have not verified this information through an independent investigation or otherwise. We have no reason to believe that this information is inaccurate in any material respect, but we cannot assure you of its accuracy. We are providing this data for informational purposes only, and you are encouraged to obtain Brookdale Senior Living's and Kindred's publicly available filings, which can be found at the SEC's website at [www.sec.gov](http://www.sec.gov).

Atria, Sunrise and Ardent are not currently subject to the reporting requirements of the SEC. The information related to Atria, Sunrise and Ardent contained or referred to in this Quarterly Report on Form 10-Q has been derived from publicly available information or was provided to us by Atria, Sunrise or Ardent, as the case may be, and we have not verified this information through an independent investigation or otherwise. We have no reason to believe that this information is inaccurate in any material respect, but we cannot assure you of its accuracy.



## NOTE 4—DISPOSITIONS

## 2016 Activity

During the six months ended June 30, 2016, we sold three triple-net leased properties, one seniors housing community included in our senior living operations reportable business segment and one MOB for aggregate consideration of \$63.8 million. We recognized a gain on the sales of these assets of \$32.0 million.

## 2015 Activity

During the six months ended June 30, 2015, we sold 30 triple-net leased properties and 25 MOBs for aggregate consideration of \$423.3 million, including \$5.5 million of lease termination fees (included within triple-net leased rental income in our Consolidated Statements of Income). For the six months ended June 30, 2015, we recognized a gain on the sales of these assets of \$32.6 million (net of taxes), of which \$18.1 million was deferred due to an unsecured loan we made to the buyer in connection with the sale of certain assets. The gain is being recognized into income as principal payments are made on the loan over its five-year term.

## Real Estate Impairment

We recognized impairments of \$14.5 million and \$28.7 million for the six months ended June 30, 2016 and 2015, respectively, which are recorded in depreciation and amortization. Of these impairments, \$0 and \$13.0 million for the six months ended June 30, 2016 and 2015, respectively, were reported in discontinued operations in our Consolidated Statements of Income.

## Discontinued Operations and Assets Held for Sale

The table below summarizes our real estate assets classified as held for sale as of June 30, 2016 and December 31, 2015, including the amounts reported on our Consolidated Balance Sheets.

|                              | June 30, 2016          |            |             | December 31, 2015 |           |             |
|------------------------------|------------------------|------------|-------------|-------------------|-----------|-------------|
|                              | Number                 |            |             | Number            |           |             |
|                              | of                     | Assets     | Liabilities | of                | Assets    | Liabilities |
|                              | Properties             | Held for   | Held for    | Properties        | Held for  | Held for    |
|                              | Held                   | Sale       | Sale        | Held              | Sale      | Sale        |
|                              | for                    |            |             | for               |           |             |
|                              | Sale                   |            |             | Sale              |           |             |
|                              | (Dollars in thousands) |            |             |                   |           |             |
| Triple-net leased properties | 25                     | \$ 141,084 | \$ 76,758   | 2                 | \$ 4,488  | \$ 44       |
| MOB operations               | 7                      | 52,369     | 12,188      | 8                 | 68,619    | 24,759      |
| Senior Living Operations*    | —                      | 1,818      | 21          | 1                 | 19,953    | 9,537       |
| Total                        | 32                     | \$ 195,271 | \$ 88,967   | 11                | \$ 93,060 | \$ 34,340   |

\* As of June 30, 2016 there is one vacant land parcel classified as held for sale.

Set forth below is a summary of our results of operations for properties within discontinued operations for the three and six months ended June 30, 2016 and 2015.

|                                                                                    | For the Three<br>Months Ended<br>June 30,<br>2016 |          | For the Six<br>Months Ended<br>June 30,<br>2015 |           |
|------------------------------------------------------------------------------------|---------------------------------------------------|----------|-------------------------------------------------|-----------|
|                                                                                    | (In thousands)                                    |          |                                                 |           |
| Revenues:                                                                          |                                                   |          |                                                 |           |
| Rental income                                                                      | \$—                                               | \$78,556 | \$—                                             | \$156,207 |
| Income from loans and investments                                                  | —                                                 | 853      | —                                               | 1,699     |
| Interest and other income                                                          | —                                                 | 62       | —                                               | 63        |
|                                                                                    | —                                                 | 79,471   | —                                               | 157,969   |
| Expenses:                                                                          |                                                   |          |                                                 |           |
| Interest                                                                           | —                                                 | 23,742   | —                                               | 48,256    |
| Depreciation and amortization                                                      | —                                                 | 34,496   | —                                               | 65,730    |
| General, administrative and professional fees                                      | —                                                 | 3        | —                                               | 7         |
| Merger-related expenses and deal costs                                             | 147                                               | 2,320    | 636                                             | 6,879     |
| Other                                                                              | —                                                 | 880      | —                                               | 1,445     |
|                                                                                    | 147                                               | 61,441   | 636                                             | 122,317   |
| (Loss) income before real estate dispositions and noncontrolling interest          | (147 )                                            | 18,030   | (636 )                                          | 35,652    |
| (Loss) gain on real estate dispositions                                            | (1 )                                              | 277      | (1 )                                            | 277       |
| Net (loss) income from discontinued operations                                     | (148 )                                            | 18,307   | (637 )                                          | 35,929    |
| Net income attributable to noncontrolling interest                                 | —                                                 | 64       | —                                               | 112       |
| Net (loss) income from discontinued operations attributable to common stockholders | \$(148)                                           | \$18,243 | \$(637)                                         | \$35,817  |

Substantially all of the amounts reported for 2015 as discontinued operations in the table above reflect the historical results of operations of the CCP properties prior to the CCP Spin-Off. All merger-related expenses and deal costs presented above reflect separation costs relating to the CCP Spin-Off.

#### Transition Services Agreement

We and CCP entered into a transition services agreement prior to the CCP Spin-Off pursuant to which we and our subsidiaries provide to CCP, on an interim, transitional basis, various services. The services provided include information technology, accounting and tax services. The overall fee charged by us for such services (the "Service Fee") is \$2.5 million for one year. For the three and six months ended June 30, 2016, we recognized income of \$0.6 million and \$1.2 million, respectively, relating to the Service Fee, which is payable in four quarterly installments. The transition services agreement will terminate on the expiration of the term of the last service provided under the agreement, which will be on or prior to August 31, 2016.

## NOTE 5—LOANS RECEIVABLE AND INVESTMENTS

As of June 30, 2016 and December 31, 2015, we had \$1.0 billion and \$895.0 million, respectively, of net loans receivable and investments relating to seniors housing and healthcare operators or properties. The following is a summary of our net loans receivable and investments as of June 30, 2016 and December 31, 2015, including amortized cost, fair value and unrealized gains or losses on available-for-sale investments:

|                                                                             | June 30, 2016   |                | Fair Value  | Unrealized Gain |
|-----------------------------------------------------------------------------|-----------------|----------------|-------------|-----------------|
|                                                                             | Carrying Amount | Amortized Cost |             |                 |
|                                                                             | (In thousands)  |                |             |                 |
| Secured mortgage loans and other                                            | \$939,171       | \$939,171      | \$965,807   | \$ —            |
| Government-sponsored pooled loan investments (1)                            | 64,390          | 62,591         | 64,390      | 1,799           |
| Total investments reported as Secured loans receivable and investments, net | 1,003,561       | 1,001,762      | 1,030,197   | 1,799           |
| Non-mortgage loans receivable                                               | 38,363          | 38,363         | 39,750      | —               |
| Total investments reported as Other assets                                  | 38,363          | 38,363         | 39,750      | —               |
| Total net loans receivable and investments                                  | \$1,041,924     | \$1,040,125    | \$1,069,947 | \$ 1,799        |

(1) Investments in government-sponsored pool loans have contractual maturity dates in 2023.

|                                                                             | December 31, 2015 |                | Fair Value | Unrealized Gain |
|-----------------------------------------------------------------------------|-------------------|----------------|------------|-----------------|
|                                                                             | Carrying Amount   | Amortized Cost |            |                 |
|                                                                             | (In thousands)    |                |            |                 |
| Secured mortgage loans and other                                            | \$793,433         | \$793,433      | \$816,849  | \$ —            |
| Government-sponsored pooled loan investments                                | 63,679            | 62,130         | 63,679     | 1,549           |
| Total investments reported as Secured loans receivable and investments, net | 857,112           | 855,563        | 880,528    | 1,549           |
| Non-mortgage loans receivable                                               | 37,926            | 37,926         | 38,806     | —               |
| Total investments reported as Other assets                                  | 37,926            | 37,926         | 38,806     | —               |
| Total net loans receivable and investments                                  | \$895,038         | \$893,489      | \$919,334  | \$ 1,549        |

## 2016 Activity

In April 2016, we received aggregate proceeds of \$5.0 million in final repayment of one secured loans receivable and recognized a \$0.1 million gain on the repayment of this loan receivable that is recorded in income from loans and investments in our Consolidated Statements of Income for the three and six months ended June 30, 2016.

In February 2016, we made a \$140.0 million secured mezzanine loan investment, at par, relating to Class A life sciences properties in California and Massachusetts, that has an annual interest rate of 9.95% and matures in 2021.

## 2015 Activity

We issued one non-mortgage loan (\$20.0 million) and one secured loan (\$78.4 million) to buyers in connection with the sales of certain assets in February and October, respectively. In June 2015, we sold our \$71.0 million investment in senior unsecured corporate bonds for \$76.8 million. We recognized a gain of \$5.8 million that is included within income from loans and investments in our Consolidated Statements of Income for the year ended December 31, 2015. This gain includes \$5.0 million that was previously unrealized within accumulated other comprehensive income on our Consolidated Balance Sheets as of December 31, 2014.



During the year ended December 31, 2015, we received aggregate proceeds of \$97.0 million in final repayment of three secured and one non-mortgage loans receivable. We recognized gains aggregating \$1.9 million on the repayment of these loans receivable that are recorded in income from loans and investments in our Consolidated Statements of Income for the year ended December 31, 2015.

#### NOTE 6—INVESTMENTS IN UNCONSOLIDATED ENTITIES

We report investments in unconsolidated entities over whose operating and financial policies we have the ability to exercise significant influence under the equity method of accounting. We are not required to consolidate these entities because our joint venture partners have significant participating rights, nor are these entities considered VIEs, as they are controlled by equity holders with sufficient capital. At June 30, 2016 and December 31, 2015, we had ownership interests (ranging from 5% to 25%) in joint ventures that owned 39 properties, excluding properties in development. We account for our interests in real estate joint ventures, as well as our 34% interest in Atria and 9.9% interest in Ardent (which are included within other assets on our Consolidated Balance Sheets), under the equity method of accounting.

With the exception of our interests in Atria and Ardent, we provide various services to each unconsolidated entity in exchange for fees and reimbursements. Total management fees earned in connection with these entities were \$1.6 million and \$1.8 million for the three months ended June 30, 2016 and 2015, respectively, and \$3.2 million and \$3.7 million for the six months ended June 30, 2016 and 2015, respectively (which is included in medical office building and other services revenue in our Consolidated Statements of Income).

#### NOTE 7—INTANGIBLES

The following is a summary of our intangibles as of June 30, 2016 and December 31, 2015:

|                                      | June 30, 2016          |                                                         | December 31, 2015 |                                                         |
|--------------------------------------|------------------------|---------------------------------------------------------|-------------------|---------------------------------------------------------|
|                                      | Balance                | Remaining Weighted Average Amortization Period in Years | Balance           | Remaining Weighted Average Amortization Period in Years |
|                                      | (Dollars in thousands) |                                                         |                   |                                                         |
| Intangible assets:                   |                        |                                                         |                   |                                                         |
| Above market lease intangibles       | \$ 149,824             | 6.4                                                     | \$ 155,161        | 7.0                                                     |
| In-place and other lease intangibles | 1,182,349              | 22.4                                                    | 1,189,261         | 20.9                                                    |
| Goodwill                             | 1,043,479              | N/A                                                     | 1,047,497         | N/A                                                     |
| Other intangibles                    | 35,845                 | 9.6                                                     | 35,792            | 8.6                                                     |
| Accumulated amortization             | (726,688 )             | N/A                                                     | (655,176 )        | N/A                                                     |
| Net intangible assets                | \$ 1,684,809           | 20.5                                                    | \$ 1,772,535      | 19.2                                                    |
| Intangible liabilities:              |                        |                                                         |                   |                                                         |
| Below market lease intangibles       | \$ 247,327             | 14.3                                                    | \$ 256,034        | 14.2                                                    |
| Other lease intangibles              | 35,925                 | 31.1                                                    | 35,925            | 30.1                                                    |
| Accumulated amortization             | (121,655 )             | N/A                                                     | (113,647 )        | N/A                                                     |
| Purchase option intangibles          | 3,568                  | N/A                                                     | 3,568             | N/A                                                     |
| Net intangible liabilities           | \$ 165,165             | 15.9                                                    | \$ 181,880        | 15.6                                                    |

N/A—Not Applicable.

Above market lease intangibles and in-place and other lease intangibles are included in acquired lease intangibles within real estate investments on our Consolidated Balance Sheets. Other intangibles (including non-compete agreements, trade names and trademarks) are included in other assets on our Consolidated Balance Sheets. Below market lease intangibles, other lease intangibles and purchase option intangibles are included in accounts payable and other liabilities on our Consolidated Balance Sheets.

NOTE 8—OTHER ASSETS

The following is a summary of our other assets as of June 30, 2016 and December 31, 2015:

|                                                 | June 30,<br>2016 | December 31,<br>2015 |
|-------------------------------------------------|------------------|----------------------|
|                                                 | (In thousands)   |                      |
| Straight-line rent receivables, net             | \$233,388        | \$ 219,064           |
| Non-mortgage loans receivable, net              | 38,363           | 37,926               |
| Other intangibles, net                          | 10,736           | 13,224               |
| Investment in unconsolidated operating entities | 28,561           | 28,199               |
| Other                                           | 106,463          | 113,990              |
| Total other assets                              | \$417,511        | \$ 412,403           |

## NOTE 9—SENIOR NOTES PAYABLE AND OTHER DEBT

The following is a summary of our senior notes payable and other debt as of June 30, 2016 and December 31, 2015:

|                                            | June 30,<br>2016 | December 31,<br>2015 |
|--------------------------------------------|------------------|----------------------|
|                                            | (In thousands)   |                      |
| Unsecured revolving credit facility (1)    | \$212,382        | \$180,683            |
| 1.55% Senior Notes due 2016                | 94,530           | 550,000              |
| 1.250% Senior Notes due 2017               | 300,000          | 300,000              |
| 2.00% Senior Notes due 2018                | 700,000          | 700,000              |
| Unsecured term loan due 2018 (2)           | 200,000          | 200,000              |
| Unsecured term loan due 2019 (2)           | 374,849          | 468,477              |
| 4.00% Senior Notes due 2019                | 600,000          | 600,000              |
| 3.00% Senior Notes, Series A due 2019 (3)  | 309,526          | 289,038              |
| 2.700% Senior Notes due 2020               | 500,000          | 500,000              |
| Unsecured term loan due 2020               | 900,000          | 900,000              |
| 4.750% Senior Notes due 2021               | 700,000          | 700,000              |
| 4.25% Senior Notes due 2022                | 600,000          | 600,000              |
| 3.25% Senior Notes due 2022                | 500,000          | 500,000              |
| 3.300% Senior Notes due 2022 (3)           | 193,454          | 180,649              |
| 3.125% Senior Notes due 2023               | 400,000          | —                    |
| 3.750% Senior Notes due 2024               | 400,000          | 400,000              |
| 4.125% Senior Notes, Series B due 2024 (3) | 193,454          | 180,649              |
| 3.500% Senior Notes due 2025               | 600,000          | 600,000              |
| 4.125% Senior Notes due 2026               | 500,000          | 500,000              |
| 6.90% Senior Notes due 2037                | 52,400           | 52,400               |
| 6.59% Senior Notes due 2038                | 22,973           | 22,973               |
| 5.45% Senior Notes due 2043                | 258,750          | 258,750              |
| 5.70% Senior Notes due 2043                | 300,000          | 300,000              |
| 4.375% Senior Notes due 2045               | 300,000          | 300,000              |
| Mortgage loans and other (4)               | 1,755,953        | 1,987,401            |
| Total                                      | 10,968,271       | 11,271,020           |
| Deferred financing costs, net              | (65,253)         | (69,121)             |
| Unamortized fair value adjustment          | 27,107           | 33,570               |
| Unamortized discounts                      | (28,994)         | (28,473)             |
| Senior notes payable and other debt        | \$10,901,131     | \$11,206,996         |

(1) \$155.4 million and \$9.7 million of aggregate borrowings are denominated in Canadian dollars as of June 30, 2016 and December 31, 2015, respectively.

(2) These amounts represent in aggregate the \$574.8 million of unsecured term loan borrowings under our unsecured credit facility, of which \$96.3 million included in the 2019 tranche is in the form of Canadian dollars.

(3) These borrowings are in the form of Canadian dollars.

2016 and 2015 exclude \$77.0 million and \$22.9 million, respectively, of mortgage debt related to real estate assets classified as held for sale that is included in liabilities related to assets held for sale on our Consolidated Balance Sheets.

As of June 30, 2016, our indebtedness had the following maturities:

|                  | Principal<br>Amount<br>Due at<br>Maturity | Unsecured<br>Revolving<br>Credit<br>Facility<br>(1) | Scheduled<br>Periodic<br>Amortization | Total<br>Maturities |
|------------------|-------------------------------------------|-----------------------------------------------------|---------------------------------------|---------------------|
|                  | (In thousands)                            |                                                     |                                       |                     |
| 2016 (2)         | \$105,496                                 | \$—                                                 | \$ 14,248                             | \$ 119,744          |
| 2017             | 681,502                                   | —                                                   | 25,912                                | 707,414             |
| 2018             | 1,101,879                                 | 212,382                                             | 20,951                                | 1,335,212           |
| 2019             | 1,708,956                                 | —                                                   | 14,471                                | 1,723,427           |
| 2020             | 1,416,913                                 | —                                                   | 11,482                                | 1,428,395           |
| Thereafter (3)   | 5,526,211                                 | —                                                   | 127,868                               | 5,654,079           |
| Total maturities | \$10,540,957                              | \$ 212,382                                          | \$ 214,932                            | \$ 10,968,271       |

(1) As of June 30, 2016, we had \$57.3 million of unrestricted cash and cash equivalents, for \$155.1 million of net borrowings outstanding under our unsecured revolving credit facility.

(2) Excludes \$77.0 million of mortgage debt related to real estate assets classified as held for sale as of June 30, 2016 that are scheduled to mature in 2016 and 2017.

(3) Includes \$52.4 million aggregate principal amount of our 6.90% senior notes due 2037 that is subject to repurchase, at the option of the holders, on October 1 in each of 2017 and 2027, and \$23.0 million aggregate principal amount of 6.59% senior notes due 2038 that is subject to repurchase, at the option of the holders, on July 7 in each of 2018, 2023 and 2028.

#### Unsecured Revolving Credit Facility and Unsecured Term Loans

Our unsecured credit facility is comprised of a \$2.0 billion revolving credit facility priced at LIBOR plus 1.0% as of June 30, 2016, and a \$200.0 million fully funded four-year term loan and an \$800.0 million five-year term loan (with \$374.8 million outstanding), each priced at LIBOR plus 1.05% as of June 30, 2016. The revolving credit facility matures in January 2018, but may be extended, at our option subject to the satisfaction of certain conditions, for an additional period of one year. The \$200.0 million and \$800.0 million term loans mature in January 2018 and January 2019, respectively. The unsecured credit facility also includes an accordion feature that permits us to increase our aggregate borrowing capacity thereunder to up to \$3.5 billion.

As of June 30, 2016, we had \$212.4 million of borrowings outstanding, \$14.1 million of letters of credit outstanding and \$1.7 billion of unused borrowing capacity available under our unsecured revolving credit facility.

As of June 30, 2016, we also had a \$900.0 million fully funded term loan due 2020 priced at LIBOR plus 97.5 basis points.

During the six months ended June 30, 2016, we repaid \$100.0 million outstanding on our unsecured term loan due 2019 using cash on hand and recognized a loss on extinguishment of debt of \$0.4 million.

#### Senior Notes

In May 2016, we issued and sold \$400.0 million aggregate principal amount of 3.125% senior notes due 2023 at a public offering price equal to 99.343% of par, for total proceeds of \$397.4 million before the underwriting discount and expenses.

In June 2016, we redeemed \$455.5 million aggregate principal amount then outstanding of our 1.55% senior notes due September 2016 at a public offering price of 100.335% of par, plus accrued and unpaid interest to the redemption date, and recognized a loss on extinguishment of debt of \$2.1 million. The redemption was funded using proceeds from our May 2016 senior note issuance, cash on hand and borrowings under our revolving credit facility. In July 2016, we repaid the remaining balance then outstanding of our 1.55% senior notes due September 2016.

#### Mortgages

During the six months ended June 30, 2016, we repaid in full mortgage loans outstanding in the aggregate principal amount of \$180.5 million with a weighted average maturity of 2.7 years and recognized a loss on extinguishment of debt of \$0.3 million in connection with these repayments.



**Derivatives and Hedging**

In February 2016, we entered into a \$200 million notional amount interest rate swap with a maturity of August 3, 2020 that effectively converts LIBOR-based floating rate debt to fixed rate debt, setting LIBOR at 1.132% through the maturity date of the swap.

In July 2016, we entered into \$225 million notional forward starting swaps with an effective date of October 6, 2016 that reduce our exposure to fluctuations in interest rates related to changes in rates between now and the forecasted issuance of long-term debt. The weighted average rate on the notional amount is locked at 1.44%.

**NOTE 10—FAIR VALUES OF FINANCIAL INSTRUMENTS**

As of June 30, 2016 and December 31, 2015, the carrying amounts and fair values of our financial instruments were as follows:

|                                              | June 30, 2016   |            | December 31, 2015 |            |
|----------------------------------------------|-----------------|------------|-------------------|------------|
|                                              | Carrying Amount | Fair Value | Carrying Amount   | Fair Value |
|                                              | (In thousands)  |            |                   |            |
| <b>Assets:</b>                               |                 |            |                   |            |
| Cash and cash equivalents                    | \$57,322        | \$ 57,322  | \$53,023          | \$ 53,023  |
| Secured loans receivable, net                | 939,171         | 965,807    | 793,433           | 816,849    |
| Non-mortgage loans receivable, net           | 38,363          | 39,750     | 37,926            | 38,806     |
| Government-sponsored pooled loan investments | 64,390          | 64,390     | 63,679            | 63,679     |
| <b>Liabilities:</b>                          |                 |            |                   |            |
| Senior notes payable and other debt, gross   | 10,968,271      | 11,440,378 | 11,271,020        | 11,384,880 |
| Derivative instruments and other liabilities | 5,505           | 5,505      | 2,696             | 2,696      |
| Redeemable OP unitholder interests           | 209,511         | 209,511    | 188,546           | 188,546    |

Fair value estimates are subjective in nature and based upon several important assumptions, including estimates of future cash flows, risks, discount rates and relevant comparable market information associated with each financial instrument. The use of different market assumptions and estimation methodologies may have a material effect on the reported estimated fair value amounts. Accordingly, the estimates presented above are not necessarily indicative of the amounts we would realize in a current market exchange.

**NOTE 11—LITIGATION****Proceedings against Tenants, Operators and Managers**

From time to time, Brookdale Senior Living, Kindred, Atria, Sunrise and our other tenants, operators and managers are parties to certain legal actions, regulatory investigations and claims arising in the conduct of their business and operations. Even though we generally are not party to these proceedings, the unfavorable resolution of any such actions, investigations or claims could, individually or in the aggregate, materially adversely affect such tenants', operators' or managers' liquidity, financial condition or results of operations and their ability to satisfy their respective obligations to us, which, in turn, could have a Material Adverse Effect on us.

**Proceedings Indemnified and Defended by Third Parties**

From time to time, we are party to certain legal actions, regulatory investigations and claims for which third parties are contractually obligated to indemnify, defend and hold us harmless. The tenants of our triple-net leased properties and, in some cases, their affiliates are required by the terms of their leases and other agreements with us to indemnify, defend and hold us harmless against certain actions, investigations and claims arising in the course of their business and related to the operations of our triple-net leased properties. In addition, third parties from whom we acquired certain of our assets and, in some cases, their affiliates are required by the terms of the related conveyance documents to indemnify, defend and hold us harmless against certain actions, investigations and claims related to the acquired assets and arising prior to our ownership or related to excluded assets and liabilities. In some cases, a portion of the purchase price consideration is held in escrow for a specified period of time as collateral for these indemnification obligations. We are presently being defended by certain tenants and other obligated third parties in these types of matters. We cannot assure you that our tenants, their affiliates or other obligated third parties will



continue to defend us in these matters, that our tenants, their affiliates or other obligated third parties will have sufficient assets, income and access to financing to enable them to satisfy their defense and indemnification obligations to us or that any purchase price consideration held in escrow will be sufficient to satisfy claims for which we are entitled to indemnification. The unfavorable resolution of any such actions, investigations or claims could, individually or in the aggregate, materially adversely affect our tenants' or other obligated third parties' liquidity, financial condition or results of operations and their ability to satisfy their respective obligations to us, which, in turn, could have a Material Adverse Effect on us.

#### Proceedings Arising in Connection with Senior Living and MOB Operations; Other Litigation

From time to time, we are party to various legal actions, regulatory investigations and claims (some of which may not be insured and some of which may allege large damage amounts) arising in connection with our senior living and MOB operations or otherwise in the course of our business. In limited circumstances, the manager of the applicable seniors housing community or MOB may be contractually obligated to indemnify, defend and hold us harmless against such actions, investigations and claims. It is the opinion of management that, except as otherwise set forth in this note, the disposition of any such actions, investigations and claims that are currently pending will not, individually or in the aggregate, have a Material Adverse Effect on us. However, regardless of their merits, we may be forced to expend significant financial resources to defend and resolve these matters, if any. We are unable to predict the ultimate outcome of these actions, investigations and claims, and if management's assessment of our liability with respect thereto is incorrect, such actions, investigations and claims could have a Material Adverse Effect on us.

#### NOTE 12—INCOME TAXES

We have elected to be taxed as a REIT under the applicable provisions of the Code for every year beginning with the year ended December 31, 1999. We have also elected for certain of our subsidiaries to be treated as taxable REIT subsidiaries ("TRS" or "TRS entities"), which are subject to federal, state, and foreign income taxes. All entities other than the TRS entities are collectively referred to as the "REIT" within this Note 12. Certain REIT entities are subject to foreign income tax.

Although the TRS entities and certain other foreign entities have paid minimal cash federal, state, and foreign income taxes for the six months ended June 30, 2016, their income tax liabilities may increase in future periods as we exhaust net operating loss ("NOL") carryforwards and as our senior living and other operations grow. Such increases could be significant.

Our consolidated provision for income taxes for the three months ended June 30, 2016 and 2015 was a benefit of \$11.5 million and \$9.8 million, respectively. Our consolidated provision for income taxes for the six months ended June 30, 2016 and 2015 was a benefit of \$20.0 million and \$17.0 million, respectively. The income tax benefit for the six months ended June 30, 2016 and 2015 were each due primarily to operating losses at our taxable REIT subsidiaries, however, \$5.9 million of the income tax benefit for the six months ended June 30, 2016 is due to the reversal of the net deferred tax liability at one TRS entity.

Realization of a deferred tax benefit related to NOLs depends in part upon generating sufficient taxable income in future periods. Our NOL carryforwards begin to expire in 2024 with respect to our TRS entities and in 2019 for the REIT.

Each TRS and foreign entity is a tax paying component for purposes of classifying deferred tax assets and liabilities. Net deferred tax liabilities with respect to our TRS and foreign entities totaled \$320.5 million and \$338.4 million as of June 30, 2016 and December 31, 2015, respectively, and related primarily to differences between the financial reporting and tax bases of fixed and intangible assets and to loss carryforwards.

Generally, we are subject to audit under the statute of limitations by the Internal Revenue Service for the year ended December 31, 2012 and subsequent years and are subject to audit by state taxing authorities for the year ended December 31, 2011 and subsequent years. We are subject to audit by the Canada Revenue Agency and provincial authorities with respect to entities acquired or formed in connection with our 2007 acquisition of Sunrise Senior Living Real Estate Investment Trust generally for periods subsequent to the acquisition. We are also subject to audit in Canada for periods subsequent to the acquisition, and certain prior periods, with respect to the entities acquired in 2014 from Holiday Retirement. We are subject to audit in the United Kingdom generally for periods ended in and subsequent to 2015.



## NOTE 13—STOCKHOLDERS' EQUITY

## Capital Stock

During the six months ended June 30, 2016, we issued and sold 6,116,189 shares of common stock under our “at-the-market” (“ATM”) equity offering program for aggregate net proceeds of \$378.1 million, after sales agent commissions of \$5.8 million. As of June 30, 2016, approximately \$406.8 million of our common stock remained available for sale under our ATM equity offering program.

During the six months ended June 30, 2016, third party investors redeemed 32,747 OP Units and 311,208 Class C Units for 340,845 shares of Ventas common stock, valued at \$20.8 million.

In July 2016, we completed the public offering and sale of 10,260,434 shares of our common stock for \$735.8 million in total proceeds, which we intend to use to fund a portion of our pending acquisition of the real estate portfolio of Wexford Science & Technology, LLC (“Wexford”), or for working capital and other general corporate purposes.

## Accumulated Other Comprehensive Loss

The following is a summary of our accumulated other comprehensive loss as of June 30, 2016 and December 31, 2015:

|                                            | June 30,<br>2016 | December 31,<br>2015 |
|--------------------------------------------|------------------|----------------------|
|                                            | (In thousands)   |                      |
| Foreign currency translation               | \$(47,309)       | \$ (13,926 )         |
| Unrealized gain on marketable securities   | 1,799            | 1,549                |
| Other                                      | 1,315            | 4,812                |
| Total accumulated other comprehensive loss | \$(44,195)       | \$ (7,565 )          |

The change in foreign current translation during the six months ended June 30, 2016 was due primarily to the remeasurement of our properties located in the United Kingdom.

## NOTE 14—EARNINGS PER COMMON SHARE

The following table shows the amounts used in computing our basic and diluted earnings per common share:

|                                                                                                           | For the Three<br>Months Ended June<br>30, |           | For the Six Months<br>Ended June 30, |           |
|-----------------------------------------------------------------------------------------------------------|-------------------------------------------|-----------|--------------------------------------|-----------|
|                                                                                                           | 2016                                      | 2015      | 2016                                 | 2015      |
| (In thousands, except per share amounts)                                                                  |                                           |           |                                      |           |
| Numerator for basic and diluted earnings per share:                                                       |                                           |           |                                      |           |
| Income from continuing operations attributable to common stockholders, including real estate dispositions | \$143,310                                 | \$131,578 | \$292,779                            | \$234,446 |
| Discontinued operations                                                                                   | (148 )                                    | 18,243    | (637 )                               | 35,817    |
| Net income attributable to common stockholders                                                            | \$143,162                                 | \$149,821 | \$292,142                            | \$270,263 |
| Denominator:                                                                                              |                                           |           |                                      |           |
| Denominator for basic earnings per share—weighted average shares                                          | 338,901                                   | 330,715   | 337,230                              | 327,890   |
| Effect of dilutive securities:                                                                            |                                           |           |                                      |           |
| Stock options                                                                                             | 630                                       | 341       | 475                                  | 436       |
| Restricted stock awards                                                                                   | 154                                       | 41        | 153                                  | 60        |
| OP units                                                                                                  | 2,886                                     | 2,929     | 2,993                                | 3,038     |
| Denominator for diluted earnings per share—adjusted weighted average shares                               | 342,571                                   | 334,026   | 340,851                              | 331,424   |
| Basic earnings per share:                                                                                 |                                           |           |                                      |           |
| Income from continuing operations attributable to common stockholders, including real estate dispositions | \$0.42                                    | \$0.39    | \$0.87                               | \$0.71    |
| Discontinued operations                                                                                   | (0.00 )                                   | 0.06      | (0.00 )                              | 0.11      |
| Net income attributable to common stockholders                                                            | \$0.42                                    | \$0.45    | \$0.87                               | \$0.82    |
| Diluted earnings per share:                                                                               |                                           |           |                                      |           |
| Income from continuing operations attributable to common stockholders, including real estate dispositions | \$0.42                                    | \$0.40    | \$0.86                               | \$0.71    |
| Discontinued operations                                                                                   | (0.00 )                                   | 0.05      | (0.00 )                              | 0.11      |
| Net income attributable to common stockholders                                                            | \$0.42                                    | \$0.45    | \$0.86                               | \$0.82    |

## NOTE 15—SEGMENT INFORMATION

As of June 30, 2016, we operated through three reportable business segments: triple-net leased properties, senior living operations and MOB operations. Under our triple-net leased properties segment, we invest in and own seniors housing and healthcare properties throughout the United States and the United Kingdom and lease those properties to healthcare operating companies under “triple-net” or “absolute-net” leases that obligate the tenants to pay all property-related expenses. In our senior living operations segment, we invest in seniors housing communities throughout the United States and Canada and engage independent operators, such as Atria and Sunrise, to manage those communities. In our MOB operations segment, we primarily acquire, own, develop, lease and manage MOBs throughout the United States. Information provided for “all other” includes income from loans and investments and other miscellaneous income and various corporate-level expenses not directly attributable to any of our three reportable business segments. Assets included in “all other” consist primarily of corporate assets, including cash, restricted cash, deferred financing costs, loans receivable and investments, and miscellaneous accounts receivable. We evaluate performance of the combined properties in each reportable business segment based on segment profit, which we define as NOI adjusted for income/loss from unconsolidated entities. We define NOI as total revenues, less interest and other income, property-level operating expenses and medical office building services costs. We consider segment profit useful because it allows investors, analysts and our management to measure unlevered property-level operating results and to compare our operating results to the operating results of other real estate companies between periods on a consistent basis. In order to facilitate a clear understanding of our historical consolidated operating results, segment profit should be examined in conjunction with net income as presented in our Consolidated Financial

Statements and other financial data included elsewhere in this Quarterly Report on Form 10-Q.

Interest expense, depreciation and amortization, general, administrative and professional fees, income tax expense, discontinued operations and other non-property specific revenues and expenses are not allocated to individual reportable business segments for purposes of assessing segment performance. There are no intersegment sales or transfers.

Summary information by reportable business segment is as follows:

For the three months ended June 30, 2016:

|                                                    | Triple-Net<br>Leased<br>Properties<br>(In thousands) | Senior<br>Living<br>Operations | MOB<br>Operations | All<br>Other | Total      |
|----------------------------------------------------|------------------------------------------------------|--------------------------------|-------------------|--------------|------------|
| Revenues:                                          |                                                      |                                |                   |              |            |
| Rental income                                      | \$210,119                                            | \$ —                           | \$ 144,087        | \$ —         | \$354,206  |
| Resident fees and services                         | —                                                    | 464,437                        | —                 | —            | 464,437    |
| Medical office building and other services revenue | 1,231                                                | —                              | 3,369             | 904          | 5,504      |
| Income from loans and investments                  | —                                                    | —                              | —                 | 24,146       | 24,146     |
| Interest and other income                          | —                                                    | —                              | —                 | 111          | 111        |
| Total revenues                                     | \$211,350                                            | \$464,437                      | \$ 147,456        | \$25,161     | \$848,404  |
| Total revenues                                     | \$211,350                                            | \$464,437                      | \$ 147,456        | \$25,161     | \$848,404  |
| Less:                                              |                                                      |                                |                   |              |            |
| Interest and other income                          | —                                                    | —                              | —                 | 111          | 111        |
| Property-level operating expenses                  | —                                                    | 307,989                        | 43,966            | —            | 351,955    |
| Medical office building services costs             | —                                                    | —                              | 1,852             | —            | 1,852      |
| Segment NOI                                        | 211,350                                              | 156,448                        | 101,638           | 25,050       | 494,486    |
| Income from unconsolidated entities                | 825                                                  | 336                            | 173               | 84           | 1,418      |
| Segment profit                                     | \$212,175                                            | \$ 156,784                     | \$ 101,811        | \$25,134     | 495,904    |
| Interest and other income                          |                                                      |                                |                   |              | 111        |
| Interest expense                                   |                                                      |                                |                   |              | (103,665 ) |
| Depreciation and amortization                      |                                                      |                                |                   |              | (221,961 ) |
| General, administrative and professional fees      |                                                      |                                |                   |              | (32,094 )  |
| Loss on extinguishment of debt, net                |                                                      |                                |                   |              | (2,468 )   |
| Merger-related expenses and deal costs             |                                                      |                                |                   |              | (7,224 )   |
| Other                                              |                                                      |                                |                   |              | (2,303 )   |
| Income tax benefit                                 |                                                      |                                |                   |              | 11,549     |
| Discontinued operations                            |                                                      |                                |                   |              | (148 )     |
| Gain on real estate dispositions                   |                                                      |                                |                   |              | 5,739      |
| Net income                                         |                                                      |                                |                   |              | \$143,440  |

For the three months ended June 30, 2015:

|                                                    | Triple-Net<br>Leased<br>Properties<br>(In thousands) | Senior<br>Living<br>Operations | MOB<br>Operations | All<br>Other | Total      |
|----------------------------------------------------|------------------------------------------------------|--------------------------------|-------------------|--------------|------------|
| Revenues:                                          |                                                      |                                |                   |              |            |
| Rental income                                      | \$ 182,006                                           | \$ —                           | \$ 140,472        | \$ —         | \$ 322,478 |
| Resident fees and services                         | —                                                    | 454,645                        | —                 | —            | 454,645    |
| Medical office building and other services revenue | 1,139                                                | —                              | 7,749             | 520          | 9,408      |
| Income from loans and investments                  | —                                                    | —                              | —                 | 25,215       | 25,215     |
| Interest and other income                          | —                                                    | —                              | —                 | 174          | 174        |
| Total revenues                                     | \$ 183,145                                           | \$ 454,645                     | \$ 148,221        | \$ 25,909    | \$ 811,920 |
| Total revenues                                     | \$ 183,145                                           | \$ 454,645                     | \$ 148,221        | \$ 25,909    | \$ 811,920 |
| Less:                                              |                                                      |                                |                   |              |            |
| Interest and other income                          | —                                                    | —                              | —                 | 174          | 174        |
| Property-level operating expenses                  | —                                                    | 299,252                        | 43,410            | —            | 342,662    |
| Medical office building services costs             | —                                                    | —                              | 5,764             | —            | 5,764      |
| Segment NOI                                        | 183,145                                              | 155,393                        | 99,047            | 25,735       | 463,320    |
| Income (loss) from unconsolidated entities         | 221                                                  | (240 )                         | 143               | (115 )       | 9          |
| Segment profit                                     | \$ 183,366                                           | \$ 155,153                     | \$ 99,190         | \$ 25,620    | 463,329    |
| Interest and other income                          |                                                      |                                |                   |              | 174        |
| Interest expense                                   |                                                      |                                |                   |              | (83,959 )  |
| Depreciation and amortization                      |                                                      |                                |                   |              | (214,711 ) |
| General, administrative and professional fees      |                                                      |                                |                   |              | (33,959 )  |
| Gain on extinguishment of debt, net                |                                                      |                                |                   |              | 455        |
| Merger-related expenses and deal costs             |                                                      |                                |                   |              | (12,265 )  |
| Other                                              |                                                      |                                |                   |              | (4,279 )   |
| Income tax benefit                                 |                                                      |                                |                   |              | 9,789      |
| Discontinued operations                            |                                                      |                                |                   |              | 18,243     |
| Gain on real estate dispositions                   |                                                      |                                |                   |              | 7,469      |
| Net income                                         |                                                      |                                |                   |              | \$ 150,286 |

For the six months ended June 30, 2016:

|                                                    | Triple-Net<br>Leased<br>Properties<br>(In thousands) | Senior<br>Living<br>Operations | MOB<br>Operations | All<br>Other | Total       |
|----------------------------------------------------|------------------------------------------------------|--------------------------------|-------------------|--------------|-------------|
| Revenues:                                          |                                                      |                                |                   |              |             |
| Rental income                                      | \$424,606                                            | \$ —                           | \$ 288,223        | \$ —         | \$712,829   |
| Resident fees and services                         | —                                                    | 928,413                        | —                 | —            | 928,413     |
| Medical office building and other services revenue | 2,430                                                | —                              | 8,345             | 1,914        | 12,689      |
| Income from loans and investments                  | —                                                    | —                              | —                 | 46,532       | 46,532      |
| Interest and other income                          | —                                                    | —                              | —                 | 230          | 230         |
| Total revenues                                     | \$427,036                                            | \$ 928,413                     | \$ 296,568        | \$48,676     | \$1,700,693 |
| Total revenues                                     | \$427,036                                            | \$ 928,413                     | \$ 296,568        | \$48,676     | \$1,700,693 |
| Less:                                              |                                                      |                                |                   |              |             |
| Interest and other income                          | —                                                    | —                              | —                 | 230          | 230         |
| Property-level operating expenses                  | —                                                    | 620,530                        | 87,647            | —            | 708,177     |
| Medical office building services costs             | —                                                    | —                              | 5,303             | —            | 5,303       |
| Segment NOI                                        | 427,036                                              | 307,883                        | 203,618           | 48,446       | 986,983     |
| Income from unconsolidated entities                | 154                                                  | 673                            | 47                | 346          | 1,220       |
| Segment profit                                     | \$427,190                                            | \$ 308,556                     | \$ 203,665        | \$48,792     | 988,203     |
| Interest and other income                          |                                                      |                                |                   |              | 230         |
| Interest expense                                   |                                                      |                                |                   |              | (206,938 )  |
| Depreciation and amortization                      |                                                      |                                |                   |              | (458,348 )  |
| General, administrative and professional fees      |                                                      |                                |                   |              | (63,820 )   |
| Loss on extinguishment of debt, net                |                                                      |                                |                   |              | (2,782 )    |
| Merger-related expenses and deal costs             |                                                      |                                |                   |              | (8,856 )    |
| Other                                              |                                                      |                                |                   |              | (6,471 )    |
| Income tax benefit                                 |                                                      |                                |                   |              | 19,970      |
| Discontinued operations                            |                                                      |                                |                   |              | (637 )      |
| Gain on real estate dispositions                   |                                                      |                                |                   |              | 31,923      |
| Net income                                         |                                                      |                                |                   |              | \$292,474   |

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For the six months ended June 30, 2015:

|                                                    | Triple-Net<br>Leased<br>Properties<br>(In thousands) | Senior<br>Living<br>Operations | MOB<br>Operations | All<br>Other | Total       |
|----------------------------------------------------|------------------------------------------------------|--------------------------------|-------------------|--------------|-------------|
| Revenues:                                          |                                                      |                                |                   |              |             |
| Rental income                                      | \$370,563                                            | \$—                            | \$277,532         | \$—          | \$648,095   |
| Resident fees and services                         | —                                                    | 901,559                        | —                 | —            | 901,559     |
| Medical office building and other services revenue | 2,275                                                | —                              | 16,607            | 1,069        | 19,951      |
| Income from loans and investments                  | —                                                    | —                              | —                 | 47,268       | 47,268      |
| Interest and other income                          | —                                                    | —                              | —                 | 645          | 645         |
| Total revenues                                     | \$372,838                                            | \$901,559                      | \$294,139         | \$48,982     | \$1,617,518 |
| Total revenues                                     | \$372,838                                            | \$901,559                      | \$294,139         | \$48,982     | \$1,617,518 |
| Less:                                              |                                                      |                                |                   |              |             |
| Interest and other income                          | —                                                    | —                              | —                 | 645          | 645         |
| Property-level operating expenses                  | —                                                    | 597,614                        | 85,847            | —            | 683,461     |
| Medical office building services costs             | —                                                    | —                              | 12,682            | —            | 12,682      |
| Segment NOI                                        | 372,838                                              | 303,945                        | 195,610           | 48,337       | 920,730     |
| Income (loss) from unconsolidated entities         | 645                                                  | (662)                          | 119               | (344)        | (242)       |
| Segment profit                                     | \$373,483                                            | \$303,283                      | \$195,729         | \$47,993     | 920,488     |
| Interest and other income                          |                                                      |                                |                   |              | 645         |
| Interest expense                                   |                                                      |                                |                   |              | (166,287)   |
| Depreciation and amortization                      |                                                      |                                |                   |              | (430,930)   |
| General, administrative and professional fees      |                                                      |                                |                   |              | (68,285)    |
| Gain on extinguishment of debt, net                |                                                      |                                |                   |              | 434         |
| Merger-related expenses and deal costs             |                                                      |                                |                   |              | (42,878)    |
| Other                                              |                                                      |                                |                   |              | (9,153)     |
| Income tax benefit                                 |                                                      |                                |                   |              | 17,039      |
| Discontinued operations                            |                                                      |                                |                   |              | 35,817      |
| Gain on real estate dispositions                   |                                                      |                                |                   |              | 14,155      |
| Net income                                         |                                                      |                                |                   |              | \$271,045   |

Capital expenditures, including investments in real estate property and development project expenditures, by reportable business segment are as follows:

|                              | For the Three<br>Months Ended<br>June 30, |           | For the Six Months<br>Ended June 30, |             |
|------------------------------|-------------------------------------------|-----------|--------------------------------------|-------------|
|                              | 2016                                      | 2015      | 2016                                 | 2015        |
|                              | (In thousands)                            |           |                                      |             |
| Capital expenditures:        |                                           |           |                                      |             |
| Triple-net leased properties | \$15,949                                  | \$102,971 | \$56,650                             | \$559,989   |
| Senior living operations     | 24,808                                    | 29,374    | 43,802                               | 311,806     |
| MOB operations               | 38,192                                    | 100,447   | 50,605                               | 488,174     |
| Total capital expenditures   | \$78,949                                  | \$232,792 | \$151,057                            | \$1,359,969 |

Our portfolio of properties and mortgage loan and other investments are located in the United States, Canada and the United Kingdom. Revenues are attributed to an individual country based on the location of each property.

Geographic information regarding our operations is as follows:

|                | For the Three<br>Months Ended June<br>30, |           | For the Six Months<br>Ended June 30, |             |
|----------------|-------------------------------------------|-----------|--------------------------------------|-------------|
|                | 2016                                      | 2015      | 2016                                 | 2015        |
|                | (In thousands)                            |           |                                      |             |
| Revenues:      |                                           |           |                                      |             |
| United States  | \$797,394                                 | \$761,428 | \$1,601,595                          | \$1,517,459 |
| Canada         | 44,045                                    | 44,736    | 85,174                               | 88,786      |
| United Kingdom | 6,965                                     | 5,756     | 13,924                               | 11,273      |
| Total revenues | \$848,404                                 | \$811,920 | \$1,700,693                          | \$1,617,518 |

|                                | As of June<br>30, 2016 | As of<br>December<br>31, 2015 |
|--------------------------------|------------------------|-------------------------------|
|                                | (In thousands)         |                               |
| Net real estate property:      |                        |                               |
| United States                  | \$17,848,183           | \$18,271,829                  |
| Canada                         | 1,088,065              | 1,039,561                     |
| United Kingdom                 | 277,502                | 313,830                       |
| Total net real estate property | \$19,213,750           | \$19,625,220                  |

#### NOTE 16—CONDENSED CONSOLIDATING INFORMATION

Ventas, Inc. has fully and unconditionally guaranteed the obligation to pay principal and interest with respect to the outstanding senior notes issued by our 100% owned subsidiary, Ventas Realty, Limited Partnership (“Ventas Realty”), including the senior notes that were jointly issued with Ventas Capital Corporation. Ventas Capital Corporation is a direct 100% owned subsidiary of Ventas Realty that has no assets or operations, but was formed in 2002 solely to facilitate offerings of senior notes by a limited partnership. None of our other subsidiaries (such subsidiaries, excluding Ventas Realty and Ventas Capital Corporation, the “Ventas Subsidiaries”) is obligated with respect to Ventas Realty’s outstanding senior notes.

Ventas, Inc. has also fully and unconditionally guaranteed the obligation to pay principal and interest with respect to the outstanding senior notes issued by our 100% owned subsidiary, Ventas Canada Finance Limited. None of our other subsidiaries is obligated with respect to Ventas Canada Finance Limited’s outstanding senior notes, all of which were issued on a private placement basis in Canada.

In connection with the acquisition of Nationwide Health Properties, Inc. (“NHP”), our 100% owned subsidiary, Nationwide Health Properties, LLC (“NHP LLC”), as successor to NHP, assumed the obligation to pay principal and interest with respect to the outstanding senior notes issued by NHP. Neither we nor any of our subsidiaries (other than NHP LLC) is obligated with respect to any of NHP LLC’s outstanding senior notes.

Under certain circumstances, contractual and legal restrictions, including those contained in the instruments governing our subsidiaries’ outstanding mortgage indebtedness, may restrict our ability to obtain cash from our subsidiaries for the purpose of meeting our debt service obligations, including our payment guarantees with respect to Ventas Realty’s and Ventas Canada Finance Limited’s senior notes. Certain of our real estate assets are also subject to mortgages.

The following summarizes our condensed consolidating information as of June 30, 2016 and December 31, 2015 and for the three and six months ended June 30, 2016 and 2015:

# CONDENSED CONSOLIDATING BALANCE SHEET

As of June 30, 2016

|                                                       | Ventas, Inc.<br>(In thousands) | Ventas<br>Realty (1) | Ventas<br>Subsidiaries | Consolidated<br>Elimination | Consolidated        |
|-------------------------------------------------------|--------------------------------|----------------------|------------------------|-----------------------------|---------------------|
| <b>Assets</b>                                         |                                |                      |                        |                             |                     |
| Net real estate investments                           | \$2,064                        | \$180,747            | \$20,131,452           | \$—                         | \$20,314,263        |
| Cash and cash equivalents                             | 12,997                         | —                    | 44,325                 | —                           | 57,322              |
| Escrow deposits and restricted cash                   | 198                            | 1,386                | 64,042                 | —                           | 65,626              |
| Investment in and advances to affiliates              | 12,990,733                     | 3,545,183            | —                      | (16,535,916 )               | —                   |
| Goodwill                                              | —                              | —                    | 1,043,479              | —                           | 1,043,479           |
| Assets held for sale                                  | 4                              | 1,619                | 193,648                | —                           | 195,271             |
| Other assets                                          | 17,436                         | 2,752                | 397,323                | —                           | 417,511             |
| <b>Total assets</b>                                   | <b>\$13,023,432</b>            | <b>\$3,731,687</b>   | <b>\$21,874,269</b>    | <b>\$(16,535,916)</b>       | <b>\$22,093,472</b> |
| <b>Liabilities and equity</b>                         |                                |                      |                        |                             |                     |
| <b>Liabilities:</b>                                   |                                |                      |                        |                             |                     |
| Senior notes payable and other debt                   | \$—                            | \$8,103,863          | \$2,797,268            | \$—                         | \$10,901,131        |
| Intercompany loans                                    | 7,422,323                      | (6,262,696 )         | (1,159,627 )           | —                           | —                   |
| Accrued interest                                      | —                              | 63,836               | 16,321                 | —                           | 80,157              |
| Accounts payable and other liabilities                | 87,236                         | 43,320               | 604,731                | —                           | 735,287             |
| Liabilities held for sale                             | —                              | 1,559                | 87,408                 | —                           | 88,967              |
| Deferred income taxes                                 | 320,468                        | —                    | —                      | —                           | 320,468             |
| <b>Total liabilities</b>                              | <b>7,830,027</b>               | <b>1,949,882</b>     | <b>2,346,101</b>       | <b>—</b>                    | <b>12,126,010</b>   |
| Redeemable OP unitholder and noncontrolling interests | —                              | —                    | 217,686                | —                           | 217,686             |
| <b>Total equity</b>                                   | <b>5,193,405</b>               | <b>1,781,805</b>     | <b>19,310,482</b>      | <b>(16,535,916 )</b>        | <b>9,749,776</b>    |
| <b>Total liabilities and equity</b>                   | <b>\$13,023,432</b>            | <b>\$3,731,687</b>   | <b>\$21,874,269</b>    | <b>\$(16,535,916)</b>       | <b>\$22,093,472</b> |

(1) Certain of Ventas Realty's outstanding senior notes were issued jointly with our 100% owned subsidiary, Ventas Capital Corporation, which has no assets or operations.

## CONDENSED CONSOLIDATING BALANCE SHEET

As of December 31, 2015

|                                                       | Ventas, Inc.<br>(In thousands) | Ventas<br>Realty (1) | Ventas<br>Subsidiaries | Consolidated<br>Elimination | Consolidated        |
|-------------------------------------------------------|--------------------------------|----------------------|------------------------|-----------------------------|---------------------|
| <b>Assets</b>                                         |                                |                      |                        |                             |                     |
| Net real estate investments                           | \$5,798                        | \$195,015            | \$20,377,226           | \$—                         | \$20,578,039        |
| Cash and cash equivalents                             | 11,733                         | —                    | 41,290                 | —                           | 53,023              |
| Escrow deposits and restricted cash                   | 7,154                          | 1,644                | 69,098                 | —                           | 77,896              |
| Investment in and advances to affiliates              | 12,989,643                     | 3,545,183            | —                      | (16,534,826 )               | —                   |
| Goodwill                                              | —                              | —                    | 1,047,497              | —                           | 1,047,497           |
| Assets held for sale                                  | —                              | 4,488                | 88,572                 | —                           | 93,060              |
| Other assets                                          | 17,869                         | 4,182                | 390,352                | —                           | 412,403             |
| <b>Total assets</b>                                   | <b>\$13,032,197</b>            | <b>\$3,750,512</b>   | <b>\$22,014,035</b>    | <b>\$(16,534,826)</b>       | <b>\$22,261,918</b> |
| <b>Liabilities and equity</b>                         |                                |                      |                        |                             |                     |
| <b>Liabilities:</b>                                   |                                |                      |                        |                             |                     |
| Senior notes payable and other debt                   | \$—                            | \$8,370,670          | \$2,836,326            | \$—                         | \$11,206,996        |
| Intercompany loans                                    | 7,294,158                      | (6,571,512 )         | (722,646 )             | —                           | —                   |
| Accrued interest                                      | —                              | 64,561               | 16,303                 | —                           | 80,864              |
| Accounts payable and other liabilities                | 68,604                         | 45,226               | 665,550                | —                           | 779,380             |
| Liabilities held for sale                             | —                              | 44                   | 34,296                 | —                           | 34,340              |
| Deferred income taxes                                 | 338,382                        | —                    | —                      | —                           | 338,382             |
| <b>Total liabilities</b>                              | <b>7,701,144</b>               | <b>1,908,989</b>     | <b>2,829,829</b>       | <b>—</b>                    | <b>12,439,962</b>   |
| Redeemable OP unitholder and noncontrolling interests | —                              | —                    | 196,529                | —                           | 196,529             |
| <b>Total equity</b>                                   | <b>5,331,053</b>               | <b>1,841,523</b>     | <b>18,987,677</b>      | <b>(16,534,826 )</b>        | <b>9,625,427</b>    |
| <b>Total liabilities and equity</b>                   | <b>\$13,032,197</b>            | <b>\$3,750,512</b>   | <b>\$22,014,035</b>    | <b>\$(16,534,826)</b>       | <b>\$22,261,918</b> |

(1) Certain of Ventas Realty's outstanding senior notes were issued jointly with our 100% owned subsidiary, Ventas Capital Corporation, which has no assets or operations.

## CONDENSED CONSOLIDATING STATEMENT OF INCOME

For the Three Months Ended June 30, 2016

|                                                                                                                                             | Ventas, Inc.   | Ventas Realty (1) | Ventas Subsidiaries | Consolidated Elimination | Consolidated |
|---------------------------------------------------------------------------------------------------------------------------------------------|----------------|-------------------|---------------------|--------------------------|--------------|
|                                                                                                                                             | (In thousands) |                   |                     |                          |              |
| Revenues:                                                                                                                                   |                |                   |                     |                          |              |
| Rental income                                                                                                                               | \$583          | \$49,418          | \$304,205           | \$—                      | \$354,206    |
| Resident fees and services                                                                                                                  | —              | —                 | 464,437             | —                        | 464,437      |
| Medical office building and other services revenue                                                                                          | 602            | —                 | 4,902               | —                        | 5,504        |
| Income from loans and investments                                                                                                           | —              | —                 | 24,146              | —                        | 24,146       |
| Equity earnings in affiliates                                                                                                               | 124,028        | —                 | (288 )              | (123,740 )               | —            |
| Interest and other income                                                                                                                   | 41             | —                 | 70                  | —                        | 111          |
| Total revenues                                                                                                                              | 125,254        | 49,418            | 797,472             | (123,740 )               | 848,404      |
| Expenses:                                                                                                                                   |                |                   |                     |                          |              |
| Interest                                                                                                                                    | (11,094 )      | 69,011            | 45,748              | —                        | 103,665      |
| Depreciation and amortization                                                                                                               | 1,203          | 2,867             | 217,891             | —                        | 221,961      |
| Property-level operating expenses                                                                                                           | —              | 77                | 351,878             | —                        | 351,955      |
| Medical office building services costs                                                                                                      | —              | —                 | 1,852               | —                        | 1,852        |
| General, administrative and professional fees                                                                                               | 2,246          | 4,213             | 25,635              | —                        | 32,094       |
| Loss (gain) on extinguishment of debt, net                                                                                                  | 58             | 2,432             | (22 )               | —                        | 2,468        |
| Merger-related expenses and deal costs                                                                                                      | 6,743          | —                 | 481                 | —                        | 7,224        |
| Other                                                                                                                                       | 76             | 4                 | 2,223               | —                        | 2,303        |
| Total expenses                                                                                                                              | (768 )         | 78,604            | 645,686             | —                        | 723,522      |
| Income (loss) from continuing operations before unconsolidated entities, income taxes, real estate dispositions and noncontrolling interest | 126,022        | (29,186 )         | 151,786             | (123,740 )               | 124,882      |
| Income from unconsolidated entities                                                                                                         | —              | 344               | 1,074               | —                        | 1,418        |
| Income tax benefit                                                                                                                          | 11,549         | —                 | —                   | —                        | 11,549       |
| Income (loss) from continuing operations                                                                                                    | 137,571        | (28,842 )         | 152,860             | (123,740 )               | 137,849      |
| Discontinued operations                                                                                                                     | (148 )         | —                 | —                   | —                        | (148 )       |
| Gain on real estate dispositions                                                                                                            | 5,739          | —                 | —                   | —                        | 5,739        |
| Net income (loss)                                                                                                                           | 143,162        | (28,842 )         | 152,860             | (123,740 )               | 143,440      |
| Net income attributable to noncontrolling interest                                                                                          | —              | —                 | 278                 | —                        | 278          |
| Net income (loss) attributable to common stockholders                                                                                       | \$143,162      | \$(28,842)        | \$152,582           | \$(123,740 )             | \$143,162    |

(1) Certain of Ventas Realty's outstanding senior notes were issued jointly with our 100% owned subsidiary, Ventas Capital Corporation, which has no assets or operations.

## CONDENSED CONSOLIDATING STATEMENT OF INCOME

For the Three Months Ended June 30, 2015

|                                                                                                                                                   | Ventas,<br>Inc. | Ventas<br>Realty<br>(1) | Ventas<br>Subsidiaries | Consolidated<br>Elimination | Consolidated |
|---------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|-------------------------|------------------------|-----------------------------|--------------|
|                                                                                                                                                   | (In thousands)  |                         |                        |                             |              |
| Revenues:                                                                                                                                         |                 |                         |                        |                             |              |
| Rental income                                                                                                                                     | \$914           | \$49,620                | \$ 271,944             | \$ —                        | \$ 322,478   |
| Resident fees and services                                                                                                                        | —               | —                       | 454,645                | —                           | 454,645      |
| Medical office building and other services revenue                                                                                                | —               | —                       | 9,408                  | —                           | 9,408        |
| Income from loans and investments                                                                                                                 | 7,169           | 252                     | 17,794                 | —                           | 25,215       |
| Equity earnings in affiliates                                                                                                                     | 131,120         | —                       | (62 )                  | (131,058 )                  | —            |
| Interest and other income                                                                                                                         | 20              | —                       | 154                    | —                           | 174          |
| Total revenues                                                                                                                                    | 139,223         | 49,872                  | 753,883                | (131,058 )                  | 811,920      |
| Expenses:                                                                                                                                         |                 |                         |                        |                             |              |
| Interest                                                                                                                                          | (8,932 )        | 61,572                  | 31,319                 | —                           | 83,959       |
| Depreciation and amortization                                                                                                                     | 1,357           | 3,505                   | 209,849                | —                           | 214,711      |
| Property-level operating expenses                                                                                                                 | —               | 73                      | 342,589                | —                           | 342,662      |
| Medical office building services costs                                                                                                            | —               | —                       | 5,764                  | —                           | 5,764        |
| General, administrative and professional fees                                                                                                     | 2,822           | 5,054                   | 26,083                 | —                           | 33,959       |
| Gain on extinguishment of debt, net                                                                                                               | —               | —                       | (455 )                 | —                           | (455 )       |
| Merger-related expenses and deal costs                                                                                                            | 9,506           | 75                      | 2,684                  | —                           | 12,265       |
| Other                                                                                                                                             | (465 )          | 40                      | 4,704                  | —                           | 4,279        |
| Total expenses                                                                                                                                    | 4,288           | 70,319                  | 622,537                | —                           | 697,144      |
| Income (loss) from continuing operations before<br>unconsolidated entities, income taxes, real estate<br>dispositions and noncontrolling interest | 134,935         | (20,447 )               | 131,346                | (131,058 )                  | 114,776      |
| Income (loss) from unconsolidated entities                                                                                                        | —               | 359                     | (350 )                 | —                           | 9            |
| Income tax benefit                                                                                                                                | 9,789           | —                       | —                      | —                           | 9,789        |
| Income (loss) from continuing operations                                                                                                          | 144,724         | (20,088 )               | 130,996                | (131,058 )                  | 124,574      |
| Discontinued operations                                                                                                                           | (2,372 )        | 13,857                  | 6,758                  | —                           | 18,243       |
| Gain on real estate dispositions                                                                                                                  | 7,469           | —                       | —                      | —                           | 7,469        |
| Net income (loss)                                                                                                                                 | 149,821         | (6,231 )                | 137,754                | (131,058 )                  | 150,286      |
| Net income attributable to noncontrolling interest                                                                                                | —               | —                       | 465                    | —                           | 465          |
| Net income (loss) attributable to common stockholders                                                                                             | \$ 149,821      | \$(6,231 )              | \$ 137,289             | \$(131,058 )                | \$ 149,821   |

(1) Certain of Ventas Realty's outstanding senior notes were issued jointly with our 100% owned subsidiary, Ventas Capital Corporation, which has no assets or operations.

## CONDENSED CONSOLIDATING STATEMENT OF INCOME

For the Six Months Ended June 30, 2016

|                                                                                                                                             | Ventas, Inc.   | Ventas Realty (1) | Ventas Subsidiaries | Consolidated Elimination | Consolidated |
|---------------------------------------------------------------------------------------------------------------------------------------------|----------------|-------------------|---------------------|--------------------------|--------------|
|                                                                                                                                             | (In thousands) |                   |                     |                          |              |
| Revenues:                                                                                                                                   |                |                   |                     |                          |              |
| Rental income                                                                                                                               | \$1,499        | \$98,143          | \$613,187           | \$—                      | \$712,829    |
| Resident fees and services                                                                                                                  | —              | —                 | 928,413             | —                        | 928,413      |
| Medical office building and other services revenue                                                                                          | 1,204          | —                 | 11,485              | —                        | 12,689       |
| Income from loans and investments                                                                                                           | —              | —                 | 46,532              | —                        | 46,532       |
| Equity earnings in affiliates                                                                                                               | 232,790        | —                 | (631 )              | (232,159 )               | —            |
| Interest and other income                                                                                                                   | 70             | —                 | 160                 | —                        | 230          |
| Total revenues                                                                                                                              | 235,563        | 98,143            | 1,599,146           | (232,159 )               | 1,700,693    |
| Expenses:                                                                                                                                   |                |                   |                     |                          |              |
| Interest                                                                                                                                    | (21,889 )      | 137,590           | 91,237              | —                        | 206,938      |
| Depreciation and amortization                                                                                                               | 6,135          | 12,781            | 439,432             | —                        | 458,348      |
| Property-level operating expenses                                                                                                           | —              | 156               | 708,021             | —                        | 708,177      |
| Medical office building services costs                                                                                                      | —              | —                 | 5,303               | —                        | 5,303        |
| General, administrative and professional fees                                                                                               | 2,231          | 8,717             | 52,872              | —                        | 63,820       |
| Loss on extinguishment of debt, net                                                                                                         | 58             | 2,432             | 292                 | —                        | 2,782        |
| Merger-related expenses and deal costs                                                                                                      | 8,115          | —                 | 741                 | —                        | 8,856        |
| Other                                                                                                                                       | 27             | 4                 | 6,440               | —                        | 6,471        |
| Total expenses                                                                                                                              | (5,323 )       | 161,680           | 1,304,338           | —                        | 1,460,695    |
| Income (loss) from continuing operations before unconsolidated entities, income taxes, real estate dispositions and noncontrolling interest | 240,886        | (63,537 )         | 294,808             | (232,159 )               | 239,998      |
| Income from unconsolidated entities                                                                                                         | —              | 447               | 773                 | —                        | 1,220        |
| Income tax benefit                                                                                                                          | 19,970         | —                 | —                   | —                        | 19,970       |
| Income (loss) from continuing operations                                                                                                    | 260,856        | (63,090 )         | 295,581             | (232,159 )               | 261,188      |
| Discontinued operations                                                                                                                     | (637 )         | —                 | —                   | —                        | (637 )       |
| Gain on real estate dispositions                                                                                                            | 31,923         | —                 | —                   | —                        | 31,923       |
| Net income (loss)                                                                                                                           | 292,142        | (63,090 )         | 295,581             | (232,159 )               | 292,474      |
| Net income attributable to noncontrolling interest                                                                                          | —              | —                 | 332                 | —                        | 332          |
| Net income (loss) attributable to common stockholders                                                                                       | \$292,142      | \$(63,090)        | \$295,249           | \$(232,159 )             | \$292,142    |

(1) Certain of Ventas Realty's outstanding senior notes were issued jointly with our 100% owned subsidiary, Ventas Capital Corporation, which has no assets or operations.

## CONDENSED CONSOLIDATING STATEMENT OF INCOME

For the Six Months Ended June 30, 2015

|                                                                                                                                             | Ventas, Inc.   | Ventas Realty (1) | Ventas Subsidiaries | Consolidated Elimination | Consolidated |
|---------------------------------------------------------------------------------------------------------------------------------------------|----------------|-------------------|---------------------|--------------------------|--------------|
|                                                                                                                                             | (In thousands) |                   |                     |                          |              |
| Revenues:                                                                                                                                   |                |                   |                     |                          |              |
| Rental income                                                                                                                               | \$1,831        | \$99,408          | \$546,856           | \$—                      | \$648,095    |
| Resident fees and services                                                                                                                  | —              | —                 | 901,559             | —                        | 901,559      |
| Medical office building and other services revenue                                                                                          | —              | —                 | 19,951              | —                        | 19,951       |
| Income from loans and investments                                                                                                           | 8,605          | 303               | 38,360              | —                        | 47,268       |
| Equity earnings in affiliates                                                                                                               | 261,115        | —                 | (140 )              | (260,975 )               | —            |
| Interest and other income                                                                                                                   | 376            | —                 | 269                 | —                        | 645          |
| Total revenues                                                                                                                              | 271,927        | 99,711            | 1,506,855           | (260,975 )               | 1,617,518    |
| Expenses:                                                                                                                                   |                |                   |                     |                          |              |
| Interest                                                                                                                                    | (16,760 )      | 122,195           | 60,852              | —                        | 166,287      |
| Depreciation and amortization                                                                                                               | 2,700          | 7,939             | 420,291             | —                        | 430,930      |
| Property-level operating expenses                                                                                                           | —              | 204               | 683,257             | —                        | 683,461      |
| Medical office building services costs                                                                                                      | —              | —                 | 12,682              | —                        | 12,682       |
| General, administrative and professional fees                                                                                               | 80             | 11,415            | 56,790              | —                        | 68,285       |
| Gain on extinguishment of debt, net                                                                                                         | —              | —                 | (434 )              | —                        | (434 )       |
| Merger-related expenses and deal costs                                                                                                      | 39,299         | 75                | 3,504               | —                        | 42,878       |
| Other                                                                                                                                       | 182            | 45                | 8,926               | —                        | 9,153        |
| Total expenses                                                                                                                              | 25,501         | 141,873           | 1,245,868           | —                        | 1,413,242    |
| Income (loss) from continuing operations before unconsolidated entities, income taxes, real estate dispositions and noncontrolling interest | 246,426        | (42,162 )         | 260,987             | (260,975 )               | 204,276      |
| Income (loss) from unconsolidated entities                                                                                                  | —              | 760               | (1,002 )            | —                        | (242 )       |
| Income tax benefit                                                                                                                          | 17,039         | —                 | —                   | —                        | 17,039       |
| Income (loss) from continuing operations                                                                                                    | 263,465        | (41,402 )         | 259,985             | (260,975 )               | 221,073      |
| Discontinued operations                                                                                                                     | (7,357 )       | 27,377            | 15,797              | —                        | 35,817       |
| Gain on real estate dispositions                                                                                                            | 14,155         | —                 | —                   | —                        | 14,155       |
| Net income (loss)                                                                                                                           | 270,263        | (14,025 )         | 275,782             | (260,975 )               | 271,045      |
| Net income attributable to noncontrolling interest                                                                                          | —              | —                 | 782                 | —                        | 782          |
| Net income (loss) attributable to common stockholders                                                                                       | \$270,263      | \$(14,025)        | \$275,000           | \$(260,975)              | \$270,263    |

(1) Certain of Ventas Realty's outstanding senior notes were issued jointly with our 100% owned subsidiary, Ventas Capital Corporation, which has no assets or operations.

## CONDENSED CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME

For the Three Months Ended June 30, 2016

|                                                                 | Ventas, Inc.   | Ventas Realty (1) | Ventas Subsidiaries | Consolidated Elimination | Consolidated |
|-----------------------------------------------------------------|----------------|-------------------|---------------------|--------------------------|--------------|
|                                                                 | (In thousands) |                   |                     |                          |              |
| Net income (loss)                                               | \$143,162      | \$(28,842)        | \$152,860           | \$(123,740)              | 143,440      |
| Other comprehensive income (loss):                              |                |                   |                     |                          |              |
| Foreign currency translation                                    | —              | —                 | (22,715)            | —                        | (22,715)     |
| Change in unrealized gain on marketable securities              | 69             | —                 | —                   | —                        | 69           |
| Other                                                           | —              | —                 | (1,617)             | —                        | (1,617)      |
| Total other comprehensive income (loss)                         | 69             | —                 | (24,332)            | —                        | (24,263)     |
| Comprehensive income (loss)                                     | 143,231        | (28,842)          | 128,528             | (123,740)                | 119,177      |
| Comprehensive income attributable to noncontrolling interest    | —              | —                 | 278                 | —                        | 278          |
| Comprehensive income (loss) attributable to common stockholders | \$143,231      | \$(28,842)        | \$128,250           | \$(123,740)              | \$118,899    |

(1) Certain of Ventas Realty's outstanding senior notes were issued jointly with our 100% owned subsidiary, Ventas Capital Corporation, which has no assets or operations.

## CONDENSED CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME

For the Three Months Ended June 30, 2015

|                                                                 | Ventas, Inc.   | Ventas Realty (1) | Ventas Subsidiaries | Consolidated Elimination | Consolidated |
|-----------------------------------------------------------------|----------------|-------------------|---------------------|--------------------------|--------------|
|                                                                 | (In thousands) |                   |                     |                          |              |
| Net income (loss)                                               | \$149,821      | \$(6,231)         | \$137,754           | \$(131,058)              | \$150,286    |
| Other comprehensive (loss) income:                              |                |                   |                     |                          |              |
| Foreign currency translation                                    | —              | —                 | 14,393              | —                        | 14,393       |
| Change in unrealized gain on marketable securities              | (6,395)        | —                 | —                   | —                        | (6,395)      |
| Other                                                           | —              | —                 | (2,175)             | —                        | (2,175)      |
| Total other comprehensive (loss) income                         | (6,395)        | —                 | 12,218              | —                        | 5,823        |
| Comprehensive income (loss)                                     | 143,426        | (6,231)           | 149,972             | (131,058)                | 156,109      |
| Comprehensive income attributable to noncontrolling interest    | —              | —                 | 465                 | —                        | 465          |
| Comprehensive income (loss) attributable to common stockholders | \$143,426      | \$(6,231)         | \$149,507           | \$(131,058)              | \$155,644    |

(1) Certain of Ventas Realty's outstanding senior notes were issued jointly with our 100% owned subsidiary, Ventas Capital Corporation, which has no assets or operations.

# CONDENSED CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME

For the Six Months Ended June 30, 2016

|                                                                 | Ventas, Inc.   | Ventas Realty (1) | Ventas Subsidiaries | Consolidated Elimination | Consolidated |
|-----------------------------------------------------------------|----------------|-------------------|---------------------|--------------------------|--------------|
|                                                                 | (In thousands) |                   |                     |                          |              |
| Net income (loss)                                               | \$292,142      | \$(63,090)        | \$295,581           | \$(232,159)              | 292,474      |
| Other comprehensive income (loss):                              |                |                   |                     |                          |              |
| Foreign currency translation                                    | —              | —                 | (33,383)            | —                        | (33,383)     |
| Change in unrealized gain on marketable securities              | 250            | —                 | —                   | —                        | 250          |
| Other                                                           | —              | —                 | (3,497)             | —                        | (3,497)      |
| Total other comprehensive income (loss)                         | 250            | —                 | (36,880)            | —                        | (36,630)     |
| Comprehensive income (loss)                                     | 292,392        | (63,090)          | 258,701             | (232,159)                | 255,844      |
| Comprehensive income attributable to noncontrolling interest    | —              | —                 | 332                 | —                        | 332          |
| Comprehensive income (loss) attributable to common stockholders | \$292,392      | \$(63,090)        | \$258,369           | \$(232,159)              | \$255,512    |

(1) Certain of Ventas Realty's outstanding senior notes were issued jointly with our 100% owned subsidiary, Ventas Capital Corporation, which has no assets or operations.

# CONDENSED CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME

For the Six Months Ended June 30, 2015

|                                                                 | Ventas, Inc.   | Ventas Realty (1) | Ventas Subsidiaries | Consolidated Elimination | Consolidated |
|-----------------------------------------------------------------|----------------|-------------------|---------------------|--------------------------|--------------|
|                                                                 | (In thousands) |                   |                     |                          |              |
| Net income (loss)                                               | \$270,263      | \$(14,025)        | \$275,782           | \$(260,975)              | 271,045      |
| Other comprehensive (loss) income:                              |                |                   |                     |                          |              |
| Foreign currency translation                                    | —              | —                 | 3,521               | —                        | 3,521        |
| Change in unrealized gain on marketable securities              | (5,046)        | —                 | —                   | —                        | (5,046)      |
| Other                                                           | —              | —                 | (1,416)             | —                        | (1,416)      |
| Total other comprehensive (loss) income                         | (5,046)        | —                 | 2,105               | —                        | (2,941)      |
| Comprehensive income (loss)                                     | 265,217        | (14,025)          | 277,887             | (260,975)                | 268,104      |
| Comprehensive income attributable to noncontrolling interest    | —              | —                 | 782                 | —                        | 782          |
| Comprehensive income (loss) attributable to common stockholders | \$265,217      | \$(14,025)        | \$277,105           | \$(260,975)              | \$267,322    |

(1) Certain of Ventas Realty's outstanding senior notes were issued jointly with our 100% owned subsidiary, Ventas Capital Corporation, which has no assets or operations.



## CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS

For the Six Months Ended June 30, 2016

|                                                                     | Ventas, Inc.   | Ventas Realty (1) | Ventas Subsidiaries | Consolidated Elimination | Consolidated |
|---------------------------------------------------------------------|----------------|-------------------|---------------------|--------------------------|--------------|
|                                                                     | (In thousands) |                   |                     |                          |              |
| Net cash provided by (used in) operating activities                 | \$36,414       | \$(45,318)        | \$665,379           | \$                       | —\$ 656,475  |
| Cash flows from investing activities:                               |                |                   |                     |                          |              |
| Net investment in real estate property                              | (34,453 )      | —                 | —                   | —                        | (34,453 )    |
| Proceeds from loans receivable                                      | —              | —                 | 7,644               | —                        | 7,644        |
| Investment in loans receivable and other                            | —              | —                 | (152,450 )          | —                        | (152,450 )   |
| Proceeds from real estate disposals                                 | 20,441         | —                 | 43,120              | —                        | 63,561       |
| Capital expenditures                                                | —              | (18 )             | (46,907 )           | —                        | (46,925 )    |
| Development project expenditures                                    | —              | —                 | (69,679 )           | —                        | (69,679 )    |
| Other                                                               | —              | —                 | (4,265 )            | —                        | (4,265 )     |
| Net cash used in investing activities                               | (14,012 )      | (18 )             | (222,537 )          | —                        | (236,567 )   |
| Cash flows from financing activities:                               |                |                   |                     |                          |              |
| Net change in borrowings under revolving credit facility            | —              | (114,000 )        | 138,304             | —                        | 24,304       |
| Proceeds from debt                                                  | —              | 400,000           | 16,217              | —                        | 416,217      |
| Repayment of debt                                                   | —              | (555,470 )        | (184,867 )          | —                        | (740,337 )   |
| Purchase of noncontrolling interest                                 | —              | —                 | (1,604 )            | —                        | (1,604 )     |
| Net change in intercompany debt                                     | 128,165        | 308,816           | (436,981 )          | —                        | —            |
| Payment of deferred financing costs                                 | —              | (3,422 )          | (422 )              | —                        | (3,844 )     |
| Issuance of common stock, net                                       | 377,739        | —                 | —                   | —                        | 377,739      |
| Cash distribution (to) from affiliates                              | (8,101 )       | 9,412             | (1,311 )            | —                        | —            |
| Cash distribution to common stockholders                            | (493,471)      | —                 | —                   | —                        | (493,471 )   |
| Cash distribution to redeemable OP unitholders                      | —              | —                 | (4,437 )            | —                        | (4,437 )     |
| Contributions from noncontrolling interest                          | —              | —                 | 5,680               | —                        | 5,680        |
| Distributions to noncontrolling interest                            | —              | —                 | (3,582 )            | —                        | (3,582 )     |
| Other                                                               | 7,883          | —                 | —                   | —                        | 7,883        |
| Net cash provided by (used in) financing activities                 | 12,215         | 45,336            | (473,003 )          | —                        | (415,452 )   |
| Net increase (decrease) in cash and cash equivalents                | 34,617         | —                 | (30,161 )           | —                        | 4,456        |
| Effect of foreign currency translation on cash and cash equivalents | (33,353 )      | —                 | 33,196              | —                        | (157 )       |
| Cash and cash equivalents at beginning of period                    | 11,733         | —                 | 41,290              | —                        | 53,023       |
| Cash and cash equivalents at end of period                          | \$12,997       | \$—               | \$44,325            | \$                       | —\$ 57,322   |

(1) Certain of Ventas Realty's outstanding senior notes were issued jointly with our 100% owned subsidiary, Ventas Capital Corporation, which has no assets or operations.

## CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS

For the Six Months Ended June 30, 2015

|                                                                     | Ventas,<br>Ventas, Inc | Ventas<br>Realty<br>(1) | Ventas<br>Subsidiaries | Consolidated<br>Elimination | Consolidated |
|---------------------------------------------------------------------|------------------------|-------------------------|------------------------|-----------------------------|--------------|
|                                                                     | (In thousands)         |                         |                        |                             |              |
| Net cash (used in) provided by operating activities                 | \$(42,987)             | \$65,028                | \$ 695,683             | \$ —                        | —\$ 717,724  |
| Cash flows from investing activities:                               |                        |                         |                        |                             |              |
| Net investment in real estate property                              | (1,253,910)            | —                       | —                      | —                           | (1,253,910 ) |
| Proceeds from loans receivable                                      | —                      | —                       | 93,275                 | —                           | 93,275       |
| Investment in loans receivable and other                            | —                      | —                       | (55,659 )              | —                           | (55,659 )    |
| Funds held in escrow for future development expenditures            | —                      | —                       | 4,003                  | —                           | 4,003        |
| Proceeds from real estate disposals                                 | 273,191                | —                       | —                      | —                           | 273,191      |
| Proceeds from sale or maturity of marketable securities             | 57,225                 | —                       | —                      | —                           | 57,225       |
| Capital expenditures                                                | —                      | (10,153 )               | (33,276 )              | —                           | (43,429 )    |
| Development capital expenditures                                    | —                      | —                       | (62,630 )              | —                           | (62,630 )    |
| Other                                                               | —                      | —                       | (8,813 )               | —                           | (8,813 )     |
| Net cash used in investing activities                               | (923,494 )             | (10,153 )               | (63,100 )              | —                           | (996,747 )   |
| Cash flows from financing activities:                               |                        |                         |                        |                             |              |
| Net change in borrowings under revolving credit facility            | 45,000                 | (228,000)               | (138,334 )             | —                           | (321,334 )   |
| Proceeds from debt                                                  | —                      | 896,478                 | 211,493                | —                           | 1,107,971    |
| Repayment of debt                                                   | —                      | —                       | (278,442 )             | —                           | (278,442 )   |
| Net change in intercompany debt                                     | 1,295,130              | (711,399)               | (583,731 )             | —                           | —            |
| Purchase of noncontrolling interest                                 | —                      | —                       | (3,816 )               | —                           | (3,816 )     |
| Payment of deferred financing costs                                 | —                      | (12,755 )               | (1,853 )               | —                           | (14,608 )    |
| Issuance of common stock, net                                       | 352,167                | —                       | —                      | —                           | 352,167      |
| Cash distribution (to) from affiliates                              | (233,483 )             | 801                     | 232,682                | —                           | —            |
| Cash distribution to common stockholders                            | (516,404 )             | —                       | —                      | —                           | (516,404 )   |
| Cash distribution to redeemable OP unitholders                      | —                      | —                       | (4,697 )               | —                           | (4,697 )     |
| Purchases of redeemable OP units                                    | —                      | —                       | (33,188 )              | —                           | (33,188 )    |
| Distributions to noncontrolling interest                            | —                      | —                       | (9,467 )               | —                           | (9,467 )     |
| Other                                                               | 5,928                  | —                       | —                      | —                           | 5,928        |
| Net cash provided by (used in) financing activities                 | 948,338                | (54,875 )               | (609,353 )             | —                           | 284,110      |
| Net (decrease) increase in cash and cash equivalents                | (18,143 )              | —                       | 23,230                 | —                           | 5,087        |
| Effect of foreign currency translation on cash and cash equivalents | 5,004                  | —                       | (4,907 )               | —                           | 97           |
| Cash and cash equivalents at beginning of period                    | 24,857                 | —                       | 30,491                 | —                           | 55,348       |
| Cash and cash equivalents at end of period                          | \$ 11,718              | \$ —                    | \$ 48,814              | \$ —                        | —\$ 60,532   |

(1) Certain of Ventas Realty's outstanding senior notes were issued jointly with our 100% owned subsidiary, Ventas Capital Corporation, which has no assets or operations.

## NOTE 17—PENDING ACQUISITION

On July 5, 2016, we announced that we had entered into a purchase agreement to acquire substantially all of the university affiliated life science and medical real estate assets of Wexford from affiliates of Blackstone Real Estate Partners VIII, L.P. (together with its affiliates, “Blackstone”) for \$1.5 billion in cash. The acquisition will add to our portfolio 23 operating properties, two development assets and nine future development sites. The properties that we acquire will continue to be managed by Wexford, which will remain a separate management company owned and operated by the existing Wexford management team. We will have exclusive rights to fund and own future life science projects developed by Wexford. The agreements are all subject to the satisfaction of customary closing conditions. We expect the acquisition of the real estate portfolio of Wexford to be completed in the fourth quarter of 2016, but there can be no assurance as to whether, when or on what terms the acquisition will be completed.

## ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### Cautionary Statements

#### Forward-Looking Statements

This Quarterly Report on Form 10-Q includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). All statements regarding our or our tenants’, operators’, borrowers’ or managers’ expected future financial condition, results of operations, cash flows, funds from operations, dividends and dividend plans, financing opportunities and plans, capital markets transactions, business strategy, budgets, projected costs, operating metrics, capital expenditures, competitive positions, acquisitions, investment opportunities, dispositions, merger integration, growth opportunities, expected lease income, continued qualification as a real estate investment trust (“REIT”), plans and objectives of management for future operations, and statements that include words such as “anticipate,” “if,” “believe,” “plan,” “estimate,” “expect,” “intend,” “may,” “could,” “should,” “will,” and other similar expressions are forward-looking statements. These forward-looking statements are inherently uncertain, and actual results may differ from our expectations. We do not undertake a duty to update these forward-looking statements, which speak only as of the date on which they are made.

Our actual future results and trends may differ materially from expectations depending on a variety of factors discussed in our filings with the Securities and Exchange Commission (the “SEC”). These factors include without limitation:

- The ability and willingness of our tenants, operators, borrowers, managers and other third parties to satisfy their obligations under their respective contractual arrangements with us, including, in some cases, their obligations to indemnify, defend and hold us harmless from and against various claims, litigation and liabilities;
- The ability of our tenants, operators, borrowers and managers to maintain the financial strength and liquidity necessary to satisfy their respective obligations and liabilities to third parties, including without limitation obligations under their existing credit facilities and other indebtedness;
- Our success in implementing our business strategy and our ability to identify, underwrite, finance, consummate and integrate diversifying acquisitions and investments;
- Macroeconomic conditions such as a disruption of or lack of access to the capital markets, changes in the debt rating on U.S. government securities, default or delay in payment by the United States of its obligations, and changes in the federal or state budgets resulting in the reduction or nonpayment of Medicare or Medicaid reimbursement rates;
- The nature and extent of future competition, including new construction in the markets in which our seniors housing communities and medical office buildings (“MOBs”) are located;
- The extent of future or pending healthcare reform and regulation, including cost containment measures and changes in reimbursement policies, procedures and rates;
- Increases in our borrowing costs as a result of changes in interest rates and other factors;
- The ability of our tenants, operators and managers, as applicable, to comply with laws, rules and regulations in the operation of our properties, to deliver high-quality services, to attract and retain qualified personnel and to attract residents and patients;
-

Changes in general economic conditions or economic conditions in the markets in which we may, from time to time, compete, and the effect of those changes on our revenues, earnings and funding sources;

Our ability to pay down, refinance, restructure or extend our indebtedness as it becomes due;

Our ability and willingness to maintain our qualification as a REIT in light of economic, market, legal, tax and other considerations;

Final determination of our taxable net income for the year ended December 31, 2015 and for the year ending December 31, 2016;

The ability and willingness of our tenants to renew their leases with us upon expiration of the leases, our ability to reposition our properties on the same or better terms in the event of nonrenewal or in the event we exercise our right to replace an existing tenant, and obligations, including indemnification obligations, we may incur in connection with the replacement of an existing tenant;

Risks associated with our senior living operating portfolio, such as factors that can cause volatility in our operating income and earnings generated by those properties, including without limitation national and regional economic conditions, development of new competing properties, costs of food, materials, energy, labor and services, employee benefit costs, insurance costs and professional and general liability claims, and the timely delivery of accurate property-level financial results for those properties;

Changes in exchange rates for any foreign currency in which we may, from time to time, conduct business;

Year-over-year changes in the Consumer Price Index or the UK Retail Price Index and the effect of those changes on the rent escalators contained in our leases and on our earnings;

- Our ability and the ability of our tenants, operators, borrowers and managers to obtain and maintain adequate property, liability and other insurance from reputable, financially stable providers;

The impact of increased operating costs and uninsured professional liability claims on our liquidity, financial condition and results of operations or that of our tenants, operators, borrowers and managers and our ability and the ability of our tenants, operators, borrowers and managers to accurately estimate the magnitude of those claims;

Risks associated with our MOB portfolio and operations, including our ability to successfully design, develop and manage MOBs and to retain key personnel;

The ability of the hospitals on or near whose campuses our MOBs are located and their affiliated health systems to remain competitive and financially viable and to attract physicians and physician groups;

Risks associated with our investments in joint ventures and unconsolidated entities, including our lack of sole decision-making authority and our reliance on our joint venture partners' financial condition;

The impact of market or issuer events on the liquidity or value of our investments in marketable securities;

Consolidation in the seniors housing and healthcare industries resulting in a change of control of, or a competitor's investment in, one or more of our tenants, operators, borrowers or managers or significant changes in the senior management of our tenants, operators, borrowers or managers;

The impact of litigation or any financial, accounting, legal or regulatory issues that may affect us or our tenants, operators, borrowers or managers; and

Changes in accounting principles, or their application or interpretation, and our ability to make estimates and the assumptions underlying the estimates, which could have an effect on our earnings.

Many of these factors are beyond our control and the control of our management.

#### Brookdale Senior Living, Kindred, Atria, Sunrise and Ardent Information

Each of Brookdale Senior Living Inc. (together with its subsidiaries, “Brookdale Senior Living”) and Kindred Healthcare, Inc. (together with its subsidiaries, “Kindred”) is subject to the reporting requirements of the SEC and is required to file with the SEC annual reports containing audited financial information and quarterly reports containing unaudited financial information. The information related to Brookdale Senior Living and Kindred contained or referred to in this Quarterly Report on Form 10-Q has been derived from SEC filings made by Brookdale Senior Living or Kindred, as the case may be, or other publicly available information or was provided to us by Brookdale Senior Living or Kindred, and we have not verified this information through an independent investigation or otherwise. We have no reason to believe that this information is inaccurate in any material respect, but we cannot assure you of its accuracy. We are providing this data for informational purposes only, and you are encouraged to obtain Brookdale Senior Living’s and Kindred’s publicly available filings, which can be found on the SEC’s website at [www.sec.gov](http://www.sec.gov).

Atria Senior Living, Inc. (“Atria”), Sunrise Senior Living, LLC (together with its subsidiaries, “Sunrise”) and Ardent Health Partners, LLC (together with its subsidiaries “Ardent”) are not currently subject to the reporting requirements of the SEC. The information related to Atria, Sunrise and Ardent contained or referred to in this Quarterly Report on Form 10-Q has been derived from publicly available information or was provided to us by Atria, Sunrise or Ardent, as the case may be, and we have not verified this information through an independent investigation or otherwise. We have no reason to believe that this information is inaccurate in any material respect, but we cannot assure you of its accuracy.

#### Company Overview

We are a REIT with a highly diversified portfolio of seniors housing and healthcare properties located throughout the United States, Canada and the United Kingdom. As of June 30, 2016, we owned approximately 1,300 properties (including properties classified as held for sale), consisting of seniors housing communities, MOB, skilled nursing facilities, specialty hospitals and general acute care hospitals, and we had five properties under development, including two properties that are owned by an unconsolidated real estate entity. We are an S&P 500 company and headquartered in Chicago, Illinois. In August 2015, we completed the spin off of most of our post-acute/skilled nursing facility portfolio into an independent, publicly traded REIT named Care Capital Properties, Inc. (“CCP”) (the “CCP Spin-Off”). The historical results of operations of the CCP properties are presented as discontinued operations in the accompanying consolidated financial statements.

We primarily invest in seniors housing and healthcare properties through acquisitions and lease our properties to unaffiliated tenants or operate them through independent third-party managers. As of June 30, 2016, we leased a total of 575 properties (excluding MOB and 34 properties owned through investments in unconsolidated entities, and including 25 properties classified as held for sale) to various healthcare operating companies under “triple-net” or “absolute-net” leases that obligate the tenants to pay all property-related expenses, including maintenance, utilities, repairs, taxes, insurance and capital expenditures, and we engaged independent operators, such as Atria and Sunrise, to manage 304 seniors housing communities for us pursuant to long-term management agreements. Our three largest tenants, Brookdale Senior Living, Kindred and Ardent leased from us 140 properties (excluding six properties owned through investments in unconsolidated entities and one property managed by Brookdale Senior Living pursuant to a long-term management agreement), 68 properties (excluding one MOB) and ten properties, respectively, as of June 30, 2016.

Through our Lillibridge Healthcare Services, Inc. (“Lillibridge”) subsidiary and our ownership interest in PMB Real Estate Services LLC (“PMBRES”), we also provide MOB management, leasing, marketing, facility development and advisory services to highly rated hospitals and health systems throughout the United States. In addition, from time to time, we make secured and other loans and investments relating to seniors housing and healthcare operators or properties.

We aim to enhance shareholder value by delivering consistent, superior total returns through a strategy of:

(1) generating reliable and growing cash flows; (2) maintaining a balanced, diversified portfolio of high-quality assets; and (3) preserving our financial strength, flexibility and liquidity.

Our ability to access capital in a timely and cost effective manner is critical to the success of our business strategy because it affects our ability to satisfy existing obligations, including the repayment of maturing indebtedness, and to

make future investments. Factors such as general market conditions, interest rates, credit ratings on our securities, expectations of our potential future earnings and cash distributions, and the trading price of our common stock that are beyond our control and fluctuate over time all impact our access to and cost of external capital. For that reason, we generally attempt to match the long-term duration of our investments in real property with long-term financing through the issuance of shares of our common stock or the incurrence of long-term fixed rate debt.

## Operating Highlights and Key Performance Trends

### 2016 Highlights and Other Recent Developments

#### Investments and Dispositions

During the six months ended June 30, 2016 we made a \$140.0 million secured mezzanine loan investment relating to Class A life sciences properties in California and Massachusetts that has an annual interest rate of 9.95%, and we acquired two MOB's and one triple-net leased seniors housing asset for approximately \$42.0 million.

During the six months ended June 30, 2016, we sold three triple-net leased properties, one seniors housing community included in our senior living operations reportable business segment and one MOB for aggregate consideration of \$63.8 million. We recognized a gain on the sales of these assets of \$32.0 million.

On July 5, 2016, we announced that we had entered into a purchase agreement to acquire substantially all of the university affiliated life science and medical real estate assets of Wexford Science & Technology, LLC ("Wexford") from Blackstone Real Estate Partners VIII, L.P. (together with its affiliates, "Blackstone") for \$1.5 billion in cash. The acquisition, if and when consummated, will add to our portfolio 23 operating properties, two development assets and nine future development sites.

#### Liquidity, Capital and Dividends

We paid the first two quarterly installments of our 2016 dividend of \$0.73 per share.

- During the six months ended June 30, 2016, we issued and sold 6,116,189 shares of common stock under our "at-the-market" ("ATM") equity offering program for aggregate net proceeds of \$378.1 million, after sales agent commissions of \$5.8 million. As of June 30, 2016, approximately \$406.8 million of our common stock remained available for sale under our ATM equity offering program.

- During the six months ended June 30, 2016, we repaid \$100.0 million outstanding on our unsecured term loan due 2019 using cash on hand.

In May 2016, we issued and sold \$400.0 million aggregate principal amount of 3.125% senior notes due 2023 at a public offering price equal to 99.343% of par, for total proceeds of \$397.4 million before the underwriting discount and expenses.

In June 2016, we redeemed \$455.5 million aggregate principal amount then outstanding of our 1.55% senior notes due September 2016 at a public offering price of 100.335% of par, plus accrued and unpaid interest to the redemption date. In July 2016, we repaid the remaining balance then outstanding of our 1.55% senior notes due September 2016.

In July 2016, we completed the public offering and sale of 10,260,434 shares of our common stock for \$735.8 million in total proceeds, which we intend to use to fund a portion of our pending acquisition of the real estate portfolio of Wexford, or for working capital and other general corporate purposes.

#### Portfolio

In April 2016, we entered into several agreements with Kindred to improve the quality and productivity of the long term acute care hospital ("LTAC") portfolio leased by Ventas to Kindred. Certain of the agreements consist of lease amendments to our lease agreements with Kindred ("Kindred Master Leases"). Under these lease amendments, annual rent on seven identified LTACs (the "7 LTACs"), which was approximately \$8 million, was immediately re-allocated to other more productive post-acute assets subject to the Kindred Master Leases. Total annual rent under the Kindred Master Leases remains the same. Separately, we agreed to sell the 7 LTACs to an unrelated third party, subject to conditions to closing. In April, we received \$3.5 million from Kindred in connection with the lease amendments, which is being amortized over the lease term of certain assets remaining in the Kindred Master Leases.

#### Concentration Risk

We use concentration ratios to identify, understand and evaluate the potential impact of economic downturns and other adverse events that may affect our asset types, geographic locations, business models, and tenants, operators and managers. We evaluate concentration risk in terms of investment mix and operations mix. Investment mix measures the percentage of our investments that is concentrated in a specific asset type or that is operated or managed by a particular tenant, operator or

manager. Operations mix measures the percentage of our operating results that is attributed to a particular tenant, operator or manager, geographic location or business model. The following tables reflect our concentration risk as of the dates and for the periods presented:

|                                                     | As of<br>June<br>30,<br>2016 | As of<br>December<br>31, 2015 |   |
|-----------------------------------------------------|------------------------------|-------------------------------|---|
| Investment mix by asset type (1):                   |                              |                               |   |
| Seniors housing communities                         | 64.8%                        | 65.2                          | % |
| MOBs                                                | 21.7                         | 21.7                          |   |
| Skilled nursing facilities                          | 1.7                          | 1.6                           |   |
| Specialty hospitals                                 | 1.9                          | 2.1                           |   |
| General acute care hospitals                        | 5.9                          | 5.9                           |   |
| Secured loans receivable and investments, net       | 4.0                          | 3.5                           |   |
| Investment mix by tenant, operator and manager (1): |                              |                               |   |
| Atria                                               | 23.2%                        | 22.5                          | % |
| Sunrise                                             | 11.8                         | 11.7                          |   |
| Brookdale Senior Living                             | 8.5                          | 8.5                           |   |
| Kindred                                             | 1.8                          | 2.1                           |   |
| Ardent                                              | 5.3                          | 5.3                           |   |
| All other                                           | 49.4                         | 49.9                          |   |

(1) Ratios are based on the gross book value of real estate investments (excluding assets classified as held for sale) as of each reporting date.

|  | For the Three<br>Months Ended<br>June 30,<br>2016 | For the Six<br>Months Ended<br>June 30,<br>2015 | For the Three<br>Months Ended<br>June 30,<br>2016 | For the Six<br>Months Ended<br>June 30,<br>2015 |
|--|---------------------------------------------------|-------------------------------------------------|---------------------------------------------------|-------------------------------------------------|
|--|---------------------------------------------------|-------------------------------------------------|---------------------------------------------------|-------------------------------------------------|

Operations mix by tenant and operator and business model:

Revenues (1):

|                             |       |       |       |       |
|-----------------------------|-------|-------|-------|-------|
| Senior living operations    | 54.7% | 56.0% | 54.6% | 55.7% |
| Kindred                     | 5.4   | 5.7   | 5.4   | 5.7   |
| Brookdale Senior Living (2) | 4.9   | 5.2   | 4.8   | 5.6   |
| Ardent (3)                  | 3.1   | —     | 3.1   | —     |
| All others                  | 31.9  | 33.1  | 32.1  | 33.0  |

Adjusted EBITDA (4):

|                             |       |       |       |       |
|-----------------------------|-------|-------|-------|-------|
| Senior living operations    | 32.6% | 29.3% | 32.1% | 28.8% |
| Kindred                     | 9.0   | 8.6   | 9.0   | 8.5   |
| Brookdale Senior Living (2) | 8.1   | 7.7   | 8.1   | 8.3   |
| Ardent (3)                  | 5.2   | —     | 5.2   | —     |
| All others                  | 45.1  | 54.4  | 45.6  | 54.4  |

NOI (5):

|                             |       |       |       |       |
|-----------------------------|-------|-------|-------|-------|
| Senior living operations    | 31.6% | 33.5% | 31.1% | 33.0% |
| Kindred                     | 9.3   | 10.0  | 9.2   | 10.0  |
| Brookdale Senior Living (2) | 8.3   | 9.1   | 8.3   | 9.9   |
| Ardent (3)                  | 5.4   | —     | 5.4   | —     |
| All others                  | 45.4  | 47.4  | 46.0  | 47.1  |

Operations mix by geographic location (6):

|            |       |       |       |       |
|------------|-------|-------|-------|-------|
| California | 15.5% | 15.5% | 15.4% | 15.5% |
| New York   | 8.9   | 8.8   | 8.9   | 8.9   |
| Texas      | 6.4   | 5.6   | 6.4   | 5.7   |
| Illinois   | 4.9   | 4.9   | 4.8   | 4.9   |
| Florida    | 4.5   | 4.7   | 4.5   | 4.6   |
| All others | 59.8  | 60.5  | 60.0  | 60.4  |

(1) Total revenues include medical office building and other services revenue, revenue from loans and investments and interest and other income (excluding amounts in discontinued operations).

(2) Excludes one seniors housing community included in senior living operations.

(3) Activity relates to August 2015 acquisition of Ardent Health Services, Inc. and simultaneous separation and sale of the Ardent hospital operating company to a consortium of an entity controlled by Equity Group Investments, Ardent's management team and us.

"Adjusted EBITDA" is defined as consolidated earnings, which includes amounts in discontinued operations, before interest, taxes, depreciation and amortization (including non-cash stock-based compensation expense), excluding gains or losses on extinguishment of debt, income or loss from noncontrolling interest and unconsolidated entities (4) (excluding cash distributions), merger-related expenses and deal costs, expenses related to the re-audit and re-review in 2014 of our historical financial statements, net gains or losses on real estate activity, gains or losses on re-measurement of equity interest upon acquisition, changes in the fair value of financial instruments and other immaterial or identified items.

"NOI" represents net operating income, which is defined as total revenues, less interest and other income, (5) property-level operating expenses and medical office building services costs (excluding amounts in discontinued operations).

(6) Ratios are based on total revenues (excluding amounts in discontinued operations) for each period presented.

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See “Non-GAAP Financial Measures” included elsewhere in this Quarterly Report on Form 10-Q for additional disclosures regarding Adjusted EBITDA and NOI and reconciliations to our net income attributable to common stockholders, as computed in accordance with GAAP.

#### Triple-Net Lease Expirations

If our tenants are not able or willing to renew our triple-net leases upon expiration, we may be unable to reposition the applicable properties on a timely basis or on the same or better economic terms, if at all. Although our lease expirations are staggered, the non-renewal of some or all of our triple-net leases that expire in any given year could have a material adverse effect on our business, financial condition, results of operations and liquidity, our ability to service our indebtedness and other obligations and our ability to make distributions to our stockholders, as required for us to continue to qualify as a REIT (a “Material Adverse Effect”). During the three and six months ended June 30, 2016, we had no triple-net lease renewals or expirations without renewal that, in the aggregate, had a material impact on our financial condition or results of operations for that period.

#### Critical Accounting Policies and Estimates

Our Consolidated Financial Statements included in Item 1 of this Quarterly Report on Form 10-Q have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) for interim financial information set forth in the Accounting Standards Codification (“ASC”), as published by the Financial Accounting Standards Board (“FASB”). GAAP requires us to make estimates and assumptions regarding future events that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. We base these estimates on our experience and assumptions we believe to be reasonable under the circumstances. However, if our judgment or interpretation of the facts and circumstances relating to various transactions or other matters had been different, we may have applied a different accounting treatment, resulting in a different presentation of our financial statements. We periodically reevaluate our estimates and assumptions, and in the event they prove to be different from actual results, we make adjustments in subsequent periods to reflect more current estimates and assumptions about matters that are inherently uncertain. Please refer to our Annual Report on Form 10-K for the year ended December 31, 2015, filed with the SEC on February 12, 2016, for further information regarding the critical accounting policies that affect our more significant estimates and judgments used in the preparation of our Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

#### Principles of Consolidation

The accompanying Consolidated Financial Statements include our accounts and the accounts of our wholly owned subsidiaries and the joint venture entities over which we exercise control. All intercompany transactions and balances have been eliminated in consolidation, and our net earnings are reduced by the portion of net earnings attributable to noncontrolling interests.

GAAP requires us to identify entities for which control is achieved through means other than voting rights and to determine which business enterprise is the primary beneficiary of variable interest entities (“VIEs”). A VIE is broadly defined as an entity with one or more of the following characteristics: (a) the total equity investment at risk is insufficient to finance the entity’s activities without additional subordinated financial support; (b) as a group, the holders of the equity investment at risk lack (i) the ability to make decisions about the entity’s activities through voting or similar rights, (ii) the obligation to absorb the expected losses of the entity, or (iii) the right to receive the expected residual returns of the entity; and (c) the equity investors have voting rights that are not proportional to their economic interests, and substantially all of the entity’s activities either involve, or are conducted on behalf of, an investor that has disproportionately few voting rights. We consolidate our investment in a VIE when we determine that we are its primary beneficiary. We may change our original assessment of a VIE upon subsequent events such as the modification of contractual arrangements that affects the characteristics or adequacy of the entity’s equity investments at risk and the disposition of all or a portion of an interest held by the primary beneficiary.

We identify the primary beneficiary of a VIE as the enterprise that has both: (i) the power to direct the activities of the VIE that most significantly impact the entity’s economic performance; and (ii) the obligation to absorb losses or the right to receive benefits of the VIE that could be significant to the entity. We perform this analysis on an ongoing basis.

As it relates to 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 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 also apply this guidance to managing member interests in limited liability companies.

## Business Combinations

We account for acquisitions using the acquisition method and record the cost of the businesses acquired among tangible and recognized intangible assets and liabilities based upon their estimated fair values as of the acquisition date. Recognized intangibles primarily include the value of in-place leases, acquired lease contracts, tenant and customer relationships, trade names/trademarks and goodwill. We do not amortize goodwill, which represents the excess of the purchase price paid over the fair value of the net assets of the acquired business.

Our method for recording the purchase price to acquired investments in real estate requires us to make subjective assessments for determining fair value of the assets acquired and liabilities assumed. This includes determining the value of the buildings, land and improvements, construction in progress, ground leases, tenant improvements, in-place leases, above and/or below market leases, purchase option intangible assets and/or liabilities, and any debt assumed. These estimates require significant judgment and in some cases involve complex calculations. These assessments directly impact our results of operations, as amounts estimated for certain assets and liabilities have different depreciation or amortization lives. In addition, we amortize the value assigned to above and/or below market leases as a component of revenue, unlike in-place leases and other intangibles, which we include in depreciation and amortization in our Consolidated Statements of Income.

We estimate the fair value of buildings acquired on an as-if-vacant basis, or replacement cost basis, and depreciate the building value over the estimated remaining life of the building, generally not to exceed 35 years. We determine the fair value of other fixed assets, such as site improvements and furniture, fixtures and equipment, based upon the replacement cost and depreciate such value over the assets' estimated remaining useful lives as determined at the applicable acquisition date. We determine the value of land either by considering the sales prices of similar properties in recent transactions or based on internal analysis of recently acquired and existing comparable properties within our portfolio. We generally determine the value of construction in progress based upon the replacement cost. However, for certain acquired properties that are part of a ground-up development, we determine fair value by using the same valuation approach as for all other properties and deducting the estimated cost to complete the development. During the remaining construction period, we capitalize interest expense until the development has reached substantial completion. Construction in progress, including capitalized interest, is not depreciated until the development has reached substantial completion.

The fair value of acquired lease-related intangibles, if any, reflects: (i) the estimated value of any above and/or below market leases, determined by discounting the difference between the estimated market rent and in-place lease rent; and (ii) the estimated value of in-place leases related to the cost to obtain tenants, including leasing commissions, and an estimated value of the absorption period to reflect the value of the rent and recovery costs foregone during a reasonable lease-up period as if the acquired space was vacant. We amortize any acquired lease-related intangibles to revenue or amortization expense over the remaining life of the associated lease plus any assumed bargain renewal periods. If a lease is terminated prior to its stated expiration or not renewed upon expiration, we recognize all unamortized lease-related intangibles associated with that lease in operations at that time.

We estimate the fair value of purchase option intangible assets and liabilities by discounting the difference between the applicable property's acquisition date fair value and an estimate of its future option price. We do not amortize the resulting intangible asset or liability over the term of the lease, but rather adjust the recognized value of the asset or liability upon sale.

We estimate the fair value of tenant or other customer relationships acquired, if any, by considering the nature and extent of existing business relationships with the tenant or customer, growth prospects for developing new business with the tenant or customer, the tenant's credit quality, expectations of lease renewals with the tenant, and the potential for significant, additional future leasing arrangements with the tenant, and we amortize that value over the expected life of the associated arrangements or leases, including the remaining terms of the related leases and any expected renewal periods. We estimate the fair value of trade names and trademarks using a royalty rate methodology and amortize that value over the estimated useful life of the trade name or trademark.

In connection with a business combination, we may assume rights and obligations under certain lease agreements pursuant to which we become the lessee of a given property. We assume the lease classification previously determined by the prior lessee absent a modification in the assumed lease agreement. We assess assumed operating leases, including ground leases, to determine whether the lease terms are favorable or unfavorable to us given current market

conditions on the acquisition date. To the extent the lease terms are favorable or unfavorable relative to market conditions on the acquisition date, we recognize an intangible asset or liability, as applicable, at fair value and amortize that asset or liability (excluding purchase option intangibles) to interest or rental expense in our Consolidated Statements of Income over the applicable lease term.

We include all lease-related intangible assets and liabilities within acquired lease intangibles and accounts payable and other liabilities, respectively, on our Consolidated Balance Sheets.

We determine the fair value of loans receivable acquired in connection with a business combination by discounting the estimated future cash flows using current interest rates at which similar loans on the same terms with the same length to maturity would be made to borrowers with similar credit ratings. We do not establish a valuation allowance at the acquisition date because the estimated future cash flows already reflect our judgment regarding their uncertainty. We recognize the difference between the acquisition date fair value and the total expected cash flows as interest income using an effective interest method over the life of the applicable loan. Subsequent to the acquisition date, we evaluate changes regarding the uncertainty of future cash flows and the need for a valuation allowance, as appropriate.

We estimate the fair value of noncontrolling interests assumed consistent with the manner in which we value all of the underlying assets and liabilities.

We base the initial carrying value of investments in unconsolidated entities on the fair value of the assets at the time we acquired the joint venture interest. We estimate fair values for our equity method investments based on discounted cash flow models that include all estimated cash inflows and outflows over a specified holding period and, where applicable, any estimated debt premiums or discounts. The capitalization rates, discount rates and credit spreads we use in these models are based upon assumptions that we believe to be within a reasonable range of current market rates for the respective investments.

We generally amortize any difference between our cost basis and the basis reflected at the joint venture level over the lives of the related assets and liabilities and include that amortization in our share of income or loss from unconsolidated entities. For earnings of equity method investments with pro rata distribution allocations, net income or loss is allocated between the partners in the joint venture based on their respective stated ownership percentages. In other instances, net income or loss is allocated between the partners in the joint venture based on the hypothetical liquidation at book value method.

We calculate the fair value of long-term debt by discounting the remaining contractual cash flows on each instrument at the current market rate for those borrowings, which we approximate based on the rate at which we would expect to incur a replacement instrument on the date of acquisition, and recognize any fair value adjustments related to long-term debt as effective yield adjustments over the remaining term of the instrument.

#### Impairment of Long-Lived Assets

We periodically evaluate our long-lived assets, primarily consisting of investments in real estate, for impairment indicators. If indicators of impairment are present, we evaluate the carrying value of the related real estate investments in relation to the future undiscounted cash flows of the underlying operations. In performing this evaluation, we consider market conditions and our current intentions with respect to holding or disposing of the asset. We adjust the net book value of leased properties and other long-lived assets to fair value if the sum of the expected future undiscounted cash flows, including sales proceeds, is less than book value. We recognize an impairment loss at the time we make any such determination.

#### Revenue Recognition

##### Triple-Net Leased Properties and MOB Operations

Certain of our triple-net leases and most of our MOB leases provide for periodic and determinable increases in base rent. We recognize base rental revenues under these leases on a straight-line basis over the applicable lease term when collectibility is reasonably assured. Recognizing rental income on a straight-line basis generally results in recognized revenues during the first half of a lease term exceeding the cash amounts contractually due from our tenants, creating a straight-line rent receivable that is included in other assets on our Consolidated Balance Sheets.

Certain of our leases provide for periodic increases in base rent only if certain revenue parameters or other substantive contingencies are met. We recognize the increased rental revenue under these leases as the related parameters or contingencies are met, rather than on a straight-line basis over the applicable lease term.

##### Senior Living Operations

We recognize resident fees and services, other than move-in fees, monthly as services are provided. We recognize move-in fees on a straight-line basis over the average resident stay. Our lease agreements with residents generally have terms of 12 to 18 months and are cancelable by the resident upon 30 days' notice.

##### Other

We recognize interest income from loans and investments, including discounts and premiums, using the effective interest method when collectibility is reasonably assured. We apply the effective interest method on a loan-by-loan basis and recognize discounts and premiums as yield adjustments over the related loan term. We recognize interest income on an impaired loan to the extent our estimate of the fair value of the collateral is sufficient to support the balance of the loan, other receivables and all

related accrued interest. When the balance of the loan, other receivables and all related accrued interest is equal to or less than our estimate of the fair value of the collateral, we recognize interest income on a cash basis. We provide a reserve against an impaired loan to the extent our total investment in the loan exceeds our estimate of the fair value of the loan collateral.

We recognize income from rent, lease termination fees, development services, management advisory services, and all other income when all of the following criteria are met in accordance with SEC Staff Accounting Bulletin 104: (i) the applicable agreement has been fully executed and delivered; (ii) services have been rendered; (iii) the amount is fixed or determinable; and (iv) collectibility is reasonably assured.

#### Allowances

We assess the collectibility of our rent receivables, including straight-line rent receivables. We base our assessment of the collectibility of rent receivables (other than straight-line rent receivables) on several factors, including, among other things, payment history, the financial strength of the tenant and any guarantors, the value of the underlying collateral, if any, and current economic conditions. If our evaluation of these factors indicates it is probable that we will be unable to recover the full value of the receivable, we provide a reserve against the portion of the receivable that we estimate may not be recovered. We also base our assessment of the collectibility of straight-line rent receivables on several factors, including, among other things, the financial strength of the tenant and any guarantors, the historical operations and operating trends of the property, the historical payment pattern of the tenant and the type of property. If our evaluation of these factors indicates it is probable that we will be unable to receive the rent payments due in the future, we provide a reserve against the recognized straight-line rent receivable asset for the portion, up to its full value, that we estimate may not be recovered. If we change our assumptions or estimates regarding the collectibility of future rent payments required by a lease, we may adjust our reserve to increase or reduce the rental revenue recognized in the period we make such change in our assumptions or estimates.

#### Recently Issued or Adopted Accounting Standards

On January 1, 2016, we adopted Accounting Standards Update (“ASU”) 2015-02, Amendments to the Consolidation Analysis (“ASU 2015-02”), which makes certain changes to both the variable interest and voting models. The adoption of ASU 2015-02 did not result in any changes to our conclusions regarding the consolidation of investments under the new standard. We identified several entities already consolidated under the previous standard but not considered VIEs, which under the new standard are considered VIEs and will continue to be consolidated. We have updated our disclosures to reflect the new VIE determinations.

On January 1, 2016, we adopted ASU 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. Adoption of this ASU did not have a significant impact on our consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (“ASU 2016-13”) which provides for an impairment model that is based on expected losses rather than incurred losses. Under ASU 2016-13, an entity recognizes as an allowance its estimate of expected credit losses. ASU 2016-13 is effective for the Company beginning January 1, 2020 and we do not expect its adoption will have a significant effect on our consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842) (“ASU 2016-02”), which introduces a lessee model that brings most leases on the balance sheet and amongst other changes, eliminates the requirement in current GAAP for an entity to use bright-line tests in determining lease classification. The amendments in ASU 2016-02 do not significantly change the current lessor accounting model. ASU 2016-02 is not effective for the Company until January 1, 2019 with early adoption permitted. We are continuing to evaluate this guidance and the impact to us, as both lessor and lessee, on our consolidated financial statements.

In 2014, the FASB issued ASU 2014-09, Revenue From Contracts With Customers (“ASU 2014-09”), which outlines a comprehensive model for entities to use in accounting for revenue arising from contracts with customers. ASU

2014-09 states that “an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.” While ASU 2014-09 specifically references contracts with customers, it may apply to certain other transactions such as the sale of real estate or equipment. In 2015, the FASB provided for a one-year deferral of the effective date for ASU 2014-09 which is now effective for us beginning January 1, 2018. We are continuing to evaluate ASU 2014-09 (and related clarifying guidance issued by the

FASB); however, we do not expect its adoption to have a significant impact on our consolidated financial statements, as a substantial portion of our revenue consists of rental income from leasing arrangements, which are specifically excluded from ASU 2014-09.

#### Results of Operations

As of June 30, 2016, we operated through three reportable business segments: triple-net leased properties, senior living operations and MOB operations. In our triple-net leased properties segment, we invest in and own seniors housing and healthcare properties throughout the United States and the United Kingdom and lease those properties to healthcare operating companies under “triple-net” or “absolute-net” leases that obligate the tenants to pay all property-related expenses. In our senior living operations segment, we invest in seniors housing communities throughout the United States and Canada and engage independent operators, such as Atria and Sunrise, to manage those communities. In our MOB operations segment, we primarily acquire, own, develop, lease and manage MOBs throughout the United States. Information provided for “all other” includes income from loans and investments and other miscellaneous income and various corporate-level expenses not directly attributable to our three reportable business segments. Assets included in “all other” consist primarily of corporate assets, including cash, restricted cash, loans receivable and investments, and miscellaneous accounts receivable.

The historical results of operations of the CCP properties are presented as discontinued operations in the accompanying results of operations. Throughout this discussion, “continuing operations” does not include properties disposed of as part of the CCP Spin-Off.

## Three Months Ended June 30, 2016 and 2015

The table below shows our results of operations for the three months ended June 30, 2016 and 2015 and the effect of changes in those results from period to period on our net income attributable to common stockholders.

|                                                                                                                                    | For the Three Months<br>Ended June 30, |            | Increase<br>(Decrease)<br>to Net Income |        |
|------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------|------------|-----------------------------------------|--------|
|                                                                                                                                    | 2016                                   | 2015       | \$                                      | %      |
|                                                                                                                                    | (Dollars in thousands)                 |            |                                         |        |
| Segment NOI:                                                                                                                       |                                        |            |                                         |        |
| Triple-Net Leased Properties                                                                                                       | \$211,350                              | \$183,145  | \$28,205                                | 15.4 % |
| Senior Living Operations                                                                                                           | 156,448                                | 155,393    | 1,055                                   | 0.7    |
| MOB Operations                                                                                                                     | 101,638                                | 99,047     | 2,591                                   | 2.6    |
| All Other                                                                                                                          | 25,050                                 | 25,735     | (685 )                                  | (2.7 ) |
| Total segment NOI                                                                                                                  | 494,486                                | 463,320    | 31,166                                  | 6.7    |
| Interest and other income                                                                                                          | 111                                    | 174        | (63 )                                   | (36.2) |
| Interest expense                                                                                                                   | (103,665 )                             | (83,959 )  | (19,706 )                               | (23.5) |
| Depreciation and amortization                                                                                                      | (221,961 )                             | (214,711 ) | (7,250 )                                | (3.4 ) |
| General, administrative and professional fees                                                                                      | (32,094 )                              | (33,959 )  | 1,865                                   | 5.5    |
| (Loss) gain on extinguishment of debt, net                                                                                         | (2,468 )                               | 455        | (2,923 )                                | nm     |
| Merger-related expenses and deal costs                                                                                             | (7,224 )                               | (12,265 )  | 5,041                                   | 41.1   |
| Other                                                                                                                              | (2,303 )                               | (4,279 )   | 1,976                                   | 46.2   |
| Income before unconsolidated entities, income taxes, discontinued operations, real estate dispositions and noncontrolling interest | 124,882                                | 114,776    | 10,106                                  | 8.8    |
| Income from unconsolidated entities                                                                                                | 1,418                                  | 9          | 1,409                                   | nm     |
| Income tax benefit                                                                                                                 | 11,549                                 | 9,789      | 1,760                                   | 18.0   |
| Income from continuing operations                                                                                                  | 137,849                                | 124,574    | 13,275                                  | 10.7   |
| Discontinued operations                                                                                                            | (148 )                                 | 18,243     | (18,391 )                               | nm     |
| Gain on real estate dispositions                                                                                                   | 5,739                                  | 7,469      | (1,730 )                                | (23.2) |
| Net income                                                                                                                         | 143,440                                | 150,286    | (6,846 )                                | (4.6 ) |
| Net income attributable to noncontrolling interest                                                                                 | 278                                    | 465        | 187                                     | 40.2   |
| Net income attributable to common stockholders                                                                                     | \$143,162                              | \$149,821  | (6,659 )                                | (4.4 ) |

nm - not meaningful

## Segment NOI—Triple-Net Leased Properties

NOI for our triple-net leased properties reportable business segment equals the rental income and other services revenue earned from our triple-net assets. We incur no direct operating expenses for this segment.

The following table summarizes results of operations in our triple-net leased properties reportable business segment, including assets sold or classified as held for sale as of June 30, 2016, but excluding assets whose operations were classified as discontinued operations:

|                                           | For the Three<br>Months Ended June<br>30, |           | Increase<br>(Decrease)<br>to Segment<br>NOI |        |
|-------------------------------------------|-------------------------------------------|-----------|---------------------------------------------|--------|
|                                           | 2016                                      | 2015      | \$                                          | %      |
|                                           | (Dollars in thousands)                    |           |                                             |        |
| Segment NOI—Triple-Net Leased Properties: |                                           |           |                                             |        |
| Rental income                             | \$210,119                                 | \$182,006 | \$28,113                                    | 15.4 % |
| Other services revenue                    | 1,231                                     | 1,139     | 92                                          | 8.1    |
| Segment NOI                               | \$211,350                                 | \$183,145 | \$28,205                                    | 15.4   |



Triple-net leased properties segment NOI increased during the three months ended June 30, 2016 over the prior year primarily due to rent from the properties we acquired in connection with our August 2015 acquisition of Ardent Health Services, Inc., contractual escalations in rent pursuant to the terms of our leases, and increases in base and other rent under certain of our leases, partially offset by properties sold after April 1, 2015.

In our triple-net leased properties segment, our revenues generally consist of fixed rental amounts (subject to annual contractual escalations) received from our tenants in accordance with the applicable lease terms and do not vary based on the underlying operating performance of the properties. Therefore, while occupancy rates may affect the profitability of our tenants' operations, they do not directly impact our revenues or financial results. The following table sets forth average continuing occupancy rates related to the triple-net leased properties we owned at June 30, 2016 for the first quarter of 2016 (which is the most recent information available to us from our tenants) and average continuing occupancy rates related to the triple-net leased properties we owned at June 30, 2015 for the first quarter of 2015.

|                             | Number of Properties Owned at June 30, 2016 (1) | Average Occupancy For the Three Months Ended March 31, 2016 (1) | Number of Properties Owned at June 30, 2015 (1) | Average Occupancy For the Three Months Ended March 31, 2015 (1) |
|-----------------------------|-------------------------------------------------|-----------------------------------------------------------------|-------------------------------------------------|-----------------------------------------------------------------|
| Seniors housing communities | 434                                             | 88.1%                                                           | 425                                             | 88.3%                                                           |
| Skilled nursing facilities  | 53                                              | 80.0                                                            | 52                                              | 82.8                                                            |
| Specialty hospitals         | 39                                              | 61.7                                                            | 38                                              | 62.5                                                            |

Excludes properties included in discontinued operations during 2015, properties sold or classified as held for sale as of June 30, 2016, non-stabilized properties, properties owned through investments in unconsolidated entities and (1)certain properties for which we do not receive occupancy information. Also excludes properties acquired during the three months ended June 30, 2016 and 2015, respectively, and properties that transitioned operators for which we do not have five full quarters of results subsequent to the transition.

The following table compares results of operations for our 532 same-store triple-net leased properties, unadjusted for foreign currency movements between comparison periods. With regard to our triple-net leased properties segment, "same-store" refers to properties that we owned for the full period in both comparison periods, excluding assets sold or classified as held for sale as of June 30, 2016 and assets whose operations were classified as discontinued operations.

|                                                      | For the Three Months Ended June 30, |           | Increase (Decrease) to Segment NOI |      |
|------------------------------------------------------|-------------------------------------|-----------|------------------------------------|------|
|                                                      | 2016                                | 2015      | \$                                 | %    |
| (Dollars in thousands)                               |                                     |           |                                    |      |
| Same-Store Segment NOI—Triple-Net Leased Properties: |                                     |           |                                    |      |
| Rental income                                        | \$179,223                           | \$174,503 | \$4,720                            | 2.7% |
| Other services revenue                               | 1,231                               | 1,139     | 92                                 | 8.1  |
| Segment NOI                                          | \$180,454                           | \$175,642 | 4,812                              | 2.7  |

#### Segment NOI—Senior Living Operations

The following table summarizes results of operations in our senior living operations reportable business segment, including assets sold or classified as held for sale as of June 30, 2016, but excluding assets whose operations were classified as discontinued operations:

|  | For the Three Months Ended June 30, | Increase (Decrease) to Segment |
|--|-------------------------------------|--------------------------------|
|--|-------------------------------------|--------------------------------|

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|                                       | 2016                   | 2015       | NOI      |       |
|---------------------------------------|------------------------|------------|----------|-------|
|                                       |                        |            | \$       | %     |
|                                       | (Dollars in thousands) |            |          |       |
| Segment NOI—Senior Living Operations: |                        |            |          |       |
| Total revenues                        | \$464,437              | \$454,645  | \$9,792  | 2.2 % |
| Less:                                 |                        |            |          |       |
| Property-level operating expenses     | (307,989 )             | (299,252 ) | (8,737 ) | (2.9) |
| Segment NOI                           | \$156,448              | \$155,393  | 1,055    | 0.7   |

|                                  |                                               |      |       | Average Unit                                                  | Average         |
|----------------------------------|-----------------------------------------------|------|-------|---------------------------------------------------------------|-----------------|
|                                  |                                               |      |       | Monthly                                                       |                 |
| Number of Properties at June 30, | Occupancy For the Three Months Ended June 30, |      |       | Revenue Per Occupied Room For the Three Months Ended June 30, |                 |
| 2016                             | 2015                                          | 2016 | 2015  | 2016                                                          | 2015            |
| Total communities                | 304                                           | 305  | 90.1% | 91.0%                                                         | \$5,460 \$5,272 |

Revenues attributed to our senior living operations segment consist of resident fees and services, which include all amounts earned from residents at our seniors housing communities, such as rental fees related to resident leases, extended health care fees and other ancillary service income. Our senior living operations segment revenues increased in the second quarter of 2016 over the second quarter of 2015 primarily due to an increase in average monthly revenue per occupied room (“REVPOR”) during the second quarter of 2016 compared to the same period in 2015, partially offset by decreased occupancy at our seniors housing communities.

Property-level operating expenses related to our senior living operations segment include labor, food, utilities, marketing, management and other costs of operating the properties. Property-level operating expenses also increased for the three months ended June 30, 2016 over the same period in 2015 primarily due to an increase in salary, wages and benefits.

The following table compares results of operations for our 301 same-store senior living operating communities, unadjusted for foreign currency movements between comparison periods. With regard to our senior living operations segment, “same-store” refers to properties that we owned and were operational for the full period in both comparison periods, excluding properties that transitioned operators since the start of the prior comparison period, assets sold or classified as held for sale as of June 30, 2016 and assets whose operations were classified as discontinued operations.

|                                                  | For the Three Months Ended June 30, |            | Increase (Decrease) to Segment NOI |        |
|--------------------------------------------------|-------------------------------------|------------|------------------------------------|--------|
|                                                  | 2016                                | 2015       | \$                                 | %      |
| (Dollars in thousands)                           |                                     |            |                                    |        |
| Same-Store Segment NOI—Senior Living Operations: |                                     |            |                                    |        |
| Total revenues                                   | \$460,054                           | \$447,832  | \$12,222                           | 2.7 %  |
| Less:                                            |                                     |            |                                    |        |
| Property-level operating expenses                | (304,547 )                          | (294,968 ) | (9,579 )                           | (3.2 ) |
| Segment NOI                                      | \$155,507                           | \$152,864  | 2,643                              | 1.7    |

|                                  |                                               |      |       | Average Unit                                                  | Average         |
|----------------------------------|-----------------------------------------------|------|-------|---------------------------------------------------------------|-----------------|
|                                  |                                               |      |       | Monthly                                                       |                 |
| Number of Properties at June 30, | Occupancy For the Three Months Ended June 30, |      |       | Revenue Per Occupied Room For the Three Months Ended June 30, |                 |
| 2016                             | 2015                                          | 2016 | 2015  | 2016                                                          | 2015            |
| Same-store communities           | 301                                           | 301  | 90.2% | 90.9%                                                         | \$5,463 \$5,285 |

# Segment NOI—MOB Operations

The following table summarizes results of operations in our MOB operations reportable business segment, including assets sold or classified as held for sale as of June 30, 2016, but excluding assets whose operations were classified as discontinued operations:

|                                          | For the Three Months Ended June 30, |           | Increase (Decrease) to Segment NOI |         |
|------------------------------------------|-------------------------------------|-----------|------------------------------------|---------|
|                                          | 2016                                | 2015      | \$                                 | %       |
|                                          | (Dollars in thousands)              |           |                                    |         |
| Segment NOI—MOB Operations:              |                                     |           |                                    |         |
| Rental income                            | \$144,087                           | \$140,472 | \$3,615                            | 2.6 %   |
| Medical office building services revenue | 3,369                               | 7,749     | (4,380 )                           | (56.5 ) |
| Total revenues                           | 147,456                             | 148,221   | (765 )                             | (0.5 )  |
| Less:                                    |                                     |           |                                    |         |
| Property-level operating expenses        | (43,966 )                           | (43,410 ) | (556 )                             | (1.3 )  |
| Medical office building services costs   | (1,852 )                            | (5,764 )  | 3,912                              | (67.9 ) |
| Segment NOI                              | \$101,638                           | \$99,047  | 2,591                              | 2.6     |
|                                          | Annualized                          |           |                                    |         |
|                                          | Average Rent                        |           |                                    |         |
|                                          | Per Occupied                        |           |                                    |         |
|                                          | Square Foot                         |           |                                    |         |
|                                          | for the Three                       |           |                                    |         |
|                                          | Months Ended                        |           |                                    |         |
|                                          | June 30,                            |           |                                    |         |
|                                          | 2016                                | 2015      | 2016                               | 2015    |
| Total MOB                                | 370                                 | 362       | 90.7%                              | 91.8%   |
|                                          | \$ 30                               | \$ 30     |                                    |         |

The increase in our MOB operations segment rental income in the second quarter of 2016 over the same period in 2015 is attributed primarily to the MOB we acquired after April 1, 2015, as well as in place lease escalations, partially offset by decreased occupancy rates. The increase in our MOB property-level operating expenses in the second quarter of 2016 over the same period in 2015 is attributed primarily to the MOB we acquired after April 1, 2015 and increases in real estate taxes and repairs and maintenance expenses.

Medical office building services revenue, net of applicable costs, decreased year over year primarily due to decreased construction activity during the second quarter of 2016 over the same period in 2015.

The following table compares results of operations for our 352 same-store MOB. With regard to our MOB operations segment, “same-store” refers to properties that we owned for the full period in both comparison periods, excluding assets sold or classified as held for sale as of June 30, 2016 and assets whose operations were classified as discontinued operations.

|                                        | For the Three Months Ended June 30, |                       | Increase (Decrease) to Segment NOI |        |
|----------------------------------------|-------------------------------------|-----------------------|------------------------------------|--------|
|                                        | 2016                                | 2015                  | \$                                 | %      |
|                                        | (Dollars in thousands)              |                       |                                    |        |
| Same-Store Segment NOI—MOB Operations: |                                     |                       |                                    |        |
| Rental income                          | \$136,294                           | \$136,824             | \$(530)                            | (0.4)% |
| Less:                                  |                                     |                       |                                    |        |
| Property-level operating expenses      | (41,140 )                           | (41,626 )             | 486                                | 1.2    |
| Segment NOI                            | \$95,154                            | \$95,198              | (44 )                              | (0.0)  |
|                                        | Number of Properties                | Occupancy at June 30, | Annualized Average Rent            |        |

|                 |          |          |          |       |                                                              |       |
|-----------------|----------|----------|----------|-------|--------------------------------------------------------------|-------|
|                 | at       |          |          |       | Per Occupied<br>Square Foot<br>for the Three<br>Months Ended |       |
|                 | June 30, | June 30, | June 30, |       |                                                              |       |
|                 | 2016     | 2015     | 2016     | 2015  | 2016                                                         | 2015  |
| Same-store MOBs | 352      | 352      | 91.5%    | 92.2% | \$ 30                                                        | \$ 30 |

#### Interest Expense

The \$4.0 million decrease in total interest expense, including interest allocated to discontinued operations of \$0 and \$23.7 million for the three months ended June 30, 2016 and 2015, respectively, is attributed primarily to a \$2.6 million reduction in interest expense due to lower debt balances and a \$1.4 million decrease due to lower effective interest rates. Our effective interest rate was 3.6% and 3.7% for the three months ended June 30, 2016 and 2015, respectively.

#### Depreciation and Amortization

Depreciation and amortization expense related to continuing operations increased during the three months ended June 30, 2016 compared to the same period in 2015 primarily due to the real estate acquisitions we made in 2015, including the August 2015 acquisition of Ardent Health Services, Inc., and higher impairment charges in the second quarter of 2016.

#### (Loss) Gain on Extinguishment of Debt, Net

Loss on extinguishment of debt, net for the three months ended June 30, 2016 was due primarily to our June 2016 redemption of \$455.5 million aggregate principal amount then outstanding of our 1.55% senior notes due September 2016 and term loan repayments. No similar activity occurred during the three months ended June 30, 2015.

#### Merger-Related Expenses and Deal Costs

Merger-related expenses and deal costs related to continuing operations for both periods consist of transition, integration, deal and severance-related expenses primarily related to pending and consummated transactions required by GAAP to be expensed rather than capitalized into the asset value. The \$5.0 million decrease during the three months ended June 30, 2016 over the prior year is primarily due to the expenses incurred in the second quarter of 2015 related to 2015 acquisitions.

#### Income from Unconsolidated Entities

Income from unconsolidated entities for the three months ended June 30, 2016 was due primarily to our 9.9% ownership interest in Ardent Health Partners, LLC (together with its subsidiaries, "Ardent"), as a result of the August 2015 acquisition of Ardent Health Services, Inc., and results related to our 34% interest in Atria.

#### Income Tax Benefit

Income tax benefit related to continuing operations for the three months ended June 30, 2016 was due primarily to operating losses at our taxable REIT subsidiaries ("TRS entities") and the reversal of a deferred tax liability at one TRS entity. Income tax benefit related to continuing operations for the three months ended June 30, 2015 was due primarily to operating losses at our TRS entities.

#### Discontinued Operations

Substantially all of the amounts reported as discontinued operations for the three months ended June 30, 2015 reflect the historical revenues of the CCP properties prior to the CCP Spin-Off, net of depreciation, allocated interest expense and merger-related expenses and deal costs. Discontinued operations for the three months ended June 30, 2016 primarily reflect separation costs relating to the CCP Spin-Off.

#### Gain on Real Estate Dispositions

Gain on real estate dispositions for the three months ended June 30, 2016 and 2015 primarily relates to the sale of one property and 11 properties, respectively, excluding those properties classified as discontinued operations.

## Six Months Ended June 30, 2016 and 2015

The table below shows our results of operations for the six months ended June 30, 2016 and 2015 and the effect of changes in those results from period to period on our net income attributable to common stockholders.

|                                                                                                                                    | For the Six Months<br>Ended June 30, |            | Increase<br>(Decrease)<br>to Net Income |         |
|------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------|------------|-----------------------------------------|---------|
|                                                                                                                                    | 2016                                 | 2015       | \$                                      | %       |
|                                                                                                                                    | (Dollars in thousands)               |            |                                         |         |
| Segment NOI:                                                                                                                       |                                      |            |                                         |         |
| Triple-Net Leased Properties                                                                                                       | \$427,036                            | \$372,838  | \$54,198                                | 14.5 %  |
| Senior Living Operations                                                                                                           | 307,883                              | 303,945    | 3,938                                   | 1.3     |
| MOB Operations                                                                                                                     | 203,618                              | 195,610    | 8,008                                   | 4.1     |
| All Other                                                                                                                          | 48,446                               | 48,337     | 109                                     | 0.2     |
| Total segment NOI                                                                                                                  | 986,983                              | 920,730    | 66,253                                  | 7.2     |
| Interest and other income                                                                                                          | 230                                  | 645        | (415 )                                  | (64.3 ) |
| Interest expense                                                                                                                   | (206,938 )                           | (166,287 ) | (40,651 )                               | (24.4 ) |
| Depreciation and amortization                                                                                                      | (458,348 )                           | (430,930 ) | (27,418 )                               | (6.4 )  |
| General, administrative and professional fees                                                                                      | (63,820 )                            | (68,285 )  | 4,465                                   | 6.5     |
| (Loss) gain on extinguishment of debt, net                                                                                         | (2,782 )                             | 434        | (3,216 )                                | nm      |
| Merger-related expenses and deal costs                                                                                             | (8,856 )                             | (42,878 )  | 34,022                                  | 79.3    |
| Other                                                                                                                              | (6,471 )                             | (9,153 )   | 2,682                                   | 29.3    |
| Income before unconsolidated entities, income taxes, discontinued operations, real estate dispositions and noncontrolling interest | 239,998                              | 204,276    | 35,722                                  | 17.5    |
| Income (loss) from unconsolidated entities                                                                                         | 1,220                                | (242 )     | 1,462                                   | nm      |
| Income tax benefit                                                                                                                 | 19,970                               | 17,039     | 2,931                                   | 17.2    |
| Income from continuing operations                                                                                                  | 261,188                              | 221,073    | 40,115                                  | 18.1    |
| Discontinued operations                                                                                                            | (637 )                               | 35,817     | (36,454 )                               | nm      |
| Gain on real estate dispositions                                                                                                   | 31,923                               | 14,155     | 17,768                                  | nm      |
| Net income                                                                                                                         | 292,474                              | 271,045    | 21,429                                  | 7.9     |
| Net income attributable to noncontrolling interest                                                                                 | 332                                  | 782        | 450                                     | 57.5    |
| Net income attributable to common stockholders                                                                                     | \$292,142                            | \$270,263  | 21,879                                  | 8.1     |

nm - not meaningful

## Segment NOI—Triple-Net Leased Properties

The following table summarizes results of operations in our triple-net leased properties reportable business segment, including assets sold or classified as held for sale as of June 30, 2016, but excluding assets whose operations were classified as discontinued operations:

|                                           | For the Six Months<br>Ended June 30, |           | Increase<br>(Decrease)<br>to Segment<br>NOI |        |
|-------------------------------------------|--------------------------------------|-----------|---------------------------------------------|--------|
|                                           | 2016                                 | 2015      | \$                                          | %      |
|                                           | (Dollars in thousands)               |           |                                             |        |
| Segment NOI—Triple-Net Leased Properties: |                                      |           |                                             |        |
| Rental income                             | \$424,606                            | \$370,563 | \$54,043                                    | 14.6 % |
| Other services revenue                    | 2,430                                | 2,275     | 155                                         | 6.8    |
| Segment NOI                               | \$427,036                            | \$372,838 | \$54,198                                    | 14.5   |

Triple-net leased properties segment NOI increased during the six months ended June 30, 2016 over the prior year primarily due to rent from the properties we acquired in connection with our August 2015 acquisition of Ardent Health



Services, Inc., contractual escalations in rent pursuant to the terms of our leases, and increases in base and other rent under certain of our leases, partially offset by lease termination fees received during the first quarter of 2015, partially offset by properties sold after January 1, 2015.

The following table compares results of operations for our 512 same-store triple-net leased properties, unadjusted for foreign currency movements between comparison periods. With regard to our triple-net leased properties segment, “same-store” refers to properties that we owned for the full period in both comparison periods, excluding assets sold or classified as held for sale as of June 30, 2016 and assets whose operations were classified as discontinued operations.

|                                                      | For the Six Months Ended June 30, |           | Increase (Decrease) to Segment NOI |      |
|------------------------------------------------------|-----------------------------------|-----------|------------------------------------|------|
|                                                      | 2016                              | 2015      | \$                                 | %    |
| (Dollars in thousands)                               |                                   |           |                                    |      |
| Same-Store Segment NOI—Triple-Net Leased Properties: |                                   |           |                                    |      |
| Rental income                                        | \$350,289                         | \$337,803 | \$12,486                           | 3.7% |
| Other services revenue                               | 2,430                             | 2,275     | 155                                | 6.8  |
| Segment NOI                                          | \$352,719                         | \$340,078 | 12,641                             | 3.7  |

#### Segment NOI—Senior Living Operations

The following table summarizes results of operations in our senior living operations reportable business segment, including assets sold or classified as held for sale as of June 30, 2016, but excluding assets whose operations were classified as discontinued operations:

|                                       | For the Six Months Ended June 30, |            | Increase (Decrease) to Segment NOI |       |
|---------------------------------------|-----------------------------------|------------|------------------------------------|-------|
|                                       | 2016                              | 2015       | \$                                 | %     |
| (Dollars in thousands)                |                                   |            |                                    |       |
| Segment NOI—Senior Living Operations: |                                   |            |                                    |       |
| Total revenues                        | \$928,413                         | \$901,559  | \$26,854                           | 3.0 % |
| Less:                                 |                                   |            |                                    |       |
| Property-level operating expenses     | (620,530 )                        | (597,614 ) | (22,916 )                          | (3.8) |
| Segment NOI                           | \$307,883                         | \$303,945  | 3,938                              | 1.3   |

|                   |      | Average Unit |       | Average        |         |         |
|-------------------|------|--------------|-------|----------------|---------|---------|
|                   |      | Occupancy    |       | Monthly        |         |         |
|                   |      | For the Six  |       | Revenue Per    |         |         |
|                   |      | Months Ended |       | Occupied       |         |         |
|                   |      | June 30,     |       | Room For the   |         |         |
|                   |      |              |       | Six Months     |         |         |
|                   |      |              |       | Ended June 30, |         |         |
| 2016              | 2015 | 2016         | 2015  | 2016           | 2015    |         |
| Total communities | 304  | 305          | 90.2% | 91.1%          | \$5,443 | \$5,260 |

Our senior living operations segment revenues increased during the six months ended June 30, 2016 over the prior year primarily due to the seniors housing communities we acquired after January 1, 2015, including the 2015 HCT acquisition, and an increase in average monthly REVPOR during the first half of 2016 compared to 2015, partially offset by decreased occupancy at our seniors housing communities.

Property-level operating expenses also increased during the six months ended June 30, 2016 over the prior year primarily due to the HCT acquisition and an increase in salary and real estate tax expenses.

The following table compares results of operations for our 268 same-store senior living operating communities, unadjusted for foreign currency movements between comparison periods. With regard to our senior living operations segment, “same-store” refers to properties that we owned and were operational for the full period in both comparison periods, excluding properties that transitioned operators since the start of the prior comparison period, assets sold or classified as held for sale as of June 30, 2016 and assets whose operations were classified as discontinued operations.

|                                                  | For the Six Months<br>Ended June 30,  |            | Increase<br>(Decrease)<br>to Segment NOI |        |
|--------------------------------------------------|---------------------------------------|------------|------------------------------------------|--------|
|                                                  | 2016                                  | 2015       | \$                                       | %      |
| (Dollars in thousands)                           |                                       |            |                                          |        |
| Same-Store Segment NOI—Senior Living Operations: |                                       |            |                                          |        |
| Total revenues                                   | \$848,740                             | \$825,067  | \$23,673                                 | 2.9 %  |
| Less:                                            |                                       |            |                                          |        |
| Property-level operating expenses                | (564,503 )                            | (546,405 ) | (18,098 )                                | (3.3 ) |
| Segment NOI                                      | \$284,237                             | \$278,662  | \$5,575                                  | 2.0    |
|                                                  | Average                               |            |                                          |        |
|                                                  | Average Unit Monthly                  |            |                                          |        |
|                                                  | Number of Occupancy Revenue Per       |            |                                          |        |
|                                                  | Properties For the Six Occupied       |            |                                          |        |
|                                                  | at June 30, Months Ended Room For the |            |                                          |        |
|                                                  | June 30, Six Months                   |            |                                          |        |
|                                                  | Ended June 30,                        |            |                                          |        |
|                                                  | 2016                                  | 2015       | 2016                                     | 2015   |
| Same-store communities                           | 268                                   | 268        | 90.3 %                                   | 91.0 % |
| Segment NOI—MOB Operations                       | \$5,515                               | \$5,329    |                                          |        |

The following table summarizes results of operations in our MOB operations reportable business segment, including assets sold or classified as held for sale as of June 30, 2016, but excluding assets whose operations were classified as discontinued operations:

|                                          | For the Six Months<br>Ended June 30, |           | Increase<br>(Decrease)<br>to Segment NOI |         |
|------------------------------------------|--------------------------------------|-----------|------------------------------------------|---------|
|                                          | 2016                                 | 2015      | \$                                       | %       |
| (Dollars in thousands)                   |                                      |           |                                          |         |
| Segment NOI—MOB Operations:              |                                      |           |                                          |         |
| Rental income                            | \$288,223                            | \$277,532 | \$10,691                                 | 3.9 %   |
| Medical office building services revenue | 8,345                                | 16,607    | (8,262 )                                 | (49.8 ) |
| Total revenues                           | 296,568                              | 294,139   | 2,429                                    | 0.8     |
| Less:                                    |                                      |           |                                          |         |
| Property-level operating expenses        | (87,647 )                            | (85,847 ) | (1,800 )                                 | (2.1 )  |
| Medical office building services costs   | (5,303 )                             | (12,682 ) | 7,379                                    | (58.2 ) |
| Segment NOI                              | \$203,618                            | \$195,610 | \$8,008                                  | 4.1     |
|                                          | Annualized                           |           |                                          |         |
|                                          | Average Rent                         |           |                                          |         |
|                                          | Per Occupied                         |           |                                          |         |
|                                          | Square Foot                          |           |                                          |         |
|                                          | for the Six                          |           |                                          |         |
|                                          | Months Ended                         |           |                                          |         |
|                                          | June 30,                             |           |                                          |         |
|                                          | 2016                                 | 2015      | 2016                                     | 2015    |
| Total MOBs                               | 370                                  | 362       | 90.7 %                                   | 91.8 %  |
|                                          | \$ 30                                | \$ 30     |                                          |         |

The increase in our MOB operations segment rental income during the six months ended June 30, 2016 over the prior year is attributed primarily to the MOBs we acquired after January 1, 2015, including the 2015 HCT acquisition, as well as in place lease escalations, partially offset by decreased occupancy rates. The increase in our MOB property-level operating expenses during the six months ended June 30, 2016 over the prior year is attributed primarily to the MOBs we acquired after January 1, 2015 and increases in real estate tax and repairs and maintenance expenses.

Medical office building services revenue, net of applicable costs, decreased year over year primarily due to decreased construction activity during the six months ended June 30, 2016 over the prior year.

The following table compares results of operations for our 277 same-store MOBs. With regard to our MOB operations segment, “same-store” refers to properties that we owned for the full period in both comparison periods, excluding assets sold or classified as held for sale as of June 30, 2016 and assets whose operations were classified as discontinued operations.

|                                        | For the Six Months<br>Ended June 30, |           | Increase<br>(Decrease)<br>to Segment<br>NOI |       |
|----------------------------------------|--------------------------------------|-----------|---------------------------------------------|-------|
|                                        | 2016                                 | 2015      | \$                                          | %     |
| (Dollars in thousands)                 |                                      |           |                                             |       |
| Same-Store Segment NOI—MOB Operations: |                                      |           |                                             |       |
| Rental income                          | \$219,066                            | \$218,015 | \$1,051                                     | 0.5%  |
| Less:                                  |                                      |           |                                             |       |
| Property-level operating expenses      | (72,422)                             | (72,737)  | 315                                         | 0.4   |
| Segment NOI                            | \$146,644                            | \$145,278 | 1,366                                       | 0.9   |
|                                        | Annualized                           |           | Average Rent                                |       |
|                                        | Number of                            |           | Per Occupied                                |       |
|                                        | Properties                           |           | Square Foot                                 |       |
|                                        | Occupancy                            |           | for the Six                                 |       |
|                                        | at                                   |           | Months Ended                                |       |
|                                        | June 30,                             | June 30,  | June 30,                                    |       |
|                                        | 2016                                 | 2015      | 2016                                        | 2015  |
| Same-store MOBs                        | 277                                  | 277       | 89.9%                                       | 90.9% |
|                                        |                                      |           | \$ 31                                       | \$ 31 |

#### Interest Expense

The \$7.6 million decrease in total interest expense, including interest allocated to discontinued operations of \$0 and \$48.3 million for the six months ended June 30, 2016 and 2015, respectively, is attributed primarily to a \$5.4 million reduction in interest expense due to lower debt balances and an additional \$2.2 million decrease due to lower effective interest rates, including the amortization of any fair value adjustments. Our effective interest rate was 3.6% for the six months ended June 30, 2016 and 2015.

#### Depreciation and Amortization

Depreciation and amortization expense related to continuing operations increased during the six months ended June 30, 2016 compared to the same period in 2015 primarily due to the real estate acquisitions we made in 2015, including the January 2015 HCT acquisition and the August 2015 acquisition of Ardent Health Services, Inc., partially offset by lower impairment charges in 2016.

#### (Loss) Gain on Extinguishment of Debt, Net

Loss on extinguishment of debt, net for the six months ended June 30, 2016 was due primarily to our June 2016 redemption of \$455.5 million aggregate principal amount then outstanding of our 1.55% senior notes due 2016 and term loan repayments. No similar activity occurred during the six months ended June 30, 2015.

#### Merger-Related Expenses and Deal Costs

The \$34.0 million decrease during the six months ended June 30, 2016 over the prior year is primarily due to the expenses incurred in the first half of 2015 related to the January 2015 HCT acquisition and the August 2015 acquisition of Ardent Health Services, Inc.

#### Income from Unconsolidated Entities

Income from unconsolidated entities for the six months ended June 30, 2016 was due primarily to results related to our 34% interest in Atria.

#### Income Tax Benefit

Income tax benefit related to continuing operations for the six months ended June 30, 2016 was due primarily to operating losses at our taxable REIT subsidiaries (“TRS entities”) and the reversal of a deferred tax liability at one TRS entity. Income tax benefit related to continuing operations for the six months ended June 30, 2015 was due primarily

to operating losses at our TRS entities.

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### Discontinued Operations

Substantially all of the amounts reported as discontinued operations for the six months ended June 30, 2015 reflect the historical revenues of the CCP properties prior to the CCP Spin-Off, net of depreciation, allocated interest expense and merger-related expenses and deal costs. Discontinued operations for the six months ended June 30, 2016 primarily reflect separation costs relating to the CCP Spin-Off.

### Gain on Real Estate Dispositions

Gain on real estate dispositions for the six months ended June 30, 2016 and 2015 primarily relates to the sale of five properties and 39 properties, respectively, excluding those properties classified as discontinued operations.

### Non-GAAP Financial Measures

We believe that net income and income from continuing operations, as defined by GAAP, are the most appropriate earnings measurements. However, we consider certain non-GAAP financial measures to be useful supplemental measures of our operating performance. A non-GAAP financial measure is a measure of historical or future financial performance, financial position or cash flows that excludes or includes amounts that are not so excluded from or included in the most directly comparable measure calculated and presented in accordance with GAAP. Described below are the non-GAAP financial measures used by management to evaluate our operating performance and that we consider most useful to investors, together with reconciliations of these measures to the most directly comparable GAAP measures.

The non-GAAP financial measures we present in this Quarterly Report on Form 10-Q may not be comparable to those presented by other real estate companies due to the fact that not all real estate companies use the same definitions. You should not consider these measures as alternatives to net income or income from continuing operations (both determined in accordance with GAAP) as indicators of our financial performance or as alternatives to cash flow from operating activities (determined in accordance with GAAP) as measures of our liquidity, nor are these measures necessarily indicative of sufficient cash flow to fund all of our needs. In order to facilitate a clear understanding of our consolidated historical operating results, you should examine these measures in conjunction with net income and income from continuing operations as presented in our Consolidated Financial Statements and other financial data included elsewhere in this Quarterly Report on Form 10-Q.

### Funds From Operations and Normalized Funds From Operations

Historical cost accounting for real estate assets implicitly assumes that the value of real estate assets diminishes predictably over time. However, since real estate values historically have risen or fallen with market conditions, many industry investors deem presentations of operating results for real estate companies that use historical cost accounting to be insufficient by themselves. For that reason, we consider Funds From Operations (“FFO”) and normalized FFO to be appropriate supplemental measures of operating performance of an equity REIT. In particular, we believe that normalized FFO is useful because it allows investors, analysts and our management to compare our operating performance to the operating performance of other real estate companies and between periods on a consistent basis without having to account for differences caused by unanticipated items and other events such as transactions and litigation. In some cases, we provide information about identified non-cash components of FFO and normalized FFO because it allows investors, analysts and our management to assess the impact of those items on our financial results. We use the National Association of Real Estate Investment Trusts (“NAREIT”) definition of FFO. NAREIT defines FFO as net income attributable to common stockholders (computed in accordance with GAAP), excluding gains (or losses) from sales of real estate property, including gain or loss on re-measurement of equity method investments, and impairment write-downs of depreciable real estate, plus real estate depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures. Adjustments for unconsolidated partnerships and joint ventures will be calculated to reflect FFO on the same basis. We define normalized FFO as FFO excluding the following income and expense items (which may be recurring in nature): (a) merger-related costs and expenses, including amortization of intangibles, transition and integration expenses, and deal costs and expenses, including expenses and recoveries relating to acquisition lawsuits; (b) the impact of any expenses related to asset impairment and valuation allowances, the write-off of unamortized deferred financing fees, or additional costs, expenses, discounts, make-whole payments, penalties or premiums incurred as a result of early retirement or payment of our debt; (c) the non-cash effect of income tax benefits or expenses and derivative transactions that have non-cash mark-to-market impacts on our Consolidated Statements of Income; (d) the financial impact of contingent

consideration, severance-related costs and charitable donations made to the Ventas Charitable Foundation; (e) gains and losses for non-operational foreign currency hedge agreements and changes in the fair value of financial instruments; (f) gains and losses on non-real estate dispositions related to unconsolidated entities; and (g) expenses related to the re-audit and re-review in 2014 of our historical financial statements and related matters. We believe that income from continuing operations is the most comparable GAAP measure because it provides insight into our continuing operations.

Our FFO and normalized FFO for the three and six months ended June 30, 2016 and 2015 are summarized in the following table. The decrease in normalized FFO for the six months ended June 30, 2016 over the same period in 2015 is due primarily to a full six months of results in 2015 from the properties that were disposed of as part of the CCP Spin-Off, partially offset by 2015 acquisitions, net of related capital costs.

|                                                                            | For the Three Months<br>Ended June 30, |           | For the Six Months<br>Ended June 30, |           |
|----------------------------------------------------------------------------|----------------------------------------|-----------|--------------------------------------|-----------|
|                                                                            | 2016                                   | 2015      | 2016                                 | 2015      |
|                                                                            | (In thousands)                         |           |                                      |           |
| Income from continuing operations                                          | \$137,849                              | \$124,574 | \$261,188                            | \$221,073 |
| Discontinued operations                                                    | (148 )                                 | 18,243    | (637 )                               | 35,817    |
| Gain on real estate dispositions                                           | 5,739                                  | 7,469     | 31,923                               | 14,155    |
| Net income                                                                 | 143,440                                | 150,286   | 292,474                              | 271,045   |
| Net income attributable to noncontrolling interest                         | 278                                    | 465       | 332                                  | 782       |
| Net income attributable to common stockholders                             | 143,162                                | 149,821   | 292,142                              | 270,263   |
| Adjustments:                                                               |                                        |           |                                      |           |
| Real estate depreciation and amortization                                  | 220,346                                | 212,908   | 455,072                              | 427,337   |
| Real estate depreciation related to noncontrolling interest                | (1,814 )                               | (1,964 )  | (3,889 )                             | (4,016 )  |
| Real estate depreciation related to unconsolidated entities                | 1,220                                  | 1,464     | 3,209                                | 2,926     |
| Loss (gain) on real estate dispositions related to unconsolidated entities | 41                                     | —         | (495 )                               | —         |
| Gain on real estate dispositions                                           | (5,739 )                               | (7,469 )  | (31,923 )                            | (14,155 ) |
| Discontinued operations:                                                   |                                        |           |                                      |           |
| Loss (gain) on real estate dispositions                                    | 1                                      | (277 )    | 1                                    | (277 )    |
| Depreciation on real estate assets                                         | —                                      | 34,496    | —                                    | 65,730    |
| FFO attributable to common stockholders                                    | 357,217                                | 388,979   | 714,117                              | 747,808   |
| Adjustments:                                                               |                                        |           |                                      |           |
| Change in fair value of financial instruments                              | (7 )                                   | 70        | (86 )                                | 24        |
| Non-cash income tax benefit                                                | (12,286 )                              | (10,389 ) | (21,443 )                            | (18,239 ) |
| Loss (gain) on extinguishment of debt, net                                 | 2,468                                  | (39 )     | 2,782                                | (18 )     |
| Gain on non-real estate dispositions related to unconsolidated entities    | (585 )                                 | —         | (585 )                               | —         |
| Merger-related expenses, deal costs and re-audit costs                     | 8,550                                  | 15,135    | 11,804                               | 51,137    |
| Amortization of other intangibles                                          | 438                                    | 591       | 876                                  | 1,182     |
| Normalized FFO attributable to common stockholders                         | \$355,795                              | \$394,347 | \$707,465                            | \$781,894 |

## Adjusted EBITDA

We consider Adjusted EBITDA an important supplemental measure because it provides another manner in which to evaluate our operating performance and serves as another indicator of our credit strength and our ability to service our debt obligations. We define Adjusted EBITDA as consolidated earnings, which includes amounts in discontinued operations, before interest, taxes, depreciation and amortization (including non-cash stock-based compensation expense), excluding gains or losses on extinguishment of debt, income or loss from noncontrolling interest and unconsolidated entities (excluding cash distributions), merger-related expenses and deal costs, expenses related to the re-audit and re-review in 2014 of our historical financial statements, net gains or losses on real estate activity, gains or losses on re-measurement of equity interest upon acquisition, changes in the fair value of financial instruments and other immaterial or identified items. The following table sets forth a reconciliation of income from continuing operations to Adjusted EBITDA for the three and six months ended June 30, 2016 and 2015:

|                                                                                | For the Three Months<br>Ended June 30, |           | For the Six Months<br>Ended June 30, |             |
|--------------------------------------------------------------------------------|----------------------------------------|-----------|--------------------------------------|-------------|
|                                                                                | 2016                                   | 2015      | 2016                                 | 2015        |
|                                                                                | (In thousands)                         |           |                                      |             |
| Income from continuing operations                                              | \$137,849                              | \$124,574 | \$261,188                            | \$221,073   |
| Discontinued operations                                                        | (148)                                  | 18,243    | (637)                                | 35,817      |
| Gain on real estate dispositions                                               | 5,739                                  | 7,469     | 31,923                               | 14,155      |
| Net income                                                                     | 143,440                                | 150,286   | 292,474                              | 271,045     |
| Net income attributable to noncontrolling interest                             | 278                                    | 465       | 332                                  | 782         |
| Net income attributable to common stockholders                                 | 143,162                                | 149,821   | 292,142                              | 270,263     |
| Adjustments:                                                                   |                                        |           |                                      |             |
| Interest                                                                       | 103,665                                | 107,701   | 206,938                              | 214,543     |
| Loss (gain) on extinguishment of debt, net                                     | 2,468                                  | (455)     | 2,782                                | (434)       |
| Taxes (including tax amounts in general, administrative and professional fees) | (10,602)                               | (8,569)   | (19,274)                             | (16,004)    |
| Depreciation and amortization                                                  | 221,961                                | 249,207   | 458,348                              | 496,660     |
| Non-cash stock-based compensation expense                                      | 5,008                                  | 4,885     | 10,037                               | 11,192      |
| Merger-related expenses, deal costs and re-audit costs                         | 7,033                                  | 15,010    | 9,252                                | 50,903      |
| Net income attributable to noncontrolling interest                             | 278                                    | 529       | 332                                  | 894         |
| (Income) loss from unconsolidated entities                                     | (1,418)                                | (9)       | (1,220)                              | 242         |
| Gain on real estate dispositions                                               | (5,738)                                | (7,746)   | (31,922)                             | (14,432)    |
| Change in fair value of financial instruments                                  | (16)                                   | 70        | (114)                                | 24          |
| Adjusted EBITDA                                                                | \$465,801                              | \$510,444 | \$927,301                            | \$1,013,851 |

## NOI

We also consider NOI an important supplemental measure because it allows investors, analysts and our management to assess our unlevered property-level operating results and to compare our operating results with the operating results of other real estate companies and between periods on a consistent basis. We define NOI as total revenues, less interest and other income, property-level operating expenses and medical office building services costs. Cash receipts may differ due to straight-line recognition of certain rental income and the application of other GAAP policies. The following table sets forth a reconciliation of income from continuing operations to NOI for the three and six months ended June 30, 2016 and 2015:

|                                                    | For the Three Months<br>Ended June 30, |            | For the Six Months<br>Ended June 30, |            |
|----------------------------------------------------|----------------------------------------|------------|--------------------------------------|------------|
|                                                    | 2016                                   | 2015       | 2016                                 | 2015       |
|                                                    | (In thousands)                         |            |                                      |            |
| Income from continuing operations                  | \$ 137,849                             | \$ 124,574 | \$ 261,188                           | \$ 221,073 |
| Discontinued operations                            | (148 )                                 | 18,243     | (637 )                               | 35,817     |
| Gain on real estate dispositions                   | 5,739                                  | 7,469      | 31,923                               | 14,155     |
| Net income                                         | 143,440                                | 150,286    | 292,474                              | 271,045    |
| Net income attributable to noncontrolling interest | 278                                    | 465        | 332                                  | 782        |
| Net income attributable to common stockholders     | 143,162                                | 149,821    | 292,142                              | 270,263    |
| Adjustments:                                       |                                        |            |                                      |            |
| Interest and other income                          | (111 )                                 | (236 )     | (230 )                               | (708 )     |
| Interest                                           | 103,665                                | 107,701    | 206,938                              | 214,543    |
| Depreciation and amortization                      | 221,961                                | 249,207    | 458,348                              | 496,660    |
| General, administrative and professional fees      | 32,094                                 | 33,962     | 63,820                               | 68,292     |
| Loss (gain) on extinguishment of debt, net         | 2,468                                  | (455 )     | 2,782                                | (434 )     |
| Merger-related expenses and deal costs             | 7,371                                  | 14,585     | 9,492                                | 49,757     |
| Other                                              | 2,303                                  | 5,159      | 6,471                                | 10,598     |
| Net income attributable to noncontrolling interest | 278                                    | 529        | 332                                  | 894        |
| (Income) loss from unconsolidated entities         | (1,418 )                               | (9 )       | (1,220 )                             | 242        |
| Income tax benefit                                 | (11,549 )                              | (9,789 )   | (19,970 )                            | (17,039 )  |
| Gain on real estate dispositions                   | (5,738 )                               | (7,746 )   | (31,922 )                            | (14,432 )  |
| NOI (including amounts in discontinued operations) | 494,486                                | 542,729    | 986,983                              | 1,078,636  |
| Discontinued operations                            | —                                      | (79,409 )  | —                                    | (157,906 ) |
| NOI (excluding amounts in discontinued operations) | \$ 494,486                             | \$ 463,320 | \$ 986,983                           | \$ 920,730 |

## Liquidity and Capital Resources

As of June 30, 2016, we had a total of \$57.3 million of unrestricted cash and cash equivalents, operating cash and cash related to our senior living operations and MOB operations reportable business segments that is deposited and held in property-level accounts. Funds maintained in the property-level accounts are used primarily for the payment of property-level expenses, debt service payments and certain capital expenditures. As of June 30, 2016, we also had escrow deposits and restricted cash of \$65.6 million and \$1.7 billion of unused borrowing capacity available under our unsecured revolving credit facility.

During the six months ended June 30, 2016, our principal sources of liquidity were cash flows from operations, proceeds from the issuance of debt and equity securities, proceeds from asset sales and cash on hand.

For the next 12 months, our principal liquidity needs are to: (i) fund operating expenses; (ii) meet our debt service requirements; (iii) repay maturing mortgage and other debt; (iv) fund capital expenditures; (v) fund acquisitions, investments and commitments, including the acquisition of substantially all of the university affiliated life science and medical real estate assets of Wexford and development and redevelopment activities; and (vi) make distributions to our stockholders and unitholders, as required for us to continue to qualify as a REIT. We expect that these liquidity needs generally will be satisfied by a combination of the following: cash flows from operations, cash on hand, debt assumptions and financings (including secured financings), issuances of debt and equity securities, dispositions of assets (in whole or in part through joint venture



arrangements with third parties) and borrowings under our unsecured revolving credit facility. However, an inability to access liquidity through multiple capital sources concurrently could have a Material Adverse Effect on us.

#### Unsecured Credit Facility and Unsecured Term Loans

Our unsecured credit facility is comprised of a \$2.0 billion revolving credit facility priced at LIBOR plus 1.0% as of June 30, 2016, and a \$200.0 million fully funded term loan and an \$800.0 million term loan (with \$374.8 million outstanding), each priced at LIBOR plus 1.05% as of June 30, 2016. The revolving credit facility matures in January 2018, but may be extended, at our option subject to the satisfaction of certain conditions, for an additional period of one year. The \$200.0 million and \$800.0 million term loans mature in January 2018 and January 2019, respectively. The unsecured credit facility also includes an accordion feature that permits us to increase our aggregate borrowing capacity thereunder to up to \$3.5 billion.

As of June 30, 2016, we had \$212.4 million of borrowings outstanding, \$14.1 million of letters of credit outstanding and \$1.7 billion of unused borrowing capacity available under our unsecured revolving credit facility.

During the six months ended June 30, 2016, we repaid \$100.0 million outstanding on our unsecured term loan due 2019 using cash on hand and recognized a loss on extinguishment of debt of \$0.4 million.

#### Senior Notes

In May 2016, we issued and sold \$400.0 million aggregate principal amount of 3.125% senior notes due 2023 at a public offering price equal to 99.343% of par, for total proceeds of \$397.4 million before the underwriting discount and expenses.

In June 2016, we redeemed \$455.5 million aggregate principal amount then outstanding of our 1.55% senior notes due September 2016 at a public offering price of 100.335% of par, plus accrued and unpaid interest to the redemption date, and recognized a loss on extinguishment of debt of \$2.1 million. The redemption was funded using proceeds from our May 2016 senior note issuance, cash on hand and borrowings under our revolving credit facility. In July 2016, we repaid the remaining balance then outstanding of our 1.55% senior notes due September 2016.

#### Mortgages

During the six months ended June 30, 2016, we repaid in full mortgage loans outstanding in the aggregate principal amount of \$180.5 million with a weighted average maturity of 2.7 years and recognized a loss on extinguishment of debt of \$0.3 million in connection with these repayments.

#### Capital Stock

During the six months ended June 30, 2016, we issued and sold 6,116,189 shares of common stock under our “at-the-market” (“ATM”) equity offering program for aggregate net proceeds of \$378.1 million, after sales agent commissions of \$5.8 million. As of June 30, 2016, approximately \$406.8 million of our common stock remained available for sale under our ATM equity offering program.

During the six months ended June 30, 2016, third party investors redeemed 32,747 OP Units and 311,208 Class C Units for 340,845 shares of Ventas common stock, valued at \$20.8 million.

In July 2016, we completed the public offering and sale of 10,260,434 shares of our common stock for \$735.8 million in total proceeds, which we intend to use to fund a portion of our pending acquisition of the real estate portfolio of Wexford, or for working capital and other general corporate purposes, if the pending acquisition is not completed.

## Cash Flows

The following table sets forth our sources and uses of cash flows for the six months ended June 30, 2016 and 2015:

|                                                                     | For the Six Months<br>Ended June 30, |           | Increase<br>(Decrease) to<br>Cash |         |
|---------------------------------------------------------------------|--------------------------------------|-----------|-----------------------------------|---------|
|                                                                     | 2016                                 | 2015      | \$                                | %       |
|                                                                     | (Dollars in thousands)               |           |                                   |         |
| Cash and cash equivalents at beginning of period                    | \$53,023                             | \$55,348  | \$ (2,325)                        | (4.2 )% |
| Net cash provided by operating activities                           | 656,475                              | 717,724   | (61,249)                          | (8.5 )  |
| Net cash used in investing activities                               | (236,567)                            | (996,747) | 760,180                           | 76.3    |
| Net cash (used in) provided by financing activities                 | (415,452)                            | 284,110   | (699,562)                         | nm      |
| Effect of foreign currency translation on cash and cash equivalents | (157 )                               | 97        | (254 )                            | nm      |
| Cash and cash equivalents at end of period                          | \$57,322                             | \$60,532  | (3,210 )                          | (5.3 )  |

nm - not meaningful

## Cash Flows from Operating Activities

Cash flows from operating activities decreased 8.5% during the six months ended June 30, 2016 over the same period in 2015. The \$61.2 million decrease included \$133.6 million related to a full six months of results in 2015 from the properties that were disposed of as part of the CCP Spin-Off and \$37.0 million related to payments received from tenants during the first quarter of 2015, partially offset by \$52.8 million of cash inflows related to the August 2015 acquisition of Ardent Health Services, Inc. Cash flows from operating activities, excluding these items, increased 10.3% during the six months ended June 30, 2016 over the same period in 2015.

## Cash Flows from Investing Activities

Cash used in investing activities decreased \$760.2 million during the six months ended June 30, 2016 over the same period in 2015 primarily due to decreased cash paid for investments in real estate (\$1.2 billion), partially offset by an increase in investments in loans receivable and other (\$96.8 million) and decreases in proceeds from real estate disposals (\$209.6 million), proceeds from loans receivable (\$85.6 million) and proceeds from the sale or maturity of marketable securities (\$57.2 million).

## Cash Flows from Financing Activities

Cash used in financing activities was \$415.5 million during the six months ended June 30, 2016, compared to cash provided by financing activities of \$284.1 million during the six months ended June 30, 2015. This difference is primarily due to decreased proceeds from the issuance of debt, net of repayments, used to finance acquisitions during the six months ended June 30, 2016 over the same period in 2015.

## Capital Expenditures

The terms of our triple-net leases generally obligate our tenants to pay all capital expenditures necessary to maintain and improve our triple-net leased properties. However, from time to time we may fund the capital expenditures for our triple-net leased properties through loans to the tenants or advances, which may increase the amount of rent payable with respect to the properties in certain cases. We expect to fund any capital expenditures for which we may become responsible upon expiration of our triple-net leases or in the event that our tenants are unable or unwilling to meet their obligations under those leases with cash flows from operations or through additional borrowings.

We also expect to fund capital expenditures related to our senior living operations and MOB operations reportable business segments with the cash flows from the properties or through additional borrowings. To the extent that unanticipated capital expenditure needs arise or significant borrowings are required, our liquidity may be affected adversely. Our ability to borrow additional funds may be restricted in certain circumstances by the terms of the instruments governing our outstanding indebtedness.

We are party to certain agreements that obligate us to develop seniors housing or healthcare properties funded through capital that we and, in certain circumstances, our joint venture partners provide. As of June 30, 2016, we had five properties under development pursuant to these agreements, including two properties that are owned by an unconsolidated real estate entity. Through June 30, 2016, we have funded \$36.8 million of our share of estimated total equity commitment toward these projects. In addition, from time to time, we engage in redevelopment projects with

respect to our existing seniors housing

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communities to maximize the value, increase NOI, maintain a market-competitive position, achieve property stabilization or change the primary use of the property.

### ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The following discussion of our exposure to various market risks contains forward-looking statements that involve risks and uncertainties. These projected results have been prepared utilizing certain assumptions considered reasonable in light of information currently available to us. Nevertheless, because of the inherent unpredictability of interest rates and other factors, actual results could differ materially from those projected in such forward-looking information.

We are exposed to market risk related to changes in interest rates with respect to borrowings under our unsecured revolving credit facility and our unsecured term loans, certain of our mortgage loans that are floating rate obligations, mortgage loans receivable that bear interest at floating rates and marketable debt securities. These market risks result primarily from changes in LIBOR rates or prime rates. To manage these risks, we continuously monitor our level of floating rate debt with respect to total debt and other factors, including our assessment of current and future economic conditions.

The fair value of our fixed and variable rate debt is based on current interest rates at which we could obtain similar borrowings. For fixed rate debt, interest rate fluctuations generally affect the fair value, but not our earnings or cash flows. Therefore, interest rate risk does not have a significant impact on our fixed rate debt obligations until their maturity or earlier prepayment and refinancing. If interest rates have risen at the time we seek to refinance our fixed rate debt, whether at maturity or otherwise, our future earnings and cash flows could be adversely affected by additional borrowing costs. Conversely, lower interest rates at the time of refinancing may reduce our overall borrowing costs.

To highlight the sensitivity of our fixed rate debt to changes in interest rates, the following summary shows the effects of a hypothetical instantaneous change of 100 basis points (“BPS”) in interest rates as of June 30, 2016 and December 31, 2015:

|                                                     | As of June<br>30, 2016 | As of<br>December<br>31, 2015 |
|-----------------------------------------------------|------------------------|-------------------------------|
|                                                     | (In thousands)         |                               |
| Gross book value                                    | \$9,193,625            | \$9,088,521                   |
| Fair value (1)                                      | 9,612,203              | 9,170,508                     |
| Fair value reflecting change in interest rates (1): |                        |                               |
| -100 basis points                                   | 10,120,091             | 9,674,423                     |
| +100 basis points                                   | 9,131,406              | 8,708,963                     |

- (1) The change in fair value of our fixed rate debt from December 31, 2015 to June 30, 2016 was due primarily to changes in the fair market value interest rates related to our senior notes.

The table below sets forth certain information with respect to our debt, excluding premiums and discounts.

|                                                  | As of June 30,<br>2016 | As of<br>December 31,<br>2015 | As of June 30,<br>2015 |
|--------------------------------------------------|------------------------|-------------------------------|------------------------|
| (Dollars in thousands)                           |                        |                               |                        |
| Balance:                                         |                        |                               |                        |
| Fixed rate:                                      |                        |                               |                        |
| Senior notes and other                           | \$7,525,086            | \$7,534,459                   | \$7,504,411            |
| Corporate swap                                   | 200,000                | —                             | —                      |
| Mortgage loans and other (1)                     | 1,468,539              | 1,554,062                     | 1,955,262              |
| Variable rate:                                   |                        |                               |                        |
| Unsecured revolving credit facility              | 212,382                | 180,683                       | 583,765                |
| Unsecured term loans                             | 1,274,849              | 1,568,477                     | 983,146                |
| Mortgage loans and other (1)                     | 287,415                | 433,339                       | 465,689                |
| Total                                            | \$10,968,271           | \$11,271,020                  | \$11,492,273           |
| Percentage of total debt:                        |                        |                               |                        |
| Fixed rate:                                      |                        |                               |                        |
| Senior notes and other                           | 68.6                   | % 66.9                        | % 65.3                 |
| Corporate swap                                   | 1.8                    | —                             | —                      |
| Mortgage loans and other (1)                     | 13.4                   | 13.8                          | 17.0                   |
| Variable rate:                                   |                        |                               |                        |
| Unsecured revolving credit facility              | 2.0                    | 1.6                           | 5.1                    |
| Unsecured term loans                             | 11.6                   | 13.9                          | 8.6                    |
| Mortgage loans and other (1)                     | 2.6                    | 3.8                           | 4.0                    |
| Total                                            | 100.0                  | % 100.0                       | % 100.0                |
| Weighted average interest rate at end of period: |                        |                               |                        |
| Fixed rate:                                      |                        |                               |                        |
| Senior notes and other                           | 3.6                    | % 3.5                         | % 3.5                  |
| Corporate swap                                   | 2.1                    | —                             | —                      |
| Mortgage loans and other (1)                     | 5.6                    | 5.7                           | 5.8                    |
| Variable rate:                                   |                        |                               |                        |
| Unsecured revolving credit facility              | 1.8                    | 1.4                           | 1.2                    |
| Unsecured term loans                             | 1.5                    | 1.4                           | 1.3                    |
| Mortgage loans and other (1)                     | 1.8                    | 2.0                           | 2.2                    |
| Total                                            | 3.5                    | 3.5                           | 3.5                    |

Borrowings as of June 30, 2016 exclude \$77.0 million of debt related to real estate assets classified as held for sale as of June 30, 2016. Borrowings as of December 31, 2015 exclude \$22.9 million of debt related to real estate assets (1)classified as held for sale as of December 31, 2015. Borrowings as of June 30, 2015 exclude \$33.2 million of debt related to real estate assets classified as held for sale as of June 30, 2015. All amounts were included in liabilities related to assets held for sale on our Consolidated Balance Sheets.

The variable rate debt in the table above reflects, in part, the effect of \$150.3 million notional amount of interest rate swaps with a maturity of March 22, 2018 that effectively convert fixed rate debt to variable rate debt. In addition, the fixed rate debt in the table above reflects, in part, the effect of \$247.5 million notional amount of interest rate swaps with maturities ranging from October 1, 2016 to August 3, 2020, in each case that effectively convert variable rate debt to fixed rate debt. The decrease in our outstanding variable rate debt at June 30, 2016 compared to December 31, 2015 is primarily attributable to the \$200 million notional amount interest rate swap that we entered into during the first quarter of 2016 that effectively converts LIBOR-based floating rate debt to fixed rate debt and 2016 term loan and mortgage repayments, partially offset by borrowings under our unsecured revolving credit facility. Pursuant to the terms of certain leases with one of our tenants, if interest rates increase on certain variable rate debt that we have

totaling \$80.0 million as of June 30, 2016, our tenant is required to pay us

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additional rent (on a dollar-for-dollar basis) in an amount equal to the increase in interest expense resulting from the increased interest rates. Therefore, the increase in interest expense related to this debt is equally offset by an increase in additional rent due to us from the tenant. Assuming a 100 basis point increase in the weighted average interest rate related to our variable rate debt and assuming no change in our variable rate debt outstanding as of June 30, 2016, interest expense for 2016 would increase by approximately \$17.4 million, or \$0.05 per diluted common share.

As of June 30, 2016 and December 31, 2015, our joint venture and operating partners' aggregate share of total debt was \$126.5 million and \$132.6 million, respectively, with respect to certain properties we owned through consolidated joint ventures and an operating partnership. Total debt does not include our portion of debt related to investments in unconsolidated entities, which was \$89.3 million and \$90.1 million as of June 30, 2016 and December 31, 2015, respectively.

As of June 30, 2016 and December 31, 2015, the fair value of our secured and non-mortgage loans receivable, based on our estimates of currently prevailing rates for comparable loans, was \$1.0 billion and \$855.7 million, respectively. As a result of our Canadian and United Kingdom operations, we are subject to fluctuations in certain foreign currency exchange rates that may, from time to time, affect our financial condition and operating performance. Based solely on our results for the six months ended June 30, 2016 (including the impact of existing hedging arrangements), if the value of the U.S. dollar relative to the British pound and Canadian dollar were to increase or decrease by one standard deviation compared to the average exchange rate during the year, our normalized FFO per share for the first half of 2016 would decrease or increase, as applicable, by less than \$0.01 per share or 1%. We will continue to mitigate these risks through a layered approach to hedging looking out for the next year and continual assessment of our foreign operational capital structure. Nevertheless, we cannot assure you that any such fluctuations will not have an effect on our earnings.

#### ITEM 4. CONTROLS AND PROCEDURES

##### Evaluation of Disclosure Controls and Procedures

As required by Rules 13a-15(b) and 15d-15(b) of the Exchange Act, our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures as of June 30, 2016. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) were effective as of June 30, 2016, at the reasonable assurance level.

##### Internal Control Over Financial Reporting

During the second quarter of 2016, there were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II—OTHER INFORMATION

## ITEM 1. LEGAL PROCEEDINGS

The information contained in “Note 11—Litigation” of the Notes to Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q is incorporated by reference into this Item 1. Except as set forth therein, there have been no new material legal proceedings and no material developments in the legal proceedings reported in our Annual Report on Form 10-K for the year ended December 31, 2015.

## ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

## Issuer Purchases of Equity Securities

The table below summarizes repurchases of our common stock made during the quarter ended June 30, 2016:

|                          | Number of<br>Shares<br>Repurchased<br>(1) | Average<br>Price<br>Per<br>Share |
|--------------------------|-------------------------------------------|----------------------------------|
| April 1 through April 30 | 4,805                                     | \$ 63.54                         |
| May 1 through May 31     | 44                                        | 66.09                            |
| June 1 through June 30   | —                                         | —                                |

Repurchases represent shares withheld to pay taxes on the vesting of restricted stock granted to employees under our 2006 Incentive Plan or 2012 Incentive Plan or restricted stock units granted to employees under the Nationwide Health Properties, Inc. (“NHP”) 2005 Performance Incentive Plan and assumed by us in connection with our acquisition of NHP. The value of the shares withheld is the closing price of our common stock on the date the vesting or exercise occurred (or, if not a trading day, the immediately preceding trading day) or the fair market value of our common stock at the time of exercise, as the case may be.

ITEM 6. EXHIBITS

| Exhibit<br>Number | Description of Document                                                                                                                                                                          | Location of<br>Document |
|-------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------|
| 12.1              | Statement Regarding Computation of Ratios of Earnings to Fixed Charges.                                                                                                                          | Filed herewith.         |
| 31.1              | Certification of Debra A. Cafaro, Chairman and Chief Executive Officer, pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as amended.                                        | Filed herewith.         |
| 31.2              | Certification of Robert F. Probst, Executive Vice President and Chief Financial Officer, pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as amended.                       | Filed herewith.         |
| 32.1              | Certification of Debra A. Cafaro, Chairman and Chief Executive Officer, pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934, as amended, and 18 U.S.C. § 1350.                  | Filed herewith.         |
| 32.2              | Certification of Robert F. Probst, Executive Vice President and Chief Financial Officer, pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934, as amended, and 18 U.S.C. § 1350. | Filed herewith.         |
| 101               | Interactive Data File.                                                                                                                                                                           | Filed herewith.         |

SIGNATURES

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

Date: July 29, 2016

VENTAS, INC.

By: /s/ DEBRA A. CAFARO

Debra A. Cafaro  
Chairman and  
Chief Executive Officer

By: /s/ ROBERT F. PROBST

Robert F. Probst  
Executive Vice President and  
Chief Financial Officer

EXHIBIT INDEX

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| 101               | Interactive Data File.                                                                                                                                                                           | Filed herewith.         |