VENTAS INC
Form 10-Q
April 24, 2015

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

FORM 10-Q

(Mark One)

x	QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2015
OR	
..	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 Incorporation or Organization)	(I.R.S. Employer 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 x 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 x No ¨
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer x	Accelerated filer ¨	Non-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 x

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 April 22, 2015:
Common Stock, $0.25 par value	330,882,196

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PART I—FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS
VENTAS, INC.
CONSOLIDATED BALANCE SHEETS
(Unaudited)
(In thousands, except per share amounts)

	March 31, 2015	December 31, 2014
Assets		
Real estate investments:		
Land and improvements	$2,252,402	$1,956,128
Buildings and improvements	21,933,742	19,895,043
Construction in progress	134,195	120,123
Acquired lease intangibles	1,300,654	1,039,651
	25,620,993	23,010,945
Accumulated depreciation and amortization	(4,202,334)	(4,025,386)
Net real estate property	21,418,659	18,985,559
Secured loans receivable and investments, net	773,773	829,756
Investments in unconsolidated entities	95,147	91,872
Net real estate investments	22,287,579	19,907,187
Cash and cash equivalents	120,225	55,348
Escrow deposits and restricted cash	223,772	71,771
Deferred financing costs, net	71,386	60,328
Other assets	1,736,909	1,131,537
Total assets	$24,439,871	$21,226,171
Liabilities and equity		
Liabilities:		
Senior notes payable and other debt	$11,603,925	$10,888,092
Accrued interest	77,359	62,097
Accounts payable and other liabilities	1,016,592	1,005,232
Deferred income taxes	371,785	344,337
Total liabilities	13,069,661	12,299,758
Redeemable OP unitholder and noncontrolling interests	257,246	172,016
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, 330,913 and 298,478 shares issued at March 31, 2015 and December 31, 2014, respectively	82,718	74,656
Capital in excess of par value	12,616,056	10,119,306
Accumulated other comprehensive income	4,357	13,121
Retained earnings (deficit)	(1,660,856)	(1,526,388)
Treasury stock, 32 and 7 shares at March 31, 2015 and December 31, 2014, respectively	(2,385)	(511)
Total Ventas stockholders' equity	11,039,890	8,680,184
Noncontrolling interest	73,074	74,213
Total equity	11,112,964	8,754,397
Total liabilities and equity	$24,439,871	$21,226,171

See accompanying notes.

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

	For the Three Months Ended March 31, 2015	2014
Revenues:		
Rental income:		
Triple-net leased	$266,206	$237,846
Medical office buildings	136,990	115,223
	403,196	353,069
Resident fees and services	446,914	371,061
Medical office building and other services revenue	10,543	6,300
Income from loans and investments	22,899	10,767
Interest and other income	472	273
Total revenues	884,024	741,470
Expenses:		
Interest	106,590	87,841
Depreciation and amortization	247,441	193,594
Property-level operating expenses:		
Senior living	298,362	248,295
Medical office buildings	42,349	39,345
	340,711	287,640
Medical office building services costs	6,918	3,371
General, administrative and professional fees	34,330	32,866
Loss (gain) on extinguishment of debt, net	21	(259)
Merger-related expenses and deal costs	35,172	10,760
Other	5,296	5,229
Total expenses	776,479	621,042
Income before (loss) income from unconsolidated entities, income taxes, discontinued operations, real estate dispositions and noncontrolling interest	107,545	120,428
(Loss) income from unconsolidated entities	(251)	248
Income tax benefit (expense)	7,250	(3,433)
Income from continuing operations	114,544	117,243
Discontinued operations	(423)	3,031
Gain on real estate dispositions	6,686	1,000
Net income	120,807	121,274
Net income attributable to noncontrolling interest	365	227
Net income attributable to common stockholders	$120,442	$121,047
Earnings per common share:		
Basic:		
Income from continuing operations attributable to common stockholders, including real estate dispositions	$0.37	$0.40
Discontinued operations	(0.00)	0.01
Net income attributable to common stockholders	$0.37	$0.41
Diluted:		
Income from continuing operations attributable to common stockholders, including real estate dispositions	$0.37	$0.40
Discontinued operations	(0.00)	0.01

Net income attributable to common stockholders	$0.37	$0.41
Weighted average shares used in computing earnings per common share:		
Basic	325,454	293,875
Diluted	329,203	296,245
Dividends declared per common share	$0.79	$0.725

See accompanying notes.

VENTAS, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)
(In thousands)

	For the Three Months Ended March 31,	
	2015	2014
Net income	$120,807	$121,274
Other comprehensive loss:		
Foreign currency translation	(10,872)	(2,740)
Change in unrealized gain on marketable securities	1,349	1,306
Other	759	239
Total other comprehensive loss	(8,764)	(1,195)
Comprehensive income	112,043	120,079
Comprehensive income attributable to noncontrolling interest	365	227
Comprehensive income attributable to common stockholders	$111,678	$119,852

See accompanying notes.

VENTAS, INC.
CONSOLIDATED STATEMENTS OF EQUITY
For the Three Months Ended March 31, 2015 and the Year Ended December 31, 2014
(Unaudited)
(In thousands, except per share amounts)

	Common Stock Par Value	Capital in Excess of Par Value	Accumulated Other Comprehensive Income	Retained Earnings (Deficit)	Treasury Stock	Total Ventas Stockholders' Equity	Noncontrolling Interest	Total Equity
Balance at January 1, 2014	$74,488	$10,078,592	$19,659	$(1,126,541)	$(221,917)	$8,824,281	$79,530	$8,903,811
Net income	—	—	—	475,767	—	475,767	1,419	477,186
Other comprehensive loss	—	—	(6,538)	—	—	(6,538)	—	(6,538)
Retirement of stock	(924)	(220,152)	—	—	221,076	—	—	—
Acquisition-related activity	37	10,141	—	—	—	10,178	—	10,178
Net change in noncontrolling interest	—	1,163	—	—	—	1,163	(8,662)	(7,499)
Dividends to common stockholders—$2.965 per share	—	—	—	(875,614)	—	(875,614)	—	(875,614)
Issuance of common stock	845	241,262	—	—	—	242,107	—	242,107
Issuance of common stock for stock plans	173	29,266	—	—	3,858	33,297	—	33,297
Change in redeemable noncontrolling interest	—	(1,082)	—	—	—	(1,082)	1,926	844
Adjust redeemable OP unitholder interests to current fair value	—	(32,993)	—	—	—	(32,993)	—	(32,993)
Purchase of OP units	1	(83)	—	—	—	(82)	—	(82)
Grant of restricted stock, net of forfeitures	36	13,192	—	—	(3,528)	9,700	—	9,700
Balance at December 31, 2014	74,656	10,119,306	13,121	(1,526,388)	(511)	8,680,184	74,213	8,754,397
Net income	—	—	—	120,442	—	120,442	365	120,807
Other comprehensive loss	—	—	(8,764)	—	—	(8,764)	—	(8,764)
Acquisition-related activity	7,103	2,209,172	—	—	—	2,216,275	—	2,216,275
	—	—	—	—	—	—	(1,822)	(1,822)

Net change in noncontrolling interest								
Dividends to common stockholders—$0.79 per share	—	—	—	(254,910)	—	(254,910)	—	(254,910)
Issuance of common stock	938	284,389	—	—	—	285,327	—	285,327
Issuance of common stock for stock plans	21	3,252	—	—	3,890	7,163	—	7,163
Change in redeemable noncontrolling interest	—	787	—	—	—	787	318	1,105
Adjust redeemable OP unitholder interests to current fair value	—	(4,525)	—	—	—	(4,525)	—	(4,525)
Purchase of OP units	—	(159)	—	—	—	(159)	—	(159)
Grant of restricted stock, net of forfeitures	—	3,834	—	—	(5,764)	(1,930)	—	(1,930)
Balance at March 31, 2015	$82,718	$12,616,056	$4,357	$(1,660,856)	$(2,385)	$11,039,890	$73,074	$11,112,964

See accompanying notes.

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

	For the Three Months Ended March 31, 2015	2014
Cash flows from operating activities:		
Net income	$120,807	$121,274
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization (including amounts in discontinued operations)	247,453	193,876
Amortization of deferred revenue and lease intangibles, net	(6,603)	(5,383)
Other non-cash amortization	(519)	(1,965)
Stock-based compensation	6,307	6,044
Straight-lining of rental income, net	(8,679)	(7,914)
Loss (gain) on extinguishment of debt, net	21	(259)
Gain on real estate dispositions (including amounts in discontinued operations)	(6,686)	(2,437)
Income tax (benefit) expense	(7,850)	3,433
Loss (income) from unconsolidated entities	251	(248)
Other	2,860	3,076
Changes in operating assets and liabilities:		
Decrease in other assets	4,615	6,241
Increase in accrued interest	15,792	6,753
Decrease in accounts payable and other liabilities	(23,600)	(38,070)
Net cash provided by operating activities	344,169	284,421
Cash flows from investing activities:		
Net investment in real estate property	(1,072,539)	(181,866)
Investment in loans receivable and other	(39,573)	(1,192)
Proceeds from real estate disposals	166,341	26,150
Proceeds from loans receivable	92,056	1,163
Purchase of marketable securities	—	(25,000)
Funds held in escrow for future development expenditures	4,003	2,602
Development project expenditures	(33,467)	(23,948)
Capital expenditures	(21,171)	(16,134)
Other	(4,180)	(125)
Net cash used in investing activities	(908,530)	(218,350)
Cash flows from financing activities:		
Net change in borrowings under credit facility	(452,897)	181,754
Proceeds from debt	1,092,833	—
Repayment of debt	(24,647)	(67,773)
Purchase of noncontrolling interest	(2,660)	—
Payment of deferred financing costs	(14,435)	(167)
Issuance of common stock, net	285,327	—
Cash distribution to common stockholders	(254,910)	(213,473)
Cash distribution to redeemable OP unitholders	(2,365)	(1,402)
Purchases of redeemable OP units	(569)	—
Distributions to noncontrolling interest	(1,822)	(2,237)
Other	5,690	1,641
Net cash provided by (used in) financing activities	629,545	(101,657)
Net increase (decrease) in cash and cash equivalents	65,184	(35,586)

Effect of foreign currency translation on cash and cash equivalents	(307)	561
Cash and cash equivalents at beginning of period	55,348	94,816
Cash and cash equivalents at end of period	$120,225	$59,791

See accompanying notes.

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

	For the Three Months Ended March 31,	
	2015	2014
Supplemental schedule of non-cash activities:		
Assets and liabilities assumed from acquisitions:		
Real estate investments	$2,542,829	$2,952
Other assets acquired	16,711	—
Debt assumed	177,857	—
Other liabilities	45,736	2,952
Deferred income tax liability	44,117	—
Noncontrolling interests	87,245	—
Equity issued	2,204,585	—

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 March 31, 2015, we owned more than 1,600 properties (including properties classified as held for sale), consisting of seniors housing communities, medical office buildings ("MOBs"), skilled nursing and other facilities, and hospitals, and we had one property under development. Our company was originally founded in 1983 and is currently headquartered in Chicago, Illinois.

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 March 31, 2015, we leased a total of 952 properties (excluding MOBs and 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 a total of 305 of our seniors housing communities for us pursuant to long-term management agreements. Our two largest tenants, Brookdale Senior Living Inc. (together with its subsidiaries, "Brookdale Senior Living") and Kindred Healthcare, Inc. (together with its subsidiaries, "Kindred") leased from us 145 properties (excluding six properties included in investments in unconsolidated entities) and 83 properties, respectively, as of March 31, 2015.

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 unsecured loans and other 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 months ended March 31, 2015 are not necessarily indicative of the results that may be expected for the year ending December 31, 2015. 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, 2014, filed with the SEC on February 13, 2015. 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 the presumption of control of the limited partnership by the sole general partner when an investor becomes the sole general partner, 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.

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 and exercises control of the partnership. As of March 31, 2015, third party investors owned 2,812,402 Class A limited partnership units in NHP/PMB ("OP Units"), which represented 29.4% of the total units then outstanding, and we owned 6,762,711 Class B limited partnership units in NHP/PMB, representing the remaining 70.6%. 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, 0.7866 shares of our common stock per unit, subject to 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.

On January 16, 2015, in connection with our acquisition of American Realty Capital Healthcare Trust, Inc. ("HCT"), each of the 7,057,271 issued and outstanding limited partnership units of American Realty Capital Healthcare Trust Operating Partnership, L.P. (subsequently renamed Ventas Realty Capital Healthcare Trust Operating Partnership, L.P. ("Ventas Realty OP")), a limited partnership in which HCT was the sole general partner prior to the acquisition, was converted into a newly created class of limited partnership units ("Class C Units") at the 0.1688 exchange ratio payable to HCT stockholders in the acquisition, net of any Class C Units withheld to pay taxes. We consolidate Ventas Realty OP, as our wholly owned subsidiary is the general partner and exercises control of the partnership. The 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. As of March 31, 2015, third party investors owned 1,118,525 Class C Units, which represented 3.7% of the total units then outstanding, and we owned 28,550,812 Class C Units and 176,374 OP units in Ventas Realty OP, representing the remaining 96.3%. In April 2015, third party investors redeemed 445,541 Class C Units for approximately $32.6 million. 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 redemption rights are outside of our control, the redeemable OP unitholder interests 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 March 31, 2015 and December 31, 2014, the fair value of the redeemable OP unitholder interests was $248.1 million and $159.1 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 March 31, 2015 and December 31, 2014. 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.

Business Combinations

We account for acquisitions using the acquisition method and allocate 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 and is included in other assets on our Consolidated Balance Sheets.

We estimate the fair value of buildings acquired on an as-if-vacant basis and depreciate the building value over the estimated remaining life of the building, generally not to exceed 35 years. We determine the allocated 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 analyses 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 amounts of lease-related intangibles associated with that lease in operations at that time.

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.

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 to us relative to market conditions on the acquisition date, we recognize an intangible asset or liability at fair value and amortize that asset or liability 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 with the same terms and 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 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 any shortfall from carrying value as an impairment loss in the current period.

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 consist of 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 that 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 and restricted cash and cash equivalents 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 the 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 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 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 March 31, 2015 and December 31, 2014, this cumulative excess totaled $195.2 million (net of allowances of $155.9 million) and $188.0 million (net of allowances of $145.1 million), respectively.

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 generally 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

In 2014, the FASB issued Accounting Standards Update ("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. ASU 2014-09 is effective for us beginning January 1, 2017, although on April 1, 2015, the FASB proposed a one-year deferral of the effective date for ASU 2014-09. We are continuing to evaluate this guidance; 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.

In February 2015, the FASB issued ASU 2015-02, Consolidation (Topic 810): Amendments to the Consolidation Analysis ("ASU 2015-02"), which makes certain changes to both the variable interest model and the voting model, including changes to (1) the identification of variable interests (fees paid to a decision maker or service provider), (2) the variable interest entity characteristics for a limited partnership or similar entity and (3) the primary beneficiary determination. ASU 2015-02 is effective for us beginning January 1, 2016. We are continuing to evaluate this guidance; however, we do not expect its adoption to have a significant impact on our consolidated financial statements.

In April 2015, the FASB issued ASU 2015-03, Simplifying the Presentation of Debt Issuance Costs (ASU 2015-03), which requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected. Upon adoption, we will apply the new guidance on a retrospective basis and adjust the balance sheet of each individual period presented to reflect the period-specific effects of applying the new guidance. This guidance is effective for us beginning January 1, 2016. We are continuing to evaluate this guidance; however, we do not expect its adoption to have a significant impact on our consolidated financial statements.

NOTE 3—CONCENTRATION OF CREDIT RISK

As of March 31, 2015, Atria, Sunrise, Brookdale Senior Living and Kindred managed or operated approximately 21.1%, 11.0%, 8.2% and 2.0%, respectively, of our real estate investments based on gross book value (excluding properties classified as held for sale as of March 31, 2015). Seniors housing communities constituted approximately 61.5% of our real estate investments based on gross book value (excluding properties classified as held for sale as of March 31, 2015), while MOBs, skilled nursing and other facilities, and hospitals collectively comprised the remaining 38.5%. Our properties were located in 47 states, the District of Columbia, seven Canadian provinces and the United Kingdom as of March 31, 2015, 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) for the three months then ended.

Triple-Net Leased Properties

For the three months ended March 31, 2015 and 2014, approximately 5.5% and 5.5%, respectively, of our total revenues and 9.1% and 9.0%, 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 5.3% and 7.4%, respectively, of our total revenues and 8.8% and 12.2%, respectively, of our total NOI (in each case excluding amounts in discontinued operations) were derived from our lease agreements with Kindred. Each of our leases with Brookdale Senior Living and Kindred 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 these leases has guaranty and cross-default provisions tied to other leases with the same tenant or its affiliates, as well as bundled lease renewals.

The properties we lease to Brookdale Senior Living and Kindred accounted for a significant portion of our triple-net leased properties segment revenues and NOI for the three months ended March 31, 2015 and 2014. If either Brookdale Senior Living or Kindred 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 limited. We cannot assure you that Brookdale Senior Living and Kindred 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 or Kindred 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 and Kindred 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.

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 modified master leases. We own or have the rights to all licenses and CONs at the nine properties to be transitioned or sold, and Kindred has extensive and detailed obligations to cooperate and ensure an orderly transition of the properties to another operator.

Senior Living Operations

As of March 31, 2015, Atria and Sunrise, collectively, provided comprehensive property management and accounting services with respect to 269 of our seniors housing communities, for which we pay annual management fees pursuant to long-term management agreements.

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. However, 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 and Sunrise 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.

Neither Atria nor Sunrise is currently subject to the reporting requirements of the SEC. The information related to Atria and Sunrise contained or referred to within this Quarterly Report on Form 10-Q has been derived from publicly available information or was provided to us by Atria or Sunrise, 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—ACQUISITIONS OF REAL ESTATE PROPERTY

The following summarizes our acquisition and development activities during the three months ended March 31, 2015 and the year ended December 31, 2014. We acquire and invest in seniors housing and healthcare properties primarily to achieve an expected yield on investment, to grow and diversify our portfolio and revenue base, and to reduce our dependence on any single tenant, operator or manager, geographic location, asset type, business model or revenue source.

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2015 Acquisitions

HCT Acquisition

In January 2015, we acquired HCT in a stock and cash transaction, which added 152 properties to our portfolio. At the effective time of the merger, each share of HCT common stock outstanding (other than shares held by us, HCT or our respective subsidiaries, which shares were cancelled) was converted into the right to receive either 0.1688 shares of our common stock (with cash paid in lieu of fractional shares) or $11.33 per share in cash, at the election of each HCT shareholder. Shares of HCT common stock for which a valid election was not made were converted into the stock consideration. We funded the transaction through the issuance of approximately 28.4 million shares of our common stock and 1.1 million limited partnership units that are redeemable for shares of our common stock and the payment of approximately $11 million in cash (excluding cash in lieu of fractional shares). In addition, we assumed $167 million of mortgage debt and repaid approximately $730 million of debt, net of HCT cash on hand.

Other 2015 Acquisitions

In 2015, we made other investments totaling approximately $320 million, including the acquisition of five triple-net leased properties in the United Kingdom and 12 skilled nursing facilities.

Estimated Fair Value

We are accounting for our 2015 acquisitions under the acquisition method in accordance with ASC Topic 805, Business Combinations (“ASC 805”). Our initial accounting for acquisitions completed during the three months ended March 31, 2015 remains subject to further adjustment. The following table summarizes the acquisition date fair values of the assets acquired and liabilities assumed, which we determined using level two and level three inputs:

	Triple-Net Leased Properties (In thousands)	Senior Living Operations	MOB Operations	Total
Land and improvements	$91,559	$70,713	$170,683	$332,955
Buildings and improvements	637,136	703,080	1,038,984	2,379,200
Acquired lease intangibles	28,334	83,867	167,720	279,921
Other assets	127,790	271,823	334,661	734,274
Total assets acquired	884,819	1,129,483	1,712,048	3,726,350
Notes payable and other debt	—	77,940	99,917	177,857
Other liabilities	28,738	44,499	44,403	117,640
Total liabilities assumed	28,738	122,439	144,320	295,497
Net assets acquired	856,081	1,007,044	1,567,728	3,430,853
Redeemable OP unitholder interests assumed				87,244
Cash acquired				54,716
Equity issued				2,216,355
Total cash used				$1,072,538

Included in other assets above is $665.8 million of goodwill, which represents the excess of the purchase price over the fair value of the assets acquired and liabilities assumed as of the acquisition date. Goodwill has been allocated to our reportable business segments as follows: triple-net leased properties - $117.8 million; senior living operations - $217.8 million; and MOB operations - $330.2 million.

Aggregate Revenue and NOI

For the three months ended March 31, 2015, aggregate revenues and NOI derived from our 2015 real estate acquisitions during our period of ownership were $65.7 million and $39.7 million, respectively.

Transaction Costs

As of March 31, 2015, we had incurred a total of $33.5 million of acquisition-related costs related to our completed 2015 acquisitions, all of which were expensed as incurred and included in merger-related expenses and deal costs in our

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Consolidated Statements of Income for the applicable periods. For the three months ended March 31, 2015 and 2014, we expensed $22.8 million and $0, respectively, of these acquisition-related costs related to our completed 2015 acquisitions.

Unaudited Pro Forma

The following table illustrates the effect on net income and earnings per share if we had consummated the HCT acquisition as of January 1, 2014.

	For the Three Months Ended March 31,	
	2015	2014
	(In thousands, except per share amounts)	
Revenues	$957,702	$814,824
Income from continuing operations attributable to common stockholders, including real estate dispositions	$123,064	$119,989
Earnings per common share:		
Basic:		
Income from continuing operations attributable to common stockholders, including real estate dispositions	$0.35	$0.37
Diluted:		
Income from continuing operations attributable to common stockholders, including real estate dispositions	$0.34	$0.37
Weighted average shares used in computing earnings per common share:		
Basic	353,869	322,290
Diluted	358,736	325,778

Acquisition-related costs related to the HCT acquisition are not expected to have a continuing impact and, therefore, have been excluded from these pro forma results. The pro forma results also do not include the impact of any synergies that may be achieved in the HCT acquisition, any reduction in our borrowing costs resulting from the acquisition or any strategies that management may consider in order to continue to efficiently manage our operations, nor do they give pro forma effect to any other acquisitions, dispositions or capital markets transactions that we completed during the periods presented. These pro forma results are not necessarily indicative of the operating results that would have been obtained had the HCT acquisition occurred at the beginning of the periods presented, nor are they necessarily indicative of future operating results.

2014 Acquisitions

Holiday Canada Acquisition

In August 2014, we acquired 29 seniors housing communities located in Canada from Holiday Retirement (the “Holiday Canada Acquisition”) for a purchase price of CAD 957.0 million. We also paid CAD 26.9 million in costs relating to the early repayment of debt at closing. We funded the Holiday Canada Acquisition initially through borrowings under a CAD 791.0 million unsecured term loan that we incurred in July 2014 (and subsequently repaid primarily through a private placement of senior notes in Canada) and the assumption of CAD 193.7 million of debt.

Other 2014 Acquisitions

During the year ended December 31, 2014, we also acquired three triple-net leased private hospitals (located in the United Kingdom), 26 triple-net leased seniors housing communities and four seniors housing communities that are being operated by independent third-party managers for aggregate consideration of approximately $812.0 million. We also paid $18.8 million in costs relating to the early repayment of debt at closing of the applicable transactions. In addition, we acquired a construction design, planning and consulting business to complement our MOB operations through the issuance of 148,241 shares of our common stock.

Completed Developments

During 2014, we completed the development of two MOBs and one seniors housing community, representing $41.2 million of net real estate property on our Consolidated Balance Sheets as of December 31, 2014.

Estimated Fair Value

We are accounting for our 2014 acquisitions under the acquisition method in accordance with ASC 805 and have completed our initial accounting, which is subject to further adjustment. The following table summarizes the acquisition date fair values of the assets acquired and liabilities assumed in our 2014 real estate acquisitions, which we determined using level two and level three inputs:

	Triple-Net Leased Properties	Senior Living Operations	Total
	(In thousands)		
Land and improvements	$45,586	$100,281	$145,867
Buildings and improvements	546,849	1,081,384	1,628,233
Acquired lease intangibles	28,883	36,452	65,335
Other assets	227	12,393	12,620
Total assets acquired	621,545	1,230,510	1,852,055
Notes payable and other debt	12,927	228,150	241,077
Other liabilities	8,609	124,714	133,323
Total liabilities assumed	21,536	352,864	374,400
Net assets acquired	600,009	877,646	1,477,655
Cash acquired	227	8,704	8,931
Total cash used	$599,782	$868,942	$1,468,724

NOTE 5—DISPOSITIONS

2015 Activity

During the three months ended March 31, 2015, we sold 21 triple-net leased properties and 22 MOBs for aggregate consideration of $336.7 million, including a $5.0 million lease termination fee (included within triple-net leased rental income in our Consolidated Statements of Income). As of March 31, 2015, $153.9 million of the proceeds received from these sales was held in an Internal Revenue Code Section 1031 exchange escrow account with a qualified intermediary and is intended to be used for qualifying acquisitions during 2015. We recognized a gain on the sales of these assets of $28.2 million (net of taxes), of which $21.4 million is being deferred due to an unsecured loan we made to the buyer in connection with the sale of certain assets. The gain will be deferred and subsequently recognized into income as principal payments are made on the loan over its five-year term. In April 2015, we sold two MOBs for aggregate consideration of $46.0 million.

2014 Activity

During the three months ended March 31, 2014, we sold three triple-net leased properties and three MOBs for aggregate consideration of $26.2 million and recognized a net gain on the sales of these assets of $2.9 million, of which $1.7 million is reported within discontinued operations in our Consolidated Statements of Income.

Discontinued Operations and Assets Held for Sale

We present separately, as discontinued operations in all periods presented, the results of operations for all real estate assets classified as held for sale as of March 31, 2015, and all real estate assets disposed of during the period from January 1, 2013 through March 31, 2015, that meet the criteria of discontinued operations.

The table below summarizes our real estate assets classified as held for sale as of March 31, 2015 and December 31, 2014, including the amounts reported within other assets and accounts payable and other liabilities on our Consolidated Balance Sheets.

	March 31, 2015			December 31, 2014		
	Number of Properties Held for Sale (1)	Other Assets	Accounts Payable and Other Liabilities	Number of Properties Held for Sale (1)	Other Assets	Accounts Payable and Other Liabilities
	(Dollars in thousands)					
Triple-net leased properties	14	$46,519	$1,346	14	$34,097	$1,330
MOB operations	14	127,706	36,917	36	176,366	48,895
Total	28	$174,225	$38,263	50	$210,463	$50,225

(1) The operations for three triple-net leased properties and two MOBs are reported in discontinued operations in our Consolidated Statements of Income.

We recognized impairments of $19.2 million and $4.8 million for the three months ended March 31, 2015 and 2014, respectively, which are recorded primarily as a component of depreciation and amortization. For the three months ended March 31, 2014, $0.4 million of impairments were recorded in discontinued operations in our Consolidated Statements of Income.

Set forth below is a summary of our results of operations for properties within discontinued operations for the three months ended March 31, 2015 and 2014.

	For the Three Months Ended March 31,	
	2015	2014
	(In thousands)	
Revenues:		
Rental income	$72	$2,200
Interest and other income	—	750
	72	2,950
Expenses:		
Interest	252	678
Depreciation and amortization	12	281
Property-level operating expenses	88	281
Other	143	116
	495	1,356
(Loss) income before gain on real estate dispositions	(423)	1,594
Gain on real estate dispositions	—	1,437
Discontinued operations	$(423)	$3,031

NOTE 6—LOANS RECEIVABLE AND INVESTMENTS

As of March 31, 2015 and December 31, 2014, we had $886.4 million and $927.7 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 March 31, 2015 and December 31, 2014, including amortized cost, fair value and unrealized gains (losses) on available-for-sale investments:

	March 31, 2015			
	Carrying Amount (In thousands)	Amortized Cost	Fair Value	Unrealized Gain (Loss)
Secured mortgage loans and other	$710,451	$710,451	$745,394	$—
Government-sponsored pooled loan investments	63,322	61,539	63,322	1,783
Total investments reported as Secured loans receivable and investments, net	773,773	771,990	808,716	1,783
Unsecured loans receivable	35,307	35,307	37,185	—
Marketable securities	77,350	71,000	77,350	6,350
Total investments reported as Other assets	112,657	106,307	114,535	6,350
Total net loans receivable and investments	$886,430	$878,297		