

VENTAS INC
Form 10-Q
July 27, 2015
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED JUNE 30, 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
(State or Other Jurisdiction of
Incorporation or Organization)
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)

61-1055020
(I.R.S. Employer
Identification No.)

Not Applicable
(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

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

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

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

Large accelerated filer Accelerated filer Non-accelerated filer (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

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 22, 2015:

Common Stock, \$0.25 par value

332,502,301

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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, 2015	December 31, 2014
Assets		
Real estate investments:		
Land and improvements	\$2,288,356	\$1,956,128
Buildings and improvements	22,051,067	19,895,043
Construction in progress	145,873	120,123
Acquired lease intangibles	1,308,052	1,039,651
	25,793,348	23,010,945
Accumulated depreciation and amortization	(4,428,252)	(4,025,386)
Net real estate property	21,365,096	18,985,559
Secured loans receivable and investments, net	789,408	829,756
Investments in unconsolidated entities	85,461	91,872
Net real estate investments	22,239,965	19,907,187
Cash and cash equivalents	60,532	55,348
Escrow deposits and restricted cash	193,960	71,771
Deferred financing costs, net	68,284	60,328
Other assets	1,712,421	1,131,537
Total assets	\$24,275,162	\$21,226,171
Liabilities and equity		
Liabilities:		
Senior notes payable and other debt	\$11,507,861	\$10,888,092
Accrued interest	77,631	62,097
Accounts payable and other liabilities	1,026,359	1,005,232
Deferred income taxes	370,161	344,337
Total liabilities	12,982,012	12,299,758
Redeemable OP unitholder and noncontrolling interests	199,404	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, 331,965 and 298,478 shares issued at June 30, 2015 and December 31, 2014, respectively	82,982	74,656
Capital in excess of par value	12,708,898	10,119,306
Accumulated other comprehensive income	10,180	13,121
Retained earnings (deficit)	(1,772,529)	(1,526,388)
Treasury stock, 28 and 7 shares at June 30, 2015 and December 31, 2014, respectively	(2,048)	(511)
Total Ventas stockholders' equity	11,027,483	8,680,184
Noncontrolling interest	66,263	74,213
Total equity	11,093,746	8,754,397
Total liabilities and equity	\$24,275,162	\$21,226,171
See accompanying notes.		

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,		
	2015	2014	2015	2014	
Revenues:					
Rental income:					
Triple-net leased	\$260,562	\$242,726	\$526,768	\$480,572	
Medical office buildings	140,403	114,890	277,393	230,113	
	400,965	357,616	804,161	710,685	
Resident fees and services	454,645	374,473	901,559	745,534	
Medical office building and other services revenue	9,408	4,367	19,951	10,667	
Income from loans and investments	26,068	14,625	48,967	25,392	
Interest and other income	236	173	708	446	
Total revenues	891,322	751,254	1,775,346	1,492,724	
Expenses:					
Interest	107,591	91,501	214,181	179,342	
Depreciation and amortization	249,195	190,818	496,636	384,412	
Property-level operating expenses:					
Senior living	299,252	249,424	597,614	497,719	
Medical office buildings	43,321	39,335	85,670	78,680	
	342,573	288,759	683,284	576,399	
Medical office building services costs	5,764	1,626	12,682	4,997	
General, administrative and professional fees	33,962	31,306	68,292	64,172	
(Gain) loss on extinguishment of debt, net	(455	) 2,924	(434	) 2,665
Merger-related expenses and deal costs	14,585	9,599	49,757	20,359	
Other	5,091	4,863	10,387	10,092	
Total expenses	758,306	621,396	1,534,785	1,242,438	
Income before income (loss) from unconsolidated entities, income taxes, discontinued operations, real estate dispositions and noncontrolling interest	133,016	129,858	240,561	250,286	
Income (loss) from unconsolidated entities	9	348	(242	) 596
Income tax benefit (expense)	9,789	(3,274) 17,039	(6,707)
Income from continuing operations	142,814	126,932	257,358	244,175	
Discontinued operations	67	(255	) (356	) 2,776
Gain on real estate dispositions	7,469	11,889	14,155	12,889	
Net income	150,350	138,566	271,157	259,840	
Net income attributable to noncontrolling interest	529	168	894	395	
Net income attributable to common stockholders	\$149,821	\$138,398	\$270,263	\$259,445	
Earnings per common share:					
Basic:					
Income from continuing operations attributable to common stockholders, including real estate dispositions	\$0.45	\$0.47	\$0.82	\$0.87	
Discontinued operations	0.00	(0.00	) (0.00	) 0.01
Net income attributable to common stockholders	\$0.45	\$0.47	\$0.82	\$0.88	
Diluted:					
Income from continuing operations attributable to common stockholders, including real estate dispositions	\$0.45	\$0.47	\$0.82	\$0.87	

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Discontinued operations	0.00	(0.00) (0.00) 0.01
Net income attributable to common stockholders	\$0.45	\$0.47	\$0.82	\$0.88
Weighted average shares used in computing earnings per common share:				
Basic	330,715	293,988	327,890	293,932
Diluted	334,026	296,504	331,424	296,369
Dividends declared per common share	\$0.79	\$0.725	\$1.58	\$1.45
See accompanying notes.				

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VENTAS, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

(In thousands)

	For the Three Months		For the Six Months	
	Ended June 30,		Ended June 30,	
	2015	2014	2015	2014
Net income	\$ 150,350	\$ 138,566	\$ 271,157	\$ 259,840
Other comprehensive income (loss):				
Foreign currency translation	14,393	7,719	3,521	4,979
Change in unrealized gain on marketable securities	(6,395)	265	(5,046)	1,571
Other	(2,175)	(193)	(1,416)	46
Total other comprehensive income (loss)	5,823	7,791	(2,941)	6,596
Comprehensive income	156,173	146,357	268,216	266,436
Comprehensive income attributable to noncontrolling interest	529	168	894	395
Comprehensive income attributable to common stockholders	\$ 155,644	\$ 146,189	\$ 267,322	\$ 266,041

See accompanying notes.

VENTAS, INC.

CONSOLIDATED STATEMENTS OF EQUITY

For the Six Months Ended June 30, 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	—	—	—	270,263	—	270,263	894	271,157
Other comprehensive loss	—	—	(2,941)	—	—	(2,941)	—	(2,941)
Acquisition-related activity	7,103	2,209,202	—	—	—	2,216,305	13	2,216,318
	—	—	—	—	—	—	(9,467)	(9,467)

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Net change in noncontrolling interest								
Dividends to common stockholders—\$1.58 per share	—	—	(516,404)	—	(516,404)	—	(516,404)	
Issuance of common stock	1,201	350,966	—	—	—	352,167	—	352,167
Issuance of common stock for stock plans	22	4,271	—	—	4,284	8,577	—	8,577
Change in redeemable noncontrolling interest	—	(39)	—	—	—	(39)	610	571
Adjust redeemable OP unitholder interests to current fair value	—	16,314	—	—	—	16,314	—	16,314
Purchase of OP units	—	1,719	—	—	—	1,719	—	1,719
Grant of restricted stock, net of forfeitures	—	7,159	—	—	(5,821)	1,338	—	1,338
Balance at June 30, 2015	\$82,982	\$12,708,898	\$10,180	\$(1,772,529)	\$(2,048)	\$11,027,483	\$66,263	\$11,093,746

See accompanying notes.

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

	For the Six Months Ended	
	June 30,	
	2015	2014
Cash flows from operating activities:		
Net income	\$271,157	\$259,840
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization (including amounts in discontinued operations)	496,660	385,940
Amortization of deferred revenue and lease intangibles, net	(13,630)	(9,879)
Other non-cash amortization	909	(2,928)
Stock-based compensation	11,192	11,411
Straight-lining of rental income, net	(16,761)	(17,231)
(Gain) loss on extinguishment of debt, net	(434)	2,665
Gain on real estate dispositions (including amounts in discontinued operations)	(14,432)	(14,142)
Gain on sale of marketable securities	(5,800)	—
Income tax (benefit) expense	(18,240)	6,407
Loss (income) from unconsolidated entities	242	(596)
Other	17,967	6,494
Changes in operating assets and liabilities:		
(Increase) decrease in other assets	(9,711)	11,208
Increase in accrued interest	16,108	2,374
Decrease in accounts payable and other liabilities	(17,503)	(45,861)
Net cash provided by operating activities	717,724	595,702
Cash flows from investing activities:		
Net investment in real estate property	(1,253,910)	(271,526)
Investment in loans receivable and other	(55,659)	(44,488)
Proceeds from real estate disposals	273,191	52,350
Proceeds from loans receivable	93,275	5,980
Purchase of marketable securities	—	(46,689)
Proceeds from sale or maturity of marketable securities	57,225	—
Funds held in escrow for future development expenditures	4,003	2,602
Development project expenditures	(62,630)	(44,423)
Capital expenditures	(43,429)	(35,526)
Other	(8,813)	(3,713)
Net cash used in investing activities	(996,747)	(385,433)
Cash flows from financing activities:		
Net change in borrowings under credit facility	(321,334)	(199,951)
Proceeds from debt	1,107,971	696,661
Repayment of debt	(278,442)	(272,726)
Purchase of noncontrolling interest	(3,816)	—
Payment of deferred financing costs	(14,608)	(6,846)
Issuance of common stock, net	352,167	—
Cash distribution to common stockholders	(516,404)	(426,952)
Cash distribution to redeemable OP unitholders	(4,697)	(2,762)
Purchases of redeemable OP units	(33,188)	—
Distributions to noncontrolling interest	(9,467)	(4,908)
Other	5,928	(574)

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Net cash provided by (used in) financing activities	284,110	(218,058)
Net increase (decrease) in cash and cash equivalents	5,087	(7,789)
Effect of foreign currency translation on cash and cash equivalents	97	(392)
Cash and cash equivalents at beginning of period	55,348	94,816	
Cash and cash equivalents at end of period	\$60,532	\$86,635	
See accompanying notes.			

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

	For the Six Months Ended June 30,	
	2015	2014
Supplemental schedule of non-cash activities:		
Assets and liabilities assumed from acquisitions:		
Real estate investments	\$2,554,590	\$54,282
Other assets acquired	16,505	1,634
Debt assumed	177,857	51,115
Other liabilities	49,788	3,675
Deferred income tax liability	51,620	1,126
Redeemable OP unitholder interests assumed	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 June 30, 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 two properties 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 June 30, 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 81 properties, respectively, as of June 30, 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 and six months ended June 30, 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.

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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 June 30, 2015, third party investors owned 2,812,318 Class A limited partnership units in NHP/PMB ("OP Units"), which represented 28.9% of the total units then outstanding, and we owned 6,917,009 Class B limited partnership units in NHP/PMB, representing the remaining 71.1%. 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 June 30, 2015, third party investors owned 672,984 Class C Units, which represented 2.3% 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 97.7%. 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 June 30, 2015 and December 31, 2014, the fair value of the redeemable OP unitholder interests was \$190.5 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 June 30, 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

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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 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 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 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 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 June 30, 2015 and December 31, 2014, this cumulative excess totaled \$203.7 million (net of allowances of \$166.6 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

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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 July 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 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 June 30, 2015, Atria, Sunrise, Brookdale Senior Living and Kindred managed or operated approximately 21.2%, 10.9%, 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 June 30, 2015). Seniors housing communities constituted approximately 61.3% of our real estate investments based on gross book value (excluding properties classified as held for sale as of June 30, 2015), while MOBs, skilled nursing and other facilities, and hospitals collectively comprised the remaining 38.7%. Our properties were located in 47 states, the District of Columbia, 7 Canadian provinces and the United Kingdom as of June 30, 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 June 30, 2015 and 2014, approximately 4.7% and 5.3%, respectively, of our total revenues and 7.7% and 8.6%, 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 6.5%, respectively, of our total revenues and 8.7% and 10.6%, 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 June 30, 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 certificates of need 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. As of June 30, 2015, two of the nine properties have been sold.

Senior Living Operations

As of June 30, 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 our independent operators, including 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 six months ended June 30, 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.

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

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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 \$512 million, including the acquisition of ten triple-net leased properties in the United Kingdom, 12 skilled nursing facilities and one seniors housing community subject to triple-net leases, and one MOB.

Pending Ardent Health Services Acquisition

In April 2015, we announced that we had entered into a definitive agreement to acquire privately owned Ardent Medical Services, Inc. (together with its affiliates, “Ardent Health Services”) for \$1.75 billion in cash. Concurrent with the closing of the transaction, we plan to separate Ardent Health Services’ hospital operations from its owned real estate and sell the hospital operations to a newly formed and capitalized operating company (“Ardent”). In July 2015 we announced that we had signed a definitive agreement pursuant to which Ardent will be majority owned by an entity controlled by Equity Group Investments, with Ventas owning a 9.9% interest, and current Ardent management holding a significant ownership stake. Upon closing, we will enter into pre-agreed long-term, triple-net leases with Ardent to operate the acquired properties.

These transactions are both subject to the satisfaction of customary closing conditions, including regulatory approvals, and are expected to be completed in the third quarter of 2015. However, there can be no assurance as to whether, when or on what terms the acquisition of Ardent Health Services or the sale of Ardent Health Services’ hospital operations will be completed.

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 six months ended June 30, 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	\$123,879	\$70,713	\$171,650	\$366,242
Buildings and improvements	627,111	703,080	1,125,726	2,455,917
Acquired lease intangibles	23,564	83,867	178,165	285,596
Other assets	143,372	275,139	401,701	820,212
Total assets acquired	917,926	1,132,799	1,877,242	3,927,967
Notes payable and other debt	—	77,940	99,917	177,857
Other liabilities	34,992	45,142	48,789	128,923
Total liabilities assumed	34,992	123,082	148,706	306,780
Net assets acquired	882,934	1,009,717	1,728,536	3,621,187
Redeemable OP unitholder interests assumed				87,245
Cash acquired				54,778
Equity issued				2,216,355
Total cash used				\$1,262,809

The determination of fair values of the assets acquired and liabilities assumed has changed and is subject to further adjustment from the amounts reported in “Note 4-Acquisitions of Real Estate Property” of the Notes to Consolidated Financial Statements included in Part I of our Quarterly Report on Form 10-Q for the quarter ended March 31, 2015, filed with the SEC on March 24, 2015, due primarily to reclassification adjustments for presentation and adjustments to our valuation assumptions. The changes to our valuation assumptions were based on more accurate information concerning the subject assets and liabilities. None of these changes had a material impact on our Consolidated Financial Statements.

Included in other assets above is \$752.1 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 based on the respective fair value of the net assets acquired, as follows: triple-net leased properties - \$133.6 million; senior living operations - \$221.3 million; and MOB operations - \$397.2 million.

Aggregate Revenue and NOI

For the six months ended June 30, 2015, aggregate revenues and NOI derived from our 2015 real estate acquisitions during our period of ownership were \$144.8 million and \$86.9 million, respectively.

Transaction Costs

As of June 30, 2015, we had incurred a total of \$41.6 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 Consolidated Statements of Income for the applicable periods. For the six months ended June 30, 2015 and 2014, we expensed, as incurred, \$30.8 million and \$2.6 million, 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		For the Six Months Ended	
	June 30,	2014	June 30,	2014
	2015		2015	
	(In thousands, except per share amounts)			
Revenues	\$891,250	\$824,308	\$1,788,818	\$1,638,813
Income from continuing operations attributable to common stockholders, including real estate dispositions	\$149,074	\$141,923	\$288,796	\$263,190
Earnings per common share:				
Basic:				
Income from continuing operations attributable to common stockholders, including real estate dispositions	\$0.45	\$0.44	\$0.88	\$0.82
Diluted:				
Income from continuing operations attributable to common stockholders, including real estate dispositions	\$0.45	\$0.44	\$0.87	\$0.81
Weighted average shares used in computing earnings per common share:				
Basic	330,715	322,403	327,890	322,347
Diluted	334,026	326,037	331,424	325,902

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 (In thousands)	Senior Living Operations	Total
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 six months ended June 30, 2015, we sold 30 triple-net leased properties and 25 MOBs for aggregate consideration of \$423.3 million, including lease termination fees of \$5.5 million (included within triple-net leased rental income in our Consolidated Statements of Income). As of June 30, 2015, \$124.3 million of the proceeds received from these sales was held in an Internal Revenue Code Section 1031 exchange escrow account with a qualified intermediary. We recognized a gain on the sales of these assets of \$32.6 million (net of taxes), of which \$18.1 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.

2014 Activity

During the six months ended June 30, 2014, we sold eight triple-net leased properties and four MOBs for aggregate consideration of \$52.4 million and recognized a net gain on the sales of these assets of \$16.3 million, of which \$1.5 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 June 30, 2015, and all real estate assets disposed of during the period from January 1, 2014 through June 30, 2015, that meet the criteria of discontinued operations.

The table below summarizes our real estate assets classified as held for sale as of June 30, 2015 and December 31, 2014, including the amounts reported within other assets and accounts payable and other liabilities on our Consolidated Balance Sheets.

	June 30, 2015		Accounts Payable and Other Liabilities	December 31, 2014		Accounts Payable and Other Liabilities
	Number of Properties Held for Sale (1)	Other Assets		Number of Properties Held for Sale (1)	Other Assets	
	(Dollars in thousands)					
Triple-net leased properties	11	\$ 24,119	\$ 1,120	14	\$ 34,097	\$ 1,330
MOB operations	11	81,961	36,224	36	176,366	48,895
Total	22	\$ 106,080	\$ 37,344	50	\$ 210,463	\$ 50,225

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

We recognized impairments of \$28.7 million and \$8.4 million for the six months ended June 30, 2015 and 2014, respectively, which are recorded primarily as a component of depreciation and amortization. For the six months ended June 30, 2015 and 2014, \$0.1 million and \$1.5 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 and six months ended June 30, 2015 and 2014.

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2015	2014	2015	2014
	(In thousands)			
Revenues:				
Rental income	\$69	\$1,808	\$141	\$4,008
Interest and other income	—	—	—	750
	69	1,808	141	4,758
Expenses:				
Interest	110	503	362	1,181
Depreciation and amortization	12	1,247	24	1,528
Property-level operating expenses	89	(1)	177	280
Other	68	130	211	246
	279	1,879	774	3,235
(Loss) income before gain (loss) on real estate dispositions	(210)	(71)	(633)	1,523
Gain (loss) on real estate dispositions	277	(184)	277	1,253
Discontinued operations	\$67	\$ (255)	\$ (356)	\$ 2,776

NOTE 6—LOANS RECEIVABLE AND INVESTMENTS

As of June 30, 2015 and December 31, 2014, we had \$824.8 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 June 30, 2015 and December 31, 2014, including amortized cost, fair value and unrealized gains (losses) on available-for-sale investments:

	June 30, 2015			
	Carrying Amount (In thousands)	Amortized Cost	Fair Value	Unrealized Gain (Loss)
Secured mortgage loans and other Government-sponsored pooled loan investments	\$726,183	\$726,183	\$723,423	\$—
Total investments reported as Secured loans receivable and investments, net	63,225	61,722	63,225	1,503
Unsecured loans receivable	789,408	787,905	786,648	1,503
Total investments reported as Other assets	35,408	35,408	36,843	—
Total net loans receivable and investments	35,408	35,408	36,843	—
	\$824,816	\$823,313	\$823,491	\$1,503
	December 31, 2014			
	Carrying Amount (In thousands)	Amortized Cost	Fair Value	Unrealized Gain (Loss)
Secured mortgage loans and other Government-sponsored pooled loan investments	\$766,641	\$766,641	\$774,789	\$—
Total investments reported as Secured loans receivable and investments, net	63,115	61,377	63,115	1,738
Unsecured loans receivable	829,756	828,018	837,904	1,738
Marketable securities	21,862	21,862	23,164	—
Total investments reported as Other assets	76,046	71,000	76,046	5,046
Total net loans receivable and investments	97,908	92,862	99,210	5,046
	\$927,664	\$920,880	\$937,114	\$6,784

In June 2015 we sold our \$71.0 million investment in senior unsecured corporate bonds for \$76.8 million. For the three and six months ended June 30, 2015 we recognized a gain of \$5.8 million (included within income from loans and investments in our Consolidated Statements of Income). 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 six months ended June 30, 2015, we received aggregate proceeds of \$86.2 million in final repayment of one secured and one unsecured loan receivable. We recognized gains aggregating \$1.5 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 six months ended June 30, 2015.

2014 Activity

During the year ended December 31, 2014, we made a \$425.0 million secured mezzanine loan investment that has a blended annual interest rate of 8.1% and has contractual maturities ranging between 2016 and 2019, and we purchased \$71.0 million principal amount of senior unsecured corporate bonds, a \$38.7 million interest in a government-sponsored pooled loan investment, and \$21.7 million of marketable equity securities. During the year ended December 31, 2014, we sold all of our marketable equity securities for \$22.3 million and recognized a gain of \$0.6 million. Our investments in marketable debt

securities and government-sponsored pooled loans are classified as available-for-sale, with contractual maturity dates in 2022 and 2023.

During the year ended December 31, 2014, we received aggregate proceeds of \$55.9 million in final repayment of three secured and two unsecured loans receivable. We recognized aggregate gains aggregating \$5.2 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, 2014.

NOTE 7—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, 2015 and December 31, 2014, we had ownership interests (ranging from 5% to 25%) in joint ventures that owned 51 properties. We account for our interests in these joint ventures, as well as our 34% interest in Atria, under the equity method of accounting.

With the exception of our interest in Atria, we serve as the managing member of each unconsolidated entity and provide various services in exchange for fees and reimbursements. Total management fees earned in connection with these entities were \$1.8 million and \$2.0 million for the three months ended June 30, 2015 and 2014, respectively, and \$3.7 million and \$4.2 million for the six months ended June 30, 2015 and 2014, respectively.

NOTE 8—INTANGIBLES

The following is a summary of our intangibles as of June 30, 2015 and December 31, 2014:

	June 30, 2015		December 31, 2014	
	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	\$224,563	8.2	\$210,573	8.2
In-place and other lease intangibles	1,083,488	19.3	829,078	23.9
Goodwill and other intangibles	1,230,458	8.2	489,384	7.9
Accumulated amortization	(619,192)	N/A	(549,026)	N/A
Net intangible assets	\$1,919,317	17.2	\$980,009	19.9
Intangible liabilities:				
Below market lease intangibles	\$453,750	14.6	\$425,092	14.7
Other lease intangibles	36,067	30.6	32,103	26.1
Accumulated amortization	(171,651)	N/A	(158,480)	N/A
Purchase option intangibles	22,644	N/A	22,900	N/A
Net intangible liabilities	\$340,810	15.4	\$321,615	15.2

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. Goodwill and 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. For the six months ended June 30, 2015 and 2014, our net amortization expense related to these intangibles was \$63.8 million and \$31.5 million, respectively. The estimated net amortization expense related to these intangibles for each of the next five years is as follows: 2015—\$65.3 million; 2016—\$81.6 million; 2017—\$34.7 million; 2018—\$25.9 million; and 2019—\$19.7 million.

NOTE 9—OTHER ASSETS

The following is a summary of our other assets as of June 30, 2015 and December 31, 2014:

	June 30, 2015	December 31, 2014
	(In thousands)	
Straight-line rent receivables, net	\$203,704	\$187,969
Unsecured loans receivable and investments, net	35,408	21,862
Goodwill and other intangibles, net	1,210,346	472,052
Assets held for sale	106,080	210,463
Marketable securities	—	76,046
Other	156,883	163,145
Total other assets	\$1,712,421	\$1,131,537

NOTE 10—SENIOR NOTES PAYABLE AND OTHER DEBT

The following is a summary of our senior notes payable and other debt as of June 30, 2015 and December 31, 2014:

	June 30, 2015	December 31, 2014
	(In thousands)	
Unsecured revolving credit facility (1)	\$583,765	\$919,099
3.125% Senior Notes due 2015	400,000	400,000
6% Senior Notes due 2015	—	234,420
1.55% Senior Notes due 2016	550,000	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 (3)	200,000	200,000
Unsecured term loan due 2019 (3)	783,146	790,634
4.00% Senior Notes due 2019	600,000	600,000
3.00% Senior Notes, Series A due 2019 (2)	320,128	344,204
2.700% Senior Notes due 2020	500,000	500,000
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 (2)	200,080	—
3.750% Senior Notes due 2024	400,000	400,000
4.125% Senior Notes, Series B due 2024 (2)	200,080	215,128
3.500% Senior Note due 2025	600,000	—
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	—
Mortgage loans and other (4)	2,420,951	2,284,763
Total	11,492,273	10,872,371
Unamortized fair value adjustment	42,770	41,853
Unamortized discounts	(27,182	) (26,132
Senior notes payable and other debt	\$11,507,861	\$10,888,092

(1) \$11.8 million and \$164.1 million of aggregate borrowings were in the form of Canadian dollars as of June 30, 2015 and December 31, 2014, respectively.

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

(3) These amounts represent in aggregate the approximate \$1.0 billion of unsecured term loan borrowings under our unsecured credit facility, of which \$99.6 million included in the 2019 tranche is in the form of Canadian dollars.

2015 excludes debt related to real estate assets classified as held for sale as of June 30, 2015. The total mortgage debt for these properties as of June 30, 2015 was \$33.2 million and is included in accounts payable and other

(4) liabilities on our Consolidated Balance Sheet. 2014 excludes debt related to real estate assets classified as held for sale as of December 31, 2014. The total mortgage debt for these properties as of December 31, 2014 was \$43.5 million and was included in accounts payable and other liabilities on our Consolidated Balance Sheet.

As of June 30, 2015, our indebtedness had the following maturities:

	Principal Amount Due at Maturity (In thousands)	Unsecured Revolving Credit Facility (1)	Scheduled Periodic Amortization	Total Maturities
2015	\$467,218	\$—	\$22,226	\$489,444
2016	861,817	—	39,052	900,869
2017	822,764	—	29,564	852,328
2018	1,101,879	583,765	23,581	1,709,225
2019	2,260,305	—	15,910	2,276,215
Thereafter (2)	5,109,516	—	154,676	5,264,192
Total maturities	\$10,623,499	\$583,765	\$285,009	\$11,492,273

As of June 30, 2015, we had \$60.5 million of unrestricted cash and cash equivalents and \$124.3 million of cash (1) held in an Internal Revenue Code Section 1031 exchange escrow account with a qualified intermediary, for \$399.0 million of net borrowings outstanding under our unsecured revolving credit facility.

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 (2) 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, 2015, and a \$200.0 million four-year term loan and an \$800.0 million five-year term loan, each priced at LIBOR plus 1.05% as of June 30, 2015. 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, 2015, we had \$583.8 million of borrowings outstanding, \$14.9 million of letters of credit outstanding and \$1.4 billion of unused borrowing capacity available under our unsecured revolving credit facility.

Senior Notes

In January 2015, we issued and sold \$600.0 million aggregate principal amount of 3.500% senior notes due 2025 at a public offering price equal to 99.663% of par, for total proceeds of \$598.0 million before the underwriting discount and expenses, and \$300.0 million aggregate principal amount of 4.375% senior notes due 2045 at a public offering price equal to 99.500% of par, for total proceeds of \$298.5 million before the underwriting discount and expenses. Also in January 2015, Ventas Canada Finance Limited issued and sold CAD 250.0 million aggregate principal amount of 3.30% senior notes, series C due 2022 at an offering price equal to 99.992% of par, for total proceeds of CAD 250.0 million before the agent fees and expenses. The notes were offered on a private placement basis in Canada. In May 2015, we repaid in full, at par, \$234.4 million aggregate principal amount then outstanding of our 6% senior notes due 2015 upon maturity.

In July 2015, we issued and sold \$500.0 million aggregate principal amount of 4.125% senior notes due 2026 at a public offering price equal to 99.218% of par, for total proceeds of \$496.1 million before the underwriting discount and expenses.

NOTE 11—FAIR VALUES OF FINANCIAL INSTRUMENTS

As of June 30, 2015 and December 31, 2014, the carrying amounts and fair values of our financial instruments were as follows:

	June 30, 2015		December 31, 2014	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(In thousands)			
Assets:				
Cash and cash equivalents	\$60,532	\$60,532	\$55,348	\$55,348
Secured loans receivable, net	726,183	723,423	766,641	774,789
Unsecured loans receivable, net	35,408	36,843	21,862	23,164
Government-sponsored pooled loan investments	63,225	63,225	63,115	63,115
Marketable securities	—	—	76,046	76,046
Liabilities:				
Senior notes payable and other debt, gross	11,492,273	11,859,324	10,872,371	11,197,131
Derivative instruments and other liabilities	3,447	3,447	2,743	2,743
Redeemable OP unitholder interests	190,461	190,461	159,134	159,134

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 12—LITIGATION

Litigation Relating to the HCT Acquisition

In the weeks following the announcement on June 2, 2014 of our agreement to acquire HCT, a total of 13 putative class actions were filed by purported HCT stockholders challenging the transaction. Certain of the actions also purport to bring derivative claims on behalf of HCT. Among other things, the lawsuits allege that the directors of HCT breached their fiduciary duties by approving the transaction and that we and our subsidiaries, Stripe Sub, LLC and Stripe OP, LP, aided and abetted this purported breach of fiduciary duty. The complaints seek injunctive relief and damages.

Ten of these actions were filed in the Circuit Court for Baltimore City, Maryland and consolidated under the caption *In re: American Realty Capital, Healthcare Trust, Inc. Shareholder & Derivative Litigation*, Case No. 24-C-14-003534, two actions were filed in the Supreme Court of the State of New York, County of New York, and one action was filed in the United States District Court of Maryland.

On January 2, 2015, the parties to the consolidated state court action agreed to a memorandum of understanding regarding settlement of all claims asserted on behalf of each alleged class of HCT stockholders. In connection with the settlement contemplated by that memorandum of understanding, each action and all claims asserted therein will be dismissed, subject to approval by each applicable court. The proposed settlement terms require HCT to make certain additional disclosures related to the merger, which were set forth in HCT's Current Report on Form 8-K dated January 2, 2015. The memorandum of understanding further contemplates that the parties will enter into a stipulation of settlement, which will be subject to customary conditions, including confirmatory discovery and court approval following notice to HCT's stockholders. If the parties enter into a stipulation of settlement, a hearing will be scheduled at which the court will consider the fairness, reasonableness and adequacy of the settlement. There can be no assurance that the parties will ultimately enter into a stipulation of settlement, that the applicable court will approve any proposed settlement, or that any eventual settlement will be under the same terms as those contemplated by the memorandum of understanding.

On January 5, 2015, the parties to the federal action also agreed to a memorandum of understanding regarding settlement of all claims asserted on behalf of each alleged class of HCT stockholders. In connection with the settlement contemplated by that memorandum of understanding, each action and all claims asserted therein will be

dismissed, subject to approval by each applicable court. The proposed settlement terms require HCT to make certain additional disclosures related to the merger, which

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were set forth in HCT's Current Report on Form 8-K dated January 5, 2015. The memorandum of understanding further contemplates that the parties will enter into a stipulation of settlement, which will be subject to customary conditions, including confirmatory discovery and court approval following notice to HCT's stockholders. If the parties enter into a stipulation of settlement, a hearing will be scheduled at which the court will consider the fairness, reasonableness and adequacy of the settlement. There can be no assurance that the parties will ultimately enter into a stipulation of settlement, that the applicable court will approve any proposed settlement, or that any eventual settlement will be under the same terms as those contemplated by the memorandum of understanding.

We believe that each of these actions is without merit.

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 12, 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. 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 13—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 and state income taxes. All entities other than the TRS entities are collectively referred to as "the REIT" within this Note 13.

Although the TRS entities have paid minimal cash federal income taxes for the six months ended June 30, 2015, their federal income tax liabilities may increase in future periods as we exhaust net operating loss (“NOL”) carryforwards and as our senior living operations reportable business segment grows. Such increases could be significant.

Our consolidated provision for income taxes for the three months ended June 30, 2015 and 2014 was a benefit of \$9.8 million and expense of \$3.3 million, respectively. Our consolidated provision for income taxes for the six months ended June 30, 2015 and 2014 was a benefit of \$17.0 million and expense of \$6.7 million, respectively. The income tax benefit for the six months ended June 30, 2015 is due primarily to operating losses at our TRS entities. The income tax expense for the six months ended June 30, 2014 was due primarily to operating income at our TRS entities. 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 2016 for the REIT.

Each TRS and foreign investment 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 investment entities totaled \$370.2 million and \$344.3 million as of June 30, 2015 and December 31, 2014, 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, 2011 and subsequent years and are subject to audit by state taxing authorities for the year ended December 31, 2010 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 connection with the Holiday Canada Acquisition.

NOTE 14—STOCKHOLDERS' EQUITY

Capital Stock

In January 2015, in connection with the HCT acquisition, we issued approximately 28.4 million shares of our common stock and 1.1 million Class C Units that are redeemable for our common stock.

In January 2015, we issued and sold 3,750,202 shares of common stock under our previous "at-the-market" ("ATM") equity offering program for aggregate net proceeds of \$285.4 million, after sales agent commissions of \$4.4 million.

In March 2015, we replaced our previous shelf registration statement that was scheduled to expire in accordance with the SEC's rules with a new universal shelf registration statement, rendering our previous ATM program inaccessible.

In connection with our new universal shelf registration statement, we established a new ATM program pursuant to which we may sell, from time to time, up to an aggregate of \$1.0 billion of our common stock. In June we issued and sold 1,051,664 shares of our common stock under the new ATM equity offering program for aggregate net proceeds of \$66.9 million, after sales agent commissions of \$1.0 million. In July we issued and sold an additional 579,652 shares under the new ATM program for aggregate net proceeds of \$36.4 million, after sales agent commissions of \$0.6 million.

Accumulated Other Comprehensive Income

The following is a summary of our accumulated other comprehensive income as of June 30, 2015 and December 31, 2014:

	June 30, 2015	December 31, 2014
	(In thousands)	
Foreign currency translation	\$4,387	\$866
Unrealized gain on marketable securities	1,738	6,784
Other	4,055	5,471
Total accumulated other comprehensive income	\$10,180	\$13,121

NOTE 15—EARNINGS PER COMMON SHARE

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2015	2014	2015	2014
	(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	\$ 149,754	\$ 138,653	\$ 270,619	\$ 256,669
Discontinued operations	67	(255)	(356)	2,776
Net income attributable to common stockholders	\$ 149,821	\$ 138,398	\$ 270,263	\$ 259,445
Denominator:				
Denominator for basic earnings per share—weighted average shares	330,715	293,988	327,890	293,932
Effect of dilutive securities:				
Stock options	341	530	436	456
Restricted stock awards	41	59	60	53
OP units	2,929	1,927	3,038	1,928
Denominator for diluted earnings per share—adjusted weighted average shares	334,026	296,504	331,424	296,369
Basic earnings per share:				
Income from continuing operations attributable to common stockholders, including real estate dispositions	\$ 0.45	\$ 0.47	\$ 0.82	\$ 0.87
Discontinued operations	0.00	(0.00)	(0.00)	0.01
Net income attributable to common stockholders	\$ 0.45	\$ 0.47	\$ 0.82	\$ 0.88
Diluted earnings per share:				
Income from continuing operations attributable to common stockholders, including real estate dispositions	\$ 0.45	\$ 0.47	\$ 0.82	\$ 0.87
Discontinued operations	0.00	(0.00)	(0.00)	0.01
Net income attributable to common stockholders	\$ 0.45	\$ 0.47	\$ 0.82	\$ 0.88

NOTE 16—SEGMENT INFORMATION

As of June 30, 2015, 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 acquire 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 MOB. 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 and 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/benefit, 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, 2015:

	Triple-Net Leased Properties (In thousands)	Senior Living Operations	MOB Operations	All Other	Total
Revenues:					
Rental income	\$260,562	\$—	\$140,403	\$—	\$400,965
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	—	—	—	26,068	26,068
Interest and other income	—	—	—	236	236
Total revenues	\$261,701	\$454,645	\$148,152	\$26,824	\$891,322
Total revenues	\$261,701	\$454,645	\$148,152	\$26,824	\$891,322
Less:					
Interest and other income	—	—	—	236	236
Property-level operating expenses	—	299,252	43,321	—	342,573
Medical office building services costs	—	—	5,764	—	5,764
Segment NOI	261,701	155,393	99,067	26,588	542,749
Income (loss) from unconsolidated entities	221	(240	) 143	(115	) 9
Segment profit	\$261,922	\$155,153	\$99,210	\$26,473	542,758
Interest and other income					236
Interest expense					(107,591)
Depreciation and amortization					(249,195)
General, administrative and professional fees					(33,962)
Gain on extinguishment of debt, net					455
Merger-related expenses and deal costs					(14,585)
Other					(5,091)
Income tax benefit					9,789
Discontinued operations					67
Gain on real estate dispositions					7,469
Net income					\$150,350

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For the three months ended June 30, 2014:

	Triple-Net Leased Properties (In thousands)	Senior Living Operations	MOB Operations	All Other	Total
Revenues:					
Rental income	\$242,726	\$—	\$114,890	\$—	\$357,616
Resident fees and services	—	374,473	—	—	374,473
Medical office building and other services revenue	1,145	—	2,722	500	4,367
Income from loans and investments	—	—	—	14,625	14,625
Interest and other income	—	—	—	173	173
Total revenues	\$243,871	\$374,473	\$117,612	\$15,298	\$751,254
Total revenues	\$243,871	\$374,473	\$117,612	\$15,298	\$751,254
Less:					
Interest and other income	—	—	—	173	173
Property-level operating expenses	—	249,424	39,335	—	288,759
Medical office building services costs	—	—	1,626	—	1,626
Segment NOI	243,871	125,049	76,651	15,125	460,696
Income (loss) from unconsolidated entities	17	160	307	(136)	348
Segment profit	\$243,888	\$125,209	\$76,958	\$14,989	461,044
Interest and other income					173
Interest expense					(91,501)
Depreciation and amortization					(190,818)
General, administrative and professional fees					(31,306)
Loss on extinguishment of debt, net					(2,924)
Merger-related expenses and deal costs					(9,599)
Other					(4,863)
Income tax expense					(3,274)
Discontinued operations					(255)
Gain on real estate dispositions					11,889
Net income					\$138,566

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For the six months ended June 30, 2015:

	Triple-Net Leased Properties (In thousands)	Senior Living Operations	MOB Operations	All Other	Total
Revenues:					
Rental income	\$526,768	\$—	\$277,393	\$—	\$804,161
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	—	—	—	48,967	48,967
Interest and other income	—	—	—	708	708
Total revenues	\$529,043	\$901,559	\$294,000	\$50,744	\$1,775,346
Total revenues	\$529,043	\$901,559	\$294,000	\$50,744	\$1,775,346
Less:					
Interest and other income	—	—	—	708	708
Property-level operating expenses	—	597,614	85,670	—	683,284
Medical office building services costs	—	—	12,682	—	12,682
Segment NOI	529,043	303,945	195,648	50,036	1,078,672
Income (loss) from unconsolidated entities	645	(662	) 119	(344	) (242
Segment profit	\$529,688	\$303,283	\$195,767	\$49,692	1,078,430
Interest and other income					708
Interest expense					(214,181
Depreciation and amortization					(496,636
General, administrative and professional fees					(68,292
Gain on extinguishment of debt, net					434
Merger-related expenses and deal costs					(49,757
Other					(10,387
Income tax benefit					17,039
Discontinued operations					(356
Gain on real estate dispositions					14,155
Net income					\$271,157

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For the six months ended June 30, 2014:

	Triple-Net Leased Properties (In thousands)	Senior Living Operations	MOB Operations	All Other	Total
Revenues:					
Rental income	\$480,572	\$—	\$230,113	\$—	\$710,685
Resident fees and services	—	745,534	—	—	745,534
Medical office building and other services revenue	2,293	—	7,374	1,000	10,667
Income from loans and investments	—	—	—	25,392	25,392
Interest and other income	—	—	—	446	446
Total revenues	\$482,865	\$745,534	\$237,487	\$26,838	\$1,492,724
Total revenues	\$482,865	\$745,534	\$237,487	\$26,838	\$1,492,724
Less:					
Interest and other income	—	—	—	446	446
Property-level operating expenses	—	497,719	78,680	—	576,399
Medical office building services costs	—	—	4,997	—	4,997
Segment NOI	482,865	247,815	153,810	26,392	910,882
Income (loss) from unconsolidated entities	586	16	260	(266)	596
Segment profit	\$483,451	\$247,831	\$154,070	\$26,126	911,478
Interest and other income					446
Interest expense					(179,342)
Depreciation and amortization					(384,412)
General, administrative and professional fees					(64,172)
Loss on extinguishment of debt, net					(2,665)
Merger-related expenses and deal costs					(20,359)
Other					(10,092)
Income tax expense					(6,707)
Discontinued operations					2,776
Gain on real estate dispositions					12,889
Net income					\$259,840

Assets by reportable business segment are as follows:

	As of June 30, 2015 (Dollars in thousands)		As of December 31, 2014			
Assets:						
Triple-net leased properties	\$9,638,035	39.7	%	\$9,176,159	43.2	%
Senior living operations	8,267,934	34.0		7,421,924	35.0	
MOB operations	5,233,638	21.6		3,526,217	16.6	
All other assets	1,135,555	4.7		1,101,871	5.2	
Total assets	\$24,275,162	100.0	%	\$21,226,171	100.0	%

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2015	2014	2015	2014
	(In thousands)			
Capital expenditures:				
Triple-net leased properties	\$102,971	\$57,380	\$559,989	\$249,432
Senior living operations	29,374	62,317	311,806	79,180
MOB operations	100,447	9,830	488,174	22,863
Total capital expenditures	\$232,792	\$129,527	\$1,359,969	\$351,475

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 Months Ended June 30,		For the Six Months Ended June 30, 2015	
	2015	2014	2015	2014
	(In thousands)			
Revenues:				
United States	\$840,830	\$724,725	\$1,675,287	\$1,444,833
Canada	44,736	21,821	88,786	43,038
United Kingdom	5,756	4,708	11,273	4,853
Total revenues	\$891,322	\$751,254	\$1,775,346	\$1,492,724

	As of June 30,	As of
	2015	December 31,
	(In thousands)	
Net real estate property:		
United States	\$19,858,871	\$17,547,255
Canada	1,163,102	1,269,710
United Kingdom	343,123	168,594
Total net real estate property	\$21,365,096	\$18,985,559

NOTE 17—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.

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 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 guarantee with respect to Ventas Realty’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, 2015 and December 31, 2014 and for the three and six months ended June 30, 2015 and 2014:

CONDENSED CONSOLIDATING BALANCE SHEET

As of June 30, 2015

	Ventas, Inc. (In thousands)	Ventas Realty (1)	Ventas Subsidiaries	Consolidated Elimination	Consolidated
Assets					
Net real estate investments	\$6,101	\$344,952	\$21,888,912	\$—	\$22,239,965
Cash and cash equivalents	11,718	—	48,814	—	60,532
Escrow deposits and restricted cash	124,478	1,491	67,991	—	193,960
Deferred financing costs, net	759	57,902	9,623	—	68,284
Investment in and advances to affiliates	14,152,936	3,430,055	—	(17,582,991)	—
Other assets	60,255	9,185	1,642,981	—	1,712,421
Total assets	\$14,356,247	\$3,843,585	\$23,658,321	\$(17,582,991)	\$24,275,162
Liabilities and equity					
Liabilities:					
Senior notes payable and other debt	\$45,000	\$8,093,699	\$3,369,162	\$—	\$11,507,861
Intercompany loans	6,850,326	(6,274,138)	(576,188)	—	—
Accrued interest	—	57,809	19,822	—	77,631
Accounts payable and other liabilities	101,034	76,843	848,482	—	1,026,359
Deferred income taxes	370,161	—	—	—	370,161
Total liabilities	7,366,521	1,954,213	3,661,278	—	12,982,012
Redeemable OP unitholder and noncontrolling interests	—	—	199,404	—	199,404
Total equity	6,989,726	1,889,372	19,797,639	(17,582,991)	11,093,746
Total liabilities and equity	\$14,356,247	\$3,843,585	\$23,658,321	\$(17,582,991)	\$24,275,162

(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 BALANCE SHEET

As of December 31, 2014

	Ventas, Inc. (In thousands)	Ventas Realty (1)	Ventas Subsidiaries	Consolidated Elimination	Consolidated
Assets					
Net real estate investments	\$6,404	\$347,583	\$19,553,200	\$—	\$19,907,187
Cash and cash equivalents	24,857	—	30,491	—	55,348
Escrow deposits and restricted cash	2,102	1,424	68,245	—	71,771
Deferred financing costs, net	759	50,669	8,900	—	60,328
Investment in and advances to affiliates	10,827,772	3,430,054	—	(14,257,826)	—
Other assets	102,646	57,123	971,768	—	1,131,537
Total assets	\$10,964,540	\$3,886,853	\$20,632,604	\$(14,257,826)	\$21,226,171
Liabilities and equity					
Liabilities:					
Senior notes payable and other debt	\$—	\$7,422,975	\$3,465,117	\$—	\$10,888,092
Intercompany loans	5,555,196	(5,562,739)	7,543	—	—
Accrued interest	—	43,212	18,885	—	62,097
Accounts payable and other liabilities	105,037	80,307	819,888	—	1,005,232
Deferred income taxes	344,337	—	—	—	344,337
Total liabilities	6,004,570	1,983,755	4,311,433	—	12,299,758
Redeemable OP unitholder and noncontrolling interests	—	—	172,016	—	172,016
Total equity	4,959,970	1,903,098	16,149,155	(14,257,826)	8,754,397
Total liabilities and equity	\$10,964,540	\$3,886,853	\$20,632,604	\$(14,257,826)	\$21,226,171

(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, Inc. (In thousands)	Ventas Realty (1)	Ventas Subsidiaries	Consolidated Elimination	Consolidated	
Revenues:						
Rental income	\$915	\$70,959	\$329,091	\$—	\$400,965	
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	18,647	—	26,068	
Equity earnings in affiliates	131,119	—	(62	) (131,057) —	
Interest and other income	20	53	163	—	236	
Total revenues	139,223	71,264	811,892	(131,057	) 891,322
Expenses:						
Interest	(8,932	) 64,569	51,954	—	107,591
Depreciation and amortization	1,357	7,677	240,161	—	249,195	
Property-level operating expenses	—	73	342,500	—	342,573	
Medical office building services costs	—	—	5,764	—	5,764	
General, administrative and professional fees	2,821	5,054	26,087	—	33,962	
Gain on extinguishment of debt, net	—	—	(455) —	(455)
Merger-related expenses and deal costs	11,827	75	2,683	—	14,585	
Other	(136	) 325	4,902	—	5,091
Total expenses	6,937	77,773	673,596	—	758,306	
Income (loss) from continuing operations before income (loss) from unconsolidated entities, income taxes, real estate dispositions and noncontrolling interest	132,286	(6,509	) 138,296	(131,057	) 133,016
Income (loss) from unconsolidated entities	—	359	(350	) —	9
Income tax benefit	9,789	—	—	—	9,789	
Income (loss) from continuing operations	142,075	(6,150	) 137,946	(131,057	) 142,814
Discontinued operations	277	(88	) (122	) —	67
Gain on real estate dispositions	7,469	—	—	—	7,469	
Net income (loss)	149,821	(6,238	) 137,824	(131,057	) 150,350
Net income attributable to noncontrolling interest	—	—	529	—	529	
Net income (loss) attributable to common stockholders	\$ 149,821	\$(6,238	) \$ 137,295	\$(131,057	) \$ 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 Three Months Ended June 30, 2014

	Ventas, Inc. (In thousands)	Ventas Realty (1)	Ventas Subsidiaries	Consolidated Elimination	Consolidated
Revenues:					
Rental income	\$626	\$68,003	\$288,987	\$—	\$357,616
Resident fees and services	—	—	374,473	—	374,473
Medical office building and other services revenue	—	—	4,367	—	4,367
Income from loans and investments	931	—	13,694	—	14,625
Equity earnings in affiliates	132,423	—	48	(132,471)	—
Interest and other income	34	5	134	—	173
Total revenues	134,014	68,008	681,703	(132,471)	751,254
Expenses:					
Interest	(4,225)	) 46,935	48,791	—	91,501
Depreciation and amortization	1,478	7,435	181,905	—	190,818
Property-level operating expenses	—	99	288,660	—	288,759
Medical office building services costs	—	—	1,626	—	1,626
General, administrative and professional fees	(12)	) 5,520	25,798	—	31,306
Loss on extinguishment of debt, net	—	—	2,924	—	2,924
Merger-related expenses and deal costs	6,482	2,110	1,007	—	9,599
Other	324	83	4,456	—	4,863
Total expenses	4,047	62,182	555,167	—	621,396
Income from continuing operations before income from unconsolidated entities, income taxes, real estate dispositions and noncontrolling interest	129,967	5,826	126,536	(132,471)	) 129,858
Income from unconsolidated entities	—	320	28	—	348
Income tax expense	(3,274)	) —	—	—	(3,274)
Income from continuing operations	126,693	6,146	126,564	(132,471)	) 126,932
Discontinued operations	(184)	) (1,329)	) 1,258	—	(255)
Gain on real estate dispositions	11,889	—	—	—	11,889
Net income	138,398	4,817	127,822	(132,471)	) 138,566
Net income attributable to noncontrolling interest	—	—	168	—	168
Net income attributable to common stockholders	\$138,398	\$4,817	\$127,654	\$(132,471)	) \$138,398

(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. (In thousands)	Ventas Realty (1)	Ventas Subsidiaries	Consolidated Elimination	Consolidated
Revenues:					
Rental income	\$1,831	\$142,127	\$660,203	\$—	\$804,161
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	40,059	—	48,967
Equity earnings in affiliates	261,112	—	(140)	(260,972)	—
Interest and other income	376	58	274	—	708
Total revenues	271,924	142,488	1,621,906	(260,972)	1,775,346
Expenses:					
Interest	(16,760)	128,163	102,778	—	214,181
Depreciation and amortization	2,700	16,727	477,209	—	496,636
Property-level operating expenses	—	204	683,080	—	683,284
Medical office building services costs	—	—	12,682	—	12,682
General, administrative and professional fees	80	11,415	56,797	—	68,292
Gain on extinguishment of debt, net	—	—	(434)	—	(434)
Merger-related expenses and deal costs	46,180	75	3,502	—	49,757
Other	935	327	9,125	—	10,387
Total expenses	33,135	156,911	1,344,739	—	1,534,785
Income (loss) from continuing operations before income (loss) from unconsolidated entities, income taxes, real estate dispositions and noncontrolling interest	238,789	(14,423)	277,167	(260,972)	240,561
Income (loss) from unconsolidated entities	—	760	(1,002)	—	(242)
Income tax benefit	17,039	—	—	—	17,039
Income (loss) from continuing operations	255,828	(13,663)	276,165	(260,972)	257,358
Discontinued operations	280	(365)	(271)	—	(356)
Gain on real estate dispositions	14,155	—	—	—	14,155
Net income (loss)	270,263	(14,028)	275,894	(260,972)	271,157
Net income attributable to noncontrolling interest	—	—	894	—	894
Net income (loss) attributable to common stockholders	\$270,263	\$(14,028)	\$275,000	\$(260,972)	\$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 INCOME

For the Six Months Ended June 30, 2014

	Ventas, Inc. (In thousands)	Ventas Realty (1)	Ventas Subsidiaries	Consolidated Elimination	Consolidated
Revenues:					
Rental income	\$1,244	\$140,615	\$568,826	\$—	\$710,685
Resident fees and services	—	—	745,534	—	745,534
Medical office building and other services revenue	—	—	10,667	—	10,667
Income from loans and investments	1,236	—	24,156	—	25,392
Equity earnings in affiliates	258,510	—	211	(258,721)	—
Interest and other income	185	11	250	—	446
Total revenues	261,175	140,626	1,349,644	(258,721)	1,492,724
Expenses:					
Interest	(4,872)	) 90,029	94,185	—	179,342
Depreciation and amortization	2,898	15,406	366,108	—	384,412
Property-level operating expenses	—	248	576,151	—	576,399
Medical office building services costs	—	—	4,997	—	4,997
General, administrative and professional fees	1,875	11,365	50,932	—	64,172
(Gain) loss on extinguishment of debt, net	(3)	) 3	2,665	—	2,665
Merger-related expenses and deal costs	8,235	2,110	10,014	—	20,359
Other	1,031	402	8,659	—	10,092
Total expenses	9,164	119,563	1,113,711	—	1,242,438
Income from continuing operations before income (loss) from unconsolidated entities, income taxes, real estate dispositions and noncontrolling interest	252,011	21,063	235,933	(258,721)	250,286
Income (loss) from unconsolidated entities	—	841	(245)	) —	596
Income tax expense	(6,707)	) —	—	—	(6,707)
Income from continuing operations	245,304	21,904	235,688	(258,721)	244,175
Discontinued operations	1,252	(774)	) 2,298	—	2,776
Gain on real estate dispositions	12,889	—	—	—	12,889
Net income	259,445	21,130	237,986	(258,721)	259,840
Net income attributable to noncontrolling interest	—	—	395	—	395
Net income attributable to common stockholders	\$259,445	\$21,130	\$237,591	\$(258,721)	\$259,445

(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. (In thousands)	Ventas Realty (1)	Ventas Subsidiaries	Consolidated Elimination	Consolidated
Net income (loss)	\$149,821	\$(6,238)	\$137,824	\$(131,057)	\$150,350
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	\$(6,238)	150,042	\$(131,057)	156,173
Comprehensive income attributable to noncontrolling interest	—	—	529	—	529
Comprehensive income (loss) attributable to common stockholders	\$143,426	\$(6,238)	\$149,513	\$(131,057)	\$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 Three Months Ended June 30, 2014

	Ventas, Inc. (In thousands)	Ventas Realty (1)	Ventas Subsidiaries	Consolidated Elimination	Consolidated
Net income	\$138,398	\$4,817	\$127,822	\$(132,471)	\$138,566
Other comprehensive income:					
Foreign currency translation	—	—	7,719	—	7,719
Change in unrealized gain on marketable securities	265	—	—	—	265
Other	—	—	(193)	—	(193)
Total other comprehensive income	265	—	7,526	—	7,791
Comprehensive income	138,663	4,817	135,348	\$(132,471)	146,357
Comprehensive income attributable to noncontrolling interest	—	—	168	—	168
Comprehensive income attributable to common stockholders	\$138,663	\$4,817	\$135,180	\$(132,471)	\$146,189

(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. (In thousands)	Ventas Realty (1)	Ventas Subsidiaries	Consolidated Elimination	Consolidated
Net income (loss)	\$270,263	\$(14,028)	\$275,894	\$(260,972)	\$271,157
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	(14,028)	277,999	(260,972)	268,216
Comprehensive income attributable to noncontrolling interest	—	—	894	—	894
Comprehensive income (loss) attributable to common stockholders	\$265,217	\$(14,028)	\$277,105	\$(260,972)	\$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 COMPREHENSIVE INCOME

For the Six Months Ended June 30, 2014

	Ventas, Inc. (In thousands)	Ventas Realty (1)	Ventas Subsidiaries	Consolidated Elimination	Consolidated
Net income	\$259,445	\$21,130	\$237,986	\$(258,721)	\$259,840
Other comprehensive income:					
Foreign currency translation	—	—	4,979	—	4,979
Change in unrealized gain on marketable securities	1,571	—	—	—	1,571
Other	—	—	46	—	46
Total other comprehensive income	1,571	—	5,025	—	6,596
Comprehensive income	261,016	21,130	243,011	(258,721)	266,436
Comprehensive income attributable to noncontrolling interest	—	—	395	—	395
Comprehensive income attributable to common stockholders	\$261,016	\$21,130	\$242,616	\$(258,721)	\$266,041

(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, Inc. (In thousands)	Ventas Realty (1)	Ventas Subsidiaries	Consolidated Elimination	Consolidated
Net cash (used in) provided by operating activities	\$(6,671)	\$41,072	\$683,323	\$—	\$717,724
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	(269,799)	24,757	245,042	—	—
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	912,022	(30,919)	(596,993)	—	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.

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS

For the Six Months Ended June 30, 2014

	Ventas, Inc. (In thousands)	Ventas Realty (1)	Ventas Subsidiaries	Consolidated Elimination	Consolidated
Net cash (used in) provided by operating activities	\$(87,463)	\$46,937	\$636,228	\$—	\$595,702
Net cash used in investing activities	(183,034)	(1,946)	(200,453)	—	(385,433)
Cash flows from financing activities:					
Net change in borrowings under revolving credit facility	—	(196,000)	(3,951)	—	(199,951)
Proceeds from debt	—	696,661	—	—	696,661
Repayment of debt	—	—	(272,726)	—	(272,726)
Net change in intercompany debt	597,469	(546,235)	(51,234)	—	—
Payment of deferred financing costs	—	(5,966)	(880)	—	(6,846)
Cash distribution from (to) affiliates	113,939	6,544	(120,483)	—	—
Cash distribution to common stockholders	(426,952)	—	—	—	(426,952)
Cash distribution to redeemable OP unitholders	—	—	(2,762)	—	(2,762)
Distributions to noncontrolling interest	—	—	(4,908)	—	(4,908)
Other	2,546	5	(3,125)	—	(574)
Net cash provided by (used in) financing activities	287,002	(44,991)	(460,069)	—	(218,058)
Net increase (decrease) in cash and cash equivalents	16,505	—	(24,294)	—	(7,789)
Effect of foreign currency translation on cash and cash equivalents	5,552	—	(5,944)	—	(392)
Cash and cash equivalents at beginning of period	28,169	—	66,647	—	94,816
Cash and cash equivalents at end of period	\$50,226	\$—	\$36,409	\$—	\$86,635

(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 18—PROPOSED SPIN-OFF OF POST-ACUTE/SKILLED NURSING FACILITY PORTFOLIO

In April 2015, we announced a plan to spin off most of our post-acute/skilled nursing facility portfolio into an independent, publicly traded REIT named Care Capital Properties, Inc. ("CCP"). CCP is expected to initially own 355 high-quality triple-net leased skilled nursing facilities and other healthcare assets operated by private regional and local care providers. The spin-off is subject to certain conditions, including the effectiveness of CCP's Form 10 registration statement, receipt of an opinion from counsel regarding the tax-free nature of the distribution and final approval and declaration of the distribution by our Board of Directors. The transaction is expected to be completed in August 2015 and is intended to qualify as a tax-free distribution to Ventas stockholders. However, there can be no assurance as to whether or when the spin-off will occur.

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 and investments in different asset types and outside the United States;

- 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 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, 2014 and for the year ending December 31, 2015;

- 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 or manager, and obligations, including indemnification obligations, we may incur in connection with the replacement of an existing tenant or manager;

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, 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 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, to accurately estimate our costs in fixed fee-for-service projects 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;

Our ability to build, maintain and expand our relationships with existing and prospective hospital and health system clients;

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;

Merger and acquisition activity 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;

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;

- Our ability to complete the acquisition of Ardent Medical Services, Inc. ("Ardent Health Services") and the separation and sale of Ardent Health Services' hospital operations on terms acceptable to us or at all; and

Uncertainties as to the completion and timing of our proposed spin-off transaction, and the impact of the spin-off transaction on our business.

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

Brookdale Senior Living, Kindred, Atria and Sunrise 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.

Neither Atria Senior Living, Inc. ("Atria") nor Sunrise Senior Living, LLC (together with its subsidiaries, "Sunrise") is currently subject to the reporting requirements of the SEC. The information related to Atria and Sunrise 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 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.

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, 2015, we owned more than 1,600 properties (including properties classified as held for sale), including seniors housing communities, MOBs, skilled nursing and other facilities, and hospitals, and we had two properties under development. We are an S&P 500 company and currently headquartered in Chicago, Illinois.

We primarily acquire and own seniors housing and healthcare properties and lease them to unaffiliated tenants or operate them through independent third-party managers. As of June 30, 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 and Sunrise, to manage 305 of our seniors housing communities (excluding properties classified as held for sale) for us pursuant to long-term management agreements. Our two largest tenants, Brookdale Senior Living and Kindred leased from us 145 properties (excluding six properties included in investments in unconsolidated entities) and 81 properties, respectively, as of June 30, 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.

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. Our access to and cost of external capital depend on 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.

Generally, we 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. At June 30, 2015, 17.7% of our consolidated debt was variable rate debt.

Operating Highlights and Key Performance Trends

2015 Highlights and Recent Developments

• We paid the first two quarterly installment of our 2015 dividend of \$0.79 per share, which was paid in cash to stockholders in two installments and represents a 9% increase over the same period in the prior year.

• During the first six months of 2015, we acquired HCT in a stock and cash transaction, which added 152 properties to our portfolio, and we made other investments totaling approximately \$512 million, including the acquisition of ten triple-net leased properties in the United Kingdom, 12 skilled nursing facilities and one seniors housing community subject to triple-net leases and one MOB.

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During the first six months of 2015, we sold 30 triple-net leased properties and 25 MOBs for aggregate consideration of \$423.3 million, including a \$5.5 million lease termination fee.

During the six months ended June 30, 2015, we received aggregate proceeds of \$86.2 million in final repayment of one secured and one unsecured loan receivable, and recognized gains aggregating \$1.5 million on the repayment of these loans receivable.

In January 2015, we issued and sold \$1.1 billion of senior notes with a weighted average interest rate below 3.7% and a weighted average maturity of 15 years. The issuances were composed of \$900 million aggregate principal amount of USD senior notes and CAD notes of 250 million.

In January 2015, we issued and sold 3,750,202 shares of common stock under our previous “at-the-market” (“ATM”) equity offering program for aggregate net proceeds of \$285.4 million, after sales agent commissions of \$4.4 million. In June 2015, we issued and sold 1,051,664 shares of our common stock under the new ATM equity offering program for aggregate net proceeds of \$66.9 million, after sales agent commissions of \$1.0 million. In July 2015, we issued and sold an additional 579,652 shares under the new ATM program for aggregate net proceeds of \$36.4 million, after sales agent commissions of \$0.6 million.

In April 2015, we announced a plan to spin off most of our post-acute/skilled nursing facility portfolio into an independent, publicly traded REIT named Care Capital Properties, Inc. (“CCP”). In July 2015, CCP filed Amendment No. 2 to its Form 10 registration statement with the Securities and Exchange Commission. The transaction is expected to be completed in August 2015 and is intended to qualify as a tax-free distribution to Ventas shareholders. However, there can be no assurance as to whether or when the spin-off will occur.

In April 2015, we announced that we had entered into a definitive agreement to acquire privately owned Ardent Medical Services, Inc. (together with its affiliates, “Ardent Health Services”) for \$1.75 billion in cash. Concurrent with the closing of the transaction, we plan to separate Ardent Health Services’ hospital operations from its owned real estate and sell the hospital operations to a newly formed and capitalized operating company (“Ardent”). In July 2015 we announced that we had signed a definitive agreement pursuant to which Ardent will be majority owned by an entity controlled by Equity Group Investments, with Ventas owning a 9.9% interest, and current Ardent management holding a significant ownership stake. Upon closing, we will enter into pre-agreed long-term, triple-net leases with Ardent to operate the acquired properties. However, there can be no assurance as to whether, when or on what terms the acquisition of Ardent Health Services or the sale of Ardent Health Services’ hospital operations will be completed.

In June 2015 we sold our \$71.0 million investment in senior unsecured corporate bonds for \$76.8 million and recognized a gain of \$5.8 million.

In July 2015, we issued and sold \$500.0 million aggregate principal amount of 4.125% senior notes due 2026 at a public offering price equal to 99.218% of par, for total proceeds of \$496.1 million before the underwriting discount and expenses.

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 June 30, 2015	As of December 31, 2014	
Investment mix by asset type (1):			
Seniors housing communities	61.3	% 65.5	%
MOBs	19.6	15.8	
Skilled nursing and other facilities	12.3	13.1	
Hospitals	3.9	2.1	
Secured loans receivable and investments, net	2.9	3.5	
Investment mix by tenant, operator and manager (1):			
Atria	21.2	% 23.6	%
Sunrise	10.9	12.3	
Brookdale Senior Living	8.2	10.2	
Kindred	2.0	2.0	
All other	57.7	51.9	

(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 Months Ended June 30,		For the Six Months Ended June 30,		
	2015	2014	2015	2014	
Operations mix by tenant and operator and business model:					
Revenues (1):					
Senior living operations	51.0	% 49.8	% 50.8	% 50.1	%
Kindred	5.3	6.5	5.3	6.9	
Brookdale Senior Living (2)	4.7	5.3	5.1	5.4	
All others	39.0	38.4	38.8	37.6	
Adjusted EBITDA (3):					
Senior living operations	29.3	% 27.7	% 28.8	% 28.1	%
Kindred	8.6	10.4	8.5	11.2	
Brookdale Senior Living (2)	7.7	8.7	8.3	9.0	
All others	54.4	53.2	54.4	51.7	
NOI (4):					
Senior living operations	28.6	% 27.1	% 28.2	% 27.2	%
Kindred	8.7	10.6	8.7	11.4	
Brookdale Senior Living (2)	7.7	8.6	8.4	8.8	
All others	55.0	53.7	54.7	52.6	
Operations mix by geographic location (5):					
California	14.4	% 15.2	% 14.3	% 15.2	%
New York	8.5	9.8	8.6	9.9	
Texas	7.2	7.2	7.2	7.2	
Illinois	4.5	4.6	4.5	4.6	
Florida	4.3	4.1	4.3	4.2	
All others	61.1	59.1	61.1	58.9	

(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.

“Adjusted EBITDA” is defined as earnings before interest, taxes, depreciation and amortization (including non-cash stock-based compensation expense), excluding gains or losses on extinguishment of debt, merger-related expenses (3) and deal costs, expenses related to the re-audit and re-review of our historical financial statements, net gains on real estate activity and changes in the fair value of financial instruments (including amounts in discontinued operations).

“NOI” represents net operating income, which is defined as total revenues, less interest and other income, (4) property-level operating expenses and medical office building services costs (excluding amounts in discontinued operations).

(5) Ratios are based on total revenues (excluding amounts in discontinued operations) for each period presented. 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, 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, 2015, 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 those periods.

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.

Recent Developments Regarding Government Regulation

On July 16, 2015, the Centers for Medicaid & Medicare Services (“CMS”) published a proposed rule titled “Medicare and Medicaid Programs; Reform of Requirements for Long-Term Care Facilities”. The proposed rule would revise the requirements that long-term care facilities, including long-term acute care hospitals and skilled nursing facilities, must meet to participate in the Medicare and Medicaid programs. The proposed rule would outline new quality and ethics rules for facilities participating in Medicare and Medicaid, including requirements for training staff, changes to the discharge process to ensure patients understand follow-up care and the addition of behavioral health requirements. If the provisions in the proposed rule are finalized, they would require skilled nursing facilities to: allow residents to choose their own roommates; offer visitation periods; limit bedrooms to no more than two residents; include a toilet, sink and shower in each room; and accommodate residents’ food allergies and religious and cultural preferences. This is a proposed rule and is not final. We are currently analyzing the financial implications of this proposed rule on the operators of our long-term acute care hospitals and skilled nursing facilities. We cannot assure you that the final rule issued by CMS will not materially adversely affect our operators, which, in turn, could have a Material Adverse Effect on us.

Medicare Reimbursement: Long-Term Acute Care Hospitals

On April 17, 2015, CMS released the Fiscal Year 2016 Proposed Inpatient and Long-Term Care Hospital Policy and Payment Changes, which proposes changes to the prospective payment system for long term acute care hospitals (“LTAC PPS”). However, these policies have not yet been finalized.

In the proposed rule, CMS projects that LTAC PPS payments would decrease by 4.6 percent, or approximately \$250 million, based on the proposed payment rates for fiscal year 2016. This estimated decrease is primarily attributable to the statutory decrease in the payment rates for site neutral LTAC PPS cases that do not meet the clinical criteria to qualify for the higher standard LTAC PPS payment rates. Cases that do qualify for the higher standard LTAC PPS payment rate will see an increase in that payment rate of 1.9 percent (based on a market basket update of 2.7 percent adjusted by a multi-factor productivity adjustment of -0.6 percentage point and an additional adjustment of -0.2 percentage point in accordance with the Affordable Care Act).

We regularly assess the financial implications of CMS’s rules and other federal legislation on the operators of our long-term acute care hospitals, but we cannot assure you that current rules or future updates to LTAC PPS or Medicare reimbursement for long-term acute care hospitals will not materially adversely affect our operators, which, in turn, could have a Material Adverse Effect on us.

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

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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, 2014, filed with the SEC on February 13, 2015, 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.

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 and is included in other assets on our Consolidated Balance Sheets.

Our method for allocating 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 allocation assessments directly impact our results of operations, as amounts allocated to 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 and depreciate the building value over the estimated remaining life of the building, 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.

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 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 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.

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, 2015 and December 31, 2014, this cumulative excess totaled \$203.7 million (net of allowances of \$166.6 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 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. In July 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 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 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.

Results of Operations

As of June 30, 2015, 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 acquire 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 MOB. 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.

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Three Months Ended June 30, 2015 and 2014

The table below shows our results of operations for the three months ended June 30, 2015 and 2014 and the effect of changes in those results from period to period on our net income attributable to common stockholders.

	For the Three Months Ended		Increase (Decrease)		
	June 30, 2015	2014	\$	%	
	(Dollars in thousands)				
Segment NOI:					
Triple-Net Leased Properties	\$261,701	\$243,871	\$17,830	7.3	%
Senior Living Operations	155,393	125,049	30,344	24.3	
MOB Operations	99,067	76,651	22,416	29.2	
All Other	26,588	15,125	11,463	75.8	
Total segment NOI	542,749	460,696	82,053	17.8	
Interest and other income	236	173	63	36.4	
Interest expense	(107,591)	(91,501)	(16,090)	(17.6))
Depreciation and amortization	(249,195)	(190,818)	(58,377)	(30.6))
General, administrative and professional fees	(33,962)	(31,306)	(2,656)	(8.5))
Gain (loss) on extinguishment of debt, net	455	(2,924)	3,379	nm	
Merger-related expenses and deal costs	(14,585)	(9,599)	(4,986)	(51.9))
Other	(5,091)	(4,863)	(228)	(4.7))
Income before income from unconsolidated entities, income taxes, discontinued operations, real estate dispositions and noncontrolling interest	133,016	129,858	3,158	2.4	
Income from unconsolidated entities	9	348	(339)	(97.4))
Income tax benefit (expense)	9,789	(3,274)	13,063	nm	
Income from continuing operations	142,814	126,932	15,882	12.5	
Discontinued operations	67	(255)	322	nm	
Gain on real estate dispositions	7,469	11,889	(4,420)	(37.2))
Net income	150,350	138,566	11,784	8.5	
Net income attributable to noncontrolling interest	529	168	(361)	nm)
Net income attributable to common stockholders	\$149,821	\$138,398	11,423	8.3	

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 continuing operations in our triple-net leased properties reportable business segment:

	For the Three Months Ended		Increase (Decrease)		
	June 30, 2015	2014	\$	%	
	(Dollars in thousands)				
Segment NOI—Triple-Net Leased Properties:					
Rental income	\$260,562	\$242,726	\$17,836	7.3	%
Other services revenue	1,139	1,145	(6)	(0.5))
Segment NOI	\$261,701	\$243,871	17,830	7.3	

Triple-net leased properties segment NOI increased during the three months ended June 30, 2015 over the prior year primarily due to rent from the properties we acquired after April 1, 2014, contractual escalations in rent pursuant to the terms of our leases, and increases in base and other rent under certain of our leases.

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, 2015 for the first quarter of 2014 (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, 2014 for the first quarter of 2014.

	Number of Properties Owned at June 30, 2015 (1)	Average Occupancy For the Three Months Ended March 31, 2015 (1)		Number of Properties Owned at June 30, 2014 (1)	Average Occupancy For the Three Months Ended March 31, 2014 (1)	
Seniors housing communities	469	87.8	%	423	88.3	%
Skilled nursing facilities	315	79.7		252	80.4	
Hospitals	53	61.6		47	59.4	

Excludes properties sold or classified as held for sale as of June 30, 2015, non-stabilized properties, properties included in investments in unconsolidated entities and certain properties for which we do not receive occupancy (1) information. Also excludes properties acquired during the three months ended June 30, 2015 and 2014, 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 continuing operations for our 834 same-store triple-net leased properties. Throughout this discussion, "same-store" refers to properties that we owned for the full period in both comparison periods.

	For the Three Months Ended		Increase (Decrease)		
	June 30, 2015	2014	\$	%	
(Dollars in thousands)					
Same-Store Segment NOI—Triple-Net Leased Properties:					
Rental income	\$238,332	\$234,801	\$3,531	1.5	%
Other services revenue	1,139	1,145	(6)	(0.5))
Segment NOI	\$239,471	\$235,946	3,525	1.5	

Segment NOI—Senior Living Operations

The following table summarizes results of continuing operations in our senior living operations reportable business segment:

	For the Three Months Ended		Increase (Decrease)		
	June 30, 2015	2014	\$	%	
(Dollars in thousands)					
Segment NOI—Senior Living Operations:					
Total revenues	\$454,645	\$374,473	\$80,172	21.4	%
Less:					
Property-level operating expenses	(299,252)	(249,424)	(49,828)	(20.0))
Segment NOI	\$155,393	\$125,049	30,344	24.3	

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 2015 over the second quarter of 2014 primarily due to the seniors housing communities we acquired after April 1, 2014, including the Holiday Canada Acquisition, and an increase in average unit occupancy rates.

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, 2015 over the same period in 2014 primarily due to the acquired properties described above.

The following table compares results of continuing operations for our 237 same-store senior living operating communities.

	For the Three Months Ended		Increase (Decrease)		
	June 30,		to Segment NOI		
	2015	2014	\$	%	
(Dollars in thousands)					
Same-Store Segment NOI—Senior Living Operations:					
Total revenues	\$382,308	\$370,860	\$11,448	3.1	%
Less:					
Property-level operating expenses	(254,186)	(247,058)	(7,128)	(2.9))
Segment NOI	\$128,122	\$123,802	4,320	3.5	

The following table sets forth average unit occupancy rates and the average monthly revenue per occupied room related to continuing operations in our senior living operations segment during the three months ended June 30, 2015 and 2014:

	Number of Properties at		Average Unit Occupancy		Average Monthly Revenue	
	June 30,		For the Three Months		Per Occupied Room For	
	2015	2014	Ended June 30,		the Three Months Ended	
			2015	2014	2015	2014
Total communities	305	241	91.0	% 90.3	% \$5,272	\$5,551
Same-store communities	237	237	90.8	90.3	5,713	5,576
Segment NOI—MOB Operations						

The following table summarizes results of continuing operations in our MOB operations reportable business segment:

	For the Three Months Ended		Increase (Decrease)		
	June 30,		to Segment NOI		
	2015	2014	\$	%	
(Dollars in thousands)					
Segment NOI—MOB Operations:					
Rental income	\$140,403	\$114,890	\$25,513	22.2	%
Medical office building services revenue	7,749	2,722	5,027	184.7	
Total revenues	148,152	117,612	30,540	26.0	
Less:					
Property-level operating expenses	(43,321)	(39,335)	(3,986)	(10.1))
Medical office building services costs	(5,764)	(1,626)	(4,138)	nm	
Segment NOI	\$99,067	\$76,651	22,416	29.2	

nm - not meaningful

The increase in our MOB operations segment rental income in the second quarter of 2015 over the same period in 2014 is attributed primarily to the MOB's we acquired after April 1, 2014 and slightly higher base rents. The \$4.0 million increase in our MOB property-level operating expenses in the second quarter of 2015 over the same period in 2014 is attributed primarily to the MOB's we acquired after April 1, 2014 and increases in insurance and real estate tax expenses, partially offset by decreases in operating costs resulting from expense controls.

Medical office building services revenue, net of applicable costs, increased year over year primarily due to increased construction activity during the second quarter of 2015 over the same period in 2014.

The following table compares results of continuing operations for our 283 same-store MOB.

	For the Three Months Ended		Increase (Decrease)		
	June 30, 2015	2014	\$	%	
(Dollars in thousands)					
Same-Store Segment NOI—MOB Operations:					
Rental income	\$112,881	\$111,462	\$1,419	1.3	%
Less:					
Property-level operating expenses	(38,380)	(37,815)	(565)	(1.5))
Segment NOI	\$74,501	\$73,647	854	1.2	

The following table sets forth occupancy rates and the annualized average rent per occupied square foot related to continuing operations in our MOB operations segment at and for the three months ended June 30, 2015 and 2014:

	Number of Properties at		Occupancy at June 30,		Annualized Average Rent Per Occupied Square Foot for the Three Months Ended June 30,	
	June 30,					
	2015	2014	2015	2014	2015	2014
Total MOBs	368	309	92.1	% 90.1	% \$30	\$30
Same-store MOBs	283	283	90.7	91.1	31	30

Segment NOI—All Other

All other NOI consists solely of income from loans and investments. Income from loans and investments increased \$11.4 million during the three months ended June 30, 2015, compared to the same period in 2014, primarily due to a \$425.0 million secured mezzanine loan investment we made during 2014 that has a blended annual interest rate of 8.1% and contractual maturities ranging between 2016 and 2019.

Interest Expense

The \$15.7 million increase in total interest expense, including interest allocated to discontinued operations of \$0.1 million and \$0.5 million for the three months ended June 30, 2015 and 2014, respectively, is attributed primarily to \$16.4 million of additional interest due to higher debt balances, partially offset by a \$1.1 million reduction in interest due to lower effective interest rates, including the amortization of any fair value adjustments. Our effective interest rate was 3.7% for the three months ended June 30, 2015 and 2014.

Depreciation and Amortization

Depreciation and amortization expense increased during the three months ended June 30, 2015 compared to the same period in 2014 primarily due to the real estate acquisitions we made in 2014 and 2015, as well as impairment charges of \$9.5 million for the three months ended June 30, 2015, compared to \$3.6 million of impairment charges for the three months ended June 30, 2014.

Merger-Related Expenses and Deal Costs

Merger-related expenses and deal costs 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 increase during the three months ended June 30, 2015 over the prior year is primarily due to increased 2015 investment activity related to pending and completed transactions.

Income Tax Benefit (Expense)

Income tax benefit for the three months ended June 30, 2015 was due primarily to operating losses at our taxable REIT subsidiaries (“TRS entities”). Income tax expense for the three months ended June 30, 2014 was due primarily to operating income at our TRS entities.

Gain on Real Estate Dispositions

Gain on real estate dispositions for the three months ended June 30, 2015 and 2014 primarily relates to the sale of ten properties and four properties, respectively.

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Six Months Ended June 30, 2015 and 2014

The table below shows our results of operations for the six months ended June 30, 2015 and 2014 and the effect of changes in those results from period to period on our net income attributable to common stockholders.

	For the Six Months Ended June 30,		Increase (Decrease) to Net Income		
	2015	2014	\$	%	
	(Dollars in thousands)				
Segment NOI:					
Triple-Net Leased Properties	\$529,043	\$482,865	\$46,178	9.6	%
Senior Living Operations	303,945	247,815	56,130	22.6	
MOB Operations	195,648	153,810	41,838	27.2	
All Other	50,036	26,392	23,644	89.6	
Total segment NOI	1,078,672	910,882	167,790	18.4	
Interest and other income	708	446	262	58.7	
Interest expense	(214,181)	(179,342)	(34,839)	(19.4))
Depreciation and amortization	(496,636)	(384,412)	(112,224)	(29.2))
General, administrative and professional fees	(68,292)	(64,172)	(4,120)	(6.4))
Gain (loss) on extinguishment of debt, net	434	(2,665)	3,099	nm	
Merger-related expenses and deal costs	(49,757)	(20,359)	(29,398)	nm)
Other	(10,387)	(10,092)	(295)	(2.9))
Income before (loss) income from unconsolidated entities, income taxes, discontinued operations, real estate dispositions and noncontrolling interest	240,561	250,286	(9,725)	(3.9))
(Loss) income from unconsolidated entities	(242)	596	(838)	nm)
Income tax benefit (expense)	17,039	(6,707)	23,746	nm	
Income from continuing operations	257,358	244,175	13,183	5.4	
Discontinued operations	(356)	2,776	(3,132)	nm)
Gain on real estate dispositions	14,155	12,889	1,266	9.8	
Net income	271,157	259,840	11,317	4.4	
Net income attributable to noncontrolling interest	894	395	(499)	nm)
Net income attributable to common stockholders	\$270,263	\$259,445	10,818	4.2	

nm - not meaningful

Segment NOI—Triple-Net Leased Properties

The following table summarizes results of continuing operations in our triple-net leased properties reportable business segment:

	For the Six Months Ended June 30,		Increase (Decrease) to Segment NOI		
	2015	2014	\$	%	
	(Dollars in thousands)				
Segment NOI—Triple-Net Leased Properties:					
Rental income	\$526,768	\$480,572	\$46,196	9.6	%
Other services revenue	2,275	2,293	(18)	(0.8))
Segment NOI	\$529,043	\$482,865	46,178	9.6	

Triple-net leased properties segment NOI increased during the six months ended June 30, 2015 over the prior year primarily due to rent from the properties we acquired after January 1, 2014, contractual escalations in rent pursuant to the terms of our leases, and increases in base and other rent under certain of our leases.

The following table compares results of continuing operations for our 831 same-store triple-net leased properties. For purposes of this table, we define same-store properties as properties that we owned for the entire period from January 1, 2015 through June 30, 2015.

	For the Six Months Ended June 30,		Increase (Decrease) to Segment NOI		
	2015	2014	\$	%	
(Dollars in thousands)					
Same-Store Segment NOI—Triple-Net Leased Properties:					
Rental income	\$467,478	\$458,834	\$8,644	1.9	%
Other services revenue	2,275	2,293	(18)	(0.8))
Segment NOI	\$469,753	\$461,127	8,626	1.9	

Segment NOI—Senior Living Operations

The following table summarizes results of continuing operations in our senior living operations reportable business segment:

	For the Six Months Ended June 30,		Increase (Decrease) to Segment NOI		
	2015	2014	\$	%	
(Dollars in thousands)					
Segment NOI—Senior Living Operations:					
Total revenues	\$901,559	\$745,534	\$156,025	20.9	%
Less:					
Property-level operating expenses	(597,614)	(497,719)	(99,895)	(20.1))
Segment NOI	\$303,945	\$247,815	56,130	22.6	

Our senior living operations segment revenues increased during the six months ended June 30, 2015 over the prior year primarily due to the seniors housing communities we acquired after January 1, 2014.

Property-level operating expenses increased during the six months ended June 30, 2015 over the same period in 2014 primarily due to the acquired properties described above, increases in salaries, utilities and food costs and higher management fees primarily due to increased revenues.

The following table compares results of continuing operations for our 237 same-store senior living operating communities. For purposes of this table, we define same-store communities as communities that we owned for the full period in both comparison periods.

	For the Six Months Ended June 30,		Increase (Decrease) to Segment NOI		
	2015	2014	\$	%	
(Dollars in thousands)					
Same-Store Segment NOI—Senior Living Operations:					
Total revenues	\$763,608	\$741,282	\$22,326	3.0	%
Less:					
Property-level operating expenses	(512,760)	(494,776)	(17,984)	(3.6))
Segment NOI	\$250,848	\$246,506	4,342	1.8	

The following table sets forth average unit occupancy rates and the average monthly revenue per occupied room related to continuing operations in our senior living operations segment during the six months ended June 30, 2015 and 2014:

	Number of Properties at June 30,		Average Unit Occupancy For the Six Months Ended June 30,		Average Monthly Revenue Per Occupied Room For the Six Months Ended June 30,	
	2015	2014	2015	2014	2015	2014
Total communities	305	241	91.1	% 90.4	% \$5,260	\$5,546
Same-store communities	237	237	91.0	90.5	5,698	5,565

Segment NOI—MOB Operations

The following table summarizes results of continuing operations in our MOB operations reportable business segment:

	For the Six Months Ended June 30,		Increase (Decrease) to Segment NOI	
	2015	2014	\$	%
(Dollars in thousands)				
Segment NOI—MOB Operations:				
Rental income	\$277,393	\$230,113	\$47,280	20.5 %
Medical office building services revenue	16,607	7,374	9,233	125.2
Total revenues	294,000	237,487	56,513	23.8
Less:				
Property-level operating expenses	(85,670)	(78,680)	(6,990)	(8.9)
Medical office building services costs	(12,682)	(4,997)	(7,685)	(153.8)
Segment NOI	\$195,648	\$153,810	41,838	27.2

The increases in our MOB operations segment NOI during the six months ended June 30, 2015 over the same period in 2014 are attributed primarily to the MOBs we acquired after January 1, 2014 and decreases in operating costs resulting from expense controls, partially offset by increases in insurance and real estate tax expenses.

Medical office building services revenue and costs both increased year over year primarily due to increased construction activity during the six months ended June 30, 2015 over the same period in 2014.

The following table compares results of continuing operations for our 282 same-store MOBs. For purposes of this table, we define same-store MOBs as MOBs that we owned for the full period in both comparison periods.

	For the Six Months Ended June 30,		Increase (Decrease) to Segment NOI	
	2015	2014	\$	%
(Dollars in thousands)				
Same-Store Segment NOI—MOB Operations:				
Rental income	\$224,172	\$222,558	\$1,614	0.7 %
Less:				
Property-level operating expenses	(75,633)	(75,503)	(130)	(0.2)
Segment NOI	\$148,539	\$147,055	1,484	1.0

The following table sets forth occupancy rates and the annualized average rent per occupied square foot related to continuing operations in our MOB operations segment at and for the six months ended June 30, 2015 and 2014:

	Number of Properties at June 30,		Occupancy at June 30,		Annualized Average Rent Per Occupied Square Foot for the Six Months Ended June 30,	
	2015	2014	2015	2014	2015	2014
Total MOBs	368	309	92.1	% 90.1	% \$30	\$30
Same-store MOBs	282	282	90.7	91.1	31	30

Segment NOI—All Other

All other NOI consists primarily of income from loans and investments. Income from loans and investments increased for the six months ended June 30, 2015 over the same period in 2014 primarily due to a \$425.0 million secured mezzanine loan investment we made during 2014 that has a blended annual interest rate of 8.1% and contractual maturities ranging between 2016 and 2019.

Interest Expense

The \$34.0 million increase in total interest expense, including interest allocated to discontinued operations of \$0.4 million and \$1.2 million for the six months ended June 30, 2015 and 2014, respectively, is attributed primarily to \$36.6 million of additional interest due to higher debt balances, partially offset by a \$3.7 million reduction in interest 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, 2015, compared to 3.7% for the same period in 2014.

Depreciation and Amortization

Depreciation and amortization expense increased during the six months ended June 30, 2015 compared to the same period in 2014 primarily due to the real estate acquisitions we made in 2014 and 2015 as well as higher impairment charges recorded during the six months ended June 30, 2015.

Gain (Loss) on Extinguishment of Debt, Net

The loss on extinguishment of debt, net for the six months ended June 30, 2014 resulted primarily from early mortgage repayments. There were no similar transactions during the six months ended June 30, 2015.

Merger-Related Expenses and Deal Costs

The \$29.4 million increase during the six months ended June 30, 2015 over the prior year is primarily due to increased investment activity in the first half of 2015 compared to the first half of 2014.

Income Tax Benefit (Expense)

Income tax benefit for the six months ended June 30, 2015 was due primarily to operating losses at our TRS entities. Income tax expense for the six months ended June 30, 2014 was due primarily to operating income at our TRS entities.

Discontinued Operations

Discontinued operations for the six months ended June 30, 2015 reflects activity related to five properties reported within discontinued operations, two of which were sold during the first half of 2015, resulting in a net gain of \$0.3 million on real estate dispositions during the six months ended June 30, 2015. Discontinued operations for the comparable 2014 period reflects activity related to 17 properties, seven of which were sold during the first half of 2014, resulting in a net gain of \$1.3 million.

Gain on Real Estate Dispositions

Gain on real estate dispositions for the six months ended June 30, 2015 and 2014 primarily relates to the sale of 38 properties and five properties, respectively.

Non-GAAP Financial Measures

We believe that net income, as defined by GAAP, is the most appropriate earnings measurement. 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 their most directly comparable GAAP measures.

The non-GAAP financial measures we present in this Quarterly Report on Form 10-Q may not be identical 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 (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 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 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 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 our 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 impact of future acquisitions or divestitures (including pursuant to tenant options to purchase) and capital transactions; (e) the financial impact of contingent consideration, severance-related costs, charitable donations made to the Ventas Charitable Foundation, gains and losses for non-operational foreign currency hedge agreements and changes in the fair value of financial instruments; and (f) expenses related to the re-audit and re-review in 2014 of our historical financial statements and related matters.

Our FFO and normalized FFO for the three and six months ended June 30, 2015 and 2014 are summarized in the following table. The increase in normalized FFO for the six months ended June 30, 2015 over the same period in 2014 is due primarily to 2014 and 2015 acquisitions and investments, including a \$425.0 million secured mezzanine loan investment we made during 2014, net of related capital costs.

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2015	2014	2015	2014
	(In thousands)			
Net income attributable to common stockholders	\$ 149,821	\$ 138,398	\$ 270,263	\$ 259,445
Adjustments:				
Real estate depreciation and amortization	247,392	189,219	493,043	381,262
Real estate depreciation related to noncontrolling interest	(1,964)	(2,661)	(4,016)	(5,305)
Real estate depreciation related to unconsolidated entities	1,464	1,495	2,926	2,989
Gain on real estate dispositions	(7,469)	(11,889)	(14,155)	(12,889)
Discontinued operations:				
Gain on real estate dispositions	(277)	(45)	(277)	(1,483)
Depreciation on real estate assets	12	1,247	24	1,528
FFO attributable to common stockholders	388,979	315,764	747,808	625,547
Adjustments:				
Change in fair value of financial instruments	70	109	24	41
Non-cash income tax (benefit) expense	(10,389)	2,974	(18,239)	6,407
(Gain) loss on extinguishment of debt, net	(39)	2,924	(18)	2,114
Merger-related expenses, deal costs and re-audit costs	15,135	9,602	51,137	20,363
Amortization of other intangibles	591	255	1,182	511
Normalized FFO attributable to common stockholders	\$ 394,347	\$ 331,628	\$ 781,894	\$ 654,983

Adjusted EBITDA

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2015	2014	2015	2014
	(In thousands)			
Net income	\$150,350	\$138,566	\$271,157	\$259,840
Adjustments:				
Interest	107,701	92,004	214,543	180,523
(Gain) loss on extinguishment of debt, net	(455	) 2,924	(434	) 2,114
Taxes (including tax amounts in general, administrative and professional fees)	(8,569	) 4,577	(16,004	) 9,237
Depreciation and amortization	249,207	192,065	496,660	385,940
Non-cash stock-based compensation expense	4,885	5,367	11,192	11,411
Merger-related expenses, deal costs and re-audit costs	15,010	9,599	50,903	20,359
Gain on real estate dispositions	(7,746	) (11,705	) (14,432	) (14,142
Change in fair value of financial instruments	70	109	24	41
Adjusted EBITDA	\$510,453	\$433,506	\$1,013,609	\$855,323

NOI

We also consider NOI an important supplemental measure to net income 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 (including amounts in discontinued operations). 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 NOI to net income (including amounts in discontinued operations) for the three and six months ended June 30, 2015 and 2014:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2015	2014	2015	2014
	(In thousands)			
Net income	\$150,350	\$138,566	\$271,157	\$259,840
Adjustments:				
Interest and other income	(236)	(173)	(708)	(1,196)
Interest	107,701	92,004	214,543	180,523
Depreciation and amortization	249,207	192,065	496,660	385,940
General, administrative and professional fees	33,962	31,306	68,292	64,172
(Gain) loss on extinguishment of debt, net	(455)	2,924	(434)	2,665
Merger-related expenses and deal costs	14,585	9,599	49,757	20,359
Other	5,159	4,993	10,598	10,338
(Income) loss from unconsolidated entities	(9)	(348)	242	(596)
Income tax (benefit) expense	(9,789)	3,274	(17,039)	6,707
Gain on real estate dispositions	(7,746)	(11,705)	(14,432)	(14,142)
NOI	542,729	462,505	1,078,636	914,610
Discontinued operations	20	(1,809)	36	(3,728)
NOI (excluding amounts in discontinued operations)	\$542,749	\$460,696	\$1,078,672	\$910,882

Liquidity and Capital Resources

As of June 30, 2015, we had a total of \$60.5 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, 2015, we also had escrow deposits and restricted cash of \$194.0 million, including cash held in an Internal Revenue Code Section 1031 exchange escrow account with a qualified intermediary, and \$1.4 billion of unused borrowing capacity available under our unsecured revolving credit facility.

During the six months ended June 30, 2015, 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, including \$400.0 million of senior notes; (iv) fund capital expenditures; (v) fund acquisitions, investments and commitments, including our pending acquisition of Ardent Health Services 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.

In April 2015, third party investors redeemed 445,541 limited partnership units of Ventas Realty Capital Healthcare Trust Operating Partnership, L.P. for approximately \$32.6 million.

Unsecured Revolving Credit Facility and 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, 2015, and a \$200.0 million four-year term loan and an \$800.0 million five-year term loan, each priced at LIBOR plus 1.05% as of June 30, 2015. 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, 2015, we had \$583.8 million of borrowings outstanding, \$14.9 million of letters of credit outstanding and \$1.4 billion of unused borrowing capacity available under our unsecured revolving credit facility.

Senior Notes

In January 2015, we issued and sold \$600.0 million aggregate principal amount of 3.500% senior notes due 2025 at a public offering price equal to 99.663% of par, for total proceeds of \$598.0 million before the underwriting discount and expenses, and \$300.0 million aggregate principal amount of 4.375% senior notes due 2045 at a public offering price equal to 99.500% of par, for total proceeds of \$298.5 million before the underwriting discount and expenses. Also in January 2015, Ventas Canada Finance Limited issued and sold CAD 250.0 million aggregate principal amount of 3.30% senior notes, series C due 2022 at an offering price equal to 99.992% of par, for total proceeds of CAD 250.0 million before the agent fees and expenses. The notes were offered on a private placement basis in Canada. In May 2015, we repaid in full, at par, \$234.4 million aggregate principal amount then outstanding of our 6% senior notes due 2015 upon maturity.

In July 2015, we issued and sold \$500.0 million aggregate principal amount of 4.125% senior notes due 2026 at a public offering price equal to 99.218% of par, for total proceeds of \$496.1 million before the underwriting discount and expenses.

Capital Stock

In January 2015, we issued and sold 3,750,202 shares of common stock under our previous “at-the-market” (“ATM”) equity offering program for aggregate net proceeds of \$285.4 million, after sales agent commissions of \$4.4 million. In March 2015, we replaced our previous shelf registration statement that was scheduled to expire in April in accordance with the SEC’s rules with a new universal shelf registration statement, rendering our previous ATM program inaccessible. In connection therewith, we established a new ATM program pursuant to which we may sell, from time to time, up to an aggregate of \$1.0 billion of our common stock. We have not issued any shares of common stock under the new ATM program.

In June we issued and sold 1,051,664 shares of our common stock under the new ATM equity offering program for aggregate net proceeds of \$66.9 million, after sales agent commissions of \$1.0 million. In July we issued and sold an additional 579,652 shares under the new ATM program for aggregate net proceeds of \$36.4 million, after sales agent commissions of \$0.6 million.

Cash Flows

The following table sets forth our sources and uses of cash flows for the six months ended June 30, 2015 and 2014:

	For the Six Months Ended		Increase	
	June 30, 2015	2014	(Decrease) to Cash \$	%
	(Dollars in thousands)			
Cash and cash equivalents at beginning of period	\$55,348	\$94,816	\$(39,468)	(41.6)%
Net cash provided by operating activities	717,724	595,702	122,022	20.5
Net cash used in investing activities	(996,747)	(385,433)	(611,314)	nm
Net cash provided by (used in) financing activities	284,110	(218,058)	502,168	nm
Effect of foreign currency translation on cash and cash equivalents	97	(392)	489	nm
Cash and cash equivalents at end of period	\$60,532	\$86,635	(26,103)	(30.1)%

nm - not meaningful

Cash Flows from Operating Activities

Cash flows from operating activities increased during the six months ended June 30, 2015 over the same period in 2014 primarily due to 2014 and 2015 acquisitions, the \$37 million payment received from Kindred in January 2015 and increases in fee income, partially offset by increased merger-related expenses and deal costs.

Cash Flows from Investing Activities

Cash used in investing activities during the six months ended June 30, 2015 and 2014 consisted primarily of cash paid for our investments in real estate (\$1.3 billion and \$271.5 million in 2015 and 2014, respectively), purchase of marketable securities (\$46.7 million in 2014), investment in loans receivable and other (\$55.7 million and \$44.5 million in 2015 and 2014, respectively), capital expenditures (\$43.4 million and \$35.5 million in 2015 and 2014, respectively) and development project expenditures (\$62.6 million and \$44.4 million in 2015 and 2014, respectively). These cash outflows were partially offset by proceeds from loans receivable (\$93.3 million and \$6.0 million in 2015 and 2014, respectively), proceeds from real estate disposals (\$273.2 million and \$52.4 million in 2015 and 2014, respectively) and proceeds from the sale of marketable securities (\$57.2 million in 2015).

Cash Flows from Financing Activities

Cash provided by financing activities during the six months ended June 30, 2015 and 2014 consisted primarily of net proceeds from the issuance of debt (\$1.1 billion and \$696.7 million in 2015 and 2014, respectively) and issuance of common stock (\$352.2 million in 2015). Cash used in financing activities consisted primarily of net payments made on our unsecured revolving credit facility and term loans (\$321.3 million and \$200.0 million in 2015 and 2014, respectively), debt repayments (\$278.4 million and \$272.7 million in 2015 and 2014, respectively), cash distributions to common stockholders, unitholders and noncontrolling interest parties (\$530.6 million and \$434.6 million in 2015 and 2014, respectively) and purchases of redeemable OP units (\$33.2 million 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 healthcare or seniors housing properties funded through capital that we or our joint venture partners provide. As of June 30, 2015, we had two properties in development. Through June 30, 2015, we have funded \$6.0 million of our estimated total commitment for such project of \$21.0 million to \$23.6 million.

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.

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

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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, 2015 and December 31, 2014:

	As of June 30, 2015	As of December 31, 2014
	(In thousands)	
Gross book value	\$9,459,673	\$8,488,591
Fair value (1)	9,770,428	8,817,982
Fair value reflecting change in interest rates (1):		
-100 basis points	10,269,835	9,256,492
+100 basis points	9,298,175	8,406,735

(1) The change in fair value of our fixed rate debt from December 31, 2014 to June 30, 2015 was due primarily to 2015 senior note issuances, net of maturities, and additional mortgage loan financing.

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

	As of June 30, 2015	As of December 31, 2014	As of June 30, 2014
	(Dollars in thousands)		
Balance:			
Fixed rate:			
Senior notes and other	\$7,504,411	\$6,677,875	\$6,118,543
Mortgage loans and other (1)	1,955,262	1,810,716	1,909,241
Variable rate:			
Unsecured revolving credit facility	583,765	919,099	179,373
Unsecured term loans	983,146	990,634	1,000,175
Mortgage loans and other (1)	465,689	474,047	369,445
Total	\$11,492,273	\$10,872,371	\$9,576,777
Percentage of total debt:			
Fixed rate:			
Senior notes and other	65.3	% 61.4	% 63.9
Mortgage loans and other (1)	17.0	16.6	19.9
Variable rate:			
Unsecured revolving credit facility	5.1	8.5	1.9
Unsecured term loans	8.6	9.1	10.4
Mortgage loans and other (1)	4.0	4.4	3.9
Total	100.0	% 100.0	% 100.0
Weighted average interest rate at end of period:			
Fixed rate:			
Senior notes and other	3.5	% 3.5	% 3.5
Mortgage loans and other (1)	5.8	5.9	6.0
Variable rate:			
Unsecured revolving credit facility	1.2	1.4	1.2
Unsecured term loans	1.3	1.3	1.3
Mortgage loans and other (1)	2.2	2.3	1.7
Total	3.5	3.5	3.7

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. Borrowings as of December 31, 2014 exclude \$43.5 million of debt related to real estate assets (1)classified as held for sale as of December 31, 2014. Borrowings as of June 30, 2014 exclude \$44.1 million of debt related to real estate assets classified as held for sale as of June 30, 2014. All amounts were included in accounts payable and other liabilities on our Consolidated Balance Sheets.

The variable rate debt in the table above reflects, in part, the effect of \$152.5 million notional amount of interest rate swaps with a maturity of March 21, 2016 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 \$48.7 million notional amount of interest rate swaps with maturities ranging from October 1, 2016 to April 1, 2019, in each case that effectively convert variable rate debt to fixed rate debt. The decrease in our outstanding variable rate debt at June 30, 2015 compared to December 31, 2014 is primarily attributable to the repayment of 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, 2015, our tenant is required to pay us 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, 2015, interest expense for 2015 would increase by approximately \$20.3 million, or \$0.06 per diluted common share. The fair value of our fixed and variable rate debt is based on current interest rates at which we could obtain similar borrowings.

As of June 30, 2015 and December 31, 2014, our joint venture and operating partners' aggregate share of total debt was \$143.6 million and \$141.4 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 \$106.2 million and \$97.5 million as of June 30, 2015 and December 31, 2014, respectively.

As of June 30, 2015 and December 31, 2014, the fair value of our secured and unsecured loans receivable, based on our estimates of currently prevailing rates for comparable loans, was \$760.3 million and \$798.0 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, 2015 (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 that quarter, our normalized FFO per share for the first half of 2015 would decrease or increase, as applicable, by less than 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, 2015. 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, 2015, at the reasonable assurance level.

Internal Control Over Financial Reporting

On January 16, 2015, we acquired HCT in a stock and cash transaction which added 152 properties to our portfolio. We believe that we have implemented adequate procedures and controls to ensure that, during the initial transition period following this acquisition, which includes the remainder of 2015, financial information pertaining to these properties is materially correct and properly reflected in our consolidated financial statements. However, we cannot provide absolute assurance that such information is materially correct in all respects.

During the second quarter of 2015, 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 12—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, 2014.

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

On January 16, 2015, in connection with our acquisition of 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.), 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. 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. The Class C Units were issued solely to “accredited investors” (as such term is defined in Rule 501 under the Securities Act) in reliance on the exemption from registration provided by Section 4(2) of the Securities Act.

Issuer Purchases of Equity Securities

The table below summarizes repurchases of our common stock made during the quarter ended June 30, 2015:

	Number of Shares Repurchased (1)	Average Price Per Share
April 1 through April 30	148	\$74.05
May 1 through May 31	37	68.46
June 1 through June 30	—	—

Repurchases represent shares withheld to pay taxes on the vesting of restricted stock or restricted stock units granted to employees under our 2006 Incentive Plan or 2012 Incentive Plan or under the Nationwide Health Properties, Inc. (“NHP”) 2005 Performance Incentive Plan and assumed by us in connection with our acquisition of (1) 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 Number	Description of Document	Location of Document
4.1	Indenture dated as of July 16, 2015 by and among Ventas Realty, Limited Partnership, Ventas, Inc., the Guarantors named therein, and U.S. Bank National Association, as Trustee.	Incorporated by reference to Exhibit 4.1 to our Current Report on Form 8-K, filed on July 16, 2015.
4.2	First Supplemental Indenture dated as of July 16, 2015 by and among Ventas Realty, Limited Partnership, as Issuer, Ventas, Inc., as Guarantor, and U.S. Bank National Association, as Trustee, relating to the 4.125% Senior Notes due 2026.	Incorporated by reference to Exhibit 4.2 to our Current Report on Form 8-K, filed on July 16, 2015.
10.1	Employee Protection and Noncompetition Agreement between the Company and Todd W. Lillibridge dated June 17, 2015.	Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K, filed on June 22, 2015.
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 27, 2015

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

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