WELLTOWER INC.
Form 10-K
February 18, 2016

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2015

Commission File No. 1-8923

WELLTOWER INC.

(Exact name of registrant as specified in its charter)

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

(419) 247-2800

(Registrant's telephone number, including area code)

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

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, $1.00 par value	New York Stock Exchange
6.50% Series I Cumulative Convertible Perpetual Preferred Stock, $1.00 par value	New York Stock Exchange
6.50% Series J Cumulative Redeemable Preferred Stock, $1.00 par value	New York Stock Exchange
4.800% Notes due 2028	New York Stock Exchange
4.500% Notes due 2034	New York Stock Exchange

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

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

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

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 o

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

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

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

Large accelerated filer	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

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

The aggregate market value of the shares of voting common stock held by non-affiliates of the registrant, computed by reference to the closing sales price of such shares on the New York Stock Exchange as of the last business day of the registrant's most recently completed second fiscal quarter was $23,029,716,957.

As of January 31, 2016, the registrant had 355,140,936 shares of common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement for the annual stockholders' meeting to be held May 5, 2016, are incorporated by reference into Part III.

WELLTOWER INC.

2015 FORM 10-K ANNUAL REPORT

TABLE OF CONTENTS

PART I

Item 1. *Business*

General

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

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

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

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

Portfolio of Properties

Please see "Item 7 – Management's Discussion and Analysis of Financial Condition and Results of Operation – Executive Summary – Company Overview" for a table that summarizes our portfolio as of December 31, 2015.

Property Types

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

Triple-Net

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

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

Continuing Care Retirement Communities. Continuing care retirement communities typically include a combination of detached homes, an independent living facility, an assisted living facility and/or a long-term/post-acute care facility on one campus. These communities appeal to residents because there is no need to relocate when health and medical needs change. Resident payment plans vary, but can include entrance fees, condominium fees and rental fees. Many of these communities also charge monthly maintenance fees in exchange for a living unit, meals and some health services.

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

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

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

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

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

Hospitals. Hospitals are acute care facilities that provide a wide range of inpatient and/or outpatient services, including, but not limited to, surgery, rehabilitation, therapy and clinical laboratories.

Our triple-net segment accounted for 31%, 31% and 31% of total revenues (including discontinued operations) for the years ended December 31, 2015, 2014 and 2013, respectively. We lease 187 facilities to Genesis Healthcare, LLC, an operator of long-term/post-acute care facilities, pursuant to a long-term, triple-net master lease. In addition to rent, the master lease requires Genesis to pay all operating costs, utilities, real estate taxes, insurance, building repairs, maintenance costs and all obligations under certain ground leases. All obligations under the master lease have been guaranteed by FC-GEN Operations Investment, LLC, a subsidiary of Genesis Healthcare, LLC. For the year ended December 31, 2015, our lease with Genesis accounted for approximately 31% of our triple-net segment revenues and 10% of our total revenues.

Seniors Housing Operating

Our seniors housing operating properties include several of the facility types described in “Item 1 – Business – Property Types – Triple-Net”, including independent living facilities and independent supportive living facilities, assisted living facilities, care homes and Alzheimer’s/dementia care facilities.

Properties are primarily held in consolidated joint venture entities with operating partners. We utilize the structure proposed in the REIT Investment Diversification and Empowerment Act of 2007, which is commonly referred to as a “RIDEA” structure (the provisions of the Internal Revenue Code authorizing the RIDEA structure were enacted as part of the Housing and Economic Recovery Act of 2008). See Note 18 to our consolidated financial statements for more information.

Our seniors housing operating segment accounted for 56%, 57% and 59% of total revenues (including discontinued operations) for the years ended December 31, 2015, 2014 and 2013, respectively. We have relationships with 14 operators to own and operate 388 facilities (plus 54 unconsolidated facilities). In each instance, our partner provides management services to the properties pursuant to an incentive-based management contract. We rely on our partners to effectively and efficiently manage these properties. For the year ended December 31, 2015, our relationship with Sunrise Senior Living accounted for approximately 44% of our seniors housing operating segment revenues and 25% of our total revenues.

Outpatient Medical

Our outpatient medical properties include outpatient medical buildings and, prior to June 30, 2015, life science facilities. We typically lease our outpatient medical buildings to multiple tenants and provide varying levels of property management. Our life science investment represented an investment in an unconsolidated joint venture entity. Our outpatient medical segment accounted for 13%, 12% and 13% of total revenues (including discontinued operations) for the years ended December 31, 2015, 2014 and 2013, respectively. No single tenant exceeds 20% of segment revenues.

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

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

Investments

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

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

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

Investment Types

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

At December 31, 2015, approximately 92% of our triple-net properties were subject to master leases. A master lease is a lease of multiple properties to one tenant entity under a single lease agreement. From time to time, we may acquire additional properties that are then leased to the tenant under the master lease. The tenant is required to make one monthly payment that represents rent on all the properties that are subject to the master lease. Typically, the master lease tenant can exercise its right to purchase the properties or to renew the master lease only with respect to all leased properties at the same time. This bundling feature benefits us because the tenant cannot limit the purchase or renewal to the better performing properties and terminate the leasing arrangement with respect to the poorer performing properties. This spreads our risk among the entire group of properties within the master lease. The bundling feature should provide a similar advantage to us if the master lease tenant is in bankruptcy. Subject to certain restrictions, a debtor in bankruptcy has the right to assume or reject each of its leases. It is our intent that a tenant in bankruptcy would be required to assume or reject the master lease as a whole, rather than deciding on a property by property basis.

Our outpatient medical portfolio is primarily self-managed and consists principally of multi-tenant properties leased to health care providers. Our leases typically include increasers and some form of operating expense reimbursement by the tenant. As of December 31, 2015, 82% of our portfolio included leases with full pass through, 15% with a partial expense reimbursement (modified gross) and 3% with no expense reimbursement (gross). Our outpatient medical leases are non-cancellable operating leases that have a weighted-average remaining term of seven years at December 31, 2015 and are often credit enhanced by security deposits, guaranties and/or letters of credit.

Construction. We occasionally provide for the construction of properties for tenants as part of long-term operating leases. We capitalize certain interest costs associated with funds used for the construction of properties owned by us. The amount capitalized is based upon the amount advanced during the construction period using the rate of interest that approximates our company-wide cost of financing. Our interest expense is reduced by the amount capitalized. We also typically charge a transaction fee at the commencement of construction which we defer and amortize to income over the term of the resulting lease. The construction period commences upon funding and terminates upon the earlier of the completion of the applicable property or the end of a specified period. During the construction period, we advance funds to the tenants in accordance with agreed upon terms and conditions which require, among other things, periodic site visits by a Company representative. During the construction period, we generally require an additional credit enhancement in the form of payment and performance bonds and/or completion guaranties. At December 31, 2015, we had outstanding construction investments of $258,968,000 and were committed to provide additional funds of approximately $525,588,000 to complete construction for investment properties.

Real Estate Loans. Our real estate loans are typically structured to provide us with interest income, principal amortization and transaction fees and are generally secured by first/second mortgage liens, leasehold mortgages, corporate guaranties and/or personal guaranties. At December 31, 2015, we had outstanding real estate loans of $819,492,000. The interest yield averaged approximately 8.1% per annum on our outstanding real estate loan balances. Our yield on real estate loans depends upon a number of factors, including the stated interest rate, average principal amount outstanding during the term of the loan and any interest rate adjustments. The real estate loans outstanding at December 31, 2015 are generally subject to one to 15-year terms with principal amortization schedules and/or balloon payments of the outstanding principal balances at the end of the term. Typically, real estate loans are cross-defaulted and cross-collateralized with other real estate loans, operating leases or agreements between us and the obligor and its affiliates.

Investments in Unconsolidated Entities. Investments in entities that we do not consolidate but have the ability to exercise significant influence over operating and financial policies are reported under the equity method of accounting. Our investments in unconsolidated entities generally represent interests ranging from 10% to 50% in real estate assets. Under the equity method of accounting, our share of the investee's earnings or losses is included in our consolidated results of operations. To the extent that our cost basis is different from the basis reflected at the entity level, the basis difference is generally amortized over the lives of the related assets and liabilities, and such amortization is included in our share of equity in earnings of the entity. The initial carrying value of investments in unconsolidated entities is based on the amount paid to purchase the entity interest or the estimated fair value of the assets prior to the sale of interests in the entity. We evaluate our equity method investments for impairment based upon a comparison of the estimated fair value of the equity method investment to its carrying value. When we determine a decline in the estimated fair value of such an investment below its carrying value is other-than-temporary, an impairment is recorded. See Note 7 to our consolidated financial statements for more information.

Principles of Consolidation

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

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

For investments in joint ventures, we evaluate the type of rights held by the limited partner(s), which may preclude consolidation in circumstances in which the sole general partner would otherwise consolidate the limited partnership. The assessment of limited partners' rights and their impact on the presumption of control over a limited partnership by the sole general partner should be made when an investor becomes the sole general partner and should be reassessed if (i) there is a change to the terms or in the exercisability of the rights of the limited partners, (ii) the sole general partner increases or decreases its ownership in the limited partnership, or (iii) there is an increase or decrease in the number of outstanding limited partnership interests. We similarly evaluate the rights of managing members of limited liability companies.

Borrowing Policies

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

Competition

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

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

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

Employees As of January 31, 2016, we had 476 employees.

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

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

Health Care Industry

The demand for health care services, and consequently health care properties, is projected to reach unprecedented levels in the near future. The Centers for Medicare and Medicaid Services (“CMS”) projects that national health expenditures will rise to approximately $3.4 trillion in 2016 or 18.1% of gross domestic product (“GDP”). The average annual growth in national health expenditures for 2014 through 2024 is expected to be 5.8%.

While demographics are the primary driver of demand, economic conditions and availability of services contribute to health care service utilization rates. We believe the health care property market may be less susceptible to fluctuations and economic downturns relative to other property sectors. Investor interest in the market remains strong, especially in specific sectors such as private-pay senior living and outpatient medical buildings.

The total U.S. population for 2014 through 2024 is projected to increase by 9.1%. The elderly population aged 65 and over is projected to increase by 40% through 2024. The elderly are an important component of health care utilization, especially independent living services, assisted living services, long-term/post-acute care services, inpatient and outpatient hospital services and physician ambulatory care. Most health care services are provided within a health care facility such as a hospital, a physician’s office or a seniors housing community. Therefore, we believe there will be continued demand for companies, such as ours, with expertise in health care real estate.

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

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

Certain Government Regulations

United States

Health Law Matters — Generally

Typically, operators of seniors housing facilities do not receive significant funding from government programs and are largely subject to state laws, as opposed to federal laws. Operators of long-term/post-acute care facilities and hospitals do receive significant funding from government programs, and these facilities are subject to the federal and state laws that regulate the type and quality of the medical and/or nursing care provided, ancillary services (*e.g.*, respiratory, occupational, physical and infusion therapies), qualifications of the administrative personnel and nursing staff, the adequacy of the physical plant and equipment, reimbursement and rate setting and operating policies. In addition, as described below, operators of these facilities are subject to extensive laws and regulations pertaining to health care fraud and abuse, including, but not limited to, the Federal Anti-Kickback Statute, the Federal Stark Law, and the Federal False Claims Act, as well as comparable state law counterparts. Hospitals, physician group practice clinics, and other health care providers that operate in our portfolio are subject to extensive federal, state, and local licensure, registration, certification, and inspection laws, regulations, and industry standards. Our tenants' failure to comply with any of these, and other, laws could result in loss of accreditation; denial of reimbursement; imposition of fines; suspension, decertification, or exclusion from federal and state health care programs; loss of license; or closure of the facility.

Licensing and Certification

The primary regulations that affect seniors housing facilities with assisted living are state licensing and registration laws. In granting and renewing these licenses, the state regulatory agencies consider numerous factors relating to a property's physical plant and operations, including, but not limited to, admission and discharge standards, staffing, and training. A decision to grant or renew a license is also affected by a property owner's record with respect to patient and consumer rights, medication guidelines, and rules. Certain of the seniors housing facilities mortgaged to or owned by us may require the resident to pay an entrance or upfront fee, a portion of which may be refundable. These entrance fee communities are subject to significant state regulatory oversight, including, for example, oversight of each facility's financial condition; establishment and monitoring of reserve requirements, and other financial restrictions; the right of residents to cancel their contracts within a specified period of time; lien rights in favor of residents; restrictions on change of ownership; and similar matters. Such oversight, and the rights of residents within these entrance fee communities, may have an effect on the revenue or operations of the facility operators, and, therefore, may adversely affect us.

Certain health care facilities are subject to a variety of licensure and certificate of need ("CON") laws and regulations. Where applicable, CON laws generally require, among other requirements, that a facility demonstrate the need for (1) constructing a new facility, (2) adding beds or expanding an existing facility, (3) investing in major capital equipment or adding new services, (4) changing the ownership or control of an existing licensed facility, or (5) terminating services that have been previously approved through the CON process. Certain state CON laws and regulations may restrict the ability of operators to add new properties or expand an existing facility's size or services. In addition, CON laws may constrain the ability of an operator to transfer responsibility for operating a particular facility to a new operator. If we have to replace a property operator who is excluded from participating in a federal or state health care program (as discussed below), our ability to replace the operator may be affected by a particular state's CON laws, regulations, and applicable guidance governing changes in provider control.

With respect to licensure, generally our long-term/post-acute care facilities and acute care facilities are required to be licensed and certified for participation in Medicare, Medicaid, and other federal and state health care programs. This generally requires license renewals and compliance surveys on an annual or bi-annual basis. The failure of our operators to maintain or renew any required license or regulatory approval as well as the failure of our operators to correct serious deficiencies identified in a compliance survey could require those operators to discontinue operations at a property. In addition, if a property is found to be out of compliance with Medicare, Medicaid, or other federal or state health care program conditions of participation, the property operator may be excluded from participating in those government health care programs. Any such occurrence may impair an operator's ability to meet their financial obligations to us. If we have to replace an excluded-property operator, our ability to replace the operator may be affected by federal and state laws, regulations, and applicable guidance governing changes in provider control. This may result in payment delays, an inability to find a replacement operator, a significant working capital commitment from us to a new operator or other difficulties.

Reimbursement

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

Seniors Housing Facilities (excluding long-term/post-acute care facilities). Approximately 54% of our overall revenues for the year ended December 31, 2015 were attributable to U.S. seniors housing facilities. The majority of the revenues received by the operators of these facilities are from private pay sources. The remaining revenue source is primarily Medicaid under certain waiver programs. As a part of the Omnibus Budget Reconciliation Act ("OBRA") of 1981, Congress established a waiver program enabling some states to offer Medicaid reimbursement to assisted living providers as an alternative to institutional long-term care services. The provisions of OBRA, the subsequent OBRA Acts of 1987 and 1990, and certain provisions of the Patient Protection and Affordable Care Act of 2010 ("PPACA"), permit states to seek a waiver from typical Medicaid requirements or otherwise amend their state plans to develop cost-effective alternatives to long-term care, including Medicaid payments for assisted living and home health. As of September 30, 2015, 16 of our 44 seniors housing operators received Medicaid reimbursement pursuant to Medicaid waiver programs. For the twelve months ended September 30, 2015, approximately 1.4% of the revenues at our seniors housing facilities were from Medicaid reimbursement. There can be no guarantee that a state Medicaid program operating pursuant to a waiver will be able to maintain its waiver status.

Rates paid by self-pay residents are set by the facilities and are determined by local market conditions and operating costs. Generally, facilities receive a higher payment per day for a private pay resident than for a Medicaid beneficiary who requires a comparable level of care. The level of Medicaid reimbursement varies from state to state. Thus, the revenues generated by operators of our assisted living facilities may be adversely affected by payor mix, acuity level, changes in Medicaid eligibility, and reimbursement levels. In addition, a state could lose its Medicaid waiver and no longer be permitted to utilize Medicaid dollars to reimburse for assisted living services. Changes in revenues could in turn have a material adverse effect on an operator's ability to meet its obligations to us.

Long-Term/Post-Acute Care Facilities. Approximately 14% of our overall revenues for the year ended December 31, 2015 were attributable to long-term/post-acute care facilities. The majority of the revenues received by the operators of these facilities are from the Medicare and Medicaid programs, with the balance representing reimbursement payments from private payors, including private insurers. Consequently, changes in federal or state reimbursement policies may adversely affect an operator's ability to cover its expenses, including our rent or debt service. Long-term/post-acute care facilities are subject to periodic pre- and post-payment reviews, and other audits by federal and state authorities. A review or audit of a property operator's claims could result in recoupments, denials, or delay of payments in the future, which could have a material adverse effect on the operator's ability to meet its financial obligations to us. Due to the significant judgments and estimates inherent in payor settlement accounting, no assurance can be given as to the adequacy of any reserves maintained by our property operators to cover potential adjustments to reimbursements, or to cover settlements made to payors. Recent attention on billing practices, payments, and quality of care, or ongoing government pressure to reduce spending by government health care programs, could result in lower payments to long-term/post-acute care facilities and, as a result, may impair an operator's ability to meet its financial obligations to us.

Medicare Reimbursement and Long-Term/Post-Acute Care Facilities. For the twelve months ended September 30, 2015, approximately 34% of the revenues at our long-term/post-acute care facilities were paid by Medicare. Generally, long-term/post-acute care facilities are reimbursed under the Medicare Skilled Nursing Facility Prospective Payment System ("SNF PPS"), the Inpatient Rehabilitation Facility Prospective Payment System ("IRF PPS"), or the Long Term Care Hospital Prospective Payment System ("LTCH PPS"). There is a risk under these payment systems that costs will exceed the fixed payments, or that payments may be set below the costs to provide certain items and services, which could result in immediate financial difficulties for operators, and could cause operators to seek bankruptcy protection.

The CMS, an agency of the Department of Health and Human Services ("HHS"), made positive payment updates for the 2016 fiscal year under the SNF PSS, the IRF PPS and the LTCH PPS.

- On August 4, 2015, CMS published a final rule regarding fiscal year 2016 ("FY16") Medicare payment rates for skilled nursing facilities ("SNFs"). Under the rule, CMS projects that aggregate payments to SNFs will increase by $430 million, or 1.2%, from payments in fiscal year 2015.

- On August 6, 2015, CMS published a final rule for the IRF PPS. Under the final rule, inpatient rehabilitation facilities ("IRFs") will receive a net increase of 1.8%, accounting for adjustments, such as the multifactor productivity adjustment. An additional 0.1% increase to aggregate payments due to updating the outlier threshold results in an overall update of 1.8% relative to payments in fiscal year 2015. CMS estimates aggregate payments to IRFs will increase by $135 million in fiscal year 2016.

- On August 17, 2015, CMS published a final rule regarding FY16 Medicare payment rates for long-term care hospitals ("LTCHs"). Under the rule, standard LTCH PPS rates will increase 1.7%. CMS projects overall payments to LTCHs under the rule would decrease by 4.6%, or $250 million, due to the statutory decrease in payment rates for site neutral LTCH PPS cases. Site neutral LTCH PPS cases do not meet the clinical criteria to qualify for the higher standard LTCH PPS payment rates.

Other Laws, Regulations (Proposed and Final), and Initiatives Affecting Medicare Reimbursement for LTCHs, SNFs, and IRFs. On December 26, 2013, the President signed into law the Pathway for SGR Reform Act ("SGR Reform"). SGR Reform implemented several changes to the Medicare payment rules for LTCHs. For a discharge in cost reporting periods beginning on or after October 1, 2015, specified cases in LTCHs will receive the "applicable" site-neutral payment rate. Specifically, payment rates will be blended for discharges in cost reporting periods beginning in fiscal year 2016 and fiscal year 2017, consisting of half of the site neutral payment rate and half of the payment rate that would otherwise apply, and then shift to all site-neutral payments in fiscal year 2018. Patients with a three-day stay in an intensive care unit prior to LTCH admission or ventilator patients with at least 96 hours are exempted from the lower site-neutral payments if the discharge does not have a principal diagnosis relating to a psychiatric diagnosis or to rehabilitation. Beginning in fiscal year 2020, LTCHs are to maintain at least 50% of patients that are excluded from the site-neutral payments. SGR Reform also requires the Medicare Payment Advisory Committee ("MedPAC") to conduct a study and submit a report to Congress by June 30, 2019 that includes recommendations that address these changes to the LTCH payment policies. Additionally, beginning in fiscal year 2016, calculation of length of stay requirements for LTCHs will exclude any patients for whom payment is made (i) at the site-neutral payment rate and (ii) under any Medicare Advantage plan. SGR Reform also delayed implementation of a limit of no more than 25% of patients referred from any one hospital ("25% Rule") for another three years, and the Secretary of HHS must issue a report in two years on the need for any further extension or modifications to the 25% Rule. Finally, SGR Reform reinstituted a moratorium on new LTCHs or any increase in LTCH beds from January 1, 2015 through September 30, 2017.

On April 1, 2014, the Protecting Access to Medicare Act of 2014 ("Access to Medicare Act") was enacted. The Access to Medicare Act implements value-based purchasing for SNFs. Beginning in fiscal year 2019, 2% of SNF payments will be withheld and approximately 50% to 70% of the amount withheld will be paid to SNFs through value-based payments. SNFs began reporting the claims-based 30-Day All-Cause Readmission Measure on October 1, 2015 and will begin reporting a resource use measure by October 1, 2016. Both measures will be publicly available by October 1, 2017.

On October 6, 2014, the President signed into law the Improving Medicare Post-Acute Transformation Act of 2014 ("IMPACT Act"). The law applies to SNFs, LTCHs, IRFs and home health agencies and requires providers to report standardized patient assessment data, data on quality measures, and data on resource use and other measures. The law requires public reporting of quality and resource use and other measures. MedPAC is required to submit a report to

Congress by June 30, 2016, evaluating and recommending features of a post-acute payment system that establishes payment rates according to individual characteristics instead of the post-acute setting where the patient is treated. The report must include a technical prototype for a post-acute prospective payment system and the impact of moving from the current to the new payment system.

On July 16, 2015, CMS issued a proposed rule that, for the first time in nearly 25 years, would comprehensively update the SNF requirements for participation under Medicare and Medicaid. Among other things, the proposed rule addresses requirements relating to quality of care and quality of life, facility responsibilities and staffing considerations, resident assessments, and compliance and ethics programs. CMS estimates that this rule would result in an estimated first-year cost of approximately $46,491 per facility and a subsequent-year cost of $40,685 per facility on 15,691 LTCHs.

On November 24, 2015, CMS published a final rule to bundle the costs for Lower Extremity Joint Replacement procedures in certain geographic areas. The bundle will begin with the hospital admission and continue for 90 days following hospital discharge. The following services, among others, will be included: physician services, inpatient hospital services (including readmission), LTCH, inpatient rehabilitation, SNF, and/or home health services, hospital outpatient services, outpatient therapy, clinical lab, and hospice. Hospitals subject to the bundling requirements with spending below an established target price that meet the threshold on certain quality measures could earn a reconciliation payment from Medicare. Hospitals with spending that exceeds the target will need to pay the difference to Medicare.

On December 1, 2015, CMS published a notice seeking comments on the methodology used to cut Medicare Part A hospital reimbursement by 0.2% as part of the original “Two-Midnight” payment policy. The notice was issued in response to a federal district court’s finding in September that CMS did not adequately explain its reasoning for the 0.2% pay cut in 2013. In accordance with the federal district court's order in *Shands Jacksonville Medical Center, Inc., et al. v. Burwell, No. 14-263 (D.D.C.)*, the notice discusses the basis for the 0.2% reduction and its underlying assumptions and invites comments on the same to facilitate the CMS's further consideration of the fiscal year 2014 reduction.

Finally, in January 2016, MedPAC finalized its recommendations, advising Congress that Medicare payments should remain the same in fiscal year 2017 for LTCHs and IRFs, among other institutions. The final recommendations also urge Congress to eliminate the market basket updates for SNFs for fiscal year 2017 and 2018 and direct the Secretary of HHS to revise the SNF prospective payment system. To the extent such recommendations are implemented, they could impact our operators and tenants.

HHS Office of Inspector General ("OIG") Recommendations Addressing SNF Billing. In the OIG's March 2015 Compendium of Priority Recommendations, a report that highlights the OIG's previous recommendations for which corrective action has not been completed, the OIG cited its prior November 2012 report addressing questionable billing practices by SNFs. The OIG recommended, among other things, changing the current method for determining how much therapy is needed to ensure appropriate payments, monitoring compliance with new therapy assessments, and improving accuracy of data submitted by SNFs. Similarly, in June 2015, the OIG issued a report analyzing CMS' assessments related to changes in the amount of therapy that a beneficiary receives during stays. The OIG concluded that CMS' new policies create challenges for oversight and that SNFs' use of these assessments cost Medicare $143 million over two years. The OIG recommended, among other things, that CMS (1) reduce the financial incentive for SNFs to use assessments differently when decreasing and increasing therapy and (2) accelerate its efforts to implement a new method for paying for therapy. OIG also issued a report in September 2015, calling for reevaluation of the Medicare payment system for skilled nursing facilities. In particular, OIG found that Medicare payments for therapy greatly exceeded SNFs' costs for therapy, and that, under the current payment system, SNFs increasingly billed for the highest level of therapy even though key beneficiary characteristics remained largely the same. OIG determined that its findings demonstrated the need for CMS to reevaluate the Medicare SNF payment system, concluding that payment reform could save Medicare billions of dollars and encourage SNFs to provide services that are better aligned with beneficiaries' care needs. Most recently, OIG issued (1) its findings regarding the fiscal year 2015 Top Management and Performance Challenges Facing HHS and (2) the FY 2016 OIG Work Plan. Both cited SNF billing as an area that creates incentives for providers to bill more expensive care instead of the appropriate levels of care, requiring ongoing government monitoring and auditing for compliance. If followed, these reports and recommendations may impact our operators and tenants.

Medicare Reimbursement for Physicians, Hospital Outpatient Departments, and Ambulatory Surgical Centers. Historically, CMS annually adjusted the Medicare Physician Fee Schedule payment rates based on an update formula that included application of the Sustainable Growth Rate ("SGR"). As noted above, on April 1, 2014, President Obama signed into law the Access to Medicare Act, which, among other things, provided for a 0% update to the 2015 Medicare Physician Fee Schedule through March 31, 2015. On November 13, 2014, CMS published the calendar year 2015 Physician Fee Schedule final rule, which, consistent with the Access to Medicare Act, called for a 0% update from January 1, 2015 through March 31, 2015 and a negative 21.2% update under the statutory SGR formula for April 1, 2015 through December 31, 2015. However, on April 16, 2015, President Obama signed and enacted into law H.R. 2, the Medicare Access and CHIP Reauthorization Act of 2015, which, among other things:

- Repeals the SGR;

- Institutes a 0% update to the single conversion factor under the Medicare Physician Fee Schedule from January 1 through June 30, 2015, a 0.5% update for July 2015 through the end of 2019, and a 0% update for 2020 through 2025. For 2026 and subsequent years, the update will be either 0.75% or 0.25%, depending on which Alternate Payment Model the physician participates;

- Delays the Geographic Practice Cost Indices payment adjustment until January 1, 2018;

- Extends the therapy cap exceptions process through December 31, 2017; and

- Imposes a market basket update of 1% for skilled nursing providers for FY 2018.

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

Additionally, the Bipartisan Budget Act of 2015, enacted on November 2, 2015, contains a provision that alters how much Medicare pays for outpatient services furnished by hospitals. Pursuant to Section 603 of the Act, effective January 1, 2017, an off-campus hospital outpatient department ("HOPD") will no longer qualify for Medicare payment under the Hospital Outpatient Prospective Payment System, unless the off-campus HOPD was established prior to the date of enactment (November 2, 2015), and Medicare payment will, instead, be made under the applicable non-hospital payment system (i.e., the Physician Fee Schedule or Ambulatory Surgical Center ("ASC") system), which typically provides for lower payment rates. This site-neutrality provision is intended to address policymakers' concerns that Medicare's current payment policies incentivize hospitals to acquire and label physician practices and ASCs as HOPDs due to higher rates available for services furnished in hospital outpatient settings. It is unclear whether this provision will significantly impact Welltower's operators and tenants.

CMS also issued additional rules which could impact our tenants and operators.

- On November 13, 2015, CMS published a final rule regarding 2016 Medicare payment rates for HOPDs and ASCs. Under the rule, CMS reduced payments to HOPDs by 0.3% and increased payments to ASCs by 0.3%. The final rule also included updates to the "Two-Midnight" rule regarding when inpatient admissions are appropriate for payment under Medicare Part A. Under the final rule, an inpatient admission lasting less than two midnights would be payable under Medicare Part A on a case-by-case basis based on the judgment of the admitting physician, supported by documentation in the medical record.

- On November 16, 2015, CMS published a final rule regarding 2016 Medicare payment rates under the Physician Fee Schedule. Among other final policies, CMS finalized its plans to initiate implementation of the new payment system for physicians and other practitioners, the Merit-Based Incentive Payment System ("MIPS"), required by the legislation that repealed the SGR. Under the legislation, the MIPS will be fully implemented in calendar year 2019.

Medicaid Reimbursement and Long-Term/Post-Acute Care Facilities. For the twelve months ended September 30, 2015, approximately 41% of the revenues of long-term/post-acute care facilities were paid by Medicaid. The federal and state governments share responsibility for financing Medicaid. The federal matching rate, known as the Federal Medical Assistance Percentage, varies by state based on relative per capita income, but is at least 50% in all states. According to the National Association of State Budget Officers, Medicaid was the largest component of total state spending, representing approximately 27.4% of total state expenditures in state fiscal year 2015. The percentage of Medicaid dollars for long-term/post-acute care facilities varies from state to state, due in part to different ratios of elderly population and eligibility requirements. Within certain federal guidelines, states have a fairly wide range of discretion to determine eligibility and reimbursement methodology. Many states reimburse SNFs, for example, using fixed daily rates, which are applied prospectively based on patient acuity and the historical costs incurred in providing patient care. Reasonable costs typically include allowances for staffing, administrative and general expenses, property, and equipment (*e.g.*, real estate taxes, depreciation and fair rental).

In most states, Medicaid does not fully reimburse the cost of providing services. Certain states are attempting to slow the rate of Medicaid growth by freezing rates or restricting eligibility and benefits. Average Medicaid rates for our long-term/post-acute care facilities will likely vary throughout the year as states continue to make interim changes to their budgets and Medicaid funding. In addition, Medicaid reimbursement rates may decline if revenues in a particular state are not sufficient to fund budgeted expenditures.

Health Reform Laws. On March 23, 2010, the President signed into law the PPACA and the Health Care and Education Reconciliation Act of 2010, which amends the PPACA (collectively, the "Health Reform Laws"). The Health Reform Laws contain various provisions that may directly impact us or the operators and tenants of our properties. Some provisions of the Health Reform Laws may have a positive impact on our operators' or tenants' revenues, by, for example, increasing coverage of uninsured individuals, while others may have a negative impact on the reimbursement of our operators or tenants by, for example, altering the market basket adjustments for certain types of health care facilities. The Health Reform Laws also enhance certain fraud and abuse penalty provisions that could apply to our operators and tenants, in the event of one or more violations of the federal health care regulatory laws. In addition, there are provisions that impact the health coverage that we and our operators and tenants provide to our respective employees. The Health Reform Laws also provide additional Medicaid funding to allow states to carry out the expansion of Medicaid coverage to certain financially–eligible individuals beginning in 2014, and have also permitted states to expand their Medicaid coverage to these individuals since April 1, 2010, if certain conditions are met. On June 28, 2012, the United States Supreme Court upheld the individual mandate of the Health Reform Laws but partially invalidated the expansion of Medicaid. The ruling on Medicaid expansion will allow states not to participate in the expansion – and to forego funding for the Medicaid expansion – without losing their existing Medicaid funding. Given that the federal government substantially funds the Medicaid expansion, it is unclear how many states will ultimately pursue this option. The participation by states in the Medicaid expansion could have the dual effect of increasing our tenants' revenues, through new patients, but could also further strain state budgets. While the federal government will pay for approximately 100% of those additional costs from 2014 to 2016, states will be expected to pay for part of those additional costs beginning in 2017.

Challenges to the Health Reform Laws. Since the enactment of the Health Care Laws, there have been multiple attempts through legislative action and legal challenge to repeal or amend the Health Reform Laws, including the case that was before the U.S. Supreme Court, *King v. Burwell*. Although the Supreme Court in *Burwell* upheld the use of subsidies to individuals in federally-facilitated health care exchanges on June 25, 2015, which ultimately did not disrupt significantly the implementation of the Health Care Reform Laws, we cannot predict whether other current or future efforts to repeal or amend the Health Reform Laws will be successful, nor can we predict the impact that such a repeal or amendment would have on our operators or tenants and their ability to meet their obligations to us.

We cannot predict whether the existing Health Reform Laws, or future health care reform legislation or regulatory changes, will have a material impact on our operators' or tenants' property or business. If the operations, cash flows or financial condition of our operators and tenants are materially adversely impacted by the Health Reform Laws or future legislation, our revenue and operations may be adversely affected as well.

Other Related Laws, Initiatives, and Considerations

Long-term/post-acute care facilities (and seniors housing facilities that receive Medicaid payments) are subject to federal, state, and local laws, regulations, and applicable guidance that govern the operations and financial and other arrangements that may be entered into by health care providers. Certain of these laws prohibit direct or indirect payments of any kind for the purpose of inducing or encouraging the referral of patients for medical products or services reimbursable by government health care programs. Other laws require providers to furnish only medically necessary services and submit to the government valid and accurate statements for each service. Still other laws require providers to comply with a variety of safety, health and other requirements relating to the condition of the licensed property and the quality of care provided. Sanctions for violations of these laws, regulations, and other applicable guidance may include, but are not limited to, criminal and/or civil penalties and fines, loss of licensure, immediate termination of government payments, and exclusion from any government health care program. In certain circumstances, violation of these rules (such as those prohibiting abusive and fraudulent behavior) with respect to one property may subject other facilities under common control or ownership to sanctions, including exclusion from participation in the Medicare and Medicaid programs, as well as other government health care programs. In the ordinary course of its business, a property operator is regularly subjected to inquiries, investigations, and audits by the federal and state agencies that oversee these laws and regulations.

Long-term/post-acute care facilities (and seniors housing facilities that receive Medicaid payments) are also subject to the Federal Anti-Kickback Statute, which generally prohibits persons from offering, providing, soliciting, or receiving remuneration to induce either the referral of an individual or the furnishing of a good or service for which payment may be made under a federal health care program, such as Medicare or Medicaid. Long-term/post-acute care facilities are also subject to the Federal Ethics in Patient Referral Act of 1989, commonly referred to as the Stark Law. The Stark Law generally prohibits the submission of claims to Medicare for payment if the claim results from a physician referral for certain designated services and the physician has a financial relationship with the health service provider that does not qualify under one of the exceptions for a financial relationship under the Stark Law. Similar prohibitions on physician self-referrals and submission of claims apply to state Medicaid programs. Further, long-term/post-acute care facilities (and seniors housing facilities that receive Medicaid payments), are subject to substantial financial penalties under the Civil Monetary Penalties Act and the Federal False Claims Act and, in particular, actions under the Federal False Claims Act's "whistleblower" provisions. Private enforcement of health care fraud has increased due in large part to amendments to the Federal False Claims Act that encourage private individuals to sue on behalf of the government. These whistleblower suits brought by private individuals, known as *qui tam* actions, may be filed by almost anyone, including present and former patients, nurses and other employees, and competitors. Significantly, if a claim is successfully adjudicated, the Federal False Claims Act provides for treble damages up to $11,000 per claim.

Prosecutions, investigations, or whistleblower actions could have a material adverse effect on a property operator's liquidity, financial condition, and operations, which could adversely affect the ability of the operator to meet its financial obligations to us. Finally, various state false claim act and anti-kickback laws may also apply to each property operator. Violation of any of the foregoing statutes can result in criminal and/or civil penalties that could have a material adverse effect on the ability of an operator to meet its financial obligations to us.

Other legislative developments, including the Health Insurance Portability and Accountability Act of 1996 (“HIPAA”), have greatly expanded the definition of health care fraud and related offenses and broadened its scope to include private health care plans in addition to government payors. Congress also has greatly increased funding for the Department of Justice, Federal Bureau of Investigation and the Office of the Inspector General of the Department of Health and Human Services to audit, investigate and prosecute suspected health care fraud. Moreover, a significant portion of the billions in health care fraud recoveries over the past several years has also been returned to government agencies to further fund their fraud investigation and prosecution efforts.

Additionally, other HIPAA provisions and regulations provide for communication of health information through standard electronic transaction formats and for the privacy and security of health information. In order to comply with the regulations, health care providers often must undertake significant operational and technical implementation efforts. Operators also may face significant financial exposure if they fail to maintain the privacy and security of medical records and other personal health information about individuals. The Health Information Technology for Economic and Clinical Health (“HITECH”) Act, passed in February 2009, strengthened the HHS Secretary’s authority to impose civil money penalties for HIPAA violations occurring after February 18, 2009. HITECH directs the HHS Secretary to provide for periodic audits to ensure covered entities and their business associates (as that term is defined under HIPAA) comply with the applicable HITECH requirements, increasing the likelihood that a HIPAA violation will result in an enforcement action. CMS issued an interim Final Rule which conformed HIPAA enforcement regulations to the HITECH Act, increasing the maximum penalty for multiple violations of a single requirement or prohibition to $1.5 million. Higher penalties may accrue for violations of multiple requirements or prohibitions. Additionally, on January 17, 2013, CMS released an omnibus final rule, which expands the applicability of HIPAA and HITECH and strengthens the government’s ability to enforce these laws. The final rule broadens the definition of “business associate” and provides for civil money penalty liability against covered entities and business associates for the acts of their agents regardless of whether a business associate agreement is in place. This rule also modified the standard for when a breach of unsecured personally identifiable health information must be reported. Some covered entities have entered into settlement agreements with HHS for allegedly failing to adopt policies and procedures sufficient to implement the breach notification provisions in the HITECH Act. Additionally, the final rule adopts certain changes to the HIPAA enforcement regulations to incorporate the increased and tiered civil monetary penalty structure provided by HITECH, and makes business associates of covered entities directly liable under HIPAA for compliance with certain of the HIPAA privacy standards and HIPAA security standards. HIPAA violations are also potentially subject to criminal penalties.

There has been increased federal and state HIPAA privacy and security enforcement efforts and we expect this trend to continue. Under HITECH, state attorneys general have the right to prosecute HIPAA violations committed against residents of their states. Several such actions have already been brought against both covered entities and a business associate, and continued enforcement actions are likely to occur in the future. In addition, HITECH mandates that the Secretary of HHS conduct periodic compliance audits of HIPAA covered entities and business associates. It also tasks HHS with establishing a methodology whereby individuals who are harmed by HIPAA violations may receive a percentage of the civil monetary penalty fine or monetary settlement paid by the violator.

In addition to HIPAA, numerous other state and federal laws govern the collection, dissemination, use, access to and confidentiality of individually identifiable health information. In addition, some states are considering new laws and regulations that further protect the confidentiality, privacy or security of medical records or other types of medical or personal information. These laws may be similar to or even more stringent than the federal provisions and are not preempted by HIPAA. Not only may some of these state laws impose fines and penalties upon violators, but some afford private rights of action to individuals who believe their personal information has been misused.

Most recently with respect to HIPAA, in September, 2015, OIG issued two reports calling for better privacy oversight of covered entities. The first report, titled “OCR Should Strengthen its Oversight of Covered Entities’ Compliance with the HIPAA Privacy Standards,” found that OCR’s oversight is primarily reactive, as OCR has not fully implemented the required audit program to proactively assess possible noncompliance from covered entities. OIG recommended, among other things, that OCR fully implement a permanent audit program and develop a policy requiring OCR staff to check whether covered entities had previously been investigated for noncompliance. The second report, titled “OCR Should Strengthen its Follow-up of Breaches of Patient Information Reported by Covered Entities,” found that (1) OCR did not record corrective action information for 23% of closed “large-breach” cases in which it made determinations of noncompliance, and (2) OCR did not record “small-breach” information in its case-tracking system, which limits its ability to track and identify covered entities with multiple small breaches. OIG recommended, among other things, that OCR enter small-breach information into its case-tracking system and maintain complete documentation of corrective actions taken. OCR agreed with OIG’s recommendations in both reports. If followed, these reports and recommendations may impact our operators and tenants.

In November 2002, CMS began an ongoing national Nursing Home Quality Initiative (“NHQI”). Under this initiative, historical survey information, the NHQI Pilot Evaluation Report and the NHQI Overview is made available to the public on-line. The NHQI website provides consumer and provider information regarding the quality of care in nursing homes. The data allows consumers, providers, states, and researchers to compare quality information that shows how well nursing homes are caring for their residents’ physical and clinical needs. The posted nursing home quality measures come from resident assessment data that nursing homes routinely collect on the residents at specified intervals during their stay. If the operators of nursing facilities are unable to achieve quality of care ratings that are comparable or superior to those of their competitors, they may lose market share to other facilities, reducing their revenues and adversely impacting their ability to make rental payments.

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

In October 2015, the U.S. Government Accountability Office ("GAO") released a report recommending that CMS continue to improve data and oversight of nursing home quality measures. The GAO found that although CMS collects several types of data that give some insight into the quality of nursing homes, the data could provide a clearer picture of nursing home quality if some underlying problems with the data (*i.e.*, the use of self-reported data and non-standardized survey methodologies) are corrected. The GAO recommends, among other things, that CMS implement a clear plan for ongoing auditing of self-reported data and establish a process for monitoring oversight modifications to better assess their effects. According to the GAO, timely completion of these actions is particularly important because Medicare payments to nursing homes will be dependent on quality data, through the implementation of the value based purchasing program, starting in fiscal year 2019. HHS agreed with the GAO's recommendations, and to the extent such recommendations are implemented, they could impact Welltower's operators and tenants.

According to the U.S. Centers for Disease Control and Prevention, it is not possible to predict the severity of the upcoming flu season or the efficacy of available flu vaccinations. The U.S. experiences epidemics of seasonal flu each year, which result in increased influenza-related hospitalizations and deaths. According to HHS, each flu season, nearly 111 million workdays are lost due to the flu, which equals approximately $7 billion per year in sick days and lost productivity. As such, depending on the severity and duration of the upcoming flu season, the flu could impact Welltower's operators and tenants.

Finally, government investigations and enforcement actions brought against the health care industry have increased dramatically over the past several years and are expected to continue. Some of these enforcement actions represent novel legal theories and expansions in the application of the Federal False Claims Act. The costs for an operator of a health care property associated with both defending such enforcement actions and the undertakings in settling these actions can be substantial and could have a material adverse effect on the ability of an operator to meet its obligations to us.

United Kingdom

Registration

In England, care home services are principally regulated by the Health and Social Care Act 2008 (the "Act") and associated Regulations. The Act requires all persons carrying out "Regulated Activities" in England, and the managers of such persons, to be registered. Regulated Activities are defined in the Health and Social Care Act 2008 (Regulated Activities) Regulations 2014, as amended (the "2014 Regulations"), and include (among other activities):

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

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

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

Service Standards and Notification Obligations

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

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

Failure to comply with certain provisions of the 2014 Regulations is an offense, with a person guilty of the offense liable on summary conviction to a fine. Monetary penalty notices may also be issued.

The 2014 Regulations also include:

- Requirements around fit and proper persons being employed for the purposes of carrying out a regulated activity. Such persons must be of good character, have the qualifications, competence, skills and experience necessary and be able by reason of their health to perform their tasks. Recruitment procedures must also be established and effectively operated with certain specified information being available in relation to each person employed and registered where required;
- A new "duty of candour" to notify and apologize to affected persons, in the event of certain incidents having actually or potentially led to the death of the service user, where the death relates directly to the incident rather than to the natural course of the service user's illness or underlying condition, or severe harm, moderate harm or prolonged psychological harm to the service user;

- A requirement for a service provider to display a performance assessment received as a rating of its performance by the Care Quality Commission (the “CQC”); and
- A requirement that registered persons have regard to guidance issued by the CQC and any code of practice from the Secretary of State in relation to prevention or control of health care associated infections.

Under the Care Quality Commission (Registration) Regulations 2009 certain matters must be notified to the CQC, the government regulatory body overseeing the provision of nursing and other care services in England. Failure to comply with notification obligations is an offense and a person guilty of an offense is liable on summary conviction to a fine of up to £2,500.

Regulatory Oversight and Inspections

The Act also sets out the powers and responsibilities of the CQC. Among other powers, the CQC administers the compulsory registration system and issues guidance to care service providers on how to comply with applicable standards set out in legislation.

The Care Act 2014 sets out certain provisions concerning (among others):

- The duty of a local authority to meet the needs of an adult for care and support and a carer’s needs where the registered care provider is unable to carry on a regulated activity because of business failure;
- The duty of the CQC to assess the financial sustainability of providers subject to its regulatory regime with a view to identifying any threats that such providers may face to their financial sustainability. Where the CQC identifies a significant risk to financial sustainability it can require the provider to develop a sustainability plan setting out the provider’s plan to mitigate or eliminate risk or require the provider to organize an independent review of the business with the costs being recovered from the provider;
- The CQC informing local authorities where a registered care provider is likely to become unable to carry on a regulated activity; and
- A new offense where certain registered care providers supply, publish or make available information that is false or misleading in a material respect which can also apply to a director, manager or person purporting to act as such of a company.

<u>Privacy</u>

In the European Union ("EU"), data protection is governed by the EU Data Protection Directive 95/46/EC (the "Data Protection Directive"). The Data Protection Directive has been implemented in the UK by the Data Protection Act 1998 (the "Act") which entered into force on March 2000 and is enforced by the Information Commissioner's Office ("ICO").

The Act applies to a data controller that processes personal data in the context of an establishment in the UK, or where not established in the UK, in any other State of the European Economic Area ("EEA"), processes personal data through equipment located in the UK other than for the purposes of transit through the UK. Under the Act, a data controller is the person who (either alone or jointly or in common with other persons) determines the purposes for which and the manner in which any personal data are, or are to be, processed. Personal data is widely defined as data which relates to a living individual who can be identified from those data, or from those data and other information which is in the possession of, or is likely to come into the possession of, the data controller. Sensitive personal data is personal data consisting of information as to the racial or ethnic origin of the data subject; his/her political opinions, religious beliefs or other beliefs of a similar nature; whether he/she is a member of a trade union; his/her physical or mental health or condition; his/her sexual life; and the commission or alleged commission by him/her of an offense, any proceedings for any offense committed or alleged to have been committed by him/her, the disposal of such proceedings, or the sentence of any court in such proceedings.

The Act imposes a number of obligations on the data controller contained in eight Data Protection Principles: (i) personal data must be processed fairly and lawfully, (ii) personal data must be processed for specified and lawful purposes, (iii) personal data must be adequate, relevant and not excessive, (iv) personal data must be accurate and up to date, (v) personal data must not be kept for longer than necessary, (vi) personal data must be processed in accordance with the rights of data subjects, (vii) appropriate technical and organizational measures shall be taken against unauthorized or unlawful processing of personal data and against accidental loss or destruction of, or damage to, personal data; and (viii) there is a prohibition on transfers of personal data to countries outside the EEA that are not deemed by the European Commission to provide an adequate level of protection, which includes the U.S., unless certain exemptions under the Act apply.

The ICO has a number of enforcement powers available which includes, in certain limited cases, criminal prosecution and non-criminal enforcement and audits. In case of a breach of the Act, the ICO may: (i) provide practical advice to organizations on how they should handle data protection matters; (ii) issue undertakings committing an organization to a particular course of action in order to improve its compliance; (iii) serve enforcement notices where there has been a breach, requiring organizations to take (or refrain from taking) specified steps in order to ensure they comply with the law; (iv) conduct consensual assessments (audits) to determine if organizations are complying; (v) serve assessment notices to conduct compulsory audits to assess whether organizations' processing of personal data follows good data protection practices; (vi) issue monetary penalty notices requiring organizations to pay up to £500,000 for serious breaches of the Act occurring on or after April 6, 2010 or serious breaches of the Privacy and Electronic Communications Regulations occurring after May 26, 2011; and (vii) prosecute those who commit criminal offenses under the Act. Under the Act, individuals also have the right to claim compensation from an organization in respect of damage caused by a breach of any of the requirements of the Act.

There is a proposal for an EU Data Protection Regulation which would replace the Data Protection Directive and impose a significant number of new obligations including, among others, a requirement to appoint data protection officers, having detailed documentation on the processing of personal data, carrying out privacy impact assessments in certain circumstances, providing standardized data protection notices, reporting security breaches without undue delay, and providing certain rights to individuals such as a right of erasure of personal data. The EU Data Protection Regulation is to have significant enforcement powers with fines proposed by the European Commission of up to 2% of annual worldwide turnover or €20 million, whichever is greater. The EU Data Protection Regulation may be adopted sometime in 2016 with EU Member States possibly having two years to implement the Regulation.

Canada

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

Licensing and Regulation

Alberta

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

Retirement Homes (also referred to as independent living) are designed for older adults who are able to live on their own. These communities may offer amenities such as fitness centers, gardens, paths, libraries, and beauty salons. Residents may access publicly-funded external care services at the home from funded external suppliers.

Alberta retirement residences may be rented, privately owned, or life-leased. They may be operated for profit or non-profit. Retirement residences typically do not offer support services but residents may arrange support services separate from their accommodations.

Retirement homes do not generally receive government funding; residents pay for tenancy and services received at retirement homes. Rental subsidies may be available to qualified seniors.

Alberta Independent Living residences are legislated under the Residential Tenancies Act, SA 2004, c R-17.1 and the Alberta Housing Act, RSA 2000, c A-25.

Supportive Living (also referred to as assisted living) provides accommodation in a home-like setting, where residents can remain as independent as possible while still having access to necessary care, assistance, and services. A provider of designated Supportive Living services provides at least one meal a day or housekeeping services. Supportive living includes many different types of facilities, including seniors lodges, group homes, and mental health and designated supportive living accommodations. These facilities can be operated by private for-profit, private not-for-profit, or public operators.

Supportive Living services are licensed under the Supportive Living Accommodation Licensing Act, SA 2009, c S-23.5, and the Supportive Living Accommodation Licensing Regulation, Alta Reg 40/2010. They are governed by the Ministry of Health.

Operators that receive public funds, either directly or indirectly, for health and personal care services must also comply with the Ministry of Health Continuing Care Health Service Standards (March 2007, and revised). They are also subject to the Protection for Persons in Care Act, SA 2009, c P-29.1, under which the province investigates suspected abuse of adults receiving government-funded care services.

Licenses may be granted for periods of six months to three years, depending on how long the facility has been licensed, and depending on past reports. The Ministry, through a designated director, may conduct inspections of facilities and review records. The

Director may order a delinquent facility to take specific steps or to stop certain practices or may temporarily stop operations; alternatively, the facility's license may be suspended.

There are four levels of supportive living, ordered from basic to more advance care: (1) Residential Living (residents can manage most daily tasks and direct own care and assistance can be scheduled); (2) Lodge Living (residents can manage some daily tasks and direct own care and assistance can be scheduled, although some non-scheduled assistance may be required); (3) Assisted Living (residents require assistance with many daily tasks, with increased scheduled and some non-scheduled assistance required); (4) Enhanced Level (residents require assistance with most or all daily tasks and frequent unscheduled assistance). In addition, there are two specialized designations of Supportive Care: (1) Alberta Enhanced Assisted Living (also referred to as Enhanced Lodges or Alberta Designated Supportive Living Level 4 (SL4) (provides 24-hour scheduled and unscheduled professional, personal care and support services provided by Licensed Practical Nurses and Health Care Aides); and (2) Enhanced Assisted Living Dementia Care Sites (also referred to as Designated Supportive Living Level 4 Dementia (SL4-D)) (provides assisted living for seniors living with cognitive impairments (such as Alzheimer's disease or other types of dementia) who require safe and secure living accommodation in a therapeutic environment).

Residents pay a fee to cover the costs of providing accommodations and services like meals, housekeeping and building maintenance. The accommodation fee varies by accommodation type and the services or amenities that are available to the resident. Alberta Health regulates the maximum accommodation fee in publicly-funded designated supportive living. In other types of supportive living settings, the operator sets the cost of accommodation. Health services are publicly-funded and provided through Alberta Health Services. Private sector operators of Supportive Living facilities are eligible to apply for funding under the Affordable Supportive Living Initiative ("ASLI"), an Alberta government capital grant program that provides funding to develop long-term care and affordable supportive living spaces in the province.

Nursing Homes (also referred to as long-term care) are for residents who have complex, unpredictable medical needs and who require 24-hour on-site registered nurse assessment or treatment.

Nursing homes are subject to the Nursing Homes Act, RSA 2000, c N-7, and the Nursing Home General Regulation, Alta Reg 232/1985, and Long-term Care Accommodation Standards. They are governed by the Ministry of Health.

Nursing home operators are not licensed, but enter into agreements with the Ministry for the operation of nursing homes. These facilities can be operated by private for-profit, private not-for-profit, or public operators.

All operators must comply with the Ministry of Health Long-term Care Accommodation Standards (March 2007, and revised). Operators that receive public funds, either directly or indirectly, for health and personal care services must also comply with the Continuing Care Health Service Standards and are subject to the Protection for Persons in Care Act.

The Ministry may conduct inspections of facilities and review records. Deficient facilities may be ordered to submit a correction plan.

Residents pay an accommodation fee to cover the costs of providing accommodations and services like meals, housekeeping and building maintenance. Alberta Health regulates the maximum accommodation fee in publicly-funded long-term care facilities. In other types of supportive living settings, the accommodation fee is set by the operator. Health services in long-term care are publicly-funded and provided through Alberta Health Services. Private sector operators of nursing homes are eligible to apply for funding under the ASLI. The Minister may make grants to an operator in respect of its operating or capital costs as prescribed by the regulations.

Ontario

Long-term care facilities, or nursing homes, receive government funding, are licensed under the Long-Term Care Homes Act, 2007 and are governed by the Ministry of Health and Long-Term Care. The LTC Homes Act places a strong emphasis on the protection of residents.

Retirement homes in Ontario are regulated under the Retirement Homes Act, 2010 (the "Act"). Retirement homes do not receive any government funding; residents pay for tenancy and services received at retirement homes. Residents may access publicly-funded external care services at the home from funded external suppliers.

A license is required to operate a retirement home. Licenses must be applied for and are non-transferable. Applications for licenses are directed to the Registrar of the Retirement Homes Regulatory Authority ("RHRA"). All of the homes in which we have an interest in Ontario are licensed as retirement homes. One of the homes also has some licensed long-term care beds.

Licenses can have conditions imposed upon them or can be suspended in circumstances where the operator is found to be in contravention of the Act. There is no set renewal period for licenses, and they terminate according to the terms set out in the license itself, or if one of the enumerated triggering mechanisms occurs (for example, if the operator ceases to have controlling interest in the license).

The licensee of a retirement home must ensure that the care provided by the home meets prescribed standards. The Act and its regulations include a number of detailed provisions with respect to care standards, safety plans in the event of emergency or infectious disease, temperature control, cleanliness, pest control, maintenance, food preparations, risk of resident falls and behavioral management, among other things. A care plan must be developed for each resident of the home (with their consent). The Act establishes a Residents' Bill of Rights, which provides residents with a list of rights, such as the right to participate fully in decision-making with respect to care, the right not to be restrained and the right to know what care services are provided and their cost. The Residents' Bill of Rights can be enforced as a contract.

The Act requires a report to the RHRA when any person has reasonable grounds to suspect abuse of a resident by anyone, or neglect of a resident by staff. Following a report to the RHRA, there is a mandatory inspection carried out by the RHRA, which results in a report that is posted on the RHRA's public website. The most recent report must also be posted in the subject home, and be readily available for review if requested thereafter. The Registrar of the RHRA can receive complaints about a retirement home contravening a provision of the Act, and if such a complaint is received, it must be reviewed promptly. The Registrar may ask the retirement home that is the subject of the complaint to provide information relevant to the complaint, and has the power to conduct an inspection, issue a written warning or take other action as prescribed in the regulations.

The Registrar of the RHRA has the power to inspect a retirement home at any time without warning or issue a warrant to ensure compliance with the Act. Compliance inspections occur at least every three years. The Registrar has the power to make a variety of orders including, for example, the imposition of a fine or an order revoking the operator's license. There is an appeal process in place with respect to orders made by the Registrar. The Act also enumerates offenses, such as operating without a license, and provides for penalties for offenses.

British Columbia

The Community Care and Assisted Living Act, the Residential Care Regulation, and the Community Care and Assisted Living Regulation (together, the "B.C. Act") regulate "community care facilities" (long-term care facilities) in substantially the same manner as retirement homes are regulated under the Ontario Act. The B.C. Act defines such a facility as premises used for the purpose of supervising vulnerable persons who require three or more prescribed services (from a list that includes regular assistance with activities of daily living; distribution of medication; management of cash resources; monitoring of food intake; structured behavior management and intervention; and psychosocial or physical rehabilitative therapy).

The B.C. Act also creates a separate regime for regulating “assisted living residences,” which are facilities providing at least one but not more than two prescribed care services. Assisted living residences are designed for those who can live independently, but who require assistance with certain activities. Unlike community care facilities, assisted living residences must be registered with the registrar of assisted living residences, but do not require a license. Nevertheless, assisted living residences must be operated in a manner that does not jeopardize the health or safety of its residents. If the registrar has reason to believe a residence is not being operated in accordance with this standard, the registrar may inspect the assisted living residence and may suspend or cancel a registration. Most of the residences in which we have an interest in B.C. are assisted living residences, with one being an independent living residence.

Independent living residences offer housing and hospitality services for retired adults who are functionally independent and able to direct their own care. Services available for residents can include, for example, meals, housekeeping, monitoring and emergency support, social and recreational opportunities, and transportation.

Québec

In Québec, retirement homes are regulated by the Act respecting Health Services and Social Services (the “Act”) and the Regulation respecting the conditions for obtaining a certificate of compliance and the operating standards for a private seniors' residence (the “Regulation”), which refer to “private seniors’ residences.” Private seniors’ residences in Québec are required to obtain a certificate of compliance. The Regulation is currently in the process of being amended.

A certificate of compliance is issued for a period of three years, is renewable and can only be validly transferred to another person with the written permission of the regional licensing agency. An agency may revoke a temporary certificate, or revoke or refuse to issue or renew a certificate of compliance if, among other things, the operator fails to comply with the Act and the Regulation, although the decision of the applicable agency can be contested before the Administrative Tribunal of Québec. The agency may also order the residence to take corrective measures, further to an inspection, complaint and/or investigation. The agency is authorized to inspect a residence, at any reasonable time of day, in order to ascertain whether it complies with the Act and the Regulation.

Private seniors' residences may belong to either or both of the following two categories: those offering services to independent elderly persons and those offering services to semi-independent elderly persons. The operator of a residence must, for each category, comply with the applicable criteria and standards, with some exceptions provided for residences with fewer than six or ten rooms or apartments. The Act and the Regulation set out a number of detailed provisions with respect to residents' health and safety (including mandatory call-for-help systems, safety plans in the event of fire or infectious disease, health assessments, permissible control measures, as well as administration and distribution of medication), meal services and recreation, content of residents' files, disclosure of information to residents, and staffing requirements, among other things.

Other Related Laws

Privacy

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

Privacy laws in Canada are consent-based and require the implementation of a privacy program involving policies, procedures and the designation of an individual or team with primary responsibility for a custodian's privacy law compliance. Mandatory breach notification to the affected individuals is a requirement under some laws. Mandatory breach notification to the applicable regulator is a requirement under some laws, although not yet in effect in some provinces. Some laws require notification where personal health information/personal information is processed or stored outside of Canada. One provincial law (in Quebec) provides for fines where an organization fails to perform required due diligence before outsourcing activities involving personal information to a service provider outside of the province.

Some privacy regulators in Canada have order-making authority and others are ombudspersons who make recommendations that may only be enforced by a court. Under a number of privacy laws, a finding by a regulator that a custodian has breached the law creates a right to apply to a court for money damages. In some provinces there is a statutory civil cause of action for breach of privacy. In other provinces, the courts have recognized a limited common law cause of action for breach of privacy.

The powers of privacy regulators and penalties for violations of privacy law vary according to the applicable law or are left to the courts. To date, penalties have generally not been monetary, although that is changing with civil actions for breach of privacy and may change further as a result of class action activity. Regulators have the authority to make public the identity of a custodian that has been found to have committed a breach, so that there is a reputational risk associated with privacy law violations even where no monetary damages are incurred. The notification of patients (mandatory under some privacy laws) and other activities required to manage a privacy breach can give rise to significant costs.

Other Legislation

Retirement homes may be subject to residential tenancy laws, such that there can be restrictions on rent increases and termination of tenancies, for instance. Other provincial legislation applicable to occupational health and safety, public health, and the provision of community health care and funded long-term/post-acute care may also apply to retirement homes. In addition, municipal laws with respect to matters such as fire safety, food services and zoning would also apply. In this connection in Ontario, the Building Code and Fire Code have been amended to include various safety measures such as mandatory sprinklers, self-closing doors and increased voice communication system requirements, with grace periods for compliance with some of the requirements.

In Quebec, the Safety Code was amended in December 2015 to require that private seniors' residences be equipped with a fire alarm and detection system, as well as the installation of a sprinkler system in certain private seniors' residences. The amendments come into force March 18, 2016, except regarding the installation of the sprinkler system, which has a five year grace period, and comes into force December 2, 2020.

Taxation

Federal Income Tax Considerations

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

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

General

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

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

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

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

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

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

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

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

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

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

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

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

Qualification as a REIT

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

For transactions entered into after July 30, 2008, any of our income from a “clearly identified” hedging transaction entered into by us primarily to manage risk of currency fluctuations with respect to any item of income or gain that is included in gross income in the 95% and 75% gross income tests is excluded from the 95% and 75% gross income tests.

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

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

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

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

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

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

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

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

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

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

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

If we fail to satisfy one or both of the 75% or 95% gross income tests for any taxable year, we may nevertheless qualify as a REIT for such year if we are eligible for relief. These relief provisions generally will be available if (1) following our identification of the failure, we file a schedule for such taxable year describing each item of our gross income, and (2) the failure to meet such tests was due to reasonable cause and not due to willful neglect.

It is not now possible to determine the circumstances under which we may be entitled to the benefit of these relief provisions. If these relief provisions apply, a 100% tax is imposed on an amount equal to (a) the gross income attributable to (1) 75% of our gross income over the amount of qualifying gross income for purposes of the 75% income test and (2) 95% of our gross income over the amount of qualifying gross income for purposes of the 95% income test, multiplied by (b) a fraction intended to reflect our profitability.

The Secretary of the Treasury is given broad authority to determine whether particular items of income or gain qualify or not under the 75% and 95% gross income tests, or are to be excluded from the measure of gross income for such purposes.

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

Certain items are excluded from the 10% value test, including: (1) straight debt securities (as defined in Internal Revenue Code Section 1361(c)(5)) of an issuer (including straight debt that provides certain contingent payments); (2) any loan to an individual or an estate; (3) any rental agreement described in Section 467 of the Internal Revenue Code, other than with a "related person"; (4) any obligation to pay rents from real property; (5) certain securities issued by a state or any subdivision thereof, the District of Columbia, a foreign government, or any political subdivision thereof, or the Commonwealth of Puerto Rico; (6) any security issued by a REIT; and (7) any other arrangement that, as determined by the Secretary of the Treasury, is excepted from the definition of security ("excluded securities"). Special rules apply to straight debt securities issued by corporations and entities taxable as partnerships for federal income tax purposes. If a REIT, or its taxable REIT subsidiary, holds (1) straight debt securities of a corporate or partnership issuer and (2) securities of such issuer that are not excluded securities and have an aggregate value greater than 1% of such issuer's outstanding securities, the straight debt securities will be included in the 10% value test.

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

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

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

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

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

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

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

Annual Distribution Requirements. In order to avoid being taxed as a regular corporation, we are required to make distributions (other than capital gain distributions) to our stockholders which qualify for the dividends paid deduction in an amount at least equal to (1) the sum of (i) 90% of our "REIT taxable income" (computed without regard to the dividends paid deduction and our net capital gain) and (ii) 90% of the after-tax net income, if any, from foreclosure property, minus (2) a portion of certain items of non-cash income. These distributions must be paid in the taxable year to which they relate, or in the following taxable year if declared before we timely file our tax return for that year and if paid on or before the first regular distribution payment after such declaration. Prior to recently enacted legislation, with respect to all REITs the amount distributed could not be preferential. This means that every stockholder of the class of stock to which a distribution is made must be treated the same as every other stockholder of that class, and no class of stock may be treated otherwise than in accordance with its dividend rights as a class (the "preferential dividend rule"). Beginning in tax years after 2014, the preferential dividend rule no longer applies to publicly offered REITs, however, the rule is still applicable to other entities taxed as REITs, which would include several of our subsidiaries. To the extent that we do not distribute all of our net capital gain or distribute at least 90%, but less than 100%, of our "REIT taxable income," as adjusted, we will be subject to tax on the undistributed amount at regular corporate tax rates. As discussed above, we may be subject to an excise tax if we fail to meet certain other distribution requirements. We believe we have satisfied the annual distribution requirements for the year of our initial REIT election and each year thereafter through the year ended December 31, 2015. Although we intend to make timely distributions sufficient to satisfy these annual distribution requirements for subsequent years, economic, market, legal, tax or other factors could limit our ability to meet those requirements. See "Item 1A — Risk Factors."

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

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

Failure to Qualify as a REIT

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

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

Federal Income Taxation of Holders of Our Stock

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

- a citizen or resident of the United States;

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

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

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

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

Generally, the current maximum marginal rate of tax payable by individuals on dividends received from corporations that are subject to a corporate level of tax is 20%. Except in limited circumstances, this tax rate will not apply to dividends paid to you by us on our shares, because generally we are not subject to federal income tax on the portion of our REIT taxable income or capital gains distributed to our stockholders. The reduced maximum federal income tax rate will apply to that portion, if any, of dividends received by you with respect to our shares that are attributable to: (1) dividends received by us from non-REIT corporations or other taxable REIT subsidiaries; (2) income from the prior year with respect to which we were required to pay federal corporate income tax during the prior year (if, for example, we did not distribute 100% of our REIT taxable income for the prior year); or (3) the amount of any earnings and profits that were distributed by us and accumulated in a non-REIT year.

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

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

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

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

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

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

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

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

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

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

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

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

Backup Withholding and Information Reporting. Under certain circumstances, you may be subject to backup withholding at applicable rates on payments made with respect to, or cash proceeds of a sale or exchange of, shares of our stock. Backup withholding will apply only if you: (1) fail to provide a correct taxpayer identification number, which if you are an individual, is ordinarily your social security number; (2) furnish an incorrect taxpayer identification number; (3) are notified by the Internal Revenue Service that you have failed to properly report payments of interest or dividends; or (4) fail to certify, under penalties of perjury, that you have furnished a correct taxpayer identification number and that the Internal Revenue Service has not notified you that you are subject to backup withholding.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

U.S. Holders

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

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

- a citizen or resident of the United States;

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

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

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

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

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

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

- your adjusted tax basis in the notes.

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

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

The amount of any reportable payments, including interest, made to you (unless you are an exempt recipient) and the amount of tax withheld, if any, with respect to such payments will be reported to you and to the Internal Revenue Service for each calendar year. You should consult your tax advisor regarding your qualification for an exemption from backup withholding and the procedures for obtaining such an exemption, if applicable. The backup withholding tax is not an additional tax and will be credited against your U.S. federal income tax liability, provided that correct information is provided to the Internal Revenue Service.

Non-U.S. Holders

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

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

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

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

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

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

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

- us or our paying agent; or

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

Treasury regulations provide that:

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

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

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

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

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

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

Withholding tax at a rate of 30% will be imposed on payments of interest (including original issue discount) and gross proceeds of sale in respect of debt instruments to you or certain foreign financial institutions (including investment funds) and other non-US persons receiving payments on your behalf, if you or such institutions fail to comply with certain due diligence, disclosure and reporting rules, as set forth in recently issued Treasury regulations. However, the Treasury regulations generally exempt from such withholding requirement obligations, such as debt instruments, issued before July 1, 2014, provided that any material modification of such an obligation made after such date will result in such obligation being considered newly issued as of the effective date of such modification. These withholding rules are generally effective with respect to payments of interest made after June 30, 2014, and with respect to proceeds of sales received after December 31, 2018. We will not pay any additional amounts to any holders or our debt instruments in respect of any amounts withheld. You are encouraged to consult with your tax advisor regarding U.S. withholding taxes and the application of the recently issued Treasury regulations in light of your particular circumstances.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Potential Legislation or Other Actions Affecting Tax Consequences

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

State, Local and Foreign Taxes

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

Changes in applicable tax regulations could negatively affect our financial results.

The Company is subject to taxation in the U.S. and numerous foreign jurisdictions. Because the U.S. maintains a worldwide corporate tax system, the foreign and U.S. tax systems are somewhat interdependent. Longstanding international tax norms that determine each country's jurisdiction to tax cross-border international trade are evolving, such as the Base Erosion and Profit Shifting project ("BEPS") currently being undertaken by the G8, G20, and Organization for Economic Cooperation and Development. Tax changes pursuant to BEPS could reduce the ability of our foreign subsidiaries to deduct for foreign tax purposes the interest they pay on loans from the Company, thereby increasing the foreign tax liability of the subsidiaries; it is also possible that foreign countries could increase their withholding taxes on dividends and interest. Given the unpredictability of these possible changes and their potential interdependency, it is very difficult to assess the overall effect of such potential tax changes on our earnings and cash flow, but such changes could adversely impact our financial results.

Internet Access to Our SEC Filings

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

Cautionary Statement Regarding Forward-Looking Statements

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

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

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

- changes in rules or practices governing our financial reporting;
- the movement of U.S. and foreign currency exchange rates;
- our ability to maintain our qualification as a REIT;
- key management personnel recruitment and retention; and
- the risks described under "Item 1A — Risk Factors."

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

Item 1A. *Risk Factors*

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

We group these risk factors into three categories:

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

Risks Arising from Our Business

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

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

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

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

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

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

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

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

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

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

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

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

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

We are exposed to the risk that our obligors may not be able to meet the rent, principal and interest or other payments due us, which may result in an obligor bankruptcy or insolvency, or that an obligor might become subject to bankruptcy or insolvency proceedings for other reasons. Although our operating lease agreements provide us with the right to evict a tenant, demand immediate payment of rent and exercise other remedies, and our loans provide us with the right to terminate any funding obligation, demand immediate repayment of principal and unpaid interest, foreclose on the collateral and exercise other remedies, the bankruptcy and insolvency laws afford certain rights to a party that has filed for bankruptcy or reorganization. An obligor in bankruptcy or subject to insolvency proceedings may be able to limit or delay our ability to collect unpaid rent in the case of a lease or to receive unpaid principal and interest in the case of a loan, and to exercise other rights and remedies.

We may be required to fund certain expenses (e.g., real estate taxes and maintenance) to preserve the value of an investment property, avoid the imposition of liens on a property and/or transition a property to a new tenant. In some instances, we have terminated our lease with a tenant and relet the property to another tenant. In some of those situations, we have provided working capital loans to and limited indemnification of the new obligor. If we cannot transition a leased property to a new tenant, we may take possession of that property, which may expose us to certain successor liabilities. Should such events occur, our revenue and operating cash flow may be adversely affected.

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

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

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

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

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

The properties we lease to Genesis account for a significant portion of our revenues, and because our leases with Genesis are triple-net leases, we also depend on Genesis to pay all insurance, taxes, utilities and maintenance and repair expenses in connection with the leased properties. We cannot assure you that Genesis will have sufficient assets, income and access to financing to enable it to make rental payments to us or to otherwise satisfy its obligations under our leases, and any inability or unwillingness by Genesis to do so could have an adverse effect on us. Genesis has also agreed to indemnify, defend and hold us harmless from and against various claims, litigation and liabilities arising in connection with its business, and we cannot assure you that Genesis will have sufficient assets, income, access to financing and insurance coverage to enable it to satisfy its indemnification obligations.

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

Sunrise Senior Living, LLC manages our entire Sunrise property portfolio, which as of December 31, 2015, consisted of 152 seniors housing properties. These properties account for a significant portion of our revenues, and we rely on Sunrise Senior Living, LLC to manage these properties efficiently and effectively. Any adverse developments in Sunrise Senior Living, LLC's business or financial condition could impair its ability to manage our properties efficiently and effectively, which could adversely affect us.

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

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

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

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

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

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

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

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

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

Some of our obligors' businesses are affected by government reimbursement. To the extent that an operator/tenant receives a significant portion of its revenues from government payors, primarily Medicare and Medicaid, such revenues may be subject to statutory and regulatory changes, retroactive rate adjustments, recovery of program overpayments or set-offs, court decisions, administrative rulings, policy interpretations, payment or other delays by fiscal intermediaries or carriers, government funding restrictions (at a program level or with respect to specific facilities) and interruption or delays in payments due to any ongoing government investigations and audits at such property. In recent years, government payors have frozen or reduced payments to health care providers due to budgetary pressures. Health care reimbursement will likely continue to be of paramount importance to federal and state authorities. We cannot make any assessment as to the ultimate timing or effect any future legislative reforms may have on the financial condition of our obligors and properties. There can be no assurance that adequate reimbursement levels will be available for services provided by any property operator, whether the property receives reimbursement from Medicare, Medicaid or private payors. Significant limits on the scope of services reimbursed and on reimbursement rates and fees could have a material adverse effect on an obligor's liquidity, financial condition and results of operations, which could adversely affect the ability of an obligor to meet its obligations to us. See "Item 1 — Business — Certain Government Regulations — United States — Reimbursement" above.

The Patient Protection and Affordable Care Act of 2010, as modified by the Health Care and Education Reconciliation Act of 2010 (collectively, the "Health Reform Laws"), provides those states that expand their Medicaid coverage to otherwise eligible state residents with incomes at or below 138% of the federal poverty level with an increased federal medical assistance percentage, effective January 1, 2014, when certain conditions are met. On June 28, 2012, the United States Supreme Court upheld the individual mandate of the Health Reform Laws but partially invalidated the expansion of Medicaid. The ruling on Medicaid expansion allows states to elect not to participate in the expansion—and to forego funding for the Medicaid expansion—without losing their existing Medicaid funding. Given that the federal government substantially funds the Medicaid expansion, it is unclear how many states will ultimately pursue this option, although, as of early February 2016, roughly half of the states have expanded Medicaid coverage. The participation by states in the Medicaid expansion could have the dual effect of increasing our tenants' revenues, through new patients, but further straining state budgets and their ability to pay our tenants. While the federal government will pay for approximately 100% of those additional costs from 2014 through 2016, states will be expected to pay for part of those additional costs beginning in 2017. In light of this, at least one state that has passed legislation to allow the state to expand its Medicaid coverage has included sunset provisions in the legislation that require that the expanded benefits be reduced or eliminated if the federal government's funding for the program is decreased or eliminated, permitting the state to re-visit the issue once it begins to share financial responsibility for the expansion. With increasingly strained budgets, it is unclear how states that do not include such sunset provisions will pay their share of these additional Medicaid costs and what other health care expenditures could be reduced as a result. A significant reduction in other health care related spending by states to pay for increased Medicaid costs could affect our tenants' revenue streams. See "Item 1 — Business — Certain Government Regulations — United States — Reimbursemen above.

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

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

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

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

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

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

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

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

Development, redevelopment and construction risks could affect our profitability

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

In connection with our renovation, redevelopment, development and related construction activities, we may be unable to obtain, or suffer delays in obtaining, necessary zoning, land-use, building, occupancy and other required governmental permits and authorizations. These factors could result in increased costs or our abandonment of these projects. In addition, we may not be able to obtain financing on favorable terms, which may render us unable to proceed with our development activities, and we may not be able to complete construction and lease-up of a property on schedule, which could result in increased debt service expense or construction costs.

Additionally, the time frame required for development, construction and lease-up of these properties means that we may have to wait years for significant cash returns. Because we are required to make cash distributions to our stockholders, if the cash flow from operations or refinancing is not sufficient, we may be forced to borrow additional money to fund such distributions. Newly developed and acquired properties may not produce the cash flow that we expect, which could adversely affect our overall financial performance.

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

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

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

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

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

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

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

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

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

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

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

Risks Arising from Our Capital Structure

We may become more leveraged

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

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

Our debt agreements contain various covenants, restrictions and events of default. Among other things, these provisions require us to maintain certain financial ratios and minimum net worth and impose certain limits on our ability to incur indebtedness, create liens and make investments or acquisitions. Breaches of these covenants could result in defaults under the instruments governing the applicable indebtedness, in addition to any other indebtedness cross-defaulted against such instruments. These defaults could have a material adverse impact on our business, results of operations and financial condition.

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

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

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

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

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

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

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

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

Risks Arising from Our Status as a REIT

We might fail to qualify or remain qualified as a REIT

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

- we would not be allowed a deduction for distributions to stockholders in computing our taxable income and would be subject to U.S. federal income tax at regular corporate rates;
- we could be subject to the federal alternative minimum tax and possibly increased state and local taxes; and
- unless we are entitled to relief under statutory provisions, we could not elect to be subject to tax as a REIT for four taxable years following the year during which we were disqualified.

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

In addition, if we fail to qualify as a REIT, all distributions to stockholders would continue to be treated as dividends to the extent of our current and accumulated earnings and profits, although corporate stockholders may be eligible for the dividends received deduction, and individual stockholders may be eligible for taxation at the rates generally applicable to long-term capital gains (currently at a maximum rate of 20%) with respect to distributions.

As a result of all these factors, our failure to qualify as a REIT also could impair our ability to implement our business strategy and would adversely affect the value of our common stock.

Qualification as a REIT involves the application of highly technical and complex Code provisions for which there are only limited judicial and administrative interpretations. The determination of various factual matters and circumstances not entirely within our control may affect our ability to remain qualified as a REIT. Although we believe that we qualify as a REIT, we cannot assure you that we will continue to qualify or remain qualified as a REIT for U.S. federal income tax purposes. See "Item 1 — Business — Taxation — Federal Income Tax Considerations" above.

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

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

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

To comply with the 90% distribution requirement applicable to REITs and to avoid the nondeductible excise tax, we must make distributions to our stockholders. See "Item 1 — Business — Taxation — Federal Income Tax Considerations – Qualification as a REIT — Annual Distribution Requirements" above. Although we anticipate that we generally will have sufficient cash or liquid assets to enable us to satisfy the REIT distribution requirement, it is possible that, from time to time, we may not have sufficient cash or other liquid assets to meet the 90% distribution requirement, or we may decide to retain cash or distribute such greater amount as may be necessary to avoid income and excise taxation. This may be due to timing differences between the actual receipt of income and actual payment of deductible expenses, on the one hand, and the inclusion of that income and deduction of those expenses in arriving at our taxable income, on the other hand. In addition, non-deductible expenses such as principal amortization or repayments or capital expenditures in excess of non-cash deductions may cause us to fail to have sufficient cash or liquid assets to enable us to satisfy the 90% distribution requirement. In the event that timing differences occur, or we deem it appropriate to retain cash, we may borrow funds, issue additional equity securities (although we cannot assure you that we will be able to do so), pay taxable stock dividends, if possible, distribute other property or securities or engage in another transaction intended to enable us to meet the REIT distribution requirements. This may require us to raise additional capital to meet our obligations.

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

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

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

We have purchased certain properties and leased them back to the sellers of such properties, and we may enter into similar transactions in the future. We intend for any such sale-leaseback transaction to be structured in such a manner that the lease will be characterized as a “true lease,” thereby allowing us to be treated as the owner of the property for U.S. federal income tax purposes. However, depending on the terms of any specific transaction, the Internal Revenue Service might take the position that the transaction is not a “true lease” but is more properly treated in some other manner. In the event any sale-leaseback transaction is challenged and successfully re-characterized by the Internal Revenue Service, we would not be entitled to claim the deductions for depreciation and cost recovery generally available to an owner of property. Furthermore, if a sale-leaseback transaction were so re-characterized, we might fail to satisfy the REIT asset tests or income tests and, consequently, could lose our REIT status effective with the year of re-characterization. See “Item 1 — Business — Taxation — Federal Income Tax Considerations — Qualification as a REIT — Asset Tests” and “Item 1 — Business — Taxation — Federal Income Tax Considerations — Qualification as a REIT — Incom Tests” above. Alternatively, the amount of our REIT taxable income could be recalculated, which may cause us to fail to meet the REIT annual distribution requirements for a taxable year. See “Item 1 — Business — Taxation — Federal Income Tax Considerations — Qualification as a REIT — Annual Distribution Requirements” above.

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

None.

Item 2. ***Properties***

We own our corporate headquarters located at 4500 Dorr Street, Toledo, Ohio 43615. We also lease corporate offices in California, Canada and the United Kingdom and have ground leases relating to certain of our properties. The following table sets forth certain information regarding the properties that comprise our consolidated real property and real estate loan investments as of December 31, 2015 (dollars in thousands and annualized revenues adjusted for timing of investment):

	Triple-Net			Seniors Housing Operating		
Property Location	Number of Properties	Total Investment	Annualized Revenues	Number of Properties	Total Investment	Annualized Revenues
Alabama	4	$ 36,064	$ 3,777	-	$ -	$ -
Arizona	2	26,229	2,129	4	61,590	21,643
California	28	521,032	53,635	49	1,401,544	406,568
Colorado	6	220,438	19,019	5	145,554	39,599
Connecticut	14	181,567	21,292	15	400,887	127,418
District Of Columbia	-	-	-	1	64,807	13,893
Delaware	11	161,880	19,660	1	21,586	6,210
Florida	43	593,363	55,001	6	576,254	77,420
Georgia	8	102,828	9,414	7	124,942	36,295
Iowa	3	46,916	4,324	1	33,276	8,960
Idaho	2	33,326	3,551	-	-	-
Illinois	13	276,616	25,876	13	447,407	104,156
Indiana	36	535,615	53,270	-	-	-
Kansas	27	228,905	16,427	3	71,771	17,657
Kentucky	12	98,976	14,957	2	39,434	12,595
Louisiana	3	21,451	3,349	2	52,156	11,718
Massachusetts	31	372,189	53,489	33	941,674	211,109
Maryland	26	401,734	41,357	3	84,221	32,512
Maine	-	-	-	2	50,666	17,820
Michigan	6	102,612	9,968	5	113,041	25,867
Minnesota	9	210,533	14,026	4	115,688	23,698
Missouri	2	28,320	1,171	4	137,698	20,141
Mississippi	3	30,147	2,444	-	-	-
Montana	1	6,266	948	-	-	-
North Carolina	56	391,386	38,795	1	41,460	7,134
Nebraska	4	34,033	15,342	-	-	-
New Hampshire	12	172,718	23,410	4	119,954	29,723
New Jersey	67	1,420,271	144,374	8	244,350	65,915
New Mexico	-	-	-	1	19,038	1,593
Nevada	5	86,164	12,217	2	37,350	9,946
New York	9	201,410	18,051	10	349,716	77,276
Ohio	28	229,031	38,171	4	198,222	29,215
Oklahoma	19	150,460	12,968	2	38,922	4,179
Oregon	10	75,671	6,337	-	-	-

Pennsylvania	53	1,331,667	158,356	6	83,081	37,106
Rhode Island	3	43,802	6,031	3	69,010	21,156
South Carolina	5	34,602	5,550	-	-	-
Tennessee	24	165,388	24,367	2	50,805	14,790
Texas	45	594,463	61,905	15	510,222	98,671
Utah	2	31,724	2,461	1	17,545	8,817
Virginia	14	202,859	20,033	2	38,493	15,715
Vermont	2	25,393	3,511	1	28,080	6,864
Washington	24	455,323	44,724	11	331,280	62,173
Wisconsin	8	134,120	14,474	-	-	-
West Virginia	25	376,283	50,902	-	-	-
Total domestic	705	10,393,775	1,131,063	233	7,061,726	1,705,550
Canada	14	277,977	15,763	103	2,058,121	406,614
United Kingdom	60	1,123,413	118,428	52	1,457,237	303,158
Total international	74	1,401,390	134,191	155	3,515,358	709,772
Grand total	779	$ 11,795,165	$ 1,265,253	388	$ 10,577,084	$ 2,415,322

		Outpatient Medical	
Property Location	Number of Properties	Total Investment	Annualized Revenues
Alaska	1	$ 22,667	$ 2,809
Alabama	3	31,637	5,308
Arkansas	1	24,382	1,027
Arizona	4	68,885	8,213
California	30	880,782	67,173
Colorado	1	12,642	1,804
Connecticut	1	9,886	-
Florida	37	465,472	61,459
Georgia	10	162,880	20,585
Iowa	1	6,974	2,193
Illinois	5	53,688	7,971
Indiana	8	152,126	17,326
Kansas	7	78,474	12,059
Kentucky	1	8,153	772
Maryland	5	80,535	5,396
Maine	1	21,649	2,805
Michigan	1	15,983	2,280
Minnesota	8	179,786	23,689
Missouri	7	149,053	17,610
North Carolina	3	58,086	6,506
Nebraska	2	36,815	5,794
New Hampshire	1	14,673	1,511
New Jersey	7	215,048	37,389
New Mexico	3	34,665	3,498
Nevada	5	46,748	3,802
New York	8	84,330	7,768
Ohio	8	76,546	13,386
Oklahoma	2	25,843	3,279
Oregon	1	9,763	1,267
South Carolina	1	26,910	2,282
Tennessee	7	78,906	9,968
Texas	51	891,594	87,667
Virginia	3	51,645	7,800
Washington	6	188,369	20,317
Wisconsin	19	250,839	28,243
Total	259	$ 4,516,434	$ 500,954

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

	Occupancy[1]		Coverages[1,2]		Average Annualized Revenues[3]		
	2015	2014	2015	2014	2015	2014	
Triple-net[4]	87.2%	87.7%	1.49x	1.54x	$ 16,047	$ 14,562	per bed/unit
Seniors housing operating[5]	91.0%	90.3%	n/a	n/a	60,260	67,376	per unit

Outpatient medical[6]	95.1%	94.4%	n/a	n/a	33	33	per sq. ft.

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

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

	Expiration Year									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	20
Triple-net:										
Properties	0	30	56	1	12	24	37	1	6	
Base rent[1]	$ 0	$ 12,846	$ 41,162	$ 1,368	$ 14,571	$ 35,797	$ 32,959	$ 692	$ 12,130	$ 66
% of base rent	0.0%	1.1%	3.5%	0.1%	1.2%	3.1%	2.8%	0.1%	1.0%	5
Units	0	1,165	3,686	123	1,076	3,625	4,731	60	831	4
% of units	0.0%	1.5%	4.9%	0.2%	1.4%	4.8%	6.2%	0.1%	1.1%	5
Outpatient medical:										
Square feet	792,914	1,092,946	933,888	1,085,684	1,251,256	1,182,630	2,178,650	1,103,893	1,411,610	585
Base rent[1]	$ 21,884	$ 27,369	$ 24,225	$ 27,762	$ 32,365	$ 29,630	$ 45,348	$ 26,609	$ 37,890	$ 17
% of base rent	6.1%	7.6%	6.7%	7.7%	9.0%	8.2%	12.6%	7.4%	10.5%	4
Leases	283	283	255	259	243	187	186	152	101	
% of leases	12.9%	12.9%	11.7%	11.8%	11.1%	8.5%	8.5%	6.9%	4.6%	3

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

Item 3. ***Legal Proceedings***

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

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

None.

PART II

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

There were 4,965 stockholders of record as of January 31, 2016. The following table sets forth, for the periods indicated, the high and low prices of our common stock on the New York Stock Exchange (NYSE:HCN), and common dividends paid per share:

		Sales Price		Dividends Paid
		High	Low	Per Share
2015				
	First Quarter	$ 84.88	$ 73.20	$ 0.825
	Second Quarter	79.60	65.48	0.825
	Third Quarter	70.22	61.00	0.825
	Fourth Quarter	71.25	58.21	0.825
2014				
	First Quarter	$ 59.93	$ 52.90	$ 0.795
	Second Quarter	65.25	58.91	0.795
	Third Quarter	68.36	61.42	0.795
	Fourth Quarter	78.17	62.05	0.795

Our Board of Directors has approved a new quarterly cash dividend rate of $0.86 per share of common stock per quarter, commencing with the February 2016 dividend. The declaration and payment of quarterly dividends remains subject to the review and approval of the Board of Directors.

Stockholder Return Performance Presentation

Set forth below is a line graph comparing the yearly percentage change and the cumulative total stockholder return on our shares of common stock against the cumulative total return of the S & P Composite-500 Stock Index and the FTSE NAREIT Equity Index. As of December 31, 2015, 160 companies comprised the FTSE NAREIT Equity Index. The Index consists of REITs identified by NAREIT as equity (those REITs which have at least 75% of their investments in real property). The data are based on the closing prices as of December 31 for each of the five years. 2010 equals $100 and dividends are assumed to be reinvested.

	12/31/10	12/31/11	12/31/12	12/31/13	12/31/14	12/31/15
S & P 500	100.00	102.11	118.45	156.82	178.28	180.75
Welltower Inc.	100.00	121.27	143.36	131.29	194.98	183.82
FTSE NAREIT Equity	100.00	108.29	127.85	131.01	170.49	175.94

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

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased(1)	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs(2)	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
October 1, 2015 through October 31, 2015	-	$ -		
November 1, 2015 through November 30, 2015	68	59.01		
December 1, 2015 through December 31, 2015	-	-		
Totals	68	$ 59.01		

(1) During the three months ended December 31, 2015, the Company acquired shares of common stock held by employees who tendered owned shares to satisfy tax withholding obligations.
(2) No shares were purchased as part of publicly announced plans or programs.

46

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

The following selected financial data for the five years ended December 31, 2015 are derived from our audited consolidated financial statements (in thousands, except per share data):

	Year Ended December 31,				
	2011	2012	2013	2014	2015
Operating Data					
Revenues	$ 1,313,182	$ 1,805,044	$ 2,880,608	$ 3,343,546	$ 3,859,826
Expenses	1,200,979	1,619,132	2,778,363	2,959,333	3,223,709
Income from continuing operations before income taxes and income (loss) from unconsolidated entities	112,203	185,912	102,245	384,213	636,117
Income tax (expense) benefit	(1,388)	(7,612)	(7,491)	1,267	(6,451)
Income (loss) from unconsolidated entities	5,772	2,482	(8,187)	(27,426)	(21,504)
Income from continuing operations	116,587	180,782	86,567	358,054	608,162
Income from discontinued operations, net	96,129	114,058	51,713	7,135	-
Gain (loss) on real estate dispositions, net	-	-	-	147,111	280,387
Net income	212,716	294,840	138,280	512,300	888,549
Preferred stock dividends	60,502	69,129	66,336	65,408	65,406
Preferred stock redemption charge	-	6,242	-	-	-
Net income (loss) attributable to noncontrolling interests	(4,894)	(2,415)	(6,770)	147	4,799
Net income attributable to common stockholders	$ 157,108	$ 221,884	$ 78,714	$ 446,745	$ 818,344
Other Data					
Average number of common shares outstanding:					
Basic	173,741	224,343	276,929	306,272	348,240
Diluted	174,401	225,953	278,761	307,747	349,424
Per Share Data					
Basic:					
Income from continuing operations attributable to common stockholders	$ 0.35	$ 0.48	$ 0.10	$ 1.44	$ 2.35
Discontinued operations, net	0.55	0.51	0.19	0.02	-
Net income attributable to common stockholders *	$ 0.90	$ 0.99	$ 0.28	$ 1.46	$ 2.35
Diluted:					
Income from continuing operations attributable to common stockholders	$ 0.35	$ 0.48	$ 0.10	$ 1.43	$ 2.34

Discontinued operations, net	0.55	0.50	0.19	0.02	-
Net income attributable to common stockholders *	$ 0.90	$ 0.98	$ 0.28	$ 1.45	$ 2.34
Cash distributions per common share	$ 2.835	$ 2.96	$ 3.06	$ 3.18	$ 3.30

			December 31,		
Balance Sheet Data	**2011**	**2012**	**2013**	**2014**	**2015**
Net real estate investments	$ 13,942,350	$ 17,423,009	$ 21,680,221	$ 22,851,196	$ 26,888,685
Total assets(1)	14,878,245	19,491,552	23,026,666	24,962,923	29,023,845
Total long-term obligations(1)	7,194,391	8,474,342	10,594,723	10,776,640	12,967,686
Total liabilities(1)	7,565,948	8,936,441	11,235,296	11,403,465	13,664,877
Total preferred stock	1,010,417	1,022,917	1,017,361	1,006,250	1,006,250
Total equity	7,278,647	10,520,519	11,756,331	13,473,049	15,175,885

* Amounts may not sum due to rounding

(1) In 2015, we adopted new guidance on the presentation of debt issuance costs. This guidance 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 the debt liability. Adopting this guidance resulted in a reduction to total assets, total long-term obligations and total liabilities, which are presented for all periods above in accordance with this new guidance. See Note 2 to our consolidated financial statements for additional information.

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

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

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

Executive Summary

Company Overview

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

The following table summarizes our consolidated portfolio for the year ended December 31, 2015 (dollars in thousands):

Type of Property	Net Operating Income (NOI)(1)	Percentage of NOI	Number of Properties
Triple-net	$ 1,200,301	53.6%	779
Seniors housing operating	701,262	31.4%	388
Outpatient medical	334,915	15.0%	259
Totals	$ 2,236,478	100.0%	1,426

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

Business Strategy

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

Substantially all of our revenues are derived from operating lease rentals, resident fees and services, and interest earned on outstanding loans receivable. These items represent our primary sources of liquidity to fund distributions and depend upon the continued ability of our obligors to make contractual rent and interest payments to us and the profitability of our operating properties. To the extent that our customers/partners experience operating difficulties and become unable to generate sufficient cash to make payments to us, there could be a material adverse impact on our consolidated results of operations, liquidity and/or financial condition. To mitigate this risk, we monitor our investments through a variety of methods determined by the type of property. Our proactive and comprehensive asset management process for seniors housing properties generally includes review of monthly financial statements and other operating data for each property, review of obligor/partner creditworthiness, property inspections, and review of covenant compliance relating to licensure, real estate taxes, letters of credit and other collateral. Our internal property management division actively manages and monitors the outpatient medical portfolio with a comprehensive process including review of, among other things, tenant relations, lease expirations, the mix of health service providers, hospital/health system relationships, property performance, capital improvement needs, and market conditions. In monitoring our portfolio, our personnel use a proprietary database to collect and analyze property-specific data. Additionally, we conduct extensive research to ascertain industry trends. We evaluate the operating environment in each property's market to determine the likely trend in operating performance of the facility. When we identify unacceptable trends, we seek to mitigate, eliminate or transfer the risk. Through these efforts, we are generally able to intervene at an early stage to address any negative trends, and in so doing, support both the collectability of revenue and the value of our investment.

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

For the year ended December 31, 2015, rental income and resident fees represented 41% and 56%, respectively, of total revenues. Substantially all of our operating leases are designed with escalating rent structures. Leases with fixed annual rental escalators are generally recognized on a straight-line basis over the initial lease period, subject to a collectability assessment. Rental income related to leases with contingent rental escalators is generally recorded based on the contractual cash rental payments due for the period. Our yield on loans receivable depends upon a number of factors, including the stated interest rate, the average principal amount outstanding during the term of the loan and any interest rate adjustments.

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

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

Depending upon market conditions, we believe that new investments will be available in the future with spreads over our cost of capital that will generate appropriate returns to our stockholders. It is also possible that investment dispositions may occur in the future. To the extent that investment dispositions exceed new investments, our revenues and cash flows from operations could be adversely affected. We expect to reinvest the proceeds from any investment dispositions in new investments. To the extent that new investment requirements exceed our available cash on-hand, we expect to borrow under our primary unsecured credit facility. At December 31, 2015, we had $360,908,000 of cash and cash equivalents, $61,782,000 of restricted cash and $1,610,075,000 of available borrowing capacity under our primary unsecured credit facility.

Capital Market Outlook

We believe the capital markets remain supportive of our investment strategy. For the year ended December 31, 2015, we raised $3,272,283,000 in aggregate gross proceeds through the issuance of common stock and unsecured debt. The capital raised, in combination with available cash and borrowing capacity under our primary unsecured credit facility, supported pro rata gross new investments of $4,819,684,000 for the year. We expect attractive investment opportunities to remain available in the future as we continue to leverage the benefits of our relationship investment strategy.

Key Transactions in 2015

Capital. In February 2015, we completed the public issuance of 19,550,000 shares of common stock at a price of $75.50 per share for approximate gross proceeds of $1,476,025,000. This was the largest overnight common stock offering and the highest offering price in our history. In May 2015, we issued $750,000,000 of 4.0% senior unsecured notes due 2025, generating approximately $743,407,000 of net proceeds. This was the largest single tranche U.S. debt offering in our history. In October 2015, we re-opened this tranche and issued an additional $500,000,000 of these notes, generating net proceeds of approximately $484,660,000. Also during October 2015, we raised approximately $47,463,000 under our Equity Shelf Program (as defined below). In November 2015, we issued $300,000,000 of

Canadian-denominated 3.35% senior unsecured notes due 2020, generating net proceeds of $223,367,000. Also, for the year ended December 31, 2015, we raised $272,531,000 through our dividend reinvestment program.

Investments. The following summarizes our acquisitions and joint venture investments made during the year ended December 31, 2015 (dollars in thousands):

	Properties		Investment Amount(1)	Capitalization Rates(2)		Book Amount(3)
Triple-net	76	$	1,501,537	6.8%	$	1,506,179
Seniors housing operating	77		2,093,482	6.2%		2,814,878
Outpatient medical	11		170,499	6.0%		540,338
Total acquisitions/JVs	164	$	3,765,518	6.4%	$	4,861,395

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

Dispositions. The following summarizes property dispositions made during the year ended December 31, 2015 (dollars in thousands):

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

	Properties	Proceeds(1)	Capitalization Rates(2)	Book Amount(3)
Triple-net	26	$ 440,576	7.7%	$ 362,024
Outpatient medical	11	608,101	5.2%	181,553
Total property sales	37	$ 1,048,677	6.2%	$ 543,577

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

Dividends. Our Board of Directors increased the annual cash dividend to $3.44 per common share ($0.86 per share quarterly), as compared to $3.30 per common share for 2015, beginning in February 2016. The dividend declared for the quarter ended December 31, 2015 represents the 179th consecutive quarterly dividend payment.

Key Performance Indicators, Trends and Uncertainties

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

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

	Year Ended December 31,		
	2013	2014	2015
Net income attributable to common stockholders	$ 78,714	$ 446,745	$ 818,344
Funds from operations	924,884	1,174,081	1,409,640
Net operating income from continuing operations	1,673,795	1,940,188	2,237,569

Same store cash net operating income	1,145,629	1,192,245	1,213,752

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

	Year Ended December 31,		
	2013	2014	2015
Debt to book capitalization ratio	48%	45%	46%
Debt to undepreciated book capitalization ratio	43%	40%	41%
Debt to market capitalization ratio	39%	29%	33%
Adjusted interest coverage ratio	3.23x	3.86x	4.57x
Adjusted fixed charge coverage ratio	2.56x	3.06x	3.61x

Concentration Risk. We evaluate our concentration risk in terms of NOI by property mix, relationship mix and geographic mix. Concentration risk is a valuable measure in understanding what portion of our NOI could be at risk if certain sectors were to

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

experience downturns. Property mix measures the portion of our NOI that relates to our various property types. Relationship mix measures the portion of our NOI that relates to our top five relationships. Geographic mix measures the portion of our NOI that relates to our top five states (or international equivalents). The following table reflects our recent historical trends of concentration risk by NOI for the periods indicated below:

	December 31,		
	2013	2014	2015
Property mix:(1)			
Triple-net	53%	53%	54%
Seniors housing operating	32%	33%	31%
Outpatient medical	15%	14%	15%
Relationship mix:(1)			
Genesis Healthcare	17%	16%	17%
Sunrise Senior Living(2)	13%	15%	13%
Brookdale Senior Living	7%	9%	7%
Revera(2)	3%	4%	5%
Benchmark Senior Living	4%	4%	4%
Remaining customers	56%	52%	54%
Geographic mix:(1)			
California	10%	10%	10%
United Kingdom	6%	7%	9%
New Jersey	9%	8%	8%
Texas	7%	7%	7%
Pennsylvania	6%	5%	6%
Remaining	62%	63%	60%

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

We evaluate our key performance indicators in conjunction with current expectations to determine if historical trends are indicative of future results. Our expected results may not be achieved and actual results may differ materially from our expectations. Factors that may cause actual results to differ from expected results are described in more detail in "Item 1 — Business — Cautionary Statement Regarding Forward-Looking Statements" and "Item 1A — Risk Factors" and other sections of this Annual Report on Form 10-K. Management regularly monitors economic and other factors to develop strategic and tactical plans designed to improve performance and maximize our competitive position. Our ability to achieve our financial objectives is dependent upon our ability to effectively execute these plans and to appropriately respond to emerging economic and company-specific trends. Please refer to "Item 1 — Business," "Item 1A — Risk Factors" and "Item 7 — Management's Discussion and Analysis of Financial Condition and Results of Operations" in this Annual Report on Form 10-K for further discussion of these risk factors.

Corporate Governance

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

Liquidity and Capital Resources

Sources and Uses of Cash

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

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

property operating expenses, and general and administrative expenses. These sources and uses of cash are reflected in our Consolidated Statements of Cash Flows and are discussed in further detail below. The following is a summary of our sources and uses of cash flows (dollars in thousands):

	Year Ended		One Year Change		Year Ended	One Year Change		Two Year Change	
	December, 31 2013	December, 31 2014	$	%	December, 31 2015	$	%	$	%
Beginning cash and cash equivalents	$ 1,033,764	$ 158,780	$ (874,984)	-85%	$ 473,726	$ 314,946	198%	$ (560,038)	-54%
Cash provided from (used in):									
Operating activities	988,497	1,138,670	150,173	15%	1,373,468	234,798	21%	384,971	39%
Investing activities	(3,531,593)	(2,126,206)	1,405,387	-40%	(3,484,160)	(1,357,954)	64%	47,433	-1%
Financing activities	1,667,670	1,303,172	(364,498)	-22%	2,006,449	703,277	54%	338,779	20%
Effect of foreign currency translation on cash and cash equivalents	442	(690)	(1,132)	n/a	(8,575)	(7,885)	1,143%	(9,017)	n/a
Ending cash and cash equivalents	$ 158,780	$ 473,726	$ 314,946	198%	$ 360,908	$ (112,818)	-24%	$ 202,128	127%

Operating Activities. The change in net cash provided from operating activities is primarily attributable to increases in NOI which is primarily due to acquisitions. Please see "Results of Operations" for further discussion. For the years ended December 31, 2013, 2014 and 2015, cash flows from operations exceeded cash distributions to stockholders.

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

	Year Ended		One Year Change		Year Ended	One Year Change		Two Year Change	
	December 31, 2013	December 31, 2014	$	%	December 31, 2015	$	%	$	%
New development	$ 247,560	$ 197,881	$ (49,679)	-20%	$ 244,561	$ 46,680	24%	$ (2,999)	-1%
	60,984	59,134	(1,850)	-3%	64,458	5,324	9%	3,474	6%

Recurring capital expenditures, tenant improvements and lease commissions									
Renovations, redevelopments and other capital improvements	74,848	73,646	(1,202)	-2%	123,294	49,648	67%	48,446	65%
Total	$ 383,392	$ 330,661	$ (52,731)	-14%	$ 432,313	$ 101,652	31%	$ 48,921	13%

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

Financing Activities. The changes in net cash provided from financing activities are primarily attributable to changes related to our long-term debt arrangements, the issuance/redemptions of common and preferred stock, and dividend payments which are summarized above in "Key Transactions in 2015." Please refer to Notes 9, 10 and 13 of our consolidated financial statements for additional information.

Off-Balance Sheet Arrangements

At December 31, 2015, we had investments in unconsolidated entities with our ownership ranging from 10% to 50%. Please see Note 7 to our consolidated financial statements for additional information. We use financial derivative instruments to hedge interest rate exposure. Please see Note 11 to our consolidated financial statements for additional information. At December 31, 2015, we had nine outstanding letter of credit obligations. Please see Note 12 to our consolidated financial statements for additional information.

Contractual Obligations

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

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

	Payments Due by Period				
Contractual Obligations	Total	2016	2017-2018	2019-2020	Thereafter
Unsecured revolving credit facility(1)	$ 835,000	$ -	$ -	$ 835,000	$ -
Senior unsecured notes and term credit facilities:(2)					
U.S. Dollar senior unsecured notes	6,200,000	400,000	900,000	1,050,000	3,850,000
Pounds Sterling senior unsecured notes(3)	1,548,330	-	-	-	1,548,330
Canadian Dollar senior unsecured notes(3)	216,779	-	-	216,779	-
U.S. Dollar term credit facility	500,000	-	-	500,000	-
Canadian Dollar term credit facility(3)	180,649	-	-	180,649	-
Secured debt:(2,3)					
Consolidated	3,478,207	547,325	1,127,424	554,421	1,249,037
Unconsolidated	474,772	25,984	34,583	21,757	392,448
Contractual interest obligations:(4)					
Unsecured revolving credit facility	33,642	5,624	22,495	5,523	-
Senior unsecured notes and term loans(3)	3,592,177	353,830	675,744	572,354	1,990,249
Consolidated secured debt(3)	720,472	147,884	213,257	130,951	228,380
Unconsolidated secured debt(3)	136,870	16,897	31,273	29,171	59,529
Capital lease obligations(5)	98,569	4,732	9,411	8,506	75,920
Operating lease obligations(5)	990,027	15,543	31,315	30,593	912,576
Purchase obligations(5)	549,676	211,635	332,024	6,017	-
Other long-term liabilities(6)	5,654	1,475	2,950	1,229	-
Total contractual obligations	$19,560,824	$1,730,929	$3,380,476	$4,142,950	$10,306,468

(1) Relates to our unsecured revolving credit facility with an aggregate commitment of $2,500,000,000. See Note 9 to our consolidated financial statements.
(2) Amounts represent principal amounts due and do not reflect unamortized premiums/discounts or other fair value adjustments as reflected on the balance sheet.
(3) Based on foreign currency exchange rates in effect as of balance sheet date.
(4) Based on variable interest rates in effect as of balance sheet date.
(5) See Note 12 to our consolidated financial statements.
(6) Primarily relates to payments to be made under our Supplemental Executive Retirement Plan, which is discussed in Note 19 to the consolidated financial statements.

Capital Structure

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

	Per Agreement		
Covenant	Primary Unsecured Credit Facility	Senior Unsecured Notes	Actual At December 31, 2015
Total Indebtedness to Book Capitalization Ratio maximum	60%	n/a	46%
Secured Indebtedness to Total Assets Ratio maximum	30%	40%	12%
Total Indebtedness to Total Assets maximum	n/a	60%	45%
Unsecured Debt to Unencumbered Assets maximum	60%	n/a	39%
Adjusted Interest Coverage Ratio minimum	n/a	1.50x	4.57x
Adjusted Fixed Charge Coverage minimum	1.50x	n/a	3.61x

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

On May 1, 2015, we filed with the Securities and Exchange Commission (1) an open-ended automatic or “universal” shelf

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

registration statement covering an indeterminate amount of future offerings of debt securities, common stock, preferred stock, depositary shares, warrants and units and (2) a registration statement in connection with our enhanced dividend reinvestment plan under which we may issue up to 15,000,000 shares of common stock. As of January 31, 2016, 11,743,723 shares of common stock remained available for issuance under this registration statement. We have entered into separate Equity Distribution Agreements with each of UBS Securities LLC, KeyBanc Capital Markets Inc. and Credit Agricole Securities (USA) Inc. relating to the offer and sale from time to time of up to $630,015,000 aggregate amount of our common stock ("Equity Shelf Program"). As of January 31, 2016, we had $392,617,000 of remaining capacity under the Equity Shelf Program. Depending upon market conditions, we anticipate issuing securities under our registration statements to invest in additional properties and to repay borrowings under our primary unsecured credit facility.

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

Results of Operations

Summary

Our primary sources of revenue include rent, resident fees and services, and interest income. Our primary expenses include interest expense, depreciation and amortization, property operating expenses, transaction costs and general and administrative expenses. We evaluate our business and make resource allocations on our three business segments: triple-net, seniors housing operating and outpatient medical. The primary performance measures for our properties are NOI and SSCNOI, which are discussed below. Please see Note 17 to our consolidated financial statements for additional information. The following is a summary of our results of operations (dollars in thousands, except per share amounts):

	Year Ended		One Year Change		Year Ended	One Year Change		Two Year Change	
	December 31, 2013	December 31, 2014	Amount	%	December 31, 2015	Amount	%	Amount	%
Net income attributable to common stockholders	$ 78,714	$ 446,745	$ 368,031	468%	$ 818,344	$ 371,599	83%	$ 739,630	940%
Funds from operations	924,884	1,174,081	249,197	27%	1,409,640	235,559	20%	484,756	52%
Adjusted EBITDA	1,503,715	1,877,992	374,277	25%	2,278,930	400,938	21%	775,215	52%
Net operating income from continuing operations	1,673,795	1,940,188	266,393	16%	2,237,569	297,381	15%	563,774	34%
Same store cash NOI	1,145,629	1,192,245	46,616	4%	1,213,752	21,507	2%	68,123	6%
Per share data (fully diluted):									
Net income attributable to common stockholders	$ 0.28	$ 1.45	$ 1.17	418%	$ 2.34	$ 0.89	61%	$ 2.06	736%
Funds from operations	3.32	3.82	0.50	15%	4.03	0.21	5%	0.71	21%
Adjusted interest coverage ratio	3.23x	3.86x	0.63x	20%	4.57x	0.71x	18%	1.34x	41%
Adjusted fixed charge coverage ratio	2.56x	3.06x	0.50x	20%	3.61x	0.55x	18%	1.05x	41%

The following table represents the changes in outstanding common stock for the period from January 1, 2013 to December 31, 2015 (in thousands):

	Year Ended			
	December 31, 2013	December 31, 2014	December 31, 2015	Totals
Beginning balance	260,374	289,564	328,790	260,374
Public offerings	23,000	33,925	19,550	76,475
Dividend reinvestment plan issuances	3,430	4,123	4,024	11,577
Senior note conversions	988	259	1,330	2,577
Preferred stock conversions	117	233	-	350
Issuances in acquisitions of noncontrolling interests	1,109	-	-	1,109
Option exercises	214	498	249	961
Equity Shelf Program issuances	-	-	696	696
Other, net	332	188	139	659
Ending balance	289,564	328,790	354,778	354,778
Average number of shares outstanding:				
Basic	276,929	306,272	348,240	
Diluted	278,761	307,747	349,424	

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

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

Triple-net

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

	Year Ended		One Year Change		Year Ended	One Year Change		Two Year Change	
	December 31, 2013	December 31, 2014	$	%	December 31, 2015	$	%	$	%
SSCNOI[1]	$ 671,609	$ 690,941	$ 19,332	3%	$ 712,806	$ 21,865	3%	$ 41,197	6%
Non-cash NOI attributable to same store properties[1]	37,153	55,531	18,378	49%	72,666	17,135	31%	35,513	96%
NOI attributable to non same store properties[2]	185,859	280,662	94,803	51%	414,829	134,167	48%	228,970	123%
NOI	$ 894,621	$ 1,027,134	$ 132,513	15%	$ 1,200,301	$ 173,167	17%	$ 305,680	34%

(1) Change is due to increases in cash and non-cash NOI (described below) related to 496 same store properties.
(2) Change is primarily due to the acquisition of 211 properties, the conversion of 23 construction projects into revenue-generating properties subsequent to January 1, 2013 and the transition of 38 properties from our seniors housing operating segment on September 1, 2013.

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

	Year Ended		One Year Change		Year Ended	One Year Change		Two Year Change	
	December 31, 2013	December 31, 2014	$	%	December 31, 2015	$	%	$	%
Revenues:									
Rental income	$ 866,138	$ 992,638	$ 126,500	15%	$ 1,119,322	$ 126,684	13%	$ 253,184	29%
	28,214	32,255	4,041	14%	74,108	41,853	130%	45,894	163%

Interest income									
Other income	1,504	2,973	1,469	98%	6,871	3,898	131%	5,367	357%
	895,856	1,027,866	132,010	15%	1,200,301	172,435	17%	304,445	34%
Property operating expenses	1,235	732	(503)	-41%	-	(732)	-100%	(1,235)	-100%
Net operating income from continuing operations (NOI)	894,621	1,027,134	132,513	15%	1,200,301	171,703	17%	305,680	34%
Other expenses:									
Interest expense	23,322	38,460	15,138	65%	30,288	(8,172)	-21%	6,966	30%
Loss (gain) on derivatives, net	4,877	(1,770)	(6,647)	n/a	(58,427)	(56,657)	3201%	(63,304)	-1298%
Depreciation and amortization	249,913	273,296	23,383	9%	294,484	21,188	8%	44,571	18%
Transaction costs	24,426	45,146	20,720	85%	53,254	8,108	18%	28,828	118%
Loss (gain) on extinguishment of debt, net	40	98	58	145%	10,095	9,997	10201%	10,055	25138%
Provision for loan losses	2,110	-	(2,110)	-100%	-	-	n/a	(2,110)	-100%
Impairment of assets	-	-	-	n/a	2,220	2,220	n/a	2,220	n/a
Other expenses	-	8,825	8,825	n/a	35,648	26,823	304%	35,648	n/a
	304,688	364,055	59,367	19%	367,562	3,507	1%	62,874	21%
Income from continuing operations before income	589,933	663,079	73,146	12%	832,739	169,660	26%	242,806	41%

taxes and income (loss) from unconsolidated entities									
Income tax benefit (expense)	(1,817)	6,141	7,958	n/a	(4,244)	(10,385)	-169%	(2,427)	134%
Income (loss) from unconsolidated entities	5,035	5,423	388	8%	8,260	2,837	52%	3,225	64%
Income from continuing operations	593,151	674,643	81,492	14%	836,755	162,112	24%	243,604	41%
Discontinued operations, net	57,742	7,135	(50,607)	-88%	-	(7,135)	-100%	(57,742)	-100%
Gain (loss) on real estate dispositions, net	-	146,205	146,205	n/a	86,261	(59,944)	-41%	86,261	n/a
Net income	650,893	827,983	177,090	27%	923,016	95,033	11%	272,123	42%
Less: Net income attributable to noncontrolling interests	1,558	1,874	316	20%	6,348	4,474	239%	4,790	307%
Net income attributable to common stockholders	$ 649,335	$ 826,109	$ 176,774	27%	$ 916,668	$ 90,559	11%	$ 267,333	41%

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

The increase in rental income is primarily attributable to the acquisitions of new properties and the conversion of newly constructed triple-net properties from which we receive rent. Certain of our leases contain annual rental escalators that are contingent upon changes in the Consumer Price Index and/or changes in the gross operating revenues of the tenant's properties. These escalators are not fixed, so no straight-line rent is recorded; however, rental income is recorded based on the contractual cash rental payments due for the period. If gross operating revenues at our facilities and/or the Consumer Price Index do not increase, a portion of our revenues may not continue to increase. Sales of real property would offset revenue increases and, to the extent that they exceed new acquisitions, could result in decreased revenues. Our leases could renew above or below current rent rates, resulting in an increase or decrease in rental income. For the three months ended December 31, 2015, we had no lease renewals but we had 16 leases with rental rate increasers ranging from 0.01% to 0.32% in our triple-net portfolio.

The increase in interest income is attributable to investments in new loans and draws on existing loans in the current year, which includes a first mortgage loan to Genesis Healthcare to facilitate their merger with Skilled Healthcare Group. The increase in other income year-to-date over the prior year includes the receipt of an early prepayment fee related to a real estate loan receivable.

During the year ended December 31, 2015, we completed five triple-net construction projects representing $104,844,000 or $234,027 per bed/unit plus expansion projects totaling $38,808,000. The following is a summary of triple-net construction projects pending as of December 31, 2015 (dollars in thousands):

Location	Units/Beds		Commitment		Balance	Est. Completion
Edmond, OK	142	$	24,500	$	11,667	3Q16
London, England	79		29,492		16,240	3Q16
Carrollton, TX	104		18,900		7,681	3Q16
Piscataway, NJ	124		30,600		19,386	4Q16
Raleigh, NC	225		93,000		42,707	4Q16
Tulsa, OK	145		25,800		6,290	4Q16
Livingston, NJ	120		51,440		19,453	1Q17
Bracknell, England	64		16,293		7,080	1Q17
Lancaster, PA	80		15,875		2,725	1Q17
Lititz, PA	80		15,200		2,763	1Q17
Total	1,163	$	321,100	$	135,992	

Total interest expense represents secured debt interest expense and interest expense on capital lease obligations. The change in secured debt interest expense is due to the net effect and timing of assumptions, segment transitions, extinguishments and principal amortizations. The following is a summary of our triple-net secured debt principal activity (dollars in thousands):

	Year Ended December 31, 2013		Year Ended December 31, 2014		Year Ended December 31, 2015	
	Amount	Weighted Avg. Interest Rate	Amount	Weighted Avg. Interest Rate	Amount	Weighted Avg. Interest Rate
Beginning balance	$ 218,741	5.393%	$ 587,136	5.394%	$ 670,769	5.337%

Debt transitioned		367,997	5.298%		-	0.000%		-	0.000%
Debt issued		13,800	5.480%		-	0.000%		-	0.000%
Debt assumed		9,578	5.582%		120,352	5.404%		44,142	5.046%
Debt extinguished		(16,482)	3.304%		(22,970)	6.235%		(132,545)	4.695%
Foreign currency		-	0.000%		(2,180)	5.317%		(15,633)	5.315%
Principal payments		(6,498)	5.698%		(11,569)	5.564%		(12,719)	5.450%
Ending balance	$	587,136	5.394%	$	670,769	5.337%	$	554,014	5.488%
Monthly averages	$	339,129	5.394%	$	596,941	5.381%	$	551,803	5.518%

In April 2011, we completed the acquisition of substantially all of the real estate assets of privately-owned Genesis Healthcare Corporation. In conjunction with this transaction, we received the option to acquire an ownership interest in Genesis Healthcare. In February 2015, Genesis Healthcare closed on a transaction to merge with Skilled Healthcare Group to become a publicly traded company which required us to record the value of the derivative asset due to the net settlement feature. This event resulted in $58,427,000 gain. During the fourth quarter of 2015, the cost basis of this investment exceeded the fair value. Management performed an assessment to determine whether the decline in fair value was other than temporary and concluded that it was. As a result, we recognized an other than temporary impairment charge of $35,648,000 which is recorded in other expense.

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

Transaction costs represent costs incurred with property acquisitions including due diligence costs, fees for legal and valuation services, the termination of pre-existing relationships, lease termination expenses and other similar costs. The change in transaction costs from year to year is primarily a function of investment volume. The fluctuations in loss (gain) on extinguishment of debt is primarily attributable to the volume of extinguishments and terms of the related secured debt.

Changes in gains on sales of properties are related to the volume of property sales and the sales prices. We recognized impairment losses on certain held-for-sale properties as the fair value less estimated costs to sell exceeded our carrying values. The following illustrates the reclassification impact as a result of classifying the properties sold prior to or held for sale at December 31, 2013, as discontinued operations for the periods presented (dollars in thousands):

	Year Ended December 31,					
	2013		2014		2015	
Rental income	$	8,987	$	881	$	-
Expenses:						
Interest expense		2,566		157		-
Provision for depreciation		5,304		-		-
Income (loss) from discontinued operations, net	$	1,117	$	724	$	-

During the year ended December 31, 2013, we wrote off one loan related to an active adult community. During the years ended December 31, 2014 and 2015, we did not record a provision for loan loss or have any loan write-offs. The provision for loan losses is related to our critical accounting estimate for the allowance for loan losses and is discussed in "Critical Accounting Policies" and Note 6 to our consolidated financial statements.

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

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

Seniors Housing Operating

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

	Year Ended		One Year Change		Year Ended	One Year Change		Two Year Change	
	December 31, 2013	December 31, 2014	$	%	December 31, 2015	$	%	$	%
SSCNOI(1)	$ 252,802	$ 274,377	$ 21,575	9%	$ 267,431	$ (6,946)	-3%	$ 14,629	6%
NOI attributable to non same store properties(2)	275,361	356,886	81,525	30%	433,831	76,945	22%	158,470	58%
NOI	$ 528,163	$ 631,263	$ 103,100	20%	$ 701,262	$ 69,999	11%	$ 173,099	33%

(1) Due to increases in cash revenues (described below) related to 116 same store properties.
(2) Primarily due to the acquisition of 271 properties subsequent to January 1, 2013 and the transition of 38 properties to our triple-net segment on September 1, 2013.

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

	Year Ended		One Year Change		Year Ended	One Year Change		Two Year Change	
	December 31, 2013	December 31, 2014	$	%	December 31, 2015	$	%	$	%
Revenues:									
Resident fees and services	$ 1,616,290	$ 1,892,237	$ 275,947	17%	$ 2,158,031	$ 265,794	14%	$ 541,741	34%
Interest income	757	2,119	1,362	180%	4,180	2,061	97%	3,423	452%
Other income	355	3,215	2,860	806%	6,060	2,845	88%	5,705	1607%
	1,617,402	1,897,571	280,169	17%	2,168,271	270,700	14%	550,869	34%
Property operating	1,089,239	1,266,308	177,069	16%	1,467,009	200,701	16%	377,770	35%

expenses									
Net operating income from continuing operations (NOI)	528,163	631,263	103,100	20%	701,262	69,999	11%	173,099	33%
Other expenses:									
Interest expense	92,148	113,099	20,951	23%	147,832	34,733	31%	55,684	60%
Loss (gain) on derivatives, net	(407)	275	682	-168%	-	(275)	-100%	407	-100%
Depreciation and amortization	478,007	418,199	(59,808)	-13%	351,733	(66,466)	-16%	(126,274)	-26%
Transaction costs	107,066	16,880	(90,186)	-84%	54,966	38,086	226%	(52,100)	-49%
Loss (gain) on extinguishment of debt, net	(3,372)	383	3,755	-111%	(195)	(578)	-151%	3,177	-94%
Other expenses	-	1,437	1,437	n/a	-	(1,437)	-100%	-	n/a
	673,442	550,273	(123,169)	-18%	554,336	4,063	1%	(119,106)	-18%
(Loss) income from continuing operations before income from unconsolidated entities	(145,279)	80,990	226,269	-156%	146,926	65,936	81%	292,205	-201%
Income tax expense	(5,337)	(3,047)	2,290	-43%	986	4,033	-132%	6,323	-118%
(Loss) income from unconsolidated entities	(22,695)	(38,204)	(15,509)	68%	(32,672)	5,532	-14%	(9,977)	44%
Net income (loss)	(173,311)	39,739	213,050	-123%	115,240	75,501	190%	288,551	-166%

Less: Net income (loss) attributable to noncontrolling interests	(8,639)	(2,335)	6,304	-73%	(1,438)	897	-38%	7,201	-83%
Net income (loss) attributable to common stockholders	$ (164,672)	$ 42,074	$ 206,746	-126%	$ 116,678	$ 74,604	177%	$ 281,350	-171%

Fluctuations in revenues and property operating expenses are primarily a result of acquisitions subsequent to January 1, 2013, partially offset by the transition of 38 properties to triple-net on September 1, 2013. The increase in other income for the year ended December 31, 2015 is primarily a result of insurance proceeds received relating to a property. The fluctuations in depreciation and amortization are due to the net impact of acquisitions and variations in amortization of short-lived intangible assets. To the extent that we acquire or dispose of additional properties in the future, these amounts will change accordingly. Losses from unconsolidated

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

entities are primarily attributable to depreciation and amortization of short-lived intangible assets related to our investments in unconsolidated joint ventures with Chartwell in 2012, Sunrise in 2013 and Senior Resource Group in 2014.

During the year ended December 31, 2015, we completed one seniors housing operating construction project representing $19,869,000 or $283,843 per unit. The following is a summary of our seniors housing operating construction projects, excluding expansions, pending as of December 31, 2015 (dollars in thousands):

Location	Units/Beds	Commitment	Balance	Est. Completion
Camberley, England	102	$ 20,459	$ 18,755	4Q16
Bushey, England	95	58,403	14,070	2Q18
Chertsey, England	93	45,612	12,446	3Q18
Total	290	$ 124,474	$ 45,271	

Interest expense represents secured debt interest expense as well as interest expense related to all foreign senior unsecured debt. Please refer to Note 10 to our consolidated financial statements for additional information. The increases in interest expense are attributed primarily to the £550,000,000 Sterling-dominated senior unsecured notes issued in November 2013, the £500,000,000 Sterling-dominated senior unsecured notes issued in November 2014, and the $300,000,000 Canadian-denominated senior unsecured notes issued in November 2015. The following is a summary of our seniors housing operating property secured debt principal activity (dollars in thousands):

	Year Ended December 31, 2013		Year Ended December 31, 2014		Year Ended December 31, 2015	
	Amount	Weighted Avg. Interest Rate	Amount	Weighted Avg. Interest Rate	Amount	Weighted Avg. Interest Rate
Beginning balance	$ 1,369,526	4.874%	$ 1,714,714	4.622%	$ 1,654,531	4.422%
Debt issued	75,408	4.891%	109,503	3.374%	228,685	2.776%
Debt assumed	1,228,706	4.063%	18,484	4.359%	842,316	3.420%
Debt extinguished	(548,876)	3.597%	(114,793)	3.626%	(285,599)	4.188%
Debt transitioned	(367,997)	5.298%	-	0.000%	-	0.000%
Foreign currency	(10,361)	4.013%	(39,379)	3.727%	(110,691)	3.625%
Principal payments	(31,692)	4.643%	(33,998)	4.296%	(38,690)	4.126%
Ending balance	$ 1,714,714	4.622%	$ 1,654,531	4.422%	$ 2,290,552	3.958%
Monthly averages	$ 1,723,122	4.820%	$ 1,657,416	4.515%	$ 1,894,609	4.261%

The fluctuations in gains/losses on debt extinguishments is primarily attributable the volume of extinguishments and terms of the related secured debt. Transaction costs represent costs incurred with property acquisitions (including due diligence costs, fees for legal and valuation services, and termination of pre-existing relationships computed based on the fair value of the assets acquired), lease termination fees and other similar costs. The change in transaction costs from year to year is primarily a function of investment volume. The majority of our seniors housing operating properties are formed through partnership interests. Net income attributable to noncontrolling interests represents our partners' share of net income or loss related to those partnerships where we are the controlling partner.

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

Outpatient Medical

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

	Year Ended December 31, 2013	Year Ended December 31, 2014	One Year Change $	One Year Change %	Year Ended December 31, 2015	One Year Change $	One Year Change %	Two Year Change $	Two Year Change %
SSCNOI(1)	$ 221,218	$ 226,927	$ 5,709	3%	$ 233,515	$ 6,588	3%	$ 12,297	6%
Non-cash NOI attributable to same store properties(1)	8,436	7,494	(942)	-11%	6,097	(1,397)	-19%	(2,339)	-28%
NOI attributable to non same store properties(2)	21,061	46,693	25,632	122%	95,303	48,610	104%	74,242	353%
NOI	$ 250,715	$ 281,114	$ 30,399	12%	$ 334,915	$ 53,801	19%	$ 84,200	34%

(1) Due to increases in cash and non-cash NOI (described below) related to 164 same store properties.
(2) Primarily due to the acquisition of 50 properties and conversions of construction projects into 14 revenue-generating properties subsequent to January 1, 2013.

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

	Year Ended December 31, 2013	Year Ended December 31, 2014	One Year Change $	One Year Change %	Year Ended December 31, 2015	One Year Change $	One Year Change %	Two Year Change $	Two Year Change %
Revenues:									
Rental income	$ 361,451	$ 413,129	$ 51,678	14%	$ 479,626	$ 66,497	16%	$ 118,175	33%
Interest income	3,692	3,293	(399)	-11%	5,853	2,560	78%	2,161	59%
Other income	1,911	1,010	(901)	-47%	4,684	3,674	364%	2,773	145%

	367,054	417,432	50,378	14%	490,163	72,731	17%	123,109	34%
Property operating expenses	116,339	136,318	19,979	17%	155,248	18,930	14%	38,909	33%
Net operating income from continuing operations (NOI)	250,715	281,114	30,399	12%	334,915	53,801	19%	84,200	34%
Other expenses:									
Interest expense	36,823	32,904	(3,919)	-11%	28,822	(4,082)	-12%	(8,001)	-22%
Depreciation and amortization	137,880	152,635	14,755	11%	180,023	27,388	18%	42,143	31%
Transaction costs	1,909	7,512	5,603	294%	2,706	(4,806)	-64%	797	42%
Loss (gain) on extinguishment of debt, net	-	405	405	n/a	-	(405)	-100%	-	n/a
	176,612	193,456	16,844	10%	211,551	18,095	9%	34,939	20%
Income from continuing operations before income taxes and income (loss) from unconsolidated entities	74,103	87,658	13,555	18%	123,364	35,706	41%	49,261	66%
Income tax expense	(270)	(1,827)	(1,557)	577%	245	2,072	n/a	515	n/a
Income (loss) from unconsolidated entities	9,473	5,355	(4,118)	-43%	2,908	(2,447)	-46%	(6,565)	-69%
Income from continuing operations	83,306	91,186	7,880	9%	126,517	35,331	39%	43,211	52%
Discontinued operations, net	(6,029)	-	6,029	-100%	-	-	n/a	6,029	-100%
Gain (loss) on real estate dispositions, net	-	906	906	n/a	194,126	193,220	21327%	194,126	n/a
Net income (loss)	77,277	92,092	14,815	19%	320,643	228,551	248%	243,366	315%

Less: Net income (loss) attributable to noncontrolling interests	310	608	298	96%	(110)	(718)	n/a	(420)	n/a
Net income (loss) attributable to common stockholders	$ 76,967	$ 91,484	$ 14,517	19%	$ 320,753	$ 229,269	251%	$ 243,786	317%

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

62

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

outpatient medical portfolio signed 75,573 square feet of new leases and 145,892 square feet of renewals. The weighted-average term of these leases was six years, with a rate of $33.28 per square foot and tenant improvement and lease commission costs of $24.87 per square foot. Substantially all of these leases during the referenced quarter contain an annual fixed or contingent escalation rent structure ranging from the change in CPI to 4%.

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

Location	Square Feet	Commitment	Balance	Est. Completion
Bel Air, MD	99,184	$ 26,386	$ 18,153	1Q16
Richmond, TX	36,475	11,670	7,277	1Q16
Stamford, CT	92,345	41,735	9,886	3Q16
Missouri, TX	23,863	9,180	2,252	3Q16
Wausau, WI	43,883	14,100	3,183	1Q17
Brooklyn, NY	140,955	103,624	19,808	1Q17
Timmonium, MD	46,000	20,996	8,601	2Q17
Total	482,705	$ 227,691	$ 69,160	

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

	Year Ended December 31, 2013		Year Ended December 31, 2014		Year Ended December 31, 2015	
	Amount	Weighted Avg. Interest Rate	Amount	Weighted Avg. Interest Rate	Amount	Weighted Avg. Interest Rate
Beginning balance	$ 713,720	5.950%	$ 700,427	5.999%	$ 609,268	5.838%
Debt assumed	52,574	6.126%	66,113	3.670%	120,959	2.113%
Debt extinguished	(49,017)	5.357%	(141,796)	5.567%	(88,182)	5.257%
Principal payments	(16,850)	6.193%	(15,476)	5.797%	(14,356)	5.975%
Ending balance	$ 700,427	5.999%	$ 609,268	5.838%	$ 627,689	5.177%
Monthly averages	$ 708,107	5.956%	$ 626,797	5.928%	$ 613,155	5.434%

The increase in other income is primarily attributable to the acquisition of a controlling interest in a portfolio of properties that were historically reported as unconsolidated property investments. The increases in property operating expenses and depreciation and amortization are primarily attributable to acquisitions and construction conversions of new outpatient medical facilities for which we incur certain property operating expenses. Transaction costs represent costs incurred with property acquisitions including due diligence costs, fees for legal and valuation services, termination of pre-existing relationships, a lease termination expense and other similar costs. The fluctuations in transaction costs are primarily due to acquisition volumes in the relevant years. Income from unconsolidated entities represents our share of net income or losses related to the periods for which we held a joint venture investment with Forest City Enterprises and certain unconsolidated property investments. Changes in gains/losses on sales of properties are related to volume of property sales and the sales prices. The following illustrates the reclassification impact as a result of classifying the properties sold prior to or held for sale at December 31, 2013 as discontinued operations for the periods presented (dollars in thousands):

	Year Ended December 31,		
	2013	2014	2015
Rental income	$ 9,390	$ -	$ -
Expenses:			
Interest expense	1,681	-	-
Property operating expenses	3,396	-	-
Provision for depreciation	2,855	-	-
Income (loss) from discontinued operations, net	$ 1,458	$ -	$ -

A portion of our outpatient medical properties were formed through partnerships. Net income attributable to noncontrolling interests represents our partners' share of net income or loss relating to those partnerships where we are the controlling partner.

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

Non-Segment/Corporate

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

	Year Ended December 31, 2013	Year Ended December 31, 2014	One Year Change $	One Year Change %	Year Ended December 31, 2015	One Year Change $	One Year Change %	Two Year Change $	Two Year Change %
Revenues:									
Other income	$ 296	$ 677	$ 381	129%	$ 1,091	$ 414	61%	$ 795	269%
Expenses:									
Interest expense	306,067	296,576	(9,491)	-3%	285,227	(11,349)	-4%	(20,840)	-7%
General and administrative	108,318	142,943	34,625	32%	147,416	4,473	3%	39,098	36%
Loss (gain) on extinguishments of debt, net	2,423	8,672	6,249	258%	24,777	16,105	186%	22,354	923%
Other expenses	-	-	-	n/a	10,583	10,583	n/a	10,583	n/a
	416,808	448,191	31,383	8%	468,003	19,812	4%	51,195	12%
Loss from continuing operations before income taxes	(416,512)	(447,514)	(31,002)	7%	(466,912)	(19,398)	4%	(50,400)	12%
Income tax expense	(67)	-	67	-100%	(3,438)	(3,438)	n/a	(3,371)	5031%
Net loss	(416,579)	(447,514)	(30,935)	7%	(470,350)	(22,836)	5%	(53,771)	13%
Preferred stock dividends	66,336	65,408	(928)	-1%	65,406	(2)	0%	(930)	-1%
Net loss attributable to common stockholders	$ (482,915)	$ (512,922)	$ (30,007)	6%	$ (535,756)	$ (22,834)	4%	$ (52,841)	11%

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

Year Ended December 31, 2013	Year Ended December 31, 2014	One Year Change $	One Year Change %	Year Ended December 31, 2015	One Year Change $	One Year Change %	Two Year Change $	Two Year Change %

Senior unsecured notes	$ 279,617	$ 280,037	$ 420	0%	$ 267,609	$ (12,428)	-4%	$ (12,008)	-4%
Secured debt	495	460	(35)	-7%	357	(103)	-22%	(138)	-28%
Primary unsecured credit facility	15,498	8,914	(6,584)	-42%	10,812	1,898	21%	(4,686)	-30%
Capitalized interest	(6,700)	(7,150)	(450)	7%	(6,379)	771	-11%	321	-5%
Interest SWAP savings	(14)	(14)	-	0%	(28)	(14)	100%	(14)	100%
Loan expense	17,171	14,329	(2,842)	-17%	12,856	(1,473)	-10%	(4,315)	-25%
Totals	$ 306,067	$ 296,576	$ (9,491)	-3%	$ 285,227	$ (11,349)	-4%	$ (20,840)	-7%

The change in interest expense on senior unsecured notes is due to the net effect of issuances and extinguishments, excluding our foreign unsecured debt, which is in our seniors housing operating segment. Please refer to Note 10 to our consolidated financial statements for additional information. We capitalize certain interest costs associated with funds used for the construction of properties owned directly by us. The amount capitalized is based upon the balances outstanding during the construction period using the rate of interest that approximates our cost of financing. Our interest expense is reduced by the amount capitalized. The change in capitalized interest is due to both changes in construction fundings and in our weighted-average cost of financing. Loan expense represents the amortization of deferred loan costs incurred in connection with the issuance and amendments of debt. Loan expense changes are due to amortization of charges for costs incurred in connection with senior unsecured note issuances. The change in interest expense on our primary unsecured credit facility is due primarily to the net effect and timing of draws, paydowns and variable interest rate changes. Please refer to Note 9 of our consolidated financial statements for additional information regarding our primary unsecured credit facility.

General and administrative expenses for 2014 included $19,688,000 of CEO transition costs. Excluding these costs, general and administrative expenses as a percentage of consolidated revenues for the years ended December 31, 2015, 2014 and 2013 were 3.82%, 3.69% and 3.74%, respectively. The increases in general and administrative expenses, excluding the CEO transition costs, are primarily related to costs associated with our initiatives to attract and retain appropriate personnel to achieve our business objectives. The loss on extinguishment of debt in the current year is primarily due to the early extinguishment of the 2016 senior unsecured notes. Other expenses in the current year are due to costs associated with the retirement of an executive officer and the termination of our investment in a strategic outpatient medical partnership.

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

Other

Non-GAAP Financial Measures

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

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

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

A covenant in our primary unsecured credit facility contains a financial ratio based on a definition of EBITDA that is specific to that agreement. Failure to satisfy these covenants could result in an event of default that could have a material adverse impact on our cost and availability of capital, which could in turn have a material adverse impact on our consolidated results of operations, liquidity and/or financial condition. Due to the materiality of these debt agreements and the financial covenants, we have disclosed Adjusted EBITDA, which represents EBITDA as defined above and adjusted for stock-based compensation expense, provision for loan losses and gain/loss on extinguishment of debt. We use Adjusted EBITDA to measure our adjusted fixed charge coverage ratio, which represents Adjusted EBITDA divided by fixed charges on a trailing twelve months basis. Fixed charges include total interest (excluding capitalized interest and non-cash interest expenses), secured debt principal amortization and preferred dividends. Our covenant requires an adjusted fixed charge coverage ratio of at least 1.50 times.

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

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

The table below reflects the reconciliation of FFO to net income attributable to common stockholders, the most directly comparable U.S. GAAP measure, for the periods presented. The provisions for depreciation and amortization include provisions for depreciation and amortization from discontinued operations. Noncontrolling interest and unconsolidated entity amounts represent adjustments to reflect our share of depreciation and amortization. Amounts are in thousands except for per share data.

	Year Ended December 31,		
FFO Reconciliation:	2013	2014	2015
Net income attributable to common stockholders	$ 78,714	$ 446,745	$ 818,344
Depreciation and amortization	873,960	844,130	826,240
Impairment of assets	-	-	2,220
Loss (gain) on sales of properties	(49,138)	(153,522)	(280,387)
Noncontrolling interests	(36,304)	(37,852)	(39,271)
Unconsolidated entities	57,652	74,580	82,494
Funds from operations	$ 924,884	$ 1,174,081	$ 1,409,640
Average common shares outstanding:			
Basic	276,929	306,272	348,240
Diluted	278,761	307,747	349,424
Per share data:			
Net income attributable to common stockholders			
Basic	$ 0.28	$ 1.46	$ 2.35
Diluted	0.28	1.45	2.34
Funds from operations			
Basic	$ 3.34	$ 3.83	$ 4.05
Diluted	3.32	3.82	4.03

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

	Year Ended December 31,		
Adjusted EBITDA Reconciliation:	2013	2014	2015
Net income	$ 138,280	$ 512,300	$ 888,549
Interest expense	462,606	481,196	492,169
Income tax expense (benefit), net	7,491	(1,267)	6,451
Depreciation and amortization	873,960	844,130	826,240
Stock-based compensation expense	20,177	32,075	30,844
Provision for loan losses	2,110	-	-
Loss (gain) on extinguishment of debt, net	(909)	9,558	34,677
Adjusted EBITDA	$ 1,503,715	$ 1,877,992	$ 2,278,930

Adjusted Interest Coverage Ratio:						
Interest expense	$	462,606	$	481,196	$	492,169
Capitalized interest		6,700		7,150		8,670
Non-cash interest expense		(4,044)		(2,427)		(2,586)
Total interest		465,262		485,919		498,253
Adjusted EBITDA	$	1,503,715	$	1,877,992	$	2,278,930
Adjusted interest coverage ratio		3.23x		3.86x		4.57x
Adjusted Fixed Charge Coverage Ratio:						
Interest expense	$	462,606	$	481,196	$	492,169
Capitalized interest		6,700		7,150		8,670
Non-cash interest expense		(4,044)		(2,427)		(2,586)
Secured debt principal payments		56,205		62,280		67,064
Preferred dividends		66,336		65,408		65,406
Total fixed charges		587,803		613,607		630,723
Adjusted EBITDA	$	1,503,715	$	1,877,992	$	2,278,930
Adjusted fixed charge coverage ratio		2.56x		3.06x		3.61x

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

The following tables reflect the reconciliation of NOI and SSCNOI to net income attributable to common stockholders, the most directly comparable U.S. GAAP measure, for the periods presented. Amounts are in thousands.

	Year Ended December 31,		
NOI Reconciliation:	2013	2014	2015
Total revenues:			
Triple-net	$ 895,856	$ 1,027,866	$ 1,200,301
Seniors housing operating	1,617,402	1,897,571	2,168,271
Outpatient medical	367,054	417,432	490,163
Non-segment/corporate	296	677	1,091
Total revenues	2,880,608	3,343,546	3,859,826
Property operating expenses:			
Triple-net	1,235	732	-
Seniors housing operating	1,089,239	1,266,308	1,467,009
Outpatient medical	116,339	136,318	155,248
Total property operating expenses	1,206,813	1,403,358	1,622,257
Net operating income:			
Triple-net	894,621	1,027,134	1,200,301
Seniors housing operating	528,163	631,263	701,262
Outpatient medical	250,715	281,114	334,915
Non-segment/corporate	296	677	1,091
Net operating income from continuing operations	1,673,795	1,940,188	2,237,569
Reconciling items:			
Interest expense	(458,360)	(481,039)	(492,169)
Loss (gain) on derivatives, net	(4,470)	1,495	58,427
Depreciation and amortization	(865,800)	(844,130)	(826,240)
General and administrative	(108,318)	(142,943)	(147,416)
Transaction costs	(133,401)	(69,538)	(110,926)
Loss (gain) on extinguishment of debt, net	909	(9,558)	(34,677)
Impairment of assets	-	-	(2,220)
Other expenses	-	(10,262)	(46,231)
Provision for loan losses	(2,110)	-	-
Income tax benefit (expense)	(7,491)	1,267	(6,451)
Income (loss) from unconsolidated entities	(8,187)	(27,426)	(21,504)
Income (loss) from discontinued operations, net	51,713	7,135	-
Gain (loss) on real estate dispositions, net	-	147,111	280,387
Preferred dividends	(66,336)	(65,408)	(65,406)
Loss (income) attributable to noncontrolling interests	6,770	(147)	(4,799)
	(1,595,081)	(1,493,443)	(1,419,225)
Net income (loss) attributable to common stockholders	$ 78,714	$ 446,745	$ 818,344

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

	Year Ended December 31,		
Same Store Cash NOI Reconciliation:	2013	2014	2015
Net operating income from continuing operations:			
Triple-net	$ 894,621	$ 1,027,134	$ 1,200,301
Seniors housing operating	528,163	631,263	701,262
Outpatient medical	250,715	281,114	334,915
Total	1,673,499	1,939,511	2,236,478
Adjustments:			
Triple-net:			
Non-cash NOI on same store properties	(37,153)	(55,531)	(72,666)
NOI attributable to non same store properties	(185,859)	(280,662)	(414,829)
Subtotal	(223,012)	(336,193)	(487,495)
Seniors housing operating:			
NOI attributable to non same store properties	(275,361)	(356,886)	(433,831)
Subtotal	(275,361)	(356,886)	(433,831)
Outpatient medical:			
Non-cash NOI on same store properties	(8,436)	(7,494)	(6,097)
NOI attributable to non same store properties	(21,061)	(46,693)	(95,303)
Subtotal	(29,497)	(54,187)	(101,400)
Total	(527,870)	(747,266)	(1,022,726)
Same store cash net operating income:			
Triple-net	671,609	690,941	712,806
Seniors housing operating	252,802	274,377	267,431
Outpatient medical	221,218	226,927	233,515
Total	$ 1,145,629	$ 1,192,245	$ 1,213,752

Same Store Cash NOI Property Reconciliation:	
Total properties	1,426
Acquisitions	(532)
Developments	(44)
Disposals/Held-for-sale	(17)
Segment transitions	(39)
Other[(1)]	(18)
Same store properties	776

(1) Includes eleven land parcels, three loans and four previously unconsolidated properties in which we purchased the majority interest during the year.

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

Critical Accounting Policies

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

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

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

Management has discussed the development and selection of its critical accounting policies with the Audit Committee of the Board of Directors and the Audit Committee has reviewed the disclosure presented below relating to them. Management believes the current assumptions and other considerations used to estimate amounts reflected in our consolidated financial statements are appropriate and are not reasonably likely to change in the future. However, since these estimates require assumptions to be made that were uncertain at the time the estimate was made, they bear the risk of change. If actual experience differs from the assumptions and other considerations used in estimating amounts reflected in our consolidated financial statements, the resulting changes could have a material adverse effect on our consolidated results of operations, liquidity and/or financial condition. Please refer to Note 2 to our consolidated financial statements for further information on significant accounting policies that impact us and for the impact of new accounting standards. There were no accounting pronouncements that were issued, but not yet adopted by us, that we believe will materially impact our consolidated financial statements.

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

Nature of Critical Accounting Estimate	**Assumptions/Approach Used**
<u>Principles of Consolidation</u> The consolidated financial statements include our accounts, the accounts of our wholly-owned subsidiaries and the accounts of joint venture entities in which we own a majority voting interest with the ability to control operations and where no substantive participating rights or substantive kick out rights have been granted to the noncontrolling interests. In addition, we consolidate those entities deemed to be variable interest entities (VIEs) in which we are determined to be the primary beneficiary. All material	We make judgments about which entities are VIEs based on an assessment of whether (i) the equity investors as a group, if any, do not have a controlling financial interest, or (ii) the equity investment at risk is insufficient to finance that entity's activities without additional subordinated financial support. We make judgments with respect to our level of influence or control of an entity and whether we are (or are not) the primary beneficiary of a VIE. Consideration of various factors includes, but is not limited to, our ability to direct the activities that most significantly impact the entity's economic performance, our form of ownership interest, our representation on the entity's governing body, the size and seniority of our investment, our ability and the rights of other investors to participate in policy making decisions,

intercompany transactions and balances have been eliminated in consolidation.	replace the manager and/or liquidate the entity, if applicable. Our ability to correctly assess our influence or control over an entity at inception of our involvement or on a continuous basis when determining the primary beneficiary of a VIE affects the presentation of these entities in our consolidated financial statements. If we perform a primary beneficiary analysis at a date other than at inception of the variable interest entity, our assumptions may be different and may result in the identification of a different primary beneficiary.
<u>Income Taxes</u> As part of the process of preparing our consolidated financial statements, significant management judgment is required to evaluate our compliance with REIT requirements.	Our determinations are based on interpretation of tax laws, and our conclusions may have an impact on the income tax expense recognized. Adjustments to income tax expense may be required as a result of: (i) audits conducted by federal and state tax authorities, (ii) our ability to qualify as a REIT, (iii) the potential for built-in-gain recognized related to prior-tax-free acquisitions of C corporations and (iv) changes in tax laws. Adjustments required in any given period are included in income.

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

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

we will be unable to collect all amounts due as scheduled according to the contractual terms of the original loan agreement. Consistent with this definition, all loans on non-accrual are deemed impaired. To the extent circumstances improve and the risk of collectability is diminished, we will return these loans to full accrual status.	
<u>Fair Value of Derivative Instruments</u> The valuation of derivative instruments is accounted for in accordance with U.S. GAAP, which requires companies to record derivatives at fair market value on the balance sheet as assets or liabilities.	The valuation of derivative instruments requires us to make estimates and judgments that affect the fair value of the instruments. Fair values of our forward exchange contracts are estimated using pricing models that consider forward currency spot rates, forward trade rates and discount rates. Fair values of our interest rate swaps are estimated by utilizing pricing models that consider forward yield curves, discount rates and counterparty credit risk. Such amounts and their recognition are subject to significant estimates which may change in the future.

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

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

asset. If it is determined that a permanent impairment of a long-lived asset has occurred, the carrying value of the asset is reduced to its fair value and an impairment charge is recognized for the difference between the carrying value and the fair value.	changes in the market that may permanently reduce the value of the property. If indicators of impairment exist, then the undiscounted future cash flows from the most likely use of the property are compared to the current net book value. This analysis requires us to determine if indicators of impairment exist and to estimate the most likely stream of cash flows to be generated from the property during the period the property is expected to be held.	

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

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

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

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

	December 31, 2015		December 31, 2014	
	Principal balance	Fair value change	Principal balance	Fair value change
Senior unsecured notes	$ 7,965,107	$ (519,901)	$ 7,101,655	$ (547,358)
Secured debt	2,757,123	(91,376)	2,673,480	(93,580)
Totals	$ 10,722,230	$ (611,277)	$ 9,775,135	$ (640,938)

Our variable rate debt, including our unsecured line of credit arrangements, is reflected at fair value. At December 31, 2015, we had $2,236,733,000 outstanding related to our variable rate debt. Assuming no changes in outstanding balances, a 1% increase in interest rates would result in increased annual interest expense of $22,367,000. At December 31, 2014, we had $983,783,000 outstanding related to our variable rate debt. Assuming no changes in outstanding balances, a 1% increase in interest rates would have resulted in increased annual interest expense of $9,838,000.

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

	December 31, 2015		December 31, 2014	
	Carrying value	Fair value change	Carrying value	Fair value change
Foreign currency exchange contracts	$ 117,452	$ 1,915	$ 54,247	$ 4,242
Debt designated as hedges	1,728,979	13,000	1,851,189	13,000
Totals	$ 1,846,431	$ 14,915	$ 1,905,436	$ 17,242

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

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders of Welltower Inc.

We have audited the accompanying consolidated balance sheets of Welltower Inc. as of December 31, 2015 and 2014, and the related consolidated statements of comprehensive income, equity, and cash flows for each of the three years in the period ended December 31, 2015. Our audits also included the financial statement schedules listed in Item 15(a)(2) of this Form 10-K. These financial statements and schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedules based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Welltower Inc. at December 31, 2015 and 2014, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2015, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedules, when considered in relation to the basic financial statements taken as a whole, present fairly in all material respects the information set forth therein.

As discussed in Note 2 to the consolidated financial statements, the Company changed its presentation of debt issuance costs as a result of the adoption of the amendments to the FASB Accounting Standards Codification resulting from Accounting Standards Update No. 2015-03, Simplifying the Presentation of Debt Issuance Costs.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Welltower Inc.'s internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 18, 2016 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Toledo, Ohio

February 18, 2016

CONSOLIDATED BALANCE SHEETS

WELLTOWER, INC. AND SUBSIDIARIES

	December 31, 2015	December 31, 2014
	(In thousands)	
Assets		
Real estate investments:		
Real property owned:		
Land and land improvements	$ 2,563,445	$ 2,046,541
Buildings and improvements	25,522,542	21,799,313
Acquired lease intangibles	1,350,585	1,135,936
Real property held for sale, net of accumulated depreciation	169,950	323,818
Construction in progress	258,968	186,327
Gross real property owned	29,865,490	25,491,935
Less accumulated depreciation and amortization	(3,796,297)	(3,020,908)
Net real property owned	26,069,193	22,471,027
Real estate loans receivable	819,492	380,169
Net real estate investments	26,888,685	22,851,196
Other assets:		
Investments in unconsolidated entities	542,281	744,151
Goodwill	68,321	68,321
Cash and cash equivalents	360,908	473,726
Restricted cash	61,782	79,697
Straight-line receivable	395,562	279,806
Receivables and other assets	706,306	466,026
Total other assets	2,135,160	2,111,727
Total assets	$ 29,023,845	$ 24,962,923
Liabilities and equity		
Liabilities:		
Borrowings under primary unsecured credit facility	$ 835,000	$ -
Senior unsecured notes	8,548,055	7,729,405
Secured debt	3,509,142	2,963,186
Capital lease obligations	75,489	84,049
Accrued expenses and other liabilities	697,191	626,825
Total liabilities	13,664,877	11,403,465
Redeemable noncontrolling interests	183,083	86,409
Equity:		
Preferred stock	1,006,250	1,006,250
Common stock	354,811	328,835
Capital in excess of par value	16,478,300	14,740,712
Treasury stock	(44,372)	(35,241)
Cumulative net income	3,725,772	2,842,022
Cumulative dividends	(6,846,056)	(5,635,923)
Accumulated other comprehensive income (loss)	(88,243)	(77,009)
Other equity	4,098	5,507

Total Welltower Inc. stockholders' equity		14,590,560		13,175,153
Noncontrolling interests		585,325		297,896
Total equity		15,175,885		13,473,049
Total liabilities and equity	$	29,023,845	$	24,962,923

See accompanying notes

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

WELLTOWER INC. AND SUBSIDIARIES

(In thousands, except per share data)

	Year Ended December 31,		
	2015	2014	2013
Revenues:			
Rental income	$ 1,598,948	$ 1,405,767	$ 1,227,589
Resident fees and services	2,158,031	1,892,237	1,616,290
Interest income	84,141	37,667	32,663
Other income	18,706	7,875	4,066
Total revenues	3,859,826	3,343,546	2,880,608
Expenses:			
Interest expense	492,169	481,039	458,360
Property operating expenses	1,622,257	1,403,358	1,206,813
Depreciation and amortization	826,240	844,130	865,800
General and administrative	147,416	142,943	108,318
Transaction costs	110,926	69,538	133,401
Loss (gain) on derivatives, net	(58,427)	(1,495)	4,470
Loss (gain) on extinguishment of debt, net	34,677	9,558	(909)
Provision for loan losses	-	-	2,110
Impairment of assets	2,220	-	-
Other expenses	46,231	10,262	-
Total expenses	3,223,709	2,959,333	2,778,363
Income from continuing operations before income taxes and income from unconsolidated entities	636,117	384,213	102,245
Income tax (expense) benefit	(6,451)	1,267	(7,491)
Income (loss) from unconsolidated entities	(21,504)	(27,426)	(8,187)
Income from continuing operations	608,162	358,054	86,567
Discontinued operations:			
Gain (loss) on sales of properties, net	-	6,411	49,138
Income (loss) from discontinued operations, net	-	724	2,575
Discontinued operations, net	-	7,135	51,713
Gain (loss) on real estate dispositions, net	280,387	147,111	-
Net income	888,549	512,300	138,280
Less: Preferred stock dividends	65,406	65,408	66,336
Less: Net income (loss) attributable to noncontrolling interests[1]	4,799	147	(6,770)
Net income attributable to common stockholders	$ 818,344	$ 446,745	$ 78,714
Average number of common shares outstanding:			
Basic	348,240	306,272	276,929
Diluted	349,424	307,747	278,761
Earnings per share:			
Basic:			
Income from continuing operations attributable to common			

stockholders, including real estate dispositions	$	2.35	$	1.44	$	0.10
Discontinued operations, net		-		0.02		0.19
Net income attributable to common stockholders*	$	2.35	$	1.46	$	0.28
Diluted:						
Income from continuing operations attributable to common						
stockholders, including real estate dispositions	$	2.34	$	1.43	$	0.10
Discontinued operations, net		-		0.02		0.19
Net income attributable to common stockholders*	$	2.34	$	1.45	$	0.28

* Amounts may not sum due to rounding

(1) Includes amounts attributable to redeemable noncontrolling interests

See accompanying notes

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (CONTINUED)

WELLTOWER INC. AND SUBSIDIARIES

(In thousands)

	Year Ended December 31, 2015	2014	2013
Net income	$ 888,549	$ 512,300	$ 138,280
Other comprehensive income (loss):			
Unrecognized gain/(loss) on equity investments	-	389	(173)
Unrecognized gain/(loss) on cash flow hedges	(766)	4,409	1,898
Unrecognized actuarial gain/(loss)	246	(137)	1,522
Foreign currency translation gain/(loss)	(46,679)	(71,964)	(23,247)
Total other comprehensive income (loss)	(47,199)	(67,303)	(20,000)
Total comprehensive income	841,350	444,997	118,280
Total comprehensive income attributable to noncontrolling interests(1)	(31,166)	(14,678)	(13,267)
Total comprehensive income attributable to stockholders	$ 810,184	$ 430,319	$ 105,013

(1) Includes amounts attributable to redeemable noncontrolling interests.

See accompanying notes

CONSOLIDATED STATEMENTS OF EQUITY

WELLTOWER INC. AND SUBSIDIARIES

(in thousands)	Preferred Stock	Common Stock	Capital in Excess of Par Value	Treasury Stock	Cumulative Net Income	Cumulative Dividends	Accumulated Other Comprehensive Income	Other Equity	Noncontrolling Interests	Total
Balances at December 31, 2012	$ 1,022,917	$ 260,396	$ 10,543,690	$ (17,875)	$ 2,184,819	$ (3,694,579)	$ (11,028)	$ 6,461	$ 225,718	$ 10,520,519
Comprehensive income:										
Net income					145,050				(5,487)	139,563
Other comprehensive income:							(13,503)		(6,497)	(20,000)
Total comprehensive income										119,563
Net change in noncontrolling interests		1,109	23,815						128,014	152,938
Amounts related to issuance of common stock from dividend reinvestment and stock incentive plans, net of forfeitures		3,852	239,837	(3,388)				(1,555)		238,746
Net proceeds from sale of		23,000	1,607,281							1,630,281

common stock										
Net proceeds from sale of preferred stock										
Equity component of convertible debt		988	(1,543)							(555)
Equity consideration in business combinations										
Proceeds from issuance of preferred shares										
Redemption of preferred stock										
Conversion of preferred stock	(5,556)	116	5,440							-
Option compensation expense								1,114		1,114
Cash dividends paid:										
Common stock cash dividends						(839,939)				(839,939)
Preferred stock cash dividends						(66,336)				(66,336)
Balance at December 31,	1,017,361	289,461	12,418,520	(21,263)	2,329,869	(4,600,854)	(24,531)	6,020	341,748	11,756,331

2013									
Comprehensive income:									
Net income				512,153				(342)	511,811
Other comprehensive income:						(52,478)		(14,825)	(67,303)
Total comprehensive income									444,508
Net change in noncontrolling interests		(17,653)						(28,685)	(46,338)
Amounts related to issuance of common stock from dividend reinvestment and stock incentive plans, net of forfeitures	4,958	297,975	(13,978)				(1,425)		287,530
Net proceeds from sale of common stock	33,925	2,030,057							2,063,982
Equity component of convertible debt	258	935							1,193
Equity consideration in business combinations									

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

issuance of common stock from dividend reinvestment and stock incentive plans, net of forfeitures		4,400	305,022	(9,131)				(2,107)		298,184
Net proceeds from sale of common stock		20,246	1,450,212							1,470,458
Equity component of convertible debt		1,330	5,431							6,761
Option compensation expense								698		698
Cash dividends paid:										
Common stock cash dividends						(1,144,727)				(1,144,727)
Preferred stock cash dividends						(65,406)				(65,406)
Balances at December 31, 2015	$ 1,006,250	$ 354,811	$ 16,478,300	$ (44,372)	$ 3,725,772	$ (6,846,056)	$ (88,243)	$ 4,098	$ 585,325	$ 15,175,885

See accompanying notes

CONSOLIDATED STATEMENTS OF CASH FLOWS

WELLTOWER INC. AND SUBSIDIARIES

	Year Ended December 31,		
(In thousands)	2015	2014	2013
Operating activities			
Net income	$ 888,549	$ 512,300	$ 138,280
Adjustments to reconcile net income to net cash provided from (used in) operating activities:			
Depreciation and amortization	826,240	844,130	873,960
Other amortization expenses	4,991	6,971	8,097
Provision for loan losses	-	-	2,110
Impairment of assets	2,220	-	-
Stock-based compensation expense	30,844	32,075	20,177
Loss (gain) on derivatives, net	(58,427)	(1,495)	4,470
Loss (gain) on extinguishment of debt, net	34,677	9,558	(909)
Loss (income) from unconsolidated entities	21,504	27,426	8,187
Rental income in excess of cash received	(115,756)	(74,552)	(46,068)
Amortization related to above (below) market leases, net	4,018	739	460
Loss (gain) on sales of properties, net	(280,387)	(153,522)	(49,138)
Other (income) expense, net	31,979	-	-
Distributions by unconsolidated entities	637	9,060	8,885
Increase (decrease) in accrued expenses and other liabilities	(18,099)	(48,381)	67,557
Decrease (increase) in receivables and other assets	478	(25,639)	(47,571)
Net cash provided from (used in) operating activities	1,373,468	1,138,670	988,497
Investing activities			
Cash disbursed for acquisitions	(3,364,891)	(2,210,600)	(3,597,955)
Cash disbursed for capital improvements to existing properties	(187,752)	(132,780)	(135,832)
Cash disbursed for construction in progress	(244,561)	(197,881)	(247,560)
Capitalized interest	(8,670)	(7,150)	(6,700)
Investment in real estate loans receivable	(598,722)	(202,207)	(117,059)
Other investments, net of payments	(141,994)	(100,033)	(15,634)
Principal collected on real estate loans receivable	131,830	105,496	102,886
Contributions to unconsolidated entities	(160,323)	(353,496)	(99,769)
Distributions by unconsolidated entities	130,880	57,183	30,853

Proceeds from (payments on) derivatives		106,360		10,269		(6,803)
Decrease (increase) in restricted cash		29,719		(6,072)		79,957
Proceeds from sales of real property		823,964		911,065		482,023
Net cash provided from (used in) investing activities		(3,484,160)		(2,126,206)		(3,531,593)
Financing activities						
Net increase (decrease) under unsecured lines of credit arrangements		835,000		(130,000)		130,000
Proceeds from issuance of senior unsecured notes		1,451,434		773,992		1,756,192
Payments to extinguish senior unsecured notes		(558,830)		(365,188)		(517,625)
Net proceeds from the issuance of secured debt		228,685		109,503		89,208
Payments on secured debt		(573,390)		(341,839)		(674,103)
Net proceeds from the issuance of common stock		1,755,722		2,343,868		1,854,637
Decrease (increase) in deferred loan expenses		(11,513)		(16,782)		(13,503)
Contributions by noncontrolling interests(1)		173,018		9,962		5,072
Distributions to noncontrolling interests(1)		(50,877)		(43,691)		(35,592)
Acquisitions of noncontrolling interests		(5,663)		(1,175)		(23,247)
Cash distributions to stockholders		(1,210,133)		(1,035,069)		(906,275)
Other financing activities		(27,004)		(409)		2,906
Net cash provided from (used in) financing activities		2,006,449		1,303,172		1,667,670
Effect of foreign currency translation on cash and cash equivalents		(8,575)		(690)		442
Increase (decrease) in cash and cash equivalents		(112,818)		314,946		(874,984)
Cash and cash equivalents at beginning of period		473,726		158,780		1,033,764
Cash and cash equivalents at end of period	$	360,908	$	473,726	$	158,780
Supplemental cash flow information:						
Interest paid	$	492,771	$	504,165	$	447,108
Income taxes paid		12,214		18,548		12,110

(1) Includes amounts attributable to redeemable noncontrolling interests.

See accompanying notes.

WELLTOWER INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Business

Welltower Inc. (formerly Health Care REIT, Inc.), an S&P 500 company headquartered in Toledo, Ohio, is driving the transformation of health care infrastructure. The Company invests with leading seniors housing operators, post-acute providers and health systems to fund the real estate and infrastructure needed to scale innovative care delivery models and improve people's wellness and overall health care experience. Welltower™, a real estate investment trust ("REIT"), owns 1,482 properties in major, high-growth markets in the United States, Canada and the United Kingdom, consisting of seniors housing and post-acute communities and outpatient medical properties. Founded in 1970, we were the first REIT to invest exclusively in health care facilities.

2. Accounting Policies and Related Matters

Principles of Consolidation

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

Use of Estimates

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

Revenue Recognition

Revenue is recorded in accordance with U.S. GAAP, which requires that revenue be recognized after four basic criteria are met. These four criteria include persuasive evidence of an arrangement, the rendering of service, fixed and determinable income and reasonably assured collectability. Interest income on loans is recognized as earned based upon the principal amount outstanding subject to an evaluation of collectability risk. Substantially all of our operating leases contain escalating rent structures. Leases with fixed annual rental escalators are generally recognized on a straight-line basis over the initial lease period, subject to a collectability assessment. Rental income related to leases with contingent rental escalators is generally recorded based on the contractual cash rental payments due for the period. Leases in our outpatient medical portfolio typically include some form of operating expense reimbursement by the tenant. Certain payments made to operators are treated as lease incentives and amortized as a reduction of revenue over the lease term. We recognize resident fees and services, other than move-in fees, monthly as services are provided. Lease agreements with residents generally have a term of one year and are cancelable by the resident with 30 days' notice.

Cash and Cash Equivalents

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

Restricted Cash

Restricted cash primarily consists of amounts held by lenders to provide future payments for real estate taxes, insurance, tenant and capital improvements and amounts held in escrow relating to acquisitions we are entitled to receive over a period of time as outlined in the escrow agreement.

Deferred Loan Expenses

Deferred loan expenses are costs incurred by us in connection with the issuance, assumption and amendments of debt arrangements. We amortize these costs over the term of the debt using the straight-line method, which approximates the effective interest method.

Investments in Unconsolidated Entities

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

Marketable Securities

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

Redeemable Noncontrolling Interests

Certain noncontrolling interests are redeemable at fair value. Accordingly, we record the carrying amount of the noncontrolling interests at the greater of (i) the initial carrying amount, increased or decreased for the noncontrolling interest's share of net income or loss and its share of other comprehensive income or loss and dividends or (ii) the redemption value. If it is probable that the interests will be redeemed in the future, we accrete the carrying value to the redemption value over the period until expected redemption, currently a weighted-average period of approximately four years. In accordance with ASC 810, the redeemable noncontrolling interests are classified outside of permanent equity, as a mezzanine item, in the balance sheet. At December 31, 2015, the current redemption value of redeemable noncontrolling interests exceeded the carrying value of $183,083,000 by $116,000,000.

During 2014 and 2015, we entered into DownREIT partnerships which give a real estate seller the ability to exchange its property on a tax deferred basis for equity membership interests ("OP units"). The OP units may be redeemed any time following the first anniversary of the date of issuance at the election of the holders for one share of our common stock per unit or, at our option, cash.

Real Property Owned

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

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

The total amount of other intangible assets acquired is further allocated to in-place lease values and customer relationship values for in-place tenants based on management's evaluation of the specific characteristics of each tenant's lease and our overall relationship with that respective tenant. Characteristics considered by management in allocating these values include the nature and extent of our existing business relationships with the tenant, growth prospects for developing new business with the tenant, the tenant's credit quality and expectations of lease renewals, among other factors. The total amount of other intangible assets acquired is further allocated to in-place lease values for in-place residents with such value representing (i) value associated with lost revenue related to

WELLTOWER INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

tenant reimbursable operating costs that would be incurred in an assumed re-leasing period, and (ii) value associated with lost rental revenue from existing leases during an assumed re-leasing period. This intangible asset will be amortized over the remaining life of the lease.

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

Capitalization of Construction Period Interest

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

Gain on Sale of Assets

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

Real Estate Loans Receivable

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

Allowance for Losses on Loans Receivable

The allowance for losses on loans receivable is maintained at a level believed adequate to absorb potential losses in our loans receivable. The determination of the allowance is based on a quarterly evaluation of these loans, including general economic conditions and estimated collectability of loan payments. We evaluate the collectability of our loans receivable based on a combination of factors, including, but not limited to, delinquency status, historical loan charge-offs, financial strength of the borrower and guarantors and value of the underlying collateral. If such factors indicate that there is greater risk of loan charge-offs, additional allowances or placement on non-accrual status may be required. A loan is impaired when, based on current information and events, it is probable that we will be unable to collect all amounts due as scheduled according to the contractual terms of the original loan agreement. Consistent with this definition, all loans on non-accrual are deemed impaired. To the extent circumstances improve and the risk of collectability is diminished, we will return these loans to full accrual status. While a loan is on non-accrual status, any cash receipts are applied against the outstanding principal balance.

Goodwill

We account for goodwill in accordance with U.S. GAAP. Goodwill is tested annually for impairment and is tested for impairment more frequently if events and circumstances indicate that the asset might be impaired. An impairment loss is recognized to the extent that the carrying amount, including goodwill, exceeds the reporting unit's fair value and the implied fair value of goodwill is less than the carrying amount of that goodwill. We have not had any goodwill impairments.

Fair Value of Derivative Instruments

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

WELLTOWER INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Federal Income Tax

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

Foreign Currency

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

Earnings Per Share

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

New Accounting Standards

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

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

In April 2015, the FASB issued ASU No. 2015-03, “Simplifying the Presentation of Debt Issuance Costs” (“ASU 2015-03”), which requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability. The recognition and measurement guidance for debt issuance costs are not affected. Also in August 2015, the FASB issued ASU No. 2015-15, “Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements” (“ASU 2015-15”), which clarifies the SEC staff’s position not objecting to an entity deferring and presenting debt issuance costs as an asset and subsequently amortizing such costs, regardless of whether there are any outstanding borrowings on the line-of-credit arrangement. We adopted ASU 2015-03 and 2015-15 for the year ended December 31, 2015. There were deferred financing costs of $56,696,000 and $51,373,000 as of December 31, 2015 and 2014, respectively, that are now classified within senior unsecured notes and secured debt on our Consolidated Balance Sheets.

In September 2015, the FASB issued ASU No. 2015-16, “Simplifying the Accounting for Measurement-Period Adjustments” (“ASU 2015-16”). This guidance eliminated the requirement that an acquirer in a business combination account for adjustments it makes to the provisional amounts retrospectively. Instead, an acquirer recognizes these measurement-period adjustments during the period in which they are determined, including the effect on earnings of any amounts the acquirer would have recorded in previous periods if the accounting had been completed at the acquisition date. ASU 2015-16 is effective beginning January 1, 2016. We are continuing to evaluate this guidance; however, we do not expect its adoption to have a significant impact on our consolidated financial statements.

Reclassifications

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

3. Real Property Acquisitions and Development

The total purchase price for all properties acquired has been allocated to the tangible and identifiable intangible assets, liabilities and noncontrolling interests based upon their respective fair values in accordance with our accounting policies. The results of operations for these acquisitions have been included in our consolidated results of operations since the date of acquisition and are a component of the appropriate segments. Transaction costs primarily represent costs incurred with property acquisitions, including due diligence costs, fees for legal and valuation services and termination of pre-existing relationships computed based on the fair value of the assets acquired, lease termination fees and other acquisition-related costs. Certain of our subsidiaries' functional currencies are the local currencies of their respective countries. See Note 2 for information regarding our foreign currency policies. During the year ended December 31, 2015, we finalized our purchase price allocation of certain previously reported acquisitions and there were no material changes from those previously disclosed.

Triple-Net Activity

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

	Year Ended December 31,		
	2015(1)	2014	2013
Land and land improvements	$ 142,854	$ 141,387	$ 54,596
Buildings and improvements	1,358,717	1,365,638	360,594
Acquired lease intangibles	4,408	19,196	-
Restricted cash	6	-	189
Receivables and other assets	194	4,895	1,020
Total assets acquired(2)	1,506,179	1,531,116	416,399
Secured debt	(47,741)	(130,638)	(9,810)

Senior unsecured notes	-	(48,567)	-
Accrued expenses and other liabilities	(2,905)	(9,067)	(540)
Total liabilities assumed	(50,646)	(188,272)	(10,350)
Noncontrolling interests	(13,465)	-	-
Non-cash acquisition related activity(3)	(38,355)	(3,453)	(12,207)
Cash disbursed for acquisitions	1,403,713	1,339,391	393,842
Construction in progress additions	143,140	135,349	145,624
Less: Capitalized interest	(5,699)	(4,582)	(4,828)
Accruals Foreign currency translation	(167)	421	-
Non-cash related activity	-	(14,459)	-
Cash disbursed for construction in progress	137,274	116,729	140,796
Capital improvements to existing properties	45,293	18,901	35,912
Total cash invested in real property, net of cash acquired	$ 1,586,280	$ 1,475,021	$ 570,550

(1) Includes acquisitions with an aggregate purchase price of $910,433,000 for which the allocation of the purchase price consideration is preliminary and subject to change.
(2) Excludes $16,572,000, $1,382,000, and $0 of cash acquired during the year ended December 31, 2015, 2014 and 2013, respectively.
(3) For the year ended December 31, 2015, $23,288,000 relates to the acquisition of assets previously financed as real estate loans receivable and $6,743,000 previously financed as equity investments. For the year ended December 31, 2013, $12,204,000 relates to an asset swap transaction. Please refer to Notes 5 and 6.

WELLTOWER INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Seniors Housing Operating Activity

Acquisitions of seniors housing operating properties are structured under RIDEA, which is described in Note 18. This structure results in the inclusion of all resident revenues and related property operating expenses from the operation of these qualified health care properties in our consolidated statements of comprehensive income.

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

	Year Ended December 31,		
	2015[1]	2014	2013
Land and land improvements	$ 218,581	$ 57,534	$ 445,152
Buildings and improvements	2,367,486	297,314	4,275,046
Acquired lease intangibles	187,512	12,983	396,444
Construction in progress	-	27,957	-
Restricted cash	11,798	804	44,427
Receivables and other assets	29,501	9,327	79,564
Total assets acquired[2]	2,814,878	405,919	5,240,633
Secured debt	(871,471)	(19,834)	(1,275,245)
Senior unsecured notes	(24,621)	-	-
Accrued expenses and other liabilities	(81,778)	(17,802)	(96,709)
Total liabilities assumed	(977,870)	(37,636)	(1,371,954)
Noncontrolling interests	(183,854)	(482)	(232,575)
Non-cash acquisition related activity[3]	-	-	(555,563)
Cash disbursed for acquisitions	1,653,154	367,801	3,080,541
Construction in progress additions	44,173	12,291	3,894
Less: Capitalized interest	(1,740)	(714)	(57)
Less: Foreign currency translation	(2,499)	(2,012)	-
Cash disbursed for construction in progress	39,934	9,565	3,837
Capital improvements to existing properties	104,308	86,803	72,258
Total cash invested in real property, net of cash acquired	$ 1,797,396	$ 464,169	$ 3,156,636

(1) Includes an aggregate purchase price of $2,002,698,000 relating to acquisitions for which the allocation of the purchase price consideration is preliminary and subject to change.
(2) Excludes $30,930,000, $9,060,000 and $92,148,000 of cash acquired during the years ended December 31, 2015, 2014 and 2013, respectively.
(3) Represents Sunrise Senior Living loan and noncontrolling interest acquisitions during the first quarter of 2013.

WELLTOWER INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Outpatient Medical Activity

Accrued contingent consideration related to certain outpatient medical acquisitions was $0, $27,374,000 and $26,187,000 as of December 31, 2015, 2014 and 2013, respectively. The following is a summary of our outpatient medical real property investment activity for the periods presented (in thousands):

	Year Ended December 31,		
	2015[1]	2014	2013
Land and land improvements	$ 176,689	$ 63,129	$ 14,515
Buildings and improvements	317,484	567,847	156,087
Acquired lease intangibles	45,226	46,661	9,432
Restricted cash	-	-	505
Receivables and other assets	939	-	344
Total assets acquired[2]	540,338	677,637	180,883
Secured debt	(120,977)	(66,113)	(55,884)
Accrued expenses and other liabilities	(7,777)	(22,293)	(1,041)
Total liabilities assumed	(128,754)	(88,406)	(56,925)
Noncontrolling interests	(76,535)	(39,987)	(386)
Non-cash acquisition related activity[3]	(27,025)	(45,836)	-
Cash disbursed for acquisitions	308,024	503,408	123,572
Construction in progress additions	70,560	99,878	123,494
Less: Capitalized interest	(1,286)	(1,854)	(1,815)
Accruals[4]	(1,921)	(26,437)	(18,752)
Cash disbursed for construction in progress	67,353	71,587	102,927
Capital improvements to existing properties	38,151	27,076	27,662
Total cash invested in real property, net of cash acquired	$ 413,528	$ 602,071	$ 254,161

(1) Includes acquisitions with an aggregate purchase price of $91,829,000 for which the allocation of the purchase price consideration is preliminary and subject to change.
(2) Excludes $5,522,000, $0 and $0 of cash acquired during the years ended December 31, 2015, 2014 and 2013, respectively.
(3) Non-cash activity relates to the acquisition of a controlling interest in a portfolio of properties that was historically reported as an unconsolidated property investment for the year ended December 31, 2015. For the year ended December 31, 2014, the non-cash activity relates to an acquisition of assets previously financed as real estate loans. Please refer to Note 6 for additional information.
(4) Represents non-cash consideration accruals for amounts to be paid in future periods relating to properties that converted in the periods noted above.

Construction Activity

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

	Year Ended		
	December 31, 2015	December 31, 2014	December 31, 2013
Development projects:			
Triple-net	$ 104,844	$ 71,569	$ 133,181
Seniors housing operating	19,869	-	-
Outpatient medical	16,592	127,290	127,363
Total development projects	141,305	198,859	260,544
Expansion projects	38,808	24,804	26,395
Total construction in progress conversions	$ 180,113	$ 223,663	$ 286,939

At December 31, 2015, future minimum lease payments receivable under operating leases (excluding properties in our seniors housing operating partnerships and excluding any operating expense reimbursements) are as follows (in thousands):

WELLTOWER INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2016	$	1,403,745
2017		1,402,087
2018		1,392,188
2019		1,350,736
2020		1,338,549
Thereafter		11,353,245
Totals	$	18,240,550

4. Real Estate Intangibles

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

		December 31, 2015	December 31, 2014
Assets:			
	In place lease intangibles	$ 1,179,537	$ 988,290
	Above market tenant leases	67,529	65,684
	Below market ground leases	80,224	62,426
	Lease commissions	23,295	19,536
	Gross historical cost	1,350,585	1,135,936
	Accumulated amortization	(881,096)	(776,501)
	Net book value	$ 469,489	$ 359,435
	Weighted-average amortization period in years	13.4	17.7
Liabilities:			
	Below market tenant leases	$ 93,089	$ 91,168
	Above market ground leases	7,907	7,859
	Gross historical cost	100,996	99,027
	Accumulated amortization	(46,048)	(40,891)
	Net book value	$ 54,948	$ 58,136
	Weighted-average amortization period in years	14.5	14.4

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

	Year Ended December 31,		
	2015	2014	2013

Rental income related to above/below market tenant leases, net	$	(2,746)	$	509	$	748
Property operating expenses related to above/below market ground leases, net		(1,272)		(1,248)		(1,208)
Depreciation and amortization related to in place lease intangibles and lease commissions		(115,855)		(214,966)		(246,938)

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

WELLTOWER INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

		Assets		Liabilities
2016	$	137,635	$	7,523
2017		81,166		6,812
2018		47,283		6,185
2019		25,582		5,775
2020		22,163		5,294
Thereafter		155,660		23,359
Totals	$	469,489	$	54,948

5. Dispositions, Assets Held for Sale and Discontinued Operations

We periodically sell properties for various reasons, including favorable market conditions or the exercise of tenant purchase options. Impairment of assets as reflected in our consolidated statements of comprehensive income relate to properties designated as held for sale and represent the charges necessary to adjust the carrying values to estimated fair values less costs to sell based on current sales price expectations. The following is a summary of our real property disposition activity for the periods presented (in thousands):

			Year Ended			
	December 31, 2015		December 31, 2014		December 31, 2013	
Real property dispositions:						
Triple-net	$	356,300	$	747,720	$	189,572
Outpatient medical(1)		181,553		45,695		259,367
Land parcels		5,724		-		-
Total dispositions		543,577		793,415		448,939
Gain (loss) on sales of real property, net		280,387		153,522		49,138
Seller financing on sales of real property		-		-		(3,850)
Non-cash disposition activity		-		(35,872)		(12,204)
Proceeds from real property sales	$	823,964	$	911,065	$	482,023

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

Dispositions and Assets Held for Sale

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

	Year Ended December 31, 2015	2014	2013
Revenues:			
Rental income	$ 35,241	$ 115,759	$ 132,797
Expenses:			
Interest expense	5,503	24,046	26,660
Property operating expenses	6,102	7,669	8,970
Provision for depreciation	6,342	35,239	41,494
Total expenses	17,947	66,954	77,124
Income (loss) from real estate dispositions, net	$ 17,294	$ 48,805	$ 55,673

Discontinued Operations

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

WELLTOWER INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	Year Ended December 31, 2015		2014		2013	
Revenues:						
Rental income	$	-	$	881	$	18,377
Expenses:						
Interest expense		-		157		4,246
Property operating expenses		-		-		3,396
Provision for depreciation		-		-		8,160
Income (loss) from discontinued operations, net	$	-	$	724	$	2,575

6. Real Estate Loans Receivable

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

	December 31, 2015		2014	
Mortgage loans	$	635,492	$	188,651
Other real estate loans		184,000		191,518
Totals	$	819,492	$	380,169

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

	Year Ended December 31, 2015			December 31, 2014			December 31, 2013		
	Triple-net	Outpatient Medical	Totals	Triple-net	Outpatient Medical	Totals	Triple-net	Outpatient Medical	Totals
Advances on real estate loans receivable:									
Investments in new loans	$ 530,497	$ -	$ 530,497	$ 61,730	$ 60,902	$ 122,632	$ 41,180	$ 4,095	$ 45,275
Draws on existing loans	65,614	2,611	68,225	59,420	20,155	79,575	71,315	4,319	75,634
Sub-total	596,111	2,611	598,722	121,150	81,057	202,207	112,495	8,414	120,909
Less: Seller financing on property sales	-	-	-	-	-	-	(3,850)	-	(3,850)
Net cash advances on real estate loans	596,111	2,611	598,722	121,150	81,057	202,207	108,645	8,414	117,059

Receipts on real estate loans receivable:									
Loan payoffs	121,778	-	121,778	71,004	48,258	119,262	69,596	-	69,596
Principal payments on loans	33,340	-	33,340	31,998	72	32,070	33,216	74	33,290
Sub-total	155,118	-	155,118	103,002	48,330	151,332	102,812	74	102,886
Less:									
Non-cash activity(1)	(23,288)	-	(23,288)	-	(45,836)	(45,836)	-	-	-
Net cash receipts on real estate loans	131,830	-	131,830	103,002	2,494	105,496	102,812	74	102,886
Net cash advances (receipts) on real estate loans	464,281	2,611	466,892	18,148	78,563	96,711	5,833	8,340	14,173
Change in balance due to foreign currency translation	(4,281)	-	(4,281)	(2,852)	-	(2,852)	1,402	-	1,402
Net change in real estate loans receivable	$ 436,712	$ 2,611	$ 439,323	$ 15,296	$ 32,727	$ 48,023	$ 7,235	$ 8,340	$ 15,575

(1) Represents an acquisition of assets previously financed as a real estate loan. Please see Note 3 for additional information.

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

WELLTOWER INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	Year Ended December 31,		
	2015	2014	2013
Balance at beginning of year	$ -	$ -	$ -
Provision for loan losses	-	-	2,110
Charge-offs	-	-	(2,110)
Balance at end of year	$ -	$ -	$ -

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

	Year Ended December 31,		
	2015	2014	2013
Balance of impaired loans at end of year	$ -	$ 21,000	$ 500
Allowance for loan losses	-	-	-
Balance of impaired loans not reserved	$ -	$ 21,000	$ 500
Average impaired loans for the year	$ 10,500	$ 10,750	$ 2,365
Interest recognized on impaired loans(1)	-	757	206

(1) Represents interest recognized prior to placement on non-accrual status.

7. Investments in Unconsolidated Entities

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

	Percentage Ownership(1)	December 31, 2015	December 31, 2014
Triple-net	10% to 49%	$ 36,351	$ 31,511
Seniors housing operating	10% to 50%	499,537	539,147
Outpatient medical	36% to 49%	6,393	173,493
Total		$ 542,281	$ 744,151

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

At December 31, 2015, the aggregate unamortized basis difference of our joint venture investments of $158,204,000 is primarily attributable to appreciation of the underlying properties and transaction costs. This difference will be amortized over the remaining useful life of the related properties and included in the reported amount of income from unconsolidated entities. Summary combined financial information for our investments in unconsolidated entities held as of December 31, 2015 is as follows (dollars in thousands):

	December 31, 2015	December 31, 2014
Net real estate investments	$ 1,359,034	$ 2,107,201
Other assets	2,241,084	992,637
Total assets	3,600,118	3,099,838
Total liabilities	2,769,093	1,769,457
Redeemable noncontrolling interests	14,024	40,525
Total equity	$ 817,001	$ 1,289,856

	Year Ended December 31,		
	2015	2014	2013
Total revenues	$ 2,947,993	$ 1,879,240	$ 1,739,381
Net income (loss)	(40,116)	5,002	(15,265)

WELLTOWER INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8. Credit Concentration

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

Concentration by relationship:(1)	Number of Properties		Total NOI	Percent of NOI(2)
Genesis Healthcare	187	$	371,170	17%
Sunrise Senior Living(3)	148		299,697	13%
Brookdale Senior Living	148		166,792	7%
Revera	97		109,778	5%
Benchmark Senior Living	50		98,887	4%
Remaining portfolio	796		1,191,245	54%
Totals	1,426	$	2,237,569	100%

(1) Genesis Healthcare is in our triple-net segment. Sunrise Senior Living and Revera are in our seniors housing operating segment. Brookdale Senior Living and Benchmark Senior Living are in both our triple-net and seniors housing operating segments.
(2) Investments with our top five relationships comprised 49% of NOI in 2014.
(3) For the year ended December 31, 2015, we recognized $948,347,000 of revenue from Sunrise Senior Living.

9. Borrowings Under Credit Facilities and Related Items

At December 31, 2015, we had a primary unsecured credit facility with a consortium of 28 banks that includes a $2,500,000,000 unsecured revolving credit facility, a $500,000,000 unsecured term credit facility and a $250,000,000 Canadian-denominated unsecured term credit facility. We have an option, through an accordion feature, to upsize the unsecured revolving credit facility and the $500,000,000 unsecured term credit facility by up to an additional $1,000,000,000 and the $250,000,000 Canadian-denominated unsecured term credit facility by up to an additional $250,000,000. The primary unsecured credit facility also allows us to borrow up to $500,000,000 in alternate currencies (none outstanding at December 31, 2015). Borrowings under the unsecured revolving credit facility are subject to interest payable at the applicable margin over LIBOR interest rate (1.347% at December 31, 2015). The applicable margin is based on certain of our debt ratings and was 0.925% at December 31, 2015. In addition, we pay a facility fee quarterly to each bank based on the bank's commitment amount. The facility fee depends on certain of our debt ratings and was 0.15% at December 31, 2015. The primary unsecured credit facility is scheduled to expire October 31, 2018 and can be extended for an additional year at our option.

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

Year Ended December 31,

	2015	2014	2013
Balance outstanding at year end[(1)]	$ 835,000	$ -	$ 130,000
Maximum amount outstanding at any month end	$ 835,000	$ 637,000	$ 1,019,050
Average amount outstanding (total of daily principal balances divided by days in period)	$ 452,644	$ 207,452	$ 488,842
Weighted-average interest rate (actual interest expense divided by average borrowings outstanding)	1.17%	1.50%	1.45%

(1) As of December 31, 2015, letters of credit in the aggregate amount of $54,925,000 have been issued which reduce the available borrowing capacity on the primary unsecured credit facility.

10. Senior Unsecured Notes and Secured Debt

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

WELLTOWER INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

debt obligations were as follows (in thousands):

	Senior Unsecured Notes(1,2)	Secured Debt (1,3)	Totals
2016	$ 400,000	$ 547,325	$ 947,325
2017	450,000	476,661	926,661
2018	450,000	650,763	1,100,763
2019(4,5)	1,280,649	380,588	1,661,237
2020(6)	666,779	173,833	840,612
Thereafter(7,8,9)	5,398,330	1,249,037	6,647,367
Totals	$ 8,645,758	$ 3,478,207	$ 12,123,965

(1) Amounts represent principal amounts due and do not include unamortized premiums/discounts, debt issuance costs, or other fair value adjustments as reflected on the consolidated balance sheet.
(2) Annual interest rates range from 1.4% to 6.5%.
(3) Annual interest rates range from 1.0% to 7.98%. Carrying value of the properties securing the debt totaled $6,285,511,000 at December 31, 2015.
(4) On July 25, 2014, we refinanced the funding on a $250,000,000 Canadian-denominated unsecured term credit facility (approximately $180,649,000 based on the Canadian/U.S. Dollar exchange rate on December 31, 2015). The loan matures on October 31, 2018 (with an option to extend for an additional year at our discretion) and bears interest at the Canadian Dealer Offered Rate plus 97.5 basis points (1.8% at December 31, 2015).
(5) On July 25, 2014, we refinanced the funding on a $500,000,000 unsecured term credit facility. The loan matures on October 31, 2018 (with an option to extend for one additional year at our discretion) and bears interest at LIBOR plus 97.5 basis points (1.4% at December 31, 2015).
(6) In November 2015, one of our wholly-owned subsidiaries issued and we guaranteed $300,000,000 of Canadian-denominated 3.35% senior unsecured notes due 2020 (approximately $216,779,000 based on the Canadian/U.S. Dollar exchange rate on December 31, 2015).
(7) On November 20, 2013, we completed funding on £550,000,000 (approximately $811,030,000 based on the Sterling/U.S. Dollar exchange rate on December 31, 2015) of 4.8% senior unsecured notes due 2028.
(8) On November 25, 2014, we completed funding on £500,000,000 (approximately $737,300,000 based on the

Sterling/U.S. Dollar exchange rate on December 31, 2015) of 4.5% senior unsecured notes due 2034.
(9) In May 2015, we issued $750,000,000 of 4.0% senior unsecured notes due 2025. In October 2015, we issued an additional $500,000,000 of these notes under a re-opening of the offer.

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

	Year Ended					
	December 31, 2015		December 31, 2014		December 31, 2013	
	Amount	Weighted Avg. Interest Rate	Amount	Weighted Avg. Interest Rate	Amount	Weighted Avg. Interest Rate
Beginning balance	$ 7,817,154	4.385%	$ 7,421,707	4.395%	$ 5,894,403	4.675%
Debt issued	1,475,540	3.901%	838,804	4.572%	2,036,930	3.824%
Debt assumed	24,621	6.000%	-	0.000%	-	0.000%
Debt extinguished	(300,000)	6.200%	(298,567)	5.855%	(300,000)	6.000%
Debt redeemed	(240,249)	3.303%	(59,143)	3.000%	(219,295)	3.000%
Foreign currency	(131,308)	3.966%	(85,647)	4.222%	9,669	3.993%
Ending balance	$ 8,645,758	4.237%	$ 7,817,154	4.385%	$ 7,421,707	4.395%

During the twelve months ended December 31, 2010, we issued $494,403,000 of 3.00% senior unsecured convertible notes due December 2029. The notes are convertible, in certain circumstances, into cash and, if applicable, shares of common stock at an initial conversion rate of 19.5064 shares per $1,000 principal amount of notes, which represents an initial conversion price of $51.27 per share. In general, upon conversion, the holder of each note would receive, in respect of the conversion value of such note, cash up to the principal amount of such note and common stock for the note's conversion value in excess of such principal amount. In addition, on each of December 1, 2019 and December 1, 2024, holders may require us to purchase all or a portion of their notes at a purchase price in cash equal to 100% of the principal amount of the notes to be purchased, plus any accrued and unpaid interest. The notes are bifurcated into a debt component and an equity component since they may be settled in cash upon conversion. The value of the debt component is based upon the estimated fair value of a similar debt instrument without the conversion feature at the time of issuance. The difference between the contractual principal on the debt and the value allocated to the debt of $29,925,000 was recorded as an equity component and represents the conversion feature of the instrument. The excess of the contractual principal amount of the debt over its estimated fair value is amortized to interest expense using the effective interest method over the period used to estimate the fair value. During the year ended December 31, 2015, we received notice of conversion from holders of $215,965,000 of the senior unsecured convertible notes, representing the remaining balance. These notes were converted into 366,211 shares of common stock and we recognized a loss on extinguishment of $5,881,000, which is reflected on the consolidated statement of comprehensive income.

WELLTOWER INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

	Year Ended					
	December 31, 2015		December 31, 2014		December 31, 2013	
	Amount	Weighted Avg. Interest Rate	Amount	Weighted Avg. Interest Rate	Amount	Weighted Avg. Interest Rate
Beginning balance	$ 2,941,765	4.940%	$ 3,010,711	5.095%	$ 2,311,586	5.140%
Debt issued	228,685	2.776%	109,503	3.374%	89,208	4.982%
Debt assumed	1,007,482	3.334%	204,949	4.750%	1,290,858	4.159%
Debt extinguished	(506,326)	4.506%	(279,559)	4.824%	(614,375)	3.730%
Principal payments	(67,064)	4.801%	(62,280)	4.930%	(56,205)	5.248%
Foreign currency	(126,335)	3.834%	(41,559)	3.811%	(10,361)	4.013%
Ending balance	$ 3,478,207	4.440%	$ 2,941,765	4.940%	$ 3,010,711	5.095%

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

11. Derivative Instruments

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

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

For instruments that are designated and qualify as a cash flow hedge, the effective portion of the gain or loss on the derivative is reported as a component of other comprehensive income (“OCI”), and reclassified into earnings in the same period, or periods, during which the hedged transaction affects earnings. Gains and losses on the derivative representing either hedge ineffectiveness or hedge components excluded from the assessment of effectiveness are recognized in earnings. Approximately $2,942,000 of gains, which are included in accumulated other comprehensive income (“AOCI”), are expected to be reclassified into earnings in the next 12 months.

Foreign Currency Hedges

For instruments that are designated and qualify as net investment hedges, the variability in the foreign currency to U.S. dollar of the instrument is recorded as a cumulative translation adjustment component of OCI. During the year ended December 31, 2015, we settled certain net investment hedges generating cash proceeds of $106,360,000. The balance of the cumulative translation adjustment will be reclassified to earnings when the hedged investment is sold or substantially liquidated.

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

WELLTOWER INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

		December 31, 2015		December 31, 2014
Derivatives designated as net investment hedges:				
Denominated in Canadian Dollars	$	1,175,000	$	900,000
Denominated in Pounds Sterling	£	550,000	£	350,000
Financial instruments designated as net investment hedges:				
Denominated in Canadian Dollars	$	250,000	$	250,000
Denominated in Pounds Sterling	£	1,050,000	£	1,050,000
Derivatives designated as cash flow hedges				
Denominated in U.S. Dollars	$	57,000	$	57,000
Denominated in Canadian Dollars	$	72,000	$	58,000
Denominated in Pounds Sterling	£	60,000	£	40,000
Derivative instruments not designated:				
Denominated in Canadian Dollars	$	47,000	$	12,000

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

			Year Ended	
	Location	December 31, 2015	December 31, 2014	December 31, 2013
Gain (loss) on forward exchange contracts recognized in income	Gain (loss) on derivatives, net	$ -	$ 1,495	$ (4,470)
Gain (loss) on forward exchange contracts recognized in income	Interest expense	14,474	-	-
Loss (gain) on option exercise[1]	Gain (loss) on derivatives, net	(58,427)	-	-
Gain (loss) on forward exchange contracts and term loans designated as net investment hedge recognized in OCI	OCI	298,116	103,140	(28,244)

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

12. Commitments and Contingencies

At December 31, 2015, we had nine outstanding letter of credit obligations totaling $96,096,000 and expiring between 2016 and 2018. At December 31, 2015, we had outstanding construction in process of $258,968,000 for leased properties and were committed to providing additional funds of approximately $525,588,000 to complete construction. At December 31, 2015, we had contingent purchase obligations totaling $24,088,000. These contingent purchase obligations relate to unfunded capital improvement obligations and contingent obligations on acquisitions. Rents due from the tenant are increased to reflect the additional investment in the property.

We evaluate our leases for operating versus capital lease treatment in accordance with ASC Topic 840 “Leases.” A lease is classified as a capital lease if it provides for transfer of ownership of the leased asset at the end of the lease term, contains a bargain purchase option, has a lease term greater than 75% of the economic life of the leased asset, or if the net present value of the future minimum lease payments are in excess of 90% of the fair value of the leased asset. Certain leases contain bargain purchase options and have been classified as capital leases. At December 31, 2015, we had operating lease obligations of $990,027,000 relating to

WELLTOWER INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

certain ground leases and Company office space. Regarding the ground leases, we have sublease agreements with certain of our operators that require the operators to reimburse us for our monthly operating lease obligations. At December 31, 2015, aggregate future minimum rentals to be received under these noncancelable subleases totaled $26,445,000.

At December 31, 2015, future minimum lease payments due under operating and capital leases are as follows (in thousands):

	Operating Leases		Capital Leases[1]	
2016	$	15,543	$	4,732
2017		15,624		4,732
2018		15,691		4,679
2019		15,665		4,333
2020		14,928		4,173
Thereafter		912,576		75,920
Totals	$	990,027	$	98,569

(1) Amounts above represent principal and interest obligations under capital lease arrangements. Related assets with a gross value of $167,324,000 and accumulated depreciation of $20,555,000 are recorded in real property.

13. Stockholders' Equity

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

	December 31, 2015	December 31, 2014
Preferred Stock, $1.00 par value:		
Authorized shares	50,000,000	50,000,000
Issued shares	25,875,000	25,875,000
Outstanding shares	25,875,000	25,875,000
Common Stock, $1.00 par value:		
Authorized shares	700,000,000	700,000,000
Issued shares	355,594,373	329,487,615
Outstanding shares	354,777,670	328,790,066

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

	Year Ended					
	December 31, 2015		December 31, 2014		December 31, 2013	
		Weighted Avg.		Weighted Avg.		Weighted Avg.

	Shares	Dividend Rate	Shares	Dividend Rate	Shares	Dividend Rate
Beginning balance	25,875,000	6.500%	26,108,236	6.496%	26,224,854	6.493%
Shares converted	-	0.000%	(233,236)	6.000%	(116,618)	6.000%
Ending balance	25,875,000	6.500%	25,875,000	6.500%	26,108,236	6.496%

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

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

During the three months ended March 31, 2012, we issued 11,500,000 of 6.50% Series J Cumulative Redeemable Preferred Stock. Dividends are payable quarterly in arrears. The preferred stock, which has no stated maturity, may be redeemed by us at a redemption price of $25.00 per share, plus accrued and unpaid dividends on such shares to the redemption date, on or after March 7, 2017.

WELLTOWER INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

	Shares Issued	Average Price	Gross Proceeds	Net Proceeds
May 2013 public issuance	23,000,000	$ 73.50	$ 1,690,500	$ 1,630,281
2013 Dividend reinvestment plan issuances	3,429,928	62.78	215,346	215,346
2013 Option exercises	213,724	42.16	9,010	9,010
2013 Senior note conversions	988,007		-	-
2013 Preferred stock conversions	116,618		-	-
2013 Equity issued in acquisition of noncontrolling interest	1,108,917		-	-
2013 Totals	28,857,194		$ 1,914,856	$ 1,854,637
June 2014 public issuance	16,100,000	$ 62.35	$ 1,003,835	$ 968,517
September 2014 public issuance	17,825,000	63.75	1,136,344	1,095,465
2014 Dividend reinvestment plan issuances	4,122,941	62.35	257,055	257,055
2014 Option exercises	498,549	45.79	22,831	22,831
2014 Preferred stock conversions	233,236		-	-
2014 Stock incentive plans, net of forfeitures	188,147		-	-
2014 Senior note conversions	258,542		-	-
2014 Totals	39,226,415		$ 2,420,065	$ 2,343,868
February 2015 public issuance	19,550,000	$ 75.50	$ 1,476,025	$ 1,423,935
2015 Dividend reinvestment plan issuances	4,024,169	67.72	272,531	272,531
2015 Option exercises	249,054	47.35	11,793	11,793
2015 Equity Shelf Program issuances	696,070	69.23	48,186	47,463
2015 Stock incentive plans, net of forfeitures	137,837		-	-
2015 Senior note conversions	1,330,474		-	-
2015 Totals	25,987,604		$ 1,808,535	$ 1,755,722

During the twelve months ended December 31, 2013, we acquired the remaining 20% noncontrolling interest in an existing partnership for $91,000,000 which consisted of $23,247,000 of cash and 1,108,917 shares of common stock. In connection with the acquisition, we incurred $2,732,000 of transaction costs, which we have included as a reduction to additional paid in capital.

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

	Year Ended					
	December 31, 2015		December 31, 2014		December 31, 2013	
	Per Share	Amount	Per Share	Amount	Per Share	Amount
Common Stock	$ 3.30000	$ 1,144,727	$ 3.18000	$ 969,661	$ 3.06000	$ 839,939
Series H Preferred Stock	-	-	0.00794	1	2.85840	930
Series I Preferred Stock	3.25000	46,719	3.25000	46,719	3.25000	46,719
Series J Preferred Stock	1.62510	18,687	1.62510	18,688	1.62510	18,687
Totals		$ 1,210,133		$ 1,035,069		$ 906,275

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

WELLTOWER INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	Unrecognized gains (losses) related to:				
	Foreign Currency Translation	Equity Investments	Actuarial losses	Cash Flow Hedges	Total
Balance at December 31, 2014	$ (74,770)	$ -	$ (1,589)	$ (650)	$ (77,009)
Other comprehensive income before reclassification adjustments	(10,714)	-	246	(2,626)	(13,094)
Reclassification amount to net income	-	-	-	1,860 (1)	1,860
Net current-period other comprehensive income	(10,714)	-	246	(766)	(11,234)
Balance at December 31, 2015	$ (85,484)	$ -	$ (1,343)	$ (1,416)	$ (88,243)
Balance at December 31, 2013	$ (17,631)	$ (389)	$ (1,452)	$ (5,059)	$ (24,531)
Other comprehensive income before reclassification adjustments	(56,611)	389	(137)	2,610	(53,749)
Reclassification amount to net income	(528)	-	-	1,799 (1)	1,271
Net current-period other comprehensive income	(57,139)	389	(137)	4,409	(52,478)
Balance at December 31, 2014	$ (74,770)	$ -	$ (1,589)	$ (650)	$ (77,009)

(1) Please see Note 11 for additional information.

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

14. Stock Incentive Plans

Our Amended and Restated 2005 Long-Term Incentive Plan ("2005 Plan") authorizes up to 6,200,000 shares of common stock to be issued at the discretion of the Compensation Committee of the Board of Directors. Our non-employee directors, officers and key employees are eligible to participate in the 2005 Plan. The 2005 Plan allows for the issuance of, among other things, stock options, restricted stock, deferred stock units and dividend equivalent rights. Vesting periods for options, deferred stock units and restricted shares generally range from three to five years. Options expire ten years from the date of grant.

Under our long-term incentive plan, certain restricted stock awards are performance based. We will grant a target number of restricted stock units, with the ultimate award determined by the total shareholder return and operating performance metrics, measured in each case over a measurement period of three years. One third of the award will vest immediately at the end of the three year performance period, one third will vest a year after the performance period, and the remaining one third will vest two years after the performance period. Compensation expense for these performance grants is measured based on the probability of achievement of certain performance goals and is recognized over both the performance period and vesting period. For the portion of the grant for which the award is determined by the operating performance metrics, the estimated compensation cost was based on the grant date closing price and management's estimate of corporate achievement for the financial metrics. If the estimated number of performance based restricted stock to be earned changes, an adjustment will be recorded to recognize the accumulated difference between the revised and previous estimates. For the portion of the grant determined by the total shareholder return, management used a Monte Carlo model to assess the compensation cost. The expected term represents the period from the grant date to the end of the three-year performance period. The estimated compensation cost was derived using the following assumptions: risk free rates over the life of the plan ranging from 0.16% to 1.16%; estimated volatility figures ranging from 13.64% to 42.75% over the life of the plan using 50% historical volatility and 50% implied volatility; and dividend yield of 4.818%.

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

	Year Ended December 31,		
	2015	2014	2013
Stock options	$ 698	$ 912	$ 1,113
Restricted stock	30,146	31,163	19,064
	$ 30,844	$ 32,075	$ 20,177

Stock Options

WELLTOWER INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

We have not granted stock options since the year ended December 31, 2012 but some remain outstanding. As of December 31, 2015, there was $300,000 of total unrecognized compensation expense related to unvested stock options that is expected to be recognized over a weighted-average period of one year. Stock options outstanding at December 31, 2015 have an aggregate intrinsic value of $8,476,000.

Restricted Stock

The fair value of the restricted stock is equal to the market price of the Company's common stock on the date of grant and is amortized over the vesting periods. As of December 31, 2015, there was $24,894,000 of total unrecognized compensation expense related to unvested restricted stock that is expected to be recognized over a weighted-average period of three years. The following table summarizes information about non-vested restricted stock incentive awards as of and for the year ended December 31, 2015:

	Restricted Stock		
	Number of Shares (000's)		Weighted-Average Grant Date Fair Value
Non-vested at December 31, 2014	554	$	56.92
Vested	(306)		61.09
Granted	449		66.93
Terminated	(59)		66.09
Non-vested at December 31, 2015	638	$	62.00

15. Earnings Per Share

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

	Year Ended December 31,					
		2015		2014		2013
Numerator for basic and diluted earnings per share - net income attributable to common stockholders	$	818,344	$	446,745	$	78,714
Denominator for basic earnings per share: weighted-average shares		348,240		306,272		276,929
Effect of dilutive securities:						
Employee stock options		143		188		226
Non-vested restricted shares		535		500		457
Redeemable shares		310		-		-
Convertible senior unsecured notes		196		787		1,149
Dilutive potential common shares		1,184		1,475		1,832
Denominator for diluted earnings per						

share: adjusted-weighted average shares		349,424		307,747		278,761
Basic earnings per share	$	2.35	$	1.46	$	0.28
Diluted earnings per share	$	2.34	$	1.45	$	0.28

Stock options outstanding were anti-dilutive for the years ended December 31, 2015, 2014 and 2013. The Series H Cumulative Convertible and Redeemable Preferred Stock and the Series I Cumulative Convertible Perpetual Preferred Stock were excluded from the calculations as the effect of the conversions also were anti-dilutive.

16. Disclosure about Fair Value of Financial Instruments

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

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

WELLTOWER INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

Senior Unsecured Notes — The fair value of the senior unsecured notes payable was estimated based on level one publicly available trading prices.

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

Interest Rate Swap Agreements — Interest rate swap agreements are recorded in other assets or other liabilities on the balance sheet at fair market value. Fair market value is estimated using level two inputs by utilizing pricing models that consider forward yield curves and discount rates.

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

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

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

	December 31, 2015		December 31, 2014	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets:				
Mortgage loans receivable	$ 635,492	$ 663,501	$ 188,651	$ 194,935
Other real estate loans receivable	184,000	185,693	191,518	195,375
Available-for-sale equity investments	22,779	22,779	-	-
Cash and cash equivalents	360,908	360,908	473,726	473,726
Foreign currency forward contracts	129,520	129,520	57,087	57,087
Financial Liabilities:				
Borrowings under unsecured lines of credit arrangements	$ 835,000	$ 835,000	$ -	$ -
Senior unsecured notes	8,548,055	9,020,529	7,729,405	8,613,702
Secured debt	3,509,142	3,678,564	2,963,186	3,053,067
Foreign currency forward contracts	-	-	1,495	1,495
Redeemable OP unitholder interests	$ 112,029	$ 112,029	$ 46,722	$ 46,722

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

WELLTOWER INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Please see Note 2 for additional information.

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

Items Measured at Fair Value on a Recurring Basis

The market approach is utilized to measure fair value for our financial assets and liabilities reported at fair value on a recurring basis. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.

	Fair Value Measurements as of December 31, 2015			
	Total	Level 1	Level 2	Level 3
Available-for-sale equity investments(1)	$ 22,779	$ 22,779	$ -	$ -
Foreign currency forward contracts(2)	129,520	-	129,520	-
Redeemable OP unitholder interests	112,029	-	112,029	-
Totals	$ 241,549	$ -	$ 241,549	$ -

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

Items Measured at Fair Value on a Nonrecurring Basis

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

17. Segment Reporting

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

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

WELLTOWER INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

Summary information for the reportable segments (which excludes unconsolidated entities) during the years ended December 31, 2015, 2014 and 2013 is as follows (in thousands):

Year Ended December 31, 2015:	Triple-net	Seniors Housing Operating	Outpatient Medical	Non-segment / Corporate	Total
Rental income	$ 1,119,322	$ -	$ 479,626	$ -	$ 1,598,948
Resident fees and services	-	2,158,031	-	-	2,158,031
Interest income	74,108	4,180	5,853	-	84,141
Other income	6,871	6,060	4,684	1,091	18,706
Total revenues	1,200,301	2,168,271	490,163	1,091	3,859,826
Property operating expenses	-	1,467,009	155,248	-	1,622,257
Net operating income from continuing operations	1,200,301	701,262	334,915	1,091	2,237,569
Reconciling items:					
Interest expense	30,288	147,832	28,822	285,227	492,169
(Loss) gain on derivatives, net	(58,427)	-	-	-	(58,427)
Depreciation and amortization	294,484	351,733	180,023	-	826,240
General and administrative	-	-	-	147,416	147,416
Transaction costs	53,254	54,966	2,706	-	110,926

(Loss) gain on extinguishment of debt, net	10,095	(195)	-	24,777	34,677
Impairment of assets	2,220	-	-	-	2,220
Other expenses	35,648	-	-	10,583	46,231
Income (loss) from continuing operations before income taxes and income (loss) from unconsolidated entities	832,739	146,926	123,364	(466,912)	636,117
Income tax expense	(4,244)	986	245	(3,438)	(6,451)
(Loss) income from unconsolidated entities	8,260	(32,672)	2,908	-	(21,504)
Income (loss) from continuing operations	836,755	115,240	126,517	(470,350)	608,162
Gain (loss) on real estate dispositions, net	86,261	-	194,126	-	280,387
Net income (loss)	$ 923,016	$ 115,240	$ 320,643	$ (470,350)	$ 888,549
Total assets	$ 12,692,054	$ 11,519,902	$ 4,727,227	$ 84,662	$ 29,023,845

WELLTOWER INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2014:	Triple-net	Seniors Housing Operating	Outpatient Medical	Non-segment / Corporate	Total
Rental income	$ 992,638	$ -	$ 413,129	$ -	$ 1,405,767
Resident fees and services	-	1,892,237	-	-	1,892,237
Interest income	32,255	2,119	3,293	-	37,667
Other income	2,973	3,215	1,010	677	7,875
Total revenues	1,027,866	1,897,571	417,432	677	3,343,546
Property operating expenses	732	1,266,308	136,318	-	1,403,358
Net operating income from continuing operations	1,027,134	631,263	281,114	677	1,940,188
Reconciling items:					
Interest expense	38,460	113,099	32,904	296,576	481,039
(Loss) gain on derivatives, net	(1,770)	275	-	-	(1,495)
Depreciation and amortization	273,296	418,199	152,635	-	844,130
General and administrative	-	-	-	142,943	142,943
Transaction costs	45,146	16,880	7,512	-	69,538
(Loss) gain on extinguishment of debt, net	98	383	405	8,672	9,558
Other expenses	8,825	1,437	-	-	10,262
Income (loss) from continuing operations before income taxes and income (loss) from unconsolidated entities	663,079	80,990	87,658	(447,514)	384,213
Income tax expense	6,141	(3,047)	(1,827)	-	1,267
(Loss) income from unconsolidated entities	5,423	(38,204)	5,355	-	(27,426)
Income (loss) from continuing operations	674,643	39,739	91,186	(447,514)	358,054
Income (loss) from discontinued operations	7,135	-	-	-	7,135
Gain (loss) on real estate dispositions, net	146,205	-	906		147,111
Net income (loss)	$ 827,983	$ 39,739	$ 92,092	$ (447,514)	$ 512,300
Total assets	$ 10,918,946	$ 9,519,833	$ 4,464,857	$ 59,287	$ 24,962,923

WELLTOWER INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2013	Triple-net	Seniors Housing Operating	Outpatient Medical	Non-segment / Corporate	Total
Rental income	$ 866,138	$ -	$ 361,451	$ -	$ 1,227,589
Resident fees and services	-	1,616,290	-	-	1,616,290
Interest income	28,214	757	3,692	-	32,663
Other income	1,504	355	1,911	296	4,066
Total revenues	895,856	1,617,402	367,054	296	2,880,608
Property operating expenses	1,235	1,089,239	116,339	-	1,206,813
Net operating income from continuing operations	894,621	528,163	250,715	296	1,673,795
Reconciling items:					
Interest expense	23,322	92,148	36,823	306,067	458,360
Loss (gain) on derivatives, net	4,877	(407)	-	-	4,470
Depreciation and amortization	249,913	478,007	137,880	-	865,800
General and administrative	-	-	-	108,318	108,318
Transaction costs	24,426	107,066	1,909	-	133,401
Loss (gain) on extinguishment of debt, net	40	(3,372)	-	2,423	(909)
Provision for loan losses	2,110	-	-	-	2,110
Income (loss) from continuing operations before income taxes and income (loss) from unconsolidated entities	589,933	(145,279)	74,103	(416,512)	102,245
Income tax expense	(1,817)	(5,337)	(270)	(67)	(7,491)
(Loss) income from unconsolidated entities	5,035	(22,695)	9,473	-	(8,187)
Income from continuing operations	593,151	(173,311)	83,306	(416,579)	86,567
Income (loss) from discontinued operations	57,742	-	(6,029)	-	51,713
Net income (loss)	$ 650,893	$ (173,311)	$ 77,277	$ (416,579)	$ 138,280

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

	Year Ended					
	December 31, 2015		December 31, 2014		December 30, 2013	
Revenues:	Amount	%	Amount	%	Amount	%
United States	$ 3,133,327	81.2%	$ 2,801,474	83.8%	$ 2,489,196	86.4%
International	726,499	18.8%	542,072	16.2%	391,412	13.6%
Total	$ 3,859,826	100.0%	$ 3,343,546	100.0%	$ 2,880,608	100.0%

	As of	
	December 31, 2015	December 31, 2014

Assets:		Amount	%		Amount	%
United States	$	25,995,793	89.6%	$	19,855,076	79.5%
International		3,028,052	10.4%		5,107,847	20.5%
Total	$	29,023,845	100.0%	$	24,962,923	100.0%

WELLTOWER INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

18. Income Taxes and Distributions

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

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

	Year Ended December 31,		
	2015	2014	2013
Per Share:			
Ordinary income	$ 1.9134	$ 1.7861	$ 1.4928
Qualified dividend	0.0529	-	-
Return of capital	0.0503	0.8368	1.4176
Long-term capital gains	0.9352	0.1638	0.0448
Unrecaptured section 1250 gains	0.3482	0.3933	0.1048
Totals	$ 3.3000	$ 3.1800	$ 3.0600

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

	Year Ended December 31,		
	2015	2014	2013
Current	$ 10,177	$ 2,672	$ 12,389
Deferred	(3,726)	(3,939)	(4,898)
Totals	$ 6,451	$ (1,267)	$ 7,491

REITs generally are not subject to U.S. federal income taxes on that portion of REIT taxable income or capital gain that is distributed to stockholders. For the tax year ended December 31, 2015, as a result of acquisitions located in Canada and the United Kingdom, we were subject to foreign income taxes under the respective tax laws of these jurisdictions.

The provision for income taxes for the year ended December 31, 2015 primarily relates to state taxes, foreign taxes, and taxes based on income generated by entities that are structured as taxable REIT subsidiaries. During 2014, we established certain new wholly-owned direct and indirect subsidiaries in Luxembourg and Jersey and transferred interests in certain foreign investments into this new holding company structure. The new structure includes a property holding company that is tax resident in the United Kingdom. No material adverse current tax consequences in Luxembourg, Jersey or the United Kingdom resulted from the creation of this new holding company structure and all of the subsidiary entities in the structure are treated as disregarded entities of the Company for U.S. federal income tax purposes. The Company will reflect current and deferred tax liabilities for any such withholding taxes incurred as a result of this holding company structure in its consolidated financial statements.

For the tax years ended December 31, 2015, 2014 and 2013, the foreign tax provision/(benefit) amount included in the consolidated provision for income taxes was $7,385,000, ($6,069,000) and ($484,000), respectively.

A reconciliation of income tax expense, which is computed by applying the federal corporate tax rate for the years ended December 31, 2015, 2014 and 2013, to the income tax provision/(benefit) is as follows for the periods presented (dollars in thousands):

WELLTOWER INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	Year Ended December 31,		
	2015	2014	2013
Tax at statutory rate on earnings from continuing operations before unconsolidated entities, noncontrolling interests and income taxes	$ 313,250	$ 178,862	$ 51,020
Increase / (decrease) in valuation allowance(1)	13,759	9,133	18,444
Tax at statutory rate on earnings not subject to federal income taxes	(319,832)	(189,070)	(88,762)
Foreign permanent depreciation	7,500	4,383	22,313
Other differences	(8,226)	(4,575)	4,476
Totals	$ 6,451	$ (1,267)	$ 7,491

(1) Excluding purchase price accounting.

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

	Year Ended December 31,		
	2015	2014	2013
Investments and property, primarily differences in investment basis, depreciation and amortization, the basis of land assets and the treatment of interests and certain costs	$ (30,564)	$ (1,020)	$ (34,236)
Operating loss and interest deduction carryforwards	75,455	47,528	67,215
Expense accruals and other	6,259	26,191	19,309
Valuation allowance	(98,966)	(85,207)	(71,955)
Totals	$ (47,816)	$ (12,508)	$ (19,667)

We assess the available positive and negative evidence to estimate if sufficient future taxable income will be generated to use the existing deferred tax assets. As required under the provisions of ASC 740, we apply the concepts on an entity-by-entity, jurisdiction-by-jurisdiction basis. With respect to the analysis of certain entities in multiple jurisdictions, a significant piece of objective negative evidence evaluated was the cumulative loss incurred over the three-year period ended December 31, 2015. Such objective evidence limits the ability to consider other subjective evidence such as our projections for future growth.

On the basis of the evaluations performed as required by the codification, valuation allowances totaling $98,966,000 were recorded on U.S. taxable REIT subsidiaries as well as entities in other jurisdictions to limit the deferred tax assets to the amount that we believe is more likely that not realizable. However, the amount of the deferred tax asset considered realizable could be adjusted if (i) estimates of future taxable income during the carryforward period are reduced or increased or (ii) objective negative evidence in the form of cumulative losses is no longer present (and additional weight may be given to subjective evidence such as our projections for growth). The valuation allowance rollforward is summarized as follows for the periods presented (dollars in thousands):

	Year Ended December 31,		
	2015	2014	2013
Beginning balance	$ 85,207	$ 71,955	$ 12,199
Additions:			
Purchase price accounting	-	4,119	41,312
Expense	13,759	9,133	18,444
Ending balance	$ 98,966	$ 85,207	$ 71,955

As a result of certain acquisitions, we are subject to corporate level taxes for any related asset dispositions that may occur during the five-year period immediately after such assets were owned by a C corporation (“built-in gains tax”). The amount of income potentially subject to this special corporate level tax is generally equal to the lesser of (a) the excess of the fair value of the asset over its adjusted tax basis as of the date it became a REIT asset, or (b) the actual amount of gain. Some but not all gains recognized during this period of time could be offset by available net operating losses and capital loss carryforwards. During the year ended December 31, 2015, we acquired certain additional assets with built-in gains as of the date of acquisition that could be subject to the built-in

WELLTOWER INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

Given the applicable statute of limitations, we generally are subject to audit by the Internal Revenue Service ("IRS") for the year ended December 31, 2012 and subsequent years. The statute of limitations may vary in the states in which we own properties or conduct business. We do not expect to be subject to audit by state taxing authorities for any year prior to the year ended December 31, 2009. We are also subject to audit by the Canada Revenue Agency and provincial authorities generally for periods subsequent to May 2012 related to entities acquired or formed in connection with acquisitions, and by HM Revenue & Customs for periods subsequent to August 2012 related to entities acquired or formed in connection with acquisitions.

At December 31, 2015, we had a net operating loss ("NOL") carryforward related to the REIT of $443,197,000. Due to our uncertainty regarding the realization of certain deferred tax assets, we have not recorded a deferred tax asset related to NOLs generated by the REIT. These amounts can be used to offset future taxable income (and/or taxable income for prior years if an audit determines that tax is owed), if any. The REIT will be entitled to utilize NOLs and tax credit carryforwards only to the extent that REIT taxable income exceeds our deduction for dividends paid. The NOL carryforwards will expire through 2035.

At December 31, 2015, and 2014, we had a net operating loss carryforward related to Canadian entities of $78,680,000, and $32,085,000, respectively. These Canadian losses have a 20-year carryforward period. At December 31, 2015 and 2014, we had a net operating loss carryforward related to United Kingdom entities of $179,598,000 and $177,079,000, respectively. These United Kingdom losses do not have a finite carryforward period.

19. Retirement Arrangements

We have a Supplemental Executive Retirement Plan (“SERP”), a non-qualified defined benefit pension plan, which provides one former executive officer with supplemental deferred retirement benefits. The SERP provides an opportunity for the participant to receive retirement benefits that cannot be paid under our tax-qualified plans because of the restrictions imposed by ERISA and the Internal Revenue Code of 1986, as amended. Benefits are based on compensation and length of service and the SERP is unfunded. Benefit payments are expected to total $5,654,000 during the next five fiscal years. We use a December 31 measurement date for the SERP. The accrued liability on our balance sheet for the SERP was $5,474,000 at December 31, 2015 ($6,882,000 at December 31, 2014).

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

WELLTOWER INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

20. Quarterly Results of Operations (Unaudited)

The following is a summary of our unaudited quarterly results of operations for the years ended December 31, 2015 and 2014 (in thousands, except per share data). The sum of individual quarterly amounts may not agree to the annual amounts included in the consolidated statements of income due to rounding.

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

	Year Ended December 31, 2014			
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Revenues	$ 801,807	$ 826,446	$ 847,523	$ 867,770
Net income attributable to common stockholders	50,022	71,829	136,255	188,639
Net income attributable to common stockholders per share:				
Basic	$ 0.17	$ 0.24	$ 0.44	$ 0.58
Diluted	0.17	0.24	0.44	0.57

(1) The decrease in net income and amounts per share are primarily attributable to gains on sales of real estate of $190,111,000 for the second quarter as compared to gains of $2,046,000 for the third quarter.
(2) The decrease in net income and amounts per share are primarily attributable to the other than temporary impairment charge of $35,648,000 recognized on the available-for-sale investment and increased transaction costs incurred due to fourth quarter acquisitions.

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

Not applicable.

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

Disclosure Controls and Procedures

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

Management's Report on Internal Control over Financial Reporting

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

Management has assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2015 based on the criteria established by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) in a report entitled Internal Control — Integrated Framework.

The scope of management's assessment as of December 31, 2015 did not include an assessment of the internal control over financial reporting for certain acquisitions because the business combinations occurred during the year ended December 31, 2015. The acquired businesses represent 4% of total assets at December 31, 2015 and less than 1% of revenues and net operating income for the year then ended. The scope of management's assessment on internal control over financial reporting for the year ended December 31, 2016 will include the aforementioned acquired operations.

Based on this assessment, using the criteria above, management concluded that the Company's system of internal control over financial reporting was effective as of December 31, 2015.

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

Changes in Internal Control over Financial Reporting

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

Report of Independent Registered Public Accounting Firm on Internal Control over Financial Reporting

The Board of Directors and Shareholders of Welltower Inc.

We have audited Welltower Inc.'s internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria, 2013 framework). Welltower Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

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

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

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

As indicated in the accompanying Management's Report on Internal Control over Financial Reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of certain acquisitions, which are included in the 2015 consolidated financial statements of Welltower Inc. and aggregate to 4% of total assets at December 31, 2015 and less than 1% of revenues and net operating income for the year then ended. Our audit of the internal control over financial reporting of Welltower Inc. also did not include an evaluation of the internal control over financial reporting of the aforementioned acquisitions.

In our opinion, Welltower Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Welltower Inc. as of December 31, 2015 and 2014, and the related consolidated statements of comprehensive income, equity, and cash flows for each of the three years in the period ended December 31, 2015 of Welltower Inc. and our report dated February 18, 2016 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Toledo, Ohio

February 18, 2016

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

None.

PART III

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

The information required by this Item is incorporated herein by reference to the information under the headings "Election of Directors," "Corporate Governance," "Executive Officers," and "Security Ownership of Directors and Management and Certain Beneficial Owners — Section 16(a) Beneficial Ownership Reporting Compliance" in our definitive proxy statement, which will be filed with the Securities and Exchange Commission (the "Commission") prior to April 29, 2016.

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

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

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

Item 11. *Executive Compensation*

The information required by this Item is incorporated herein by reference to the information under the headings "Executive Compensation" and "Director Compensation" in our definitive proxy statement, which will be filed with the Commission prior to April 29, 2016.

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

The information required by this Item is incorporated herein by reference to the information under the headings "Security Ownership of Directors and Management and Certain Beneficial Owners" and "Equity Compensation Plan

Information" in our definitive proxy statement, which will be filed with the Commission prior to April 29, 2016.

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

The information required by this Item is incorporated herein by reference to the information under the headings "Corporate Governance — Independence and Meetings" and "Security Ownership of Directors and Management and Certain Beneficial Owners — Certain Relationships and Related Transactions" in our definitive proxy statement, which will be filed with the Commission prior to April 29, 2016.

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

The information required by this Item is incorporated herein by reference to the information under the heading "Ratification of the Appointment of the Independent Registered Public Accounting Firm" in our definitive proxy statement, which will be filed with the Commission prior to April 29, 2016.

PART IV

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

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

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

III – Real Estate and Accumulated Depreciation

IV – Mortgage Loans on Real Estate

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

3. *Exhibit Index:*

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

(b) *Exhibits:*

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

(c) *Financial Statement Schedules:*

Financial statement schedules are included beginning on page 112.

SIGNATURES

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

Date: February 18, 2016

WELLTOWER INC.

By: /s/ T homas J. DeRosa

Thomas J. DeRosa,

Chief Executive Officer and Director

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below on February 18, 2016 by the following persons on behalf of the Registrant and in the capacities indicated.

/s/ Jeffrey H. Donahue
**
Jeffrey H. Donahue, Chairman of the Board

/s/ Sergio D. Rivera
**
Sergio D. Rivera, Director

/s/ Kenneth J. Bacon
**
Kenneth J. Bacon, Director

/s/ R. Scott Trumbull
**
R. Scott Trumbull, Director

/s/ Fred S. Klipsch
**
Fred S. Klipsch, Director

/s/ Thomas J. DeRosa
**
Thomas J. DeRosa, Chief Executive Officer and Director

(Principal Executive Officer)

/s/ Geoffrey G. Meyers
**
Geoffrey G. Meyers, Director

/s/ Scott A. Estes
**
Scott A. Estes, Executive Vice President and Chief

	Financial Officer (Principal Financial Officer)
/s/ Timothy J. Naughton **	/s/ Paul D. Nungester, Jr.**
Timothy J. Naughton, Director	Paul D. Nungester, Jr., Senior Vice President and Controller (Principal Accounting Officer)
/s/ Sharon M. Oster **	**By: /s/ Thomas J. DeRosa
Sharon M. Oster, Director	Thomas J. DeRosa, Attorney-in-Fact
/s/ Judith C. Pelham **	
Judith C. Pelham, Director	

111

Welltower Inc.
Schedule III
Real Estate and Accumulated Depreciation
December 31, 2015

(Dollars in thousands)		Initial Cost to Company			Gross Amount at Which Carried at Period		
Description	Encumbrances	Land	Building & Improvements	Cost Capitalized Subsequent to Acquisition	Land	Building & Improvements	Accu Depre
Triple-net:							
Abilene, TX	$ -$	950$	20,987$	40$	950$	21,027$	
Abilene, TX	-	990	8,187	800	990	8,987	
Aboite Twp, IN	-	1,770	19,930	1,601	1,770	21,531	
Agawam, MA	-	880	16,112	2,134	880	18,246	
Agawam, MA	-	1,230	13,618	593	1,230	14,211	
Agawam, MA	-	930	15,304	292	930	15,596	
Agawam, MA	-	920	10,661	36	920	10,697	
Agawam, MA	-	920	10,562	45	920	10,607	
Akron, OH	-	290	8,219	491	290	8,710	
Akron, OH	-	630	7,535	229	630	7,764	
Albertville, AL	1,986	170	6,203	280	176	6,477	
Alexandria, IN	-	190	6,491	-	190	6,491	
Alliance, OH	-	270	7,723	107	270	7,830	
Ames, IA	-	330	8,870	-	330	8,870	
Anderson, SC	-	710	6,290	419	710	6,709	
Andover, MA	-	1,310	12,647	27	1,310	12,674	
Annapolis, MD	-	1,010	24,825	151	1,010	24,976	
Ansted, WV	-	240	14,113	108	240	14,221	
Apple Valley, CA	10,445	480	16,639	168	486	16,801	
Asheboro, NC	-	290	5,032	165	290	5,197	
Asheville, NC	-	204	3,489	-	204	3,489	
Asheville, NC	-	280	1,955	351	280	2,306	
Aspen Hill, MD	-	-	9,008	1,180	-	10,188	
Atchison, KS	-	140	5,610	-	140	5,610	
Atlanta, GA	7,429	2,058	14,914	1,143	2,080	16,035	
Aurora, OH	-	1,760	14,148	106	1,760	14,254	
Aurora, CO	-	2,600	5,906	7,915	2,600	13,821	
Aurora, CO	-	2,440	28,172	-	2,440	28,172	
Austin, TX	18,411	880	9,520	1,216	885	10,731	
Aventura, FL	-	4,540	33,986	438	4,540	34,424	
Avon, IN	-	1,830	14,470	-	1,830	14,470	
Avon, IN	-	900	19,444	-	900	19,444	
Avon Lake, OH	-	790	10,421	5,822	790	16,243	
Ayer, MA	-	-	22,074	3	-	22,077	
Baldwin City, KS	-	190	4,810	-	190	4,810	
Baltic, OH	-	50	8,709	189	50	8,898	
Baltimore, MD	-	1,350	14,884	320	1,350	15,204	

Baltimore, MD	-	900	5,039	147	900	5,186
Bartlesville, OK	-	100	1,380	-	100	1,380
Beachwood, OH	-	1,260	23,478	-	1,260	23,478
Beattyville, KY	-	100	6,900	660	100	7,560
Bedford, NH	-	2,250	28,831	5	2,250	28,836
Bellingham, WA	8,429	1,500	19,861	321	1,507	20,175
Benbrook, TX	-	1,550	13,553	769	1,550	14,322
Bend, OR	-	1,210	9,181	-	1,210	9,181
Bethel Park, PA	-	1,700	16,007	-	1,700	16,007
Beverly Hills, CA	9,404	6,000	13,385	-	6,000	13,385
Bexleyheath, UKI	-	4,483	12,917	-	4,483	12,917
Birmingham, UKG	-	1,969	17,754	-	1,969	17,754
Birmingham, UKG	-	1,902	22,820	-	1,902	22,820
Birmingham, UKG	-	1,747	10,824	-	1,747	10,824
Birmingham, UKG	-	1,416	12,054	-	1,416	12,054
Bloomington, IN	-	670	17,423	-	670	17,423
Bluefield, VA	-	900	12,463	32	900	12,495
Boardman, OH	-	1,200	12,800	-	1,200	12,800
Boca Raton, FL	-	1,440	31,048	893	1,440	31,941
Boonville, IN	-	190	5,510	-	190	5,510
Bowling Green, KY	-	3,800	26,700	149	3,800	26,849
Bradenton, FL	-	252	3,298	-	252	3,298
Bradenton, FL	-	480	9,953	-	480	9,953
Braintree, MA	-	170	7,157	1,290	170	8,447
Braintree, UKH	-	-	15,893	-	-	15,893
Brandon, MS	-	1,220	10,241	-	1,220	10,241
Brecksville, OH	-	990	19,353	-	990	19,353
Bremerton, WA	-	390	2,210	144	390	2,354
Bremerton, WA	-	830	10,420	950	830	11,370
Bremerton, WA	-	590	2,899	13	590	2,912
Brick, NJ	-	1,290	25,247	529	1,290	25,776
Brick, NJ	-	1,170	17,372	1,285	1,183	18,645
Brick, NJ	-	690	17,125	5,312	692	22,436
Brick, NJ	-	3,160	8,496	-	3,160	8,496
Bridgewater, NJ	-	1,850	3,050	-	1,850	3,050
Bridgewater, NJ	-	1,730	48,201	1,123	1,749	49,304
Bridgewater, NJ	-	1,800	31,810	471	1,800	32,281
Broadview Heights, OH	-	920	12,400	2,393	920	14,793
Brookfield, WI	-	1,300	12,830	-	1,300	12,830
Brooklyn Park, MD	-	1,290	16,329	29	1,290	16,358
Brooks, AB	1,996	376	4,951	-	376	4,951
Brookville, IN	-	300	13,461	-	300	13,461
Buckhurst Hill, UKH	-	13,861	58,858	-	13,861	58,858
Burleson, TX	-	670	13,985	250	670	14,235
Burleson, TX	-	3,150	10,437	-	3,150	10,437
Burlington, NC	-	280	4,297	707	280	5,004
Burlington, NC	-	460	5,467	-	460	5,467
Burlington, NC	-	810	11,257	-	810	11,257
Burlington, NJ	-	1,700	12,554	466	1,700	13,020
Burlington, NJ	-	1,170	19,205	167	1,170	19,372
Burlington, WA	-	3,860	31,722	-	3,860	31,722

Burnaby, BC	8,119	7,623	13,844	-	7,623	13,844
Byrdstown, TN	-	-	2,414	1,534	1,265	2,683
Calgary, AB	16,917	2,341	42,768	-	2,341	42,768
Calgary, AB	28,055	4,569	70,199	-	4,569	70,199
Cambridge, MD	-	490	15,843	207	490	16,050
Camrose, AB	13,824	1,019	20,678	-	1,019	20,678
Canton, MA	-	820	8,201	263	820	8,464
Canton, NC	-	130	5,357	700	130	6,057
Canton, OH	-	300	2,098	-	300	2,098
Cape Coral, FL	-	530	3,281	-	530	3,281
Cape Coral, FL	8,894	760	18,868	-	760	18,868
Cape May Court House, NJ	-	1,440	17,002	1,155	1,440	18,157
Carmel, IN	-	1,700	19,491	-	1,700	19,491
Carrollton, TX	-	4,280	31,444	734	4,280	32,178
Carson City, NV	-	520	8,238	250	520	8,488
Cary, NC	-	1,500	4,350	986	1,500	5,336
Castleton, IN	-	920	15,137	-	920	15,137
Catonsville, MD	-	1,330	15,003	549	1,330	15,552
Cedar Grove, NJ	-	1,830	10,939	10	1,830	10,949
Cedar Grove, NJ	-	2,850	27,737	20	2,850	27,757
Centreville, MD(2)	-	600	14,602	241	600	14,843
Chapel Hill, NC	-	354	2,646	783	354	3,429
Chapel Hill, NC	-	470	7,512	906	470	8,418
Charles Town, WV	-	230	22,834	29	230	22,863
Charleston, WV	-	440	17,575	298	440	17,873
Charleston, WV	-	410	5,430	14	410	5,444
Chatham, VA	-	320	14,039	-	320	14,039
Chelmsford, MA	-	1,040	10,951	1,499	1,040	12,450
Chester, VA	-	1,320	18,127	-	1,320	18,127
Chicago, IL	-	1,800	19,256	-	1,800	19,256
Chicago, IL	-	2,900	17,016	-	2,900	17,016
Chickasha, OK	-	85	1,395	-	85	1,395
Cinnaminson, NJ	-	860	6,663	149	860	6,812
Citrus Heights, CA	14,506	2,300	31,876	589	2,300	32,465
Claremore, OK	-	155	1,427	6,130	155	7,557
Clarks Summit, PA	-	600	11,179	15	600	11,194
Clarks Summit, PA	-	400	6,529	54	400	6,583
Clarksville, TN	-	330	2,292	-	330	2,292
Clayton, NC	-	520	15,733	-	520	15,733
Cleburne, TX	-	520	5,369	-	520	5,369
Clevedon, UKK	-	3,392	20,233	-	3,392	20,233
Cleveland, TN	-	350	5,000	122	350	5,122
Clinton, MD	-	2,330	20,876	591	2,330	21,467
Cloquet, MN	-	340	4,660	120	340	4,780
Cobham, UKJ	-	11,723	29,871	-	11,723	29,871
Colchester, CT	-	980	4,860	495	980	5,355
Colorado Springs, CO	-	4,280	62,168	-	4,280	62,168
Colts Neck, NJ	-	780	14,733	1,147	1,016	15,644
Columbia, TN	-	341	2,295	-	341	2,295
Columbia, TN	-	590	3,787	-	590	3,787
Columbia, SC	-	2,120	4,860	5,709	2,120	10,569

Columbia Heights, MN	-	825	14,175	163	825	14,338
Columbus, IN	-	610	3,190	-	610	3,190
Columbus, OH	-	530	5,170	8,255	1,070	12,885
Columbus, OH	-	1,010	5,022	-	1,010	5,022
Columbus, OH	-	1,010	4,931	13,620	1,860	17,701
Columbus, IN	-	530	6,710	-	530	6,710
Concord, NC	-	550	3,921	55	550	3,976
Concord, NH	-	780	18,423	446	780	18,869
Concord, NH	-	1,760	43,179	568	1,760	43,747
Concord, NH	-	720	3,041	340	720	3,381
Congleton, UKD	-	2,433	6,120	-	2,433	6,120
Conroe, TX	-	980	7,771	-	980	7,771
Conyers, GA	-	2,740	19,302	227	2,740	19,529
Coppell, TX	-	1,550	8,386	-	1,550	8,386
Cortland, NY	-	700	18,041	58	700	18,099
Coventry, UKG	-	2,345	16,530	-	2,345	16,530
Crawfordsville, IN	-	720	17,239	1,426	720	18,665
Crown Point, IN	-	920	20,044	-	920	20,044
Dallas, OR	-	410	9,427	-	410	9,427
Daniels, WV	-	200	17,320	50	200	17,370
Danville, VA	-	410	3,954	722	410	4,676
Danville, VA	-	240	8,436	-	240	8,436
Daphne, AL	-	2,880	8,670	127	2,880	8,797
Dedham, MA	-	1,360	9,830	-	1,360	9,830
Defuniak Springs, FL	-	1,350	10,250	-	1,350	10,250
Denton, TX	-	1,760	8,305	-	1,760	8,305
Derby, UKF	-	-	-	12,600	2,728	9,872
Dover, DE	-	400	7,717	38	400	7,755
Dover, DE	-	600	22,266	90	600	22,356
Drayton Valley, AB	-	614	10,198	-	614	10,198
Dresher, PA	-	2,060	40,236	917	2,083	41,130
Dundalk, MD(2)	-	1,770	32,047	784	1,770	32,831
Durham, NC	-	1,476	10,659	2,196	1,476	12,855
Dyer, IN	-	1,800	25,061	-	1,800	25,061
Eagan, MN	17,000	2,260	31,643	-	2,260	31,643
East Brunswick, NJ	-	1,380	34,229	619	1,380	34,848
East Norriton, PA	-	1,200	28,129	1,084	1,262	29,151
Eastbourne, UKJ	-	4,866	29,210	-	4,866	29,210
Easton, MD	-	900	24,539	-	900	24,539
Eatontown, NJ	-	1,190	23,358	68	1,190	23,426
Eden, NC	-	390	4,877	-	390	4,877
Edmond, OK	-	410	8,388	-	410	8,388
Edmond, OK	-	1,810	14,849	112	1,810	14,961
El Paso, TX	-	1,420	12,394	284	1,420	12,678
Elizabeth City, NC	-	200	2,760	2,011	200	4,771
Elizabethton, TN	-	310	4,604	336	310	4,940
Emeryville, CA	-	2,560	57,491	-	2,560	57,491
Englewood, NJ	-	930	4,514	17	930	4,531
Englishtown, NJ	-	690	12,520	987	765	13,431
Erin, TN	-	440	8,060	134	440	8,194
Eugene, OR	-	800	5,822	-	800	5,822

Eureka, KS	-	50	3,950	-	50	3,950
Everett, WA	-	1,400	5,476	-	1,400	5,476
Fair Lawn, NJ	-	2,420	24,504	444	2,420	24,948
Fairfield, CA	-	1,460	14,040	1,541	1,460	15,581
Fairhope, AL	-	570	9,119	-	570	9,119
Fall River, MA	-	620	5,829	4,856	620	10,685
Fall River, MA	-	920	34,715	208	920	34,923
Fanwood, NJ	-	2,850	55,175	818	2,850	55,993
Faribault, MN	-	780	11,539	-	780	11,539
Farnborough, UKJ	-	2,433	6,857	-	2,433	6,857
Fayetteville, PA	-	2,150	32,951	-	2,150	32,951
Fayetteville, GA	-	560	12,665	309	560	12,974
Fayetteville, NY	-	410	3,962	500	410	4,462
Findlay, OH	-	200	1,800	-	200	1,800
Fishers, IN	-	1,500	14,500	-	1,500	14,500
Florence, NJ	-	300	2,978	-	300	2,978
Florence, AL	6,985	353	13,049	200	385	13,217
Flourtown, PA	-	1,800	14,830	203	1,800	15,033
Flower Mound, TX	-	1,800	8,414	-	1,800	8,414
Follansbee, WV	-	640	27,670	49	640	27,719
Folsom, CA	-	-	33,600	-	1,582	32,018
Forest City, NC	-	320	4,497	-	320	4,497
Fort Ashby, WV	-	330	19,566	123	330	19,689
Fort Collins, CO	-	3,680	58,608	-	3,680	58,608
Fort Wayne, IN	-	170	8,232	-	170	8,232
Fort Worth, TX	-	450	13,615	5,086	450	18,701
Franconia, NH	-	360	11,320	70	360	11,390
Franklin, NH	-	430	15,210	47	430	15,257
Frederick, MD	-	-	-	18,942	2,550	16,392
Fredericksburg, VA	-	1,000	20,000	1,200	1,000	21,200
Fredericksburg, VA	-	590	28,611	35	590	28,646
Fredericksburg, VA	-	3,700	22,016	59	3,700	22,075
Fredericksburg, VA	-	1,130	23,202	-	1,130	23,202
Fredonia, KS	-	40	460	-	40	460
Fremont, CA	18,860	3,400	25,300	3,203	3,456	28,447
Fresno, CA	-	2,500	35,800	118	2,500	35,918
Gambrills, MD	-	2,500	16,726	-	2,500	16,726
Gardner, MA	-	480	10,210	27	480	10,237
Gardner, KS	-	200	2,800	-	200	2,800
Gardnerville, NV	12,189	1,143	10,831	1,075	1,164	11,885
Gastonia, NC	-	470	6,129	-	470	6,129
Gastonia, NC	-	310	3,096	22	310	3,118
Gastonia, NC	-	400	5,029	120	400	5,149
Georgetown, TX	-	200	2,100	-	200	2,100
Gettysburg, PA	-	590	8,913	90	590	9,003
Gig Harbor, WA	5,120	1,560	15,947	253	1,583	16,177
Glastonbury, CT	-	1,950	9,532	909	2,360	10,031
Glen Mills, PA	-	690	9,110	165	690	9,275
Glenside, PA	-	1,940	16,867	153	1,940	17,020
Graceville, FL	-	150	13,000	-	150	13,000
Grafton, WV	-	280	18,824	37	280	18,861

Granbury, TX	-	2,040	30,670	149	2,040	30,819
Granbury, TX	-	2,550	2,940	400	2,550	3,340
Grand Ledge, MI	-	1,150	16,286	5,119	1,150	21,405
Granger, IN	-	1,670	21,280	2,401	1,670	23,681
Grapevine, TX	-	-	-	19,692	2,220	17,472
Grass Valley, CA	4,268	260	7,667	170	260	7,837
Greendale, WI	-	2,060	35,383	522	2,060	35,905
Greeneville, TN	-	400	8,290	507	400	8,797
Greenfield, WI	-	-	15,204	-	890	14,314
Greensboro, NC	-	330	2,970	554	330	3,524
Greensboro, NC	-	560	5,507	1,013	560	6,520
Greensboro, NC	-	350	6,634	572	350	7,206
Greenville, SC	-	310	4,750	-	310	4,750
Greenville, NC	-	290	4,393	168	290	4,561
Greenwood, IN	-	1,550	22,770	81	1,550	22,851
Groton, CT	-	2,430	19,941	895	2,430	20,836
Haddonfield, NJ	-	-	-	16,883	520	16,363
Hamburg, PA	-	840	10,543	191	840	10,734
Hamilton, NJ	-	440	4,469	-	440	4,469
Hanford, UKG	-	1,652	11,748	-	1,652	11,748
Hanover, IN	-	210	4,430	-	210	4,430
Harleysville, PA	-	960	11,355	-	960	11,355
Harriman, TN	-	590	8,060	158	590	8,218
Harrow, UKI	-	8,848	9,880	-	8,848	9,880
Hatboro, PA	-	-	28,112	1,746	-	29,858
Hatfield, UKH	-	3,495	8,997	-	3,495	8,997
Haverford, PA	-	1,880	33,993	836	1,883	34,826
Hemet, CA	-	870	3,405	-	870	3,405
Hemet, CA	-	1,890	28,606	985	1,899	29,582
Hemet, CA	-	430	9,630	921	430	10,551
Herne Bay, UKJ	-	2,271	29,109	-	2,271	29,109
Hiawatha, KS	-	40	4,210	-	40	4,210
Hickory, NC	-	290	987	232	290	1,219
High Point, NC	-	560	4,443	793	560	5,236
High Point, NC	-	370	2,185	410	370	2,595
High Point, NC	-	330	3,395	28	330	3,423
High Point, NC	-	430	4,143	-	430	4,143
High River, AB	-	954	34,317	-	954	34,317
Highland Park, IL	-	2,820	15,832	189	2,820	16,021
Highlands Ranch, CO	-	940	3,721	4,983	940	8,704
Hilltop, WV	-	480	25,355	15	480	25,370
Hinckley, UKF	-	2,581	5,013	-	2,581	5,013
Hockessin, DE	-	1,120	6,308	889	1,120	7,197
Hollywood, FL	-	1,240	13,806	436	1,240	14,242
Holton, KS	-	40	7,460	-	40	7,460
Homestead, FL	-	2,750	11,750	-	2,750	11,750
Houston, TX	-	5,090	9,471	-	5,090	9,471
Howell, NJ	9,470	1,066	21,577	270	1,069	21,844
Huntington, WV	-	800	32,261	126	800	32,387
Huron, OH	-	160	6,088	1,452	160	7,540
Hurricane, WV	-	620	21,454	804	620	22,258

Hutchinson, KS	-	600	10,590	194	600	10,784
Indianapolis, IN	-	495	6,287	22,565	495	28,852
Indianapolis, IN	-	255	2,473	12,123	255	14,596
Indianapolis, IN	-	870	14,688	-	870	14,688
Indianapolis, IN	-	890	18,781	-	890	18,781
Jackson, NJ	-	6,500	26,405	2,193	6,500	28,598
Jacksonville Beach, FL	-	1,210	26,207	472	1,210	26,679
Jamestown, TN	-	-	6,707	508	-	7,215
Jefferson, OH	-	80	9,120	-	80	9,120
Jupiter, FL	-	3,100	47,453	563	3,100	48,016
Kansas City, KS	-	700	20,116	-	700	20,116
Keene, NH	-	530	9,639	284	530	9,923
Kenner, LA	-	1,100	10,036	328	1,100	10,364
Kennesaw, GA	-	940	10,848	388	940	11,236
Kennett Square, PA	-	1,050	22,946	239	1,083	23,151
Kennewick, WA	-	1,820	27,991	715	1,834	28,692
Kent, WA	-	940	20,318	10,470	940	30,788
Kirkland, WA	-	1,880	4,315	683	1,880	4,998
Kirkstall, UKE	-	2,912	11,253	-	2,912	11,253
Kokomo, IN	-	710	16,044	-	710	16,044
Laconia, NH	-	810	14,434	496	810	14,930
Lafayette, CO	-	1,420	20,192	-	1,420	20,192
Lafayette, IN	-	670	16,833	-	670	16,833
Lafayette, LA	-	1,928	10,483	25	1,928	10,509
Lake Barrington, IL	-	3,400	66,179	46	3,400	66,225
Lake Zurich, IL	-	1,470	9,830	-	1,470	9,830
Lakeway, TX	-	5,142	18,574	3,029	5,142	21,603
Lakewood, CO	-	2,160	28,091	49	2,160	28,140
Lakewood Ranch, FL	-	650	6,714	1,988	650	8,702
Lakewood Ranch, FL	6,981	1,000	22,388	-	1,000	22,388
Lancaster, CA	9,742	700	15,295	625	712	15,907
Lancaster, PA	-	890	7,623	79	890	7,702
Lancaster, NH	-	430	15,804	160	430	15,964
Lancaster, NH	-	160	434	28	160	462
Langhorne, PA	-	1,350	24,881	117	1,350	24,998
LaPlata, MD(2)	-	700	19,068	466	700	19,534
Las Vegas, NV	-	580	23,420	-	580	23,420
Lawrence, KS	3,497	250	8,716	-	250	8,716
Lebanon, NH	-	550	20,138	64	550	20,202
Lecanto, FL	-	200	6,900	-	200	6,900
Lee, MA	-	290	18,135	926	290	19,061
Leeds, UKE	-	2,359	15,824	-	2,359	15,824
Leicester, UKF	-	3,657	29,177	-	3,657	29,177
Lenoir, NC	-	190	3,748	641	190	4,389
Leominster, MA	-	530	6,201	25	530	6,226
Lethbridge, AB	1,487	1,214	2,750	-	1,214	2,750
Lethbridge, AB	3,052	618	6,855	-	618	6,855
Lewisburg, WV	-	260	3,699	70	260	3,769
Lexana, KS	-	480	1,770	-	480	1,770
Lexington, KY	-	1,980	21,258	-	1,980	21,258
Lexington, NC	-	200	3,900	1,015	200	4,915

Libertyville, IL	-	6,500	40,024	-	6,500	40,024
Lichfield, UKG	-	1,652	36,246	-	1,652	36,246
Lillington, NC	-	470	17,579	-	470	17,579
Lillington, NC	-	500	16,451	-	500	16,451
Lincoln, NE	-	390	13,807	-	390	13,807
Linwood, NJ	-	800	21,984	799	838	22,745
Linwood, NJ	-	2,310	14,912	-	2,310	14,912
Litchfield, CT	-	1,240	17,908	10,893	1,250	28,792
Little Neck, NY	-	3,350	38,461	1,176	3,357	39,630
Livermore, CA	9,837	4,100	24,996	-	4,100	24,996
Loganville, GA	-	1,430	22,912	557	1,430	23,469
London, UKI	-	20,792	182,448	-	20,792	182,448
London, UKI	-	4,719	32,497	-	4,719	32,497
London, UKI	-	6,046	13,355	-	6,046	13,355
Longview, TX	-	610	5,520	-	610	5,520
Longwood, FL	-	1,260	6,445	-	1,260	6,445
Louisburg, KS	-	280	4,320	-	280	4,320
Louisville, KY	-	490	10,010	2,768	490	12,778
Louisville, KY	-	430	7,135	163	430	7,298
Louisville, KY	-	350	4,675	133	350	4,808
Lowell, MA	-	1,070	13,481	103	1,070	13,584
Lowell, MA	-	680	3,378	30	680	3,408
Loxley, UKE	-	1,637	18,727	-	1,637	18,727
Lutherville, MD	-	1,100	19,786	1,579	1,100	21,365
Lynchburg, VA	-	340	16,114	-	340	16,114
Macungie, PA	-	960	29,033	16	960	29,049
Mahwah, NJ	-	-	-	28,844	1,605	27,239
Manahawkin, NJ	-	1,020	20,361	122	1,020	20,483
Manalapan, NJ	-	900	22,624	257	900	22,881
Manassas, VA	-	750	7,446	530	750	7,976
Manchester, NH	-	1,080	3,059	581	1,080	3,640
Mankato, MN	12,839	1,460	32,104	-	1,460	32,104
Mansfield, TX	-	660	5,251	-	660	5,251
Manteca, CA	5,987	1,300	12,125	1,566	1,312	13,679
Marianna, FL	-	340	8,910	-	340	8,910
Marietta, GA	-	1,270	10,519	447	1,270	10,966
Marietta, PA	-	1,050	13,633	-	1,050	13,633
Marion, IN	-	720	12,750	1,136	720	13,886
Marion, IN	-	990	9,190	824	990	10,014
Marlborough, UKK	-	3,200	8,155	-	3,200	8,155
Marlinton, WV	-	270	8,430	11	270	8,441
Marlton, NJ	-	-	38,300	2,894	-	41,194
Marmet, WV	-	540	26,483	-	540	26,483
Martinsburg, WV	-	340	17,180	50	340	17,230
Martinsville, VA	-	349	-	-	349	-
Marysville, WA	4,436	620	4,780	903	620	5,683
Matawan, NJ	-	1,830	20,618	7	1,830	20,625
Matthews, NC	-	560	4,738	-	560	4,738
McHenry, IL	-	1,576	-	-	1,576	-
McKinney, TX	-	1,570	7,389	-	1,570	7,389
McMinnville, OR	-	720	7,984	-	720	7,984

McMurray, PA	-	1,440	15,805	3,601	1,440	19,406
Mechanicsburg, PA	-	1,350	16,650	-	1,350	16,650
Medicine Hat, AB	2,440	932	5,566	-	932	5,566
Melbourne, FL	-	7,070	48,257	13,444	7,070	61,701
Melville, NY	-	4,280	73,283	3,798	4,292	77,069
Memphis, TN	-	940	5,963	-	940	5,963
Mendham, NJ	-	1,240	27,169	633	1,240	27,802
Menomonee Falls, WI	-	1,020	6,984	1,652	1,020	8,636
Mercerville, NJ	-	860	9,929	116	860	10,045
Meriden, CT	-	1,300	1,472	5	1,300	1,477
Meridian, ID	-	3,600	20,802	251	3,600	21,053
Merrillville, IN	-	700	11,699	154	700	11,853
Mesa, AZ	5,913	950	9,087	801	950	9,888
Middleburg Heights, OH	-	960	7,780	-	960	7,780
Middleton, WI	-	420	4,006	600	420	4,606
Middletown, RI	-	1,480	19,703	-	1,480	19,703
Midland, MI	-	200	11,025	5,522	200	16,547
Milford, DE	-	400	7,816	39	400	7,855
Milford, DE	-	680	19,216	58	680	19,274
Mill Creek, WA	27,255	10,150	60,274	935	10,179	61,179
Millville, NJ	-	840	29,944	104	840	30,048
Milton Keynes, UKJ	-	2,182	22,296	-	2,182	22,296
Milwaukie, OR	-	400	6,782	-	400	6,782
Mishawaka, IN	-	740	16,114	-	740	16,114
Missoula, MT	-	550	7,490	377	550	7,867
Monclova, OH	-	1,750	11,868	-	1,750	11,868
Monmouth Junction, NJ	-	720	6,209	57	720	6,266
Monroe, NC	-	470	3,681	648	470	4,329
Monroe, NC	-	310	4,799	857	310	5,656
Monroe, NC	-	450	4,021	114	450	4,135
Monroe, WA	-	2,560	34,460	519	2,584	34,955
Monroe Township, NJ	-	3,250	27,771	-	3,250	27,771
Monroe Twp, NJ	-	1,160	13,193	75	1,160	13,268
Monteagle, TN	-	310	3,318	-	310	3,318
Monterey, TN	-	-	4,195	410	-	4,605
Montville, NJ	-	3,500	31,002	575	3,500	31,577
Moorestown, NJ	-	2,060	51,628	1,134	2,065	52,757
Moorestown, NJ	-	6,400	23,875	-	6,400	23,875
Morehead City, NC	-	200	3,104	1,648	200	4,752
Morgantown, KY	-	380	3,705	615	380	4,320
Morgantown, WV	-	190	15,633	20	190	15,653
Morton Grove, IL	-	1,900	19,374	159	1,900	19,533
Mount Pleasant, SC	-	-	17,200	-	4,052	13,149
Mount Vernon, WA	-	3,440	21,842	1,623	3,440	23,465
Mountain City, TN	-	220	5,896	660	220	6,556
Moyock, NC	-	280	13,381	-	280	13,381
Mt. Vernon, WA	-	400	2,200	156	400	2,356
Murphy, TX	-	1,950	19,182	-	1,950	19,182
Nacogdoches, TX	-	390	5,754	-	390	5,754
Naperville, IL	-	3,470	29,547	-	3,470	29,547
Naples, FL	-	1,716	17,306	2,075	1,738	19,358

Naples, FL	-	550	5,450	-	550	5,450
Nashville, TN	-	4,910	29,590	-	4,910	29,590
Nashville, TN	-	4,500	12,287	-	4,500	12,287
Naugatuck, CT	-	1,200	15,826	176	1,200	16,002
Needham, MA	-	1,610	13,715	366	1,610	14,081
Neodesha, KS	-	20	430	-	20	430
New Braunfels, TX	-	1,200	19,800	9,397	2,729	27,668
New Haven, IN	-	176	3,524	-	176	3,524
New Moston, UKD	-	1,770	5,233	-	1,770	5,233
Newark, DE	-	560	21,220	1,488	560	22,708
Newcastle Under Lyme, UKG	-	1,327	6,760	-	1,327	6,760
Newcastle-under-Lyme, UKG	-	1,345	6,618	-	1,345	6,618
Newport, VT	-	290	3,867	-	290	3,867
Norman, OK	-	55	1,484	-	55	1,484
Norman, OK	-	1,480	33,330	-	1,480	33,330
Norristown, PA	-	1,200	19,488	1,762	1,200	21,250
North Andover, MA	-	950	21,817	53	950	21,870
North Andover, MA	-	1,070	17,341	1,303	1,070	18,644
North Augusta, SC	-	332	2,558	-	332	2,558
North Bend, OR	-	1,290	7,361	-	1,290	7,361
North Cape May, NJ	-	600	22,266	36	600	22,302
North Cape May, NJ	-	630	13,556	-	630	13,556
North Cape May, NJ	-	77	151	-	77	151
Northampton, UKF	-	6,193	20,736	-	6,193	20,736
Northampton, UKF	-	2,407	7,479	-	2,407	7,479
Nuneaton, UKG	-	3,974	10,737	-	3,974	10,737
Nuthall, UKF	-	1,946	7,486	-	1,946	7,486
Nuthall, UKF	-	2,986	12,474	-	2,986	12,474
Oak Hill, WV	-	240	24,506	-	240	24,506
Oak Hill, WV	-	170	721	-	170	721
Oakland, CA	-	4,760	16,143	-	4,760	16,143
Ocala, FL	-	1,340	10,564	-	1,340	10,564
Ogden, UT	-	360	6,700	699	360	7,399
Oklahoma City, OK	-	590	7,513	-	590	7,513
Oklahoma City, OK	-	760	7,017	-	760	7,017
Olds, AB	-	222	7,688	-	222	7,688
Olds, AB	-	580	13,142	-	580	13,142
Olympia, WA	6,397	550	16,689	298	553	16,984
Omaha, NE	-	370	10,230	-	370	10,230
Omaha, NE	-	380	8,864	-	380	8,864
Ona, WV	-	950	15,998	-	950	15,998
Oneonta, NY	-	80	5,020	-	80	5,020
Orem, UT	-	2,150	24,107	-	2,150	24,107
Ormond Beach, FL	-	-	2,739	452	-	3,191
Orwigsburg, PA	-	650	20,632	134	650	20,766
Osage City, KS	-	50	1,700	-	50	1,700
Osawatomie, KS	-	130	2,970	-	130	2,970
Ottawa, KS	-	160	6,590	-	160	6,590
Overland Park, KS	-	3,730	27,076	340	3,730	27,416
Overland Park, KS	-	4,500	29,105	7,295	4,500	36,400
Overland Park, KS	-	410	2,840	-	410	2,840

Owasso, OK	-	215	1,380	-	215	1,380
Owensboro, KY	-	240	6,760	609	240	7,369
Owensboro, KY	-	225	13,275	-	225	13,275
Owenton, KY	-	100	2,400	-	100	2,400
Oxford, MI	11,038	1,430	15,791	-	1,430	15,791
Palestine, TX	-	180	4,320	1,300	180	5,620
Palm Coast, FL	-	870	10,957	-	870	10,957
Paola, KS	-	190	5,610	-	190	5,610
Paris, TX	-	490	5,452	-	490	5,452
Parkersburg, WV	-	390	21,288	643	390	21,931
Parkville, MD	-	1,350	16,071	274	1,350	16,345
Parkville, MD	-	791	11,186	3	791	11,189
Parkville, MD	-	1,100	11,768	-	1,100	11,768
Paso Robles, CA	-	1,770	8,630	693	1,770	9,323
Passaic, NJ	-	2,750	9,982	-	2,750	9,982
Pella, IA	-	870	6,716	89	870	6,805
Pennington, NJ	-	1,380	27,620	752	1,465	28,287
Pennsauken, NJ	-	900	10,780	179	900	10,959
Petoskey, MI	-	860	14,452	-	860	14,452
Pewaukee, WI	-	4,700	20,669	-	4,700	20,669
Philadelphia, PA	-	2,700	25,709	332	2,700	26,041
Philadelphia, PA	-	2,930	10,433	3,373	2,930	13,806
Philadelphia, PA	-	540	11,239	65	540	11,304
Philadelphia, PA	-	1,810	16,898	33	1,810	16,931
Phillipsburg, NJ	-	800	21,175	193	800	21,368
Phillipsburg, NJ	-	300	8,114	37	300	8,151
Pigeon Forge, TN	-	320	4,180	117	320	4,297
Pinehurst, NC	-	290	2,690	484	290	3,174
Piqua, OH	-	204	1,885	-	204	1,885
Pittsburgh, PA	-	1,750	8,572	115	1,750	8,687
Plainview, NY	-	3,990	11,969	560	3,990	12,529
Plattsmouth, NE	-	250	5,650	-	250	5,650
Plymouth, MI	-	1,490	19,990	129	1,490	20,119
Ponoka, AB	3,647	418	10,831	-	418	10,831
Port St. Joe, FL	-	370	2,055	-	370	2,055
Port St. Lucie, FL	-	8,700	47,230	6,090	8,700	53,320
Post Falls, ID	-	2,700	14,217	2,181	2,700	16,398
Pottsville, PA	-	950	26,964	202	950	27,166
Princeton, NJ	-	1,730	30,888	1,397	1,810	32,205
Prior Lake, MN	14,250	1,870	29,849	-	1,870	29,849
Puyallup, WA	11,136	1,150	20,776	445	1,156	21,216
Quakertown, PA	-	1,040	25,389	72	1,040	25,461
Raleigh, NC	24,091	3,530	59,589	-	3,530	59,589
Raleigh, NC	-	2,580	16,837	-	2,580	16,837
Reading, PA	-	980	19,906	102	980	20,008
Red Bank, NJ	-	1,050	21,275	390	1,050	21,665
Rehoboth Beach, DE	-	960	24,248	8,562	973	32,796
Reidsville, NC	-	170	3,830	857	170	4,687
Reno, NV	-	1,060	11,440	605	1,060	12,045
Richardson, TX	-	1,800	16,562	-	1,800	16,562
Richmond, VA	-	-	12,000	-	250	11,750

Ridgeland, MS	-	520	7,675	427	520	8,102
Ridgely, TN	-	300	5,700	97	300	5,797
Ridgewood, NJ	-	1,350	16,170	480	1,350	16,650
Rochdale, MA	-	-	7,100	-	690	6,410
Rockledge, FL	-	360	4,117	-	360	4,117
Rockville, MD	-	-	16,398	10	-	16,408
Rockville, CT	-	1,500	4,835	76	1,500	4,911
Rockville Centre, NY	-	4,290	20,310	569	4,290	20,879
Rockwall, TX	-	-	-	19,693	2,220	17,473
Rockwood, TN	-	500	7,116	741	500	7,857
Rocky Hill, CT	-	1,090	6,710	1,500	1,090	8,210
Rogersville, TN	-	350	3,278	-	350	3,278
Rohnert Park, CA	13,265	6,500	18,700	2,116	6,546	20,769
Romeoville, IL	-	1,895	-	-	1,895	-
Roseburg, OR	-	1,200	4,891	-	1,200	4,891
Roseville, MN	-	2,140	24,679	-	2,140	24,679
Roswell, GA	7,628	1,107	9,627	1,086	1,114	10,706
Rugeley, UKG	-	2,271	12,266	-	2,271	12,266
Ruston, LA	-	710	9,790	-	710	9,790
Rutland, VT	-	1,190	23,655	88	1,190	23,743
Sacramento, CA	9,948	940	14,781	251	952	15,020
Salem, OR	-	449	5,171	-	449	5,172
Salem, OR	-	440	4,726	-	440	4,726
Salisbury, NC	-	370	5,697	168	370	5,865
San Angelo, TX	-	260	8,800	425	260	9,225
San Angelo, TX	-	1,050	24,689	16	1,050	24,705
San Antonio, TX	-	6,120	28,169	2,124	6,120	30,293
San Antonio, TX	-	-	17,303	-	-	17,303
San Bernardino, CA	-	3,700	14,300	687	3,700	14,987
San Diego, CA	-	-	22,003	1,845	-	23,848
San Ramon, CA	8,531	2,430	17,488	60	2,435	17,543
Sanatoga, PA	-	980	30,695	38	980	30,733
Sand Springs, OK	6,530	910	19,654	-	910	19,654
Sarasota, FL	-	475	3,175	-	475	3,175
Sarasota, FL	-	600	3,400	-	600	3,400
Sarasota, FL	-	3,360	19,140	-	3,360	19,140
Sarasota, FL	-	1,120	12,489	106	1,120	12,595
Sarasota, FL	-	950	8,825	535	950	9,360
Sarasota, FL	-	880	9,854	182	880	10,036
Scott Depot, WV	-	350	6,876	58	350	6,934
Scranton, PA	-	440	17,609	-	440	17,609
Scranton, PA	-	320	12,144	-	320	12,144
Seaford, DE	-	720	14,029	53	720	14,082
Seaford, DE	-	830	7,995	1,547	830	9,542
Seattle, WA	7,456	5,190	9,350	564	5,199	9,905
Seattle, WA	-	3,420	15,555	205	3,420	15,760
Seattle, WA	-	2,630	10,257	666	2,630	10,923
Seattle, WA	27,610	10,670	37,291	894	10,700	38,155
Selbyville, DE	-	750	25,912	298	769	26,191
Seven Fields, PA	-	484	4,663	60	484	4,722
Severna Park, MD(2)	-	2,120	31,273	808	2,120	32,081

Shawnee, OK	-	80	1,400	-	80	1,400
Shelbyville, KY	-	630	3,870	630	630	4,500
Shelton, WA	-	530	17,049	296	530	17,345
Shepherdstown, WV	-	250	13,806	13	250	13,819
Sherman, TX	-	700	5,221	-	700	5,221
Shillington, PA	-	1,020	19,569	956	1,020	20,525
Shrewsbury, NJ	-	2,120	38,116	724	2,127	38,833
Silver Spring, MD	-	1,250	7,278	269	1,250	7,547
Silvis, IL	-	880	16,420	139	880	16,559
Sissonville, WV	-	600	23,948	55	600	24,003
Sisterville, WV	-	200	5,400	242	200	5,642
Sittingbourne, UKJ	-	1,622	7,815	-	1,622	7,815
Smithfield, NC	-	290	5,680	-	290	5,680
Smithfield, NC	-	360	8,216	-	360	8,216
Somerset, MA	-	1,010	29,577	151	1,010	29,728
Sonoma, CA	14,497	1,100	18,400	1,700	1,109	20,090
South Bend, IN	-	670	17,770	-	670	17,770
South Boston, MA	-	385	2,002	5,218	385	7,220
South Croydon, UKI	-	2,949	2,507	-	2,949	2,507
South Pittsburg, TN	-	430	5,628	-	430	5,628
Southbury, CT	-	1,860	23,613	958	1,860	24,571
Sparks, NV	-	3,700	46,526	-	3,700	46,526
Spencer, WV	-	190	8,810	28	190	8,838
Spring City, TN	-	420	6,085	3,210	420	9,295
Spring House, PA	-	900	10,780	199	900	10,979
Springfield, OR	-	1,790	8,865	-	1,790	8,865
Springfield, IL	-	-	10,100	-	768	9,332
Springfield, IL	-	990	13,378	1,084	990	14,462
Spruce Pine, NC	-	240	8,340	676	240	9,016
St. Charles, MD	-	580	15,555	84	580	15,639
St. Paul, MN	-	2,100	33,019	-	2,100	33,019
Stamford, UKF	-	2,175	3,871	-	2,175	3,871
Stanwood, WA	-	2,260	28,474	467	2,283	28,918
Statesville, NC	-	150	1,447	266	150	1,713
Statesville, NC	-	310	6,183	8	310	6,191
Statesville, NC	-	140	3,627	-	140	3,627
Stillwater, OK	-	80	1,400	-	80	1,400
Stockton, CA	2,863	2,280	5,983	397	2,372	6,288
Stratford-upon-Avon, UKG	-	944	17,341	-	944	17,341
Stroudsburg, PA	-	340	16,313	-	340	16,313
Summit, NJ	-	3,080	14,152	-	3,080	14,152
Superior, WI	-	1,020	13,735	6,159	1,020	19,894
Swanton, OH	-	330	6,370	-	330	6,370
Takoma Park, MD	-	1,300	10,136	-	1,300	10,136
Terre Haute, IN	-	1,370	18,016	-	1,370	18,016
Texarkana, TX	-	192	1,403	-	192	1,403
The Villages, FL	-	1,035	7,446	-	1,035	7,446
Tomball, TX	-	1,050	13,300	671	1,050	13,971
Toms River, NJ	-	1,610	34,627	708	1,679	35,265
Toms River, NJ	-	4,180	7,707	-	4,180	7,707
Tonganoxie, KS	-	310	3,690	-	310	3,690

Topeka, KS	-	260	12,712	-	260	12,712
Towson, MD(2)	-	1,180	13,280	195	1,180	13,475
Troy, OH	-	200	2,000	4,254	200	6,254
Troy, OH	-	470	16,730	-	470	16,730
Trumbull, CT	-	4,440	43,384	-	4,440	43,384
Tucson, AZ	-	1,190	18,318	-	1,190	18,318
Tulsa, OK	-	3,003	6,025	20	3,003	6,045
Tulsa, OK	-	1,390	7,110	462	1,390	7,572
Tulsa, OK	-	1,320	10,087	-	1,320	10,087
Tyler, TX	-	650	5,268	-	650	5,268
Uhrichsville, OH	-	24	6,716	-	24	6,716
Uniontown, PA	-	310	6,817	84	310	6,901
Upper Providence, PA	-	-	-	30,095	1,900	28,195
Vacaville, CA	13,640	900	17,100	1,651	900	18,751
Vallejo, CA	13,656	4,000	18,000	2,344	4,030	20,315
Vallejo, CA	7,257	2,330	15,407	310	2,330	15,717
Valley Falls, RI	-	1,080	7,433	10	1,080	7,443
Valparaiso, IN	-	112	2,558	-	112	2,558
Valparaiso, IN	-	108	2,962	-	108	2,962
Vancouver, WA	11,427	1,820	19,042	270	1,821	19,311
Venice, FL	-	500	6,000	-	500	6,000
Venice, FL	-	1,150	10,674	-	1,150	10,674
Vero Beach, FL	-	263	3,187	-	263	3,187
Vero Beach, FL	-	297	3,263	-	297	3,263
Vero Beach, FL	-	2,930	40,070	15,112	2,930	55,182
Virginia Beach, VA	-	1,540	22,593	-	1,540	22,593
Voorhees, NJ	-	1,800	37,299	559	1,800	37,858
Voorhees, NJ(2)	-	1,900	26,040	894	1,900	26,934
Voorhees, NJ	-	3,100	25,950	-	3,100	25,950
Voorhees, NJ	-	3,700	24,312	1,490	3,847	25,655
Wabash, IN	-	670	14,588	-	670	14,588
Waconia, MN	-	890	14,726	4,495	890	19,221
Wake Forest, NC	-	200	3,003	1,742	200	4,745
Walkersville, MD	-	1,650	15,103	-	1,650	15,103
Wall, NJ	-	1,650	25,350	2,361	1,690	27,671
Wallingford, CT	-	490	1,210	59	490	1,269
Walsall, UKG	-	1,416	10,234	-	1,416	10,234
Wamego, KS	-	40	2,510	-	40	2,510
Wareham, MA	-	875	10,313	1,701	875	12,014
Warren, NJ	-	2,000	30,810	478	2,000	31,288
Warwick, RI	-	1,530	18,564	170	1,530	18,734
Watchung, NJ	-	1,920	24,880	901	1,976	25,724
Waukee, IA	-	1,870	31,878	1,075	1,870	32,953
Waxahachie, TX	-	650	5,763	-	650	5,763
Weatherford, TX	-	660	5,261	-	660	5,261
Webster, NY	-	800	8,968	36	800	9,004
Webster, NY	-	1,300	21,127	9	1,300	21,136
Webster Groves, MO	-	1,790	15,425	-	1,790	15,425
Wellingborough, UKF	-	1,770	6,841	-	1,770	6,841
West Bend, WI	-	620	17,790	38	620	17,828
West Chester, PA	-	1,350	29,237	122	1,350	29,359

West Chester, PA	-	3,290	42,258	594	3,290	42,852	
West Chester, PA	-	600	11,894	5	600	11,899	
West Orange, NJ	-	2,280	10,687	182	2,280	10,869	
West Worthington, OH	-	510	5,090	-	510	5,090	
Westerville, OH	-	740	8,287	3,105	740	11,392	
Westfield, IN(2)	-	890	15,964	-	890	15,964	
Westfield, NJ	-	2,270	16,589	497	2,270	17,086	
Westford, MA	-	920	13,829	205	920	14,034	
Westlake, OH	-	1,330	17,926	-	1,330	17,926	
Westmoreland, TN	-	330	1,822	2,640	330	4,462	
Weston Super Mare, UKK	-	3,008	8,432	-	3,008	8,432	
Westworth Village, TX	-	2,060	31,296	-	2,060	31,296	
Wetaskiwin, AB	-	336	20,131	-	336	20,131	
White Lake, MI	9,970	2,920	20,179	92	2,920	20,271	
Whittier, CA	-	4,470	22,151	458	4,483	22,596	
Wichita, KS	-	1,400	11,000	-	1,400	11,000	
Wichita, KS	-	860	8,873	-	860	8,873	
Wichita, KS	13,404	627	19,746	-	627	19,752	
Wichita, KS	-	260	2,240	-	260	2,240	
Wichita, KS	-	-	-	11,034	900	10,134	
Wichita Falls, TX	-	1,070	26,167	86	1,070	26,253	
Wilkes-Barre, PA	-	610	13,842	119	610	13,961	
Wilkes-Barre, PA	-	570	2,301	44	570	2,345	
Willard, OH	-	730	6,447	-	730	6,447	
Williamsport, PA	-	300	4,946	373	300	5,319	
Williamsport, PA	-	620	8,487	438	620	8,925	
Williamstown, KY	-	70	6,430	-	70	6,430	
Willow Grove, PA	-	1,300	14,736	109	1,300	14,845	
Wilmington, DE	-	800	9,494	57	800	9,551	
Wilmington, NC	-	210	2,991	-	210	2,991	
Wilmington, NC	-	400	15,356	-	400	15,356	
Wilmington, NC	-	610	6,575	587	610	7,162	
Windsor, CT	-	2,250	8,539	1,843	2,250	10,382	
Windsor, CT	-	1,800	600	944	1,800	1,544	
Winston-Salem, NC	-	360	2,514	459	360	2,973	
Winter Garden, FL	-	1,350	7,937	-	1,350	7,937	
Winter Haven, FL	-	710	10,038	236	710	10,274	
Witherwack, UKC	-	1,128	8,265	-	1,128	8,265	
Wolverhampton, UKG	-	1,880	7,982	-	1,880	7,982	
Worcester, MA	-	3,500	54,099	-	3,500	54,099	
Worcester, MA	-	2,300	9,060	-	2,300	9,060	
Wyncote, PA	-	2,700	22,244	148	2,700	22,392	
Wyncote, PA	-	1,610	21,256	214	1,610	21,470	
Wyncote, PA	-	900	7,811	32	900	7,843	
York, UKE	-	3,539	9,880	-	3,539	9,880	
Youngsville, NC	-	380	10,689	-	380	10,689	
Zionsville, IN	-	1,610	22,400	1,691	1,610	24,091	
Triple-net total	$ 554,014	$ 1,003,748	$ 10,800,837	$ 600,549	$ 1,032,860	$ 11,372,276	$ 1

Welltower Inc.
Schedule III
Real Estate and Accumulated Depreciation
December 31, 2015

(Dollars in thousands)

		Initial Cost to Company			Gross Amount at Which Carried at Clo of Period		
Description	Encumbrances	Land	Building & Improvements	Cost Capitalized Subsequent to Acquisition	Land	Building & Improvements	Accumulate Depreciation
Seniors housing operating:							
Acton, MA	$ -	$ -	$ 31,346	$ 748	$ 4	$ 32,089	$ 3,2
Agawam, MA	6,453	880	10,044	521	931	10,514	2,0
Albuquerque, NM	-	1,270	20,837	1,324	1,275	22,156	4,3
Alhambra, CA	-	600	6,305	353	600	6,658	1,1
Altrincham, UKD	-	5,685	29,221	91	5,061	29,936	4,1
Amherstview, ON	616	473	4,446	-	473	4,446	3
Arlington, TX	21,484	1,660	37,395	1,184	1,677	38,561	7,4
Arnprior, ON	522	788	6,283	-	788	6,283	9
Atlanta, GA	-	2,100	20,603	462	2,154	21,011	2,2
Austin, TX	-	1,560	21,413	22	1,560	21,435	1,2
Austin, TX	-	4,200	74,850	-	4,200	74,850	1,9
Avon, CT	18,998	1,550	30,571	1,948	1,580	32,489	7,3
Azusa, CA	-	570	3,141	6,470	570	9,611	2,3
Bagshot, UKJ	-	5,928	35,673	-	5,928	35,673	5,5
Banstead, UKJ	-	8,781	54,836	9,357	7,992	64,981	8,4
Basingstoke, UKJ	-	4,088	22,502	-	4,088	22,502	1,0
Basking Ridge, NJ	-	2,356	37,710	604	2,377	38,293	4,8
Bassett, UKJ	-	5,826	38,030	-	5,826	38,030	5,5
Baton Rouge, LA	9,346	790	29,436	250	801	29,675	3,7
Beaconsfield, UKJ	-	6,653	60,856	-	6,653	60,856	7,6
Beaconsfield, QC	-	1,149	17,484	-	1,149	17,484	3,3
Bedford, NH	-	-	-	33,113	2,527	30,586	3,3
Bellevue, WA	-	2,800	19,004	925	2,809	19,919	3,3
Belmont, CA	-	3,000	23,526	1,461	3,000	24,987	4,6
Belmont, CA	-	-	35,300	781	-	36,081	4,9
Bethesda, MD	-	-	45,309	388	3	45,694	5,9
Bethesda, MD	-	-	-	45	-	45	
Bethesda, MD	-	-	-	212	-	212	
Billerica, MA	-	1,619	21,381	-	1,619	21,381	1,2
Birmingham, UKG	-	5	25,287	-	5	25,287	3,6
Blainville, QC	-	2,077	8,902	-	2,077	8,902	2,0
Bloomfield Hills, MI	-	2,000	35,662	394	2,000	36,056	4,5
Borehamwood, UKH	-	7,074	41,060	7,965	6,416	49,683	6,2
Bothell, WA	-	1,350	13,439	-	1,350	13,439	4
Boulder, CO	-	2,994	27,458	1,304	3,014	28,742	4,7
Bournemouth, UKK	-	6,606	50,811	-	6,606	50,811	5,3

Braintree, MA	21,006	-	41,290	448	36	41,702	5,6
Brampton, ON	27,998	9,939	62,711	-	9,939	62,711	6
Brighton, MA	10,332	2,100	14,616	636	2,109	15,243	3,0
Brockport, NY	-	1,500	23,496	-	1,500	23,496	
Brockville, ON	4,580	484	7,445	-	484	7,445	5
Brookfield, CT	19,359	2,250	30,180	1,079	2,262	31,247	6,2
Broomfield, CO	-	4,140	44,547	10,339	8,611	50,414	9,3
Brossard, QC	11,428	5,228	33,507	-	5,228	33,507	3
Buckingham, UKJ	-	3,561	16,549	-	3,561	16,549	7
Buffalo Grove, IL	-	2,850	49,129	462	2,850	49,591	6,5
Burbank, CA	-	4,940	43,466	706	4,940	44,172	7,0
Burlington, ON	12,946	1,309	19,311	-	1,309	19,311	2,8
Burlington, MA	-	2,443	34,354	626	2,522	34,901	4,9
Calabasas, CA	-	-	6,438	743	-	7,181	3,5
Calgary, AB	12,640	2,252	37,415	-	2,252	37,415	5,7
Calgary, AB	14,536	2,793	41,179	-	2,793	41,179	5,9
Calgary, AB	11,476	3,122	38,971	-	3,122	38,971	5,6
Calgary, AB	22,995	3,431	28,983	-	3,431	28,983	3,3
Calgary, AB	23,846	2,385	36,776	-	2,385	36,776	6
Camberley, UKJ	-	2,654	5,736	47	2,654	5,783	2
Cardiff, UKL	-	3,814	14,935	-	3,814	14,935	2,7
Cardiff by the Sea, CA	39,580	5,880	64,711	710	5,880	65,421	10,4
Carol Stream, IL	-	1,730	55,048	1,079	1,730	56,127	8,1
Cary, NC	-	740	45,240	269	740	45,509	4,7
Centerville, MA	-	1,300	27,357	733	1,324	28,066	4,6
Chatham, ON	1,620	1,098	12,462	-	1,098	12,462	2
Chelmsford, MA	-	1,589	26,432	-	1,589	26,432	1,3
Chesterfield, MO	-	1,857	48,366	420	1,857	48,786	5,6
Chorleywood, UKH	-	6,715	50,515	-	6,715	50,515	7,0
Chula Vista, CA	-	2,072	22,163	598	2,076	22,757	2,9
Church Crookham, UKJ	-	3,097	16,975	-	3,097	16,975	1,3
Cincinnati, OH	-	2,060	109,388	8,391	2,060	117,779	15,7
Claremont, CA	-	2,430	9,928	625	2,438	10,545	1,6
Cohasset, MA	-	2,485	26,147	1,013	2,485	27,160	3,5
Colorado Springs, CO	-	800	14,756	1,145	840	15,861	1,9
Concord, NH	13,329	720	21,164	624	758	21,750	3,5
Coquitlam, BC	10,393	3,047	24,567	-	3,047	24,567	4,6
Costa Mesa, CA	-	2,050	19,969	955	2,050	20,924	3,8
Crystal Lake, IL	-	875	12,461	875	892	13,320	2,1
Dallas, TX	-	1,080	9,655	464	1,080	10,119	1,8
Dallas, TX	-	6,330	114,794	-	6,330	114,794	3,3
Danvers, MA	9,348	1,120	14,557	647	1,145	15,179	2,8
Danvers, MA	-	2,203	28,761	-	2,203	28,761	1,7
Davenport, IA	-	1,403	35,893	2,708	1,480	38,525	6,7
Decatur, GA	-	-	-	30,298	1,938	28,360	4,1
Denver, CO	12,519	1,450	19,389	2,925	1,455	22,310	2,8
Denver, CO	-	2,910	35,838	698	2,930	36,515	6,2
Dix Hills, NY	-	3,808	39,014	524	3,808	39,538	5,3
Dollard-Des-Ormeaux, QC	-	1,957	14,431	-	1,957	14,431	3,3
Dresher, PA	7,233	1,900	10,664	713	1,900	11,377	2,4
Dublin, OH	-	1,680	43,423	5,238	1,775	48,566	9,2

East Haven, CT	22,496	2,660	35,533	1,570	2,681	37,082	8,9
East Meadow, NY	-	69	45,991	322	124	46,257	6,1
East Setauket, NY	-	4,920	37,354	744	4,975	38,043	4,9
Eastbourne, UKJ	-	4,950	40,084	-	4,950	40,084	5,5
Edgbaston, UKG	-	-	-	19,687	3,251	16,435	3
Edgewater, NJ	-	4,561	25,047	900	4,564	25,944	3,6
Edison, NJ	-	1,892	32,314	803	1,896	33,113	6,6
Edmonds, WA	11,182	1,650	24,449	-	1,650	24,449	5
Edmonton, AB	9,349	1,589	29,819	-	1,589	29,819	4,6
Edmonton, AB	12,029	2,063	37,293	-	2,063	37,293	7,9
Encinitas, CA	-	1,460	7,721	882	1,460	8,603	3,7
Encino, CA	-	5,040	46,255	954	5,040	47,209	7,1
Escondido, CA	-	1,520	24,024	1,147	1,520	25,171	4,7
Esher, UKJ	-	6,913	57,473	-	6,913	57,473	6,8
Fairfax, VA	-	19	2,678	112	19	2,791	6
Fairfield, NJ	-	3,120	43,868	807	3,175	44,620	5,9
Fareham, UKJ	-	4,074	21,353	-	4,074	21,353	1,4
Flossmoor, IL	-	1,292	9,496	1,011	1,335	10,464	1,8
Folsom, CA	-	1,490	32,754	-	1,490	32,754	1,2
Fort Worth, TX	-	2,080	27,888	1,198	2,085	29,081	5,8
Franklin, MA	-	2,430	30,597	1,046	2,442	31,632	3,5
Frome, UKK	-	3,251	17,692	-	3,251	17,692	8
Fullerton, CA	12,774	1,964	19,989	489	1,982	20,459	2,8
Gahanna, OH	-	772	11,214	1,121	787	12,320	1,4
Gilbert, AZ	16,323	2,160	28,246	274	2,160	28,520	5,9
Gilroy, CA	-	760	13,880	24,386	1,567	37,459	7,9
Glen Cove, NY	-	4,594	35,236	1,174	4,615	36,389	5,9
Glenview, IL	-	2,090	69,288	1,130	2,090	70,418	10,0
Golden Valley, MN	19,753	1,520	33,513	561	1,545	34,049	4,1
Grimsby, ON	-	636	5,617	-	636	5,617	4
Grosse Pointe Woods, MI	-	950	13,662	167	950	13,829	1,6
Grosse Pointe Woods, MI	-	1,430	31,777	535	1,430	32,312	3,8
Guelph, ON	4,308	1,190	7,597	-	1,190	7,597	5
Guildford, UKJ	-	6,407	67,400	-	6,407	67,400	8,2
Gurnee, IL	-	890	27,931	856	900	28,777	3,2
Hamden, CT	15,138	1,460	24,093	1,003	1,487	25,069	5,1
Hampshire, UKJ	-	4,986	30,861	-	4,986	30,861	4,0
Haverhill, MA	-	1,720	50,046	-	1,720	50,046	2,8
Henderson, NV	-	880	29,809	143	880	29,952	4,0
Henderson, NV	5,677	1,190	11,600	397	1,202	11,985	2,6
Highland Park, IL	-	2,250	25,313	479	2,259	25,782	4,1
Hingham, MA	-	1,440	32,292	-	1,440	32,292	1,2
Holbrook, NY	-	3,957	35,337	383	3,957	35,721	4,6
Horley, UKJ	-	2,787	14,477	-	2,787	14,477	1,3
Houston, TX	-	3,830	55,674	4,340	3,830	60,014	10,1
Houston, TX	17,606	1,040	31,965	5,013	1,044	36,974	4,9
Houston, TX	-	960	27,598	1,312	960	28,910	5,2
Hove, UKJ	-	1,626	8,178	-	1,626	8,178	4
Huntington Beach, CA	-	3,808	31,172	1,148	3,860	32,268	5,2
Irving, TX	-	1,030	6,823	1,178	1,030	8,001	1,7
Johns Creek, GA	-	1,580	23,285	184	1,588	23,461	3,1

Kanata, ON	-	1,639	30,700	-	1,639	30,700	5,7
Kansas City, MO	-	1,820	34,898	3,713	1,845	38,587	7,5
Kansas City, MO	6,250	1,930	39,997	3,393	1,963	43,357	9,0
Kansas City, MO	-	541	23,962	-	541	23,962	9
Kelowna, BC	5,878	2,688	13,647	-	2,688	13,647	2,6
Kennebunk, ME	-	2,700	30,204	2,066	3,022	31,948	8,4
Kingston, ON	4,633	1,030	11,416	-	1,030	11,416	7
Kingwood, TX	-	480	9,777	370	480	10,147	1,8
Kirkland, WA	24,600	3,450	38,709	424	3,454	39,129	5,8
Kitchener, ON	1,487	640	2,744	-	640	2,744	5
Kitchener, ON	4,638	1,130	9,939	-	1,130	9,939	1,6
Kitchener, ON	3,533	1,093	7,327	-	1,093	7,327	1,6
La Palma, CA	-	2,950	16,591	537	2,950	17,128	2,3
Lafayette Hill, PA	-	1,750	11,848	1,311	1,825	13,085	2,4
Lawrenceville, GA	15,896	1,500	29,003	281	1,508	29,276	4,0
Leawood, KS	15,614	2,490	32,493	2,594	5,690	31,887	5,6
Lenexa, KS	9,757	826	26,251	493	836	26,735	4,2
Leominster, MA	-	944	23,164	-	944	23,164	1,5
Lincroft, NJ	-	9	19,958	873	9	20,831	2,6
Lombard, IL	16,893	2,130	59,943	418	2,130	60,361	7,6
London, UKI	-	3,731	11,948	-	3,731	11,948	6
London, ON	1,174	987	8,228	-	987	8,228	5
London, ON	6,383	1,969	16,985	-	1,969	16,985	1,1
London, ON	-	1,445	13,631	-	1,445	13,631	2
Longueuil, QC	9,927	3,992	23,711	-	3,992	23,711	2
Los Angeles, CA	-	-	11,430	1,544	-	12,974	2,3
Los Angeles, CA	64,160	-	114,438	1,304	-	115,742	19,5
Los Angeles, CA	-	3,540	19,007	737	3,540	19,744	2,8
Louisville, KY	-	2,420	20,816	664	2,420	21,480	3,3
Louisville, KY	11,169	1,600	20,326	182	1,600	20,508	3,2
Lynnfield, MA	-	3,165	45,200	1,376	3,165	46,576	6,1
Malvern, PA	-	1,651	17,194	1,214	1,708	18,351	3,7
Mansfield, MA	27,863	3,320	57,011	2,831	3,431	59,732	12,2
Maple Ridge, BC	7,918	2,789	12,331	-	2,789	12,331	1
Marieville, QC	6,774	1,278	12,113	-	1,278	12,113	1
Markham, ON	15,975	3,727	48,939	-	3,727	48,939	10,2
Marlboro, NJ	-	2,222	14,888	528	2,222	15,416	2,3
Medicine Hat, AB	4,249	1,432	14,141	-	1,432	14,141	9
Memphis, TN	-	1,800	17,744	834	1,800	18,578	3,7
Meriden, CT	9,227	1,500	14,874	727	1,538	15,563	4,1
Metairie, LA	13,240	725	27,708	277	725	27,985	3,3
Middletown, CT	15,198	1,430	24,242	1,104	1,439	25,336	5,3
Middletown, RI	16,163	2,480	24,628	1,389	2,507	25,990	5,3
Milford, CT	11,338	3,210	17,364	1,114	3,210	18,478	4,2
Milton, ON	13,007	4,542	25,321	-	4,542	25,321	2
Minnetonka, MN	14,206	2,080	24,360	825	2,153	25,112	3,8
Minnetonka, MN	16,253	920	29,344	395	920	29,739	3,4
Mississauga, ON	9,033	1,602	17,996	-	1,602	17,996	2,7
Mississauga, ON	3,041	873	4,655	-	873	4,655	7
Mississauga, ON	19,501	3,649	35,137	-	3,649	35,137	1,9
Mississauga, ON	6,152	2,548	15,158	-	2,548	15,158	9

Mobberley, UKD	-	6,150	31,685	-	6,150	31,685	5,9
Monterey, CA	-	6,440	29,101	547	6,440	29,648	3,9
Montgomery Village, MD	-	3,530	18,246	3,533	3,544	21,766	6,0
Moose Jaw, SK	2,620	582	12,973	-	582	12,973	1,9
Mystic, CT	11,338	1,400	18,274	695	1,427	18,942	3,7
Naperville, IL	-	1,550	12,237	2,165	1,550	14,402	8
Naperville, IL	-	1,540	28,204	738	1,540	28,942	4,0
Naples, FL	58,092	8,989	119,398	-	8,989	119,398	1,1
Nashua, NH	-	1,264	43,026	-	1,264	43,026	1,9
Nashville, TN	-	3,900	35,788	1,372	3,900	37,160	6,8
Nepean, ON	5,769	1,575	5,770	-	1,575	5,770	5
Newmarket, UKH	-	5,141	13,478	340	4,866	14,093	1,0
Newton, MA	27,501	2,250	43,614	672	2,263	44,273	8,2
Newton, MA	15,873	2,500	30,681	1,800	2,514	32,467	6,4
Newton, MA	-	3,360	25,099	1,162	3,376	26,245	5,5
Newtown Square, PA	-	1,930	14,420	544	1,941	14,953	3,1
Niagara Falls, ON	6,784	1,225	7,963	-	1,225	7,963	5
Niantic, CT	-	1,320	25,986	4,175	1,331	30,150	4,6
North Andover, MA	22,315	1,960	34,976	1,203	2,019	36,120	6,8
North Chelmsford, MA	11,760	880	18,478	783	898	19,243	3,3
North Tustin, CA	-	2,880	18,059	357	2,880	18,416	1,9
Oak Park, IL	-	1,250	40,383	570	1,250	40,953	6,1
Oakland, CA	-	3,877	47,508	1,169	3,877	48,677	6,6
Oakton, VA	-	2,250	37,576	1,425	2,252	38,998	4,9
Oakville, ON	5,853	1,252	7,382	-	1,252	7,382	1,1
Oakville, ON	10,232	2,134	29,963	-	2,134	29,963	5,1
Oakville, ON	5,347	1,271	13,754	-	1,271	13,754	1,8
Oceanside, CA	12,460	2,160	18,352	2,082	2,193	20,401	3,9
Okotoks, AB	17,631	714	20,943	-	714	20,943	1,2
Oshawa, ON	3,197	841	7,570	-	841	7,570	1,2
Ottawa, ON	9,420	1,341	15,425	-	1,341	15,425	1
Ottawa, ON	19,071	3,454	23,309	-	3,454	23,309	1,6
Ottawa, ON	21,966	4,177	40,023	-	4,177	40,023	4
Ottawa, ON	7,110	2,103	18,421	-	2,103	18,421	1
Ottawa, ON	12,273	2,963	26,424	-	2,963	26,424	2
Ottawa, ON	10,213	1,561	18,170	-	1,561	18,170	2
Ottawa, ON	13,970	3,403	31,090	-	3,403	31,090	2
Ottawa, ON	18,867	3,411	28,335	-	3,411	28,335	2
Ottawa, ON	2,986	724	4,710	-	724	4,710	7
Ottawa, ON	2,178	818	2,165	968	678	3,273	5
Ottawa, ON	10,733	2,809	27,299	-	2,809	27,299	5,0
Ottawa, ON	4,781	1,156	9,758	-	1,156	9,758	1,2
Ottawa, ON	3,392	746	7,800	-	746	7,800	1,1
Ottawa, ON	9,348	1,176	12,764	-	1,176	12,764	7
Overland Park, KS	3,470	1,540	16,269	1,096	1,725	17,180	2,4
Palo Alto, CA	16,839	-	39,639	1,145	-	40,784	5,2
Paramus, NJ	-	2,840	35,728	928	2,851	36,645	4,4
Parkland, FL	57,666	4,880	111,481	-	4,880	111,481	1,1
Peabody, MA	6,338	-	-	19,009	2,250	16,758	1,3
Pembroke, ON	-	1,873	10,045	-	1,873	10,045	1,8
Pittsburgh, PA	-	1,580	18,017	369	1,580	18,386	2,8

Plainview, NY	-	3,066	19,901	370	3,079	20,258	2,3
Plano, TX	4,101	840	8,538	711	840	9,249	2,0
Plano, TX	28,734	3,120	59,950	838	3,120	60,788	11,3
Playa Vista, CA	-	1,580	40,531	686	1,580	41,217	5,6
Plymouth, MA	-	1,444	34,951	-	1,444	34,951	1,8
Port Perry, ON	9,892	3,685	26,788	-	3,685	26,788	1
Providence, RI	-	2,600	27,546	1,148	2,651	28,643	7,3
Purley, UKI	-	9,676	35,251	5,749	8,798	41,878	6,7
Queensbury, NY	-	1,260	21,744	-	1,260	21,744	
Quincy, MA	-	1,350	12,584	635	1,386	13,183	2,7
Rancho Cucamonga, CA	-	1,480	10,055	512	1,487	10,560	1,8
Rancho Palos Verdes, CA	-	5,450	60,034	1,284	5,450	61,318	9,0
Randolph, NJ	-	1,540	46,934	602	1,540	47,536	6,1
Red Deer, AB	11,851	1,247	19,283	-	1,247	19,283	3
Red Deer, AB	13,946	1,199	22,339	-	1,199	22,339	3
Redondo Beach, CA	-	-	9,557	611	-	10,168	3,9
Regina, SK	7,017	1,485	21,148	-	1,485	21,148	3,7
Regina, SK	6,771	1,244	21,036	-	1,244	21,036	2,8
Regina, SK	13,178	1,539	24,053	-	1,539	24,053	2
Renton, WA	21,565	3,080	51,824	340	3,080	52,164	7,7
Ridgefield, CT	-	3,100	80,614	-	3,100	80,614	4,3
Riviere-du-Loup, QC	3,309	568	8,504	-	568	8,504	1
Riviere-du-Loup, QC	9,489	1,454	16,848	-	1,454	16,848	1
Rocky Hill, CT	10,253	810	16,351	574	900	16,835	3,0
Romeoville, IL	-	854	12,646	59,431	6,168	66,763	10,5
Roseville, MN	-	1,540	35,877	498	1,585	36,331	4,2
Roswell, GA	-	2,080	6,486	1,169	2,380	7,355	1,3
Sacramento, CA	-	1,300	23,394	564	1,304	23,954	2,9
Saint-Lambert, QC	23,254	9,931	107,748	-	9,931	107,748	45,3
Salem, NH	20,566	980	32,721	869	1,051	33,519	5,6
Salisbury, UKK	-	3,251	18,169	-	3,251	18,169	7
Salt Lake City, UT	-	1,360	19,691	1,650	1,360	21,341	5,1
San Diego, CA	-	4,200	30,707	201	4,200	30,908	3,2
San Diego, CA	-	5,810	63,078	926	5,810	64,004	11,7
San Diego, CA	-	3,000	27,164	428	3,000	27,592	3,1
San Gabriel, CA	-	3,120	15,566	489	3,120	16,055	2,2
San Jose, CA	-	2,850	35,098	225	2,850	35,323	5,2
San Jose, CA	-	3,280	46,823	1,261	3,280	48,084	7,0
San Juan Capistrano, CA	-	1,390	6,942	1,056	1,390	7,998	3,0
Sandy Springs, GA	-	2,214	8,360	445	2,220	8,799	1,7
Santa Maria, CA	-	6,050	50,658	1,162	6,063	51,806	10,7
Santa Monica, CA	19,936	5,250	28,340	501	5,252	28,839	3,7
Saskatoon, SK	4,329	981	13,905	-	981	13,905	1,7
Saskatoon, SK	10,078	1,382	17,609	-	1,382	17,609	2,2
Schaumburg, IL	-	2,460	22,863	739	2,479	23,584	3,8
Scottsdale, AZ	-	2,500	3,890	1,244	2,500	5,134	1,1
Seal Beach, CA	-	6,204	72,954	1,057	6,208	74,007	13,5
Seattle, WA	48,540	6,790	85,369	1,785	6,793	87,150	13,2
Seattle, WA	10,751	1,150	19,887	-	1,150	19,887	5
Sevenoaks, UKJ	-	7,387	48,012	-	7,387	48,012	7,6
Shelburne, VT	19,540	720	31,041	1,490	756	32,495	5,1

Shelby Township, MI	16,505	1,040	26,344	354	1,093	26,645	3,2
Shrewsbury, MA	-	950	26,824	-	950	26,824	1,5
Sidcup, UKI	-	9,773	56,163	10,008	8,873	67,071	11,7
Simi Valley, CA	-	3,200	16,664	438	3,200	17,102	3,4
Solihull, UKG	-	6,060	51,464	-	6,060	51,464	7,4
Solihull, UKG	-	4,269	30,963	-	4,269	30,963	4,6
Sonning, UKJ	-	6,720	50,268	-	6,720	50,268	6,7
South Windsor, CT	-	3,000	29,295	1,405	3,099	30,601	6,6
Spokane, WA	-	3,200	25,064	436	3,268	25,432	5,3
Spokane, WA	-	2,580	25,342	211	2,639	25,494	4,2
St. Albert, AB	8,775	1,145	17,863	-	1,145	17,863	3,2
St. John's, NL	6,129	685	13,466	-	685	13,466	2
Stittsville, ON	4,791	1,175	17,397	-	1,175	17,397	2,2
Stockport, UKD	-	5,222	29,674	-	5,222	29,674	4,9
Studio City, CA	-	4,006	25,307	561	4,040	25,835	4,2
Sugar Land, TX	-	960	31,423	1,340	960	32,763	6,4
Sun City, FL	21,693	6,521	48,476	-	6,521	48,476	6
Sun City, FL	24,442	5,040	50,923	-	5,040	50,923	6
Sun City West, AZ	12,257	1,250	21,778	927	1,250	22,705	2,9
Sunnyvale, CA	-	5,420	41,682	889	5,420	42,571	6,6
Surrey, BC	7,128	3,605	18,818	-	3,605	18,818	4,2
Surrey, BC	16,373	4,552	22,338	-	4,552	22,338	5,4
Suwanee, GA	-	1,560	11,538	604	1,560	12,142	2,1
Sway, UKJ	-	4,955	18,437	-	4,955	18,437	1,0
Swift Current, SK	2,343	492	10,119	-	492	10,119	1,5
Tacoma, WA	18,405	2,400	35,053	211	2,446	35,219	5,2
Tacoma, WA	-	1,535	6,068	-	1,535	6,068	5
Tampa, FL	69,330	4,910	114,148	-	4,910	114,148	1,1
The Woodlands, TX	-	480	12,379	284	480	12,663	2,2
Toledo, OH	-	2,040	47,129	2,716	2,144	49,741	10,5
Toronto, ON	8,882	2,927	20,713	-	2,927	20,713	8
Toronto, ON	9,874	5,082	25,493	-	5,082	25,493	1,6
Toronto, ON	13,234	1,976	20,034	-	1,976	20,034	1,2
Toronto, ON	20,785	5,132	41,657	-	5,132	41,657	2,4
Toronto, ON	5,723	2,480	7,571	-	2,480	7,571	6
Toronto, ON	1,499	1,079	5,364	-	1,079	5,364	7
Toronto, ON	8,428	2,513	19,695	-	2,513	19,695	2,0
Toronto, ON	18,600	3,400	32,757	-	3,400	32,757	5,0
Toronto, ON	1,120	1,361	2,915	-	1,361	2,915	8
Toronto, ON	1,816	1,447	3,918	-	1,447	3,918	7
Toronto, ON	32,781	5,304	53,488	-	5,304	53,488	11,3
Trumbull, CT	24,245	2,850	37,685	1,229	2,927	38,837	8,1
Tucson, AZ	4,615	830	6,179	3,497	830	9,676	1,1
Tulsa, OK	-	1,330	21,285	1,781	1,350	23,046	4,5
Tulsa, OK	-	1,500	20,861	1,550	1,551	22,360	4,8
Tustin, CA	-	840	15,299	484	840	15,783	2,5
Upland, CA	-	3,160	42,596	-	3,160	42,596	1,4
Upper St Claire, PA	-	1,102	13,455	486	1,102	13,941	2,4
Vancouver, BC	15,361	24,122	42,675	-	24,122	42,675	2,7
Vankleek Hill, ON	1,077	389	2,960	-	389	2,960	5
Vaudreuil, QC	8,279	1,779	14,803	-	1,779	14,803	1

Venice, FL		64,425	6,820	100,501	-	6,820	100,501	1,0
Victoria, BC		-	2,674	14,218	-	2,674	14,218	2,9
Victoria, BC		7,533	2,856	18,038	-	2,856	18,038	3,2
Victoria, BC		6,945	3,681	15,774	-	3,681	15,774	2,8
Victoria, BC		7,788	2,476	15,379	-	2,476	15,379	8
Virginia Water, UKJ		-	7,106	29,937	5,261	6,475	35,829	5,4
Walnut Creek, CA		-	3,700	12,467	1,108	3,763	13,512	2,6
Waltham, MA		-	2,462	40,062	-	2,462	40,062	2,3
Warwick, RI		15,681	2,400	24,635	1,270	2,407	25,898	6,3
Washington, DC		32,108	4,000	69,154	739	4,000	69,893	9,0
Waterbury, CT		24,305	2,460	39,547	1,954	2,495	41,465	11,4
Wayland, MA		-	1,207	27,462	982	1,307	28,344	3,9
Welland, ON		6,662	954	8,971	-	954	8,971	2
Wellesley, MA		-	4,690	77,462	-	4,690	77,462	2,6
West Babylon, NY		-	3,960	47,085	549	3,960	47,634	5,6
West Bloomfield, MI		-	1,040	12,300	453	1,060	12,733	1,7
West Hills, CA		-	2,600	7,521	444	2,600	7,965	1,8
West Vancouver, BC		19,137	7,059	28,155	-	7,059	28,155	4,5
Westbourne, UKK		-	6,504	49,217	-	6,504	49,217	6,8
Westford, MA		-	1,440	32,607	-	1,440	32,607	1,1
Weston, MA		-	1,160	6,200	534	1,160	6,734	7
Weybridge, UKJ		-	9,422	57,457	-	9,422	57,457	9,8
Weymouth, UKK		-	3,097	19,712	-	3,097	19,712	7
White Oak, MD		-	2,304	24,768	998	2,316	25,754	3,0
Wilbraham, MA		10,976	660	17,639	715	668	18,345	3,3
Wilmington, DE		-	1,040	23,338	464	1,040	23,802	3,2
Winchester, UKJ		-	7,182	35,044	-	7,182	35,044	5,5
Winnipeg, MB		13,274	1,960	38,612	-	1,960	38,612	8,7
Winnipeg, MB		7,809	1,276	21,732	-	1,276	21,732	3,1
Winnipeg, MB		8,310	1,317	15,609	-	1,317	15,609	9
Wolverhampton, UKG		-	3,510	10,409	-	3,510	10,409	2,4
Woodbridge, CT		-	1,370	14,219	849	1,391	15,047	4,1
Woodland Hills, CA		-	3,400	20,478	678	3,406	21,150	3,3
Worcester, MA		13,751	1,140	21,664	784	1,156	22,431	4,1
Yarmouth, ME		17,128	450	27,711	798	470	28,489	4,8
Yonkers, NY		-	3,962	50,107	907	3,967	51,009	6,5
Yorkton, SK		3,389	467	8,765	-	466	8,763	1,2
Seniors housing operating total	$	2,290,552$	972,005$	10,569,105$	446,629$	994,865$	10,992,868$	1,463,2

Welltower Inc.
Schedule III
Real Estate and Accumulated Depreciation
December 31, 2015

(Dollars in thousands)

		Initial Cost to Company			Gross Amount at Which Carried at Close of Period		
Description	Encumbrances	Land	Building & Improvements	Cost Capitalized Subsequent to Acquisition	Land	Building & Improvements	Accumulated Depreciation[1]
Outpatient medical:							
Akron, OH	$ -	$ 821	$ 12,105	$ -	$ 821	$ 12,105	$ 1,568
Allen, TX	12,080	726	14,196	315	726	14,511	3,024
Alpharetta, GA	-	773	18,902	230	773	19,133	3,859
Alpharetta, GA	-	1,769	36,152	-	1,769	36,152	8,518
Alpharetta, GA	-	476	14,757	13	476	14,770	3,156
Alpharetta, GA	-	1,862	-	-	1,862	-	-
Alpharetta, GA	-	548	17,103	39	548	17,142	4,469
Arcadia, CA	-	5,408	23,219	2,971	5,618	25,980	7,917
Arlington, TX	-	82	18,243	248	82	18,491	1,094
Atlanta, GA	-	4,931	18,720	4,679	5,301	23,029	8,357
Atlanta, GA	-	1,947	24,248	1,143	1,947	25,391	4,258
Atlanta, GA	25,726	-	43,425	483	-	43,908	9,347
Bardstown, KY	2,001	-	-	8,239	273	7,966	86
Bartlett, TN	7,719	187	15,015	1,632	187	16,647	5,193
Bellevue, NE	-	-	16,680	-	-	16,680	3,408
Bettendorf, IA	-	-	7,110	73	-	7,183	210
Beverly Hills, CA	-	20,766	40,730	-	20,766	40,730	1,051
Beverly Hills, CA	-	18,863	1,192	-	18,863	1,192	111
Beverly Hills, CA	-	19,863	31,690	-	19,863	31,690	961
Beverly Hills, CA	33,729	32,603	28,639	-	32,603	28,639	1,119
Beverly Hills, CA	78,271	52,772	88,693	-	52,772	88,693	2,116
Birmingham, AL	-	52	10,201	3,208	52	13,409	4,743
Birmingham, AL	-	124	11,733	-	124	11,733	3,070
Birmingham, AL	-	476	18,726	-	476	18,726	5,068
Boardman, OH	-	80	12,161	-	80	12,161	3,128
Boca Raton, FL	-	109	34,002	2,423	214	36,320	11,052
Boca Raton, FL	-	31	12,312	55	31	12,367	2,004
Boerne, TX	-	50	13,541	190	50	13,731	3,173
Boynton Beach, FL	-	2,048	7,692	615	2,048	8,307	3,059
Boynton Beach, FL	-	2,048	7,403	1,238	2,048	8,640	2,937
Boynton Beach, FL	-	214	5,611	8,079	270	13,634	4,162
Boynton Beach, FL	25,708	13,324	40,369	773	13,324	41,141	5,217
Bradenton, FL	-	1,184	9,799	-	1,184	9,799	629
Bradenton, FL	-	1,035	4,298	-	1,035	4,298	303
Bridgeton, MO	10,294	450	21,272	20	450	21,292	5,105
Burleson, TX	-	10	12,611	3	10	12,614	2,484

Burnsville, MN	-	-	31,596	-	-	31,596	2,339
Carmel, IN	-	2,280	19,238	64	2,280	19,301	5,488
Carmel, IN	-	2,026	21,559	10	2,026	21,570	6,368
Castle Rock, CO	-	80	13,004	571	79	13,576	1,012
Cedar Grove, WI	-	113	618	-	113	618	132
Charleston, SC	-	2,773	25,928	3	2,773	25,931	1,794
Cincinnati, OH	-	-	17,880	218	-	18,098	1,454
Claremore, OK	7,732	132	12,829	407	132	13,236	4,399
Clarkson Valley, MO	-	-	35,592	-	-	35,592	8,269
Clear Lake, TX	-	-	13,882	-	-	13,882	463
Columbia, MD	-	2,333	19,232	-	2,333	19,232	2,576
Columbia, MD	-	-	34,930	-	-	34,930	136
Coon Rapids, MN	-	-	26,679	730	-	27,409	2,007
Dade City, FL	-	1,211	5,511	-	1,211	5,511	879
Dallas, TX	-	137	28,690	2,535	137	31,225	10,073
Dallas, TX	28,450	462	52,488	3	462	52,491	6,735
Dayton, OH	-	730	6,919	-	730	6,919	1,747
Deerfield Beach, FL	-	2,408	7,809	3	2,408	7,812	2,555
Delray Beach, FL	-	1,882	34,767	5,693	2,064	40,278	14,345
Durham, NC	-	1,212	22,858	1	1,212	22,859	1,583
Edina, MN	-	310	15,132	17	310	15,149	3,181
El Paso, TX	-	677	17,075	2,089	677	19,164	6,931
Everett, WA	-	4,842	26,010	-	4,842	26,010	4,804
Fenton, MO	11,578	958	27,485	242	958	27,727	3,199
Fenton, MO	5,544	369	13,911	-	369	13,911	1,110
Flower Mound, TX	-	737	9,654	-	737	9,654	341
Flower Mound, TX	-	4,164	27,529	14	4,164	27,543	1,857
Flower Mound, TX	-	4,620	-	-	4,620	-	-
Fort Wayne, IN	16,135	1,105	22,836	-	1,105	22,836	2,898
Fort Worth, TX	-	462	26,020	-	462	26,020	1,592
Fort Worth, TX	-	401	6,099	-	401	6,099	345
Franklin, TN	-	2,338	12,138	2,184	2,338	14,322	4,398
Franklin, WI	4,942	6,872	7,550	-	6,872	7,550	1,687
Frisco, TX	-	-	18,635	1,340	-	19,975	5,794
Frisco, TX	-	-	15,309	2,151	-	17,460	5,914
Gallatin, TN	-	20	21,801	183	20	21,984	5,521
Gig Harbor, WA	-	-	-	30,917	80	30,837	242
Glendale, CA	-	37	18,398	761	37	19,159	5,230
Grand Prairie, TX	-	981	6,086	-	981	6,086	1,187
Grapevine, TX	5,459	-	5,943	4,778	2,081	8,640	401
Grapevine, TX	9,882	3,365	15,669	-	3,365	15,669	1,085
Green Bay, WI	6,871	-	14,891	-	-	14,891	2,939
Green Bay, WI	-	-	20,098	-	-	20,098	3,891
Green Bay, WI	-	-	11,696	-	-	11,696	3,145
Greeneville, TN	-	970	10,104	-	970	10,104	2,403
Greenwood, IN	-	8,316	26,384	-	8,316	26,384	3,705
Greenwood, IN	-	1,262	7,045	645	1,262	7,691	499
Grenwood, IN	-	2,098	21,538	1	2,098	21,538	1,006
Harker Heights, TX	-	1,907	3,575	-	1,907	3,575	298
High Point, NC	-	2,659	29,069	162	2,659	29,230	3,398
Highland, IL	-	-	8,834	-	-	8,834	699

Houston, TX	14,000	378	31,932	316	378	32,248	6,083
Houston, TX	-	91	10,613	-	91	10,613	1,912
Houston, TX	-	10,403	-	-	10,403	-	3
Houston, TX	-	5,837	33,128	1	5,837	33,129	6,385
Houston, TX	-	3,688	13,313	1	3,688	13,315	1,845
Houston, TX	-	-	-	75,398	12,815	62,584	6,206
Houston, TX	-	3,102	32,323	640	3,242	32,824	2,289
Hudson, OH	-	2,587	13,720	8	2,587	13,728	2,546
Humble, TX	-	-	9,941	-	-	9,941	290
Jackson, MI	-	607	17,367	42	626	17,389	2,033
Jupiter, FL	-	2,252	11,415	2,375	2,252	13,790	3,826
Jupiter, FL	-	2,825	5,858	566	2,825	6,424	2,288
Kenosha, WI	7,494	-	18,058	-	-	18,058	3,488
Killeen, TX	-	760	22,878	20	760	22,898	4,986
Kyle, TX	-	2,569	14,384	84	2,569	14,468	1,038
La Jolla, CA	-	12,855	32,658	-	12,855	32,658	969
La Jolla, CA	-	9,425	26,904	-	9,425	26,904	522
La Quinta, CA	-	3,266	22,066	116	3,279	22,169	1,599
Lake St Louis, MO	-	240	14,249	49	240	14,298	3,342
Lakeway, TX	-	2,801	-	-	2,801	-	-
Lakewood, CA	-	146	14,885	1,709	146	16,594	4,743
Lakewood, WA	7,041	72	16,017	-	72	16,017	1,873
Las Vegas, NV	-	2,319	4,612	1,021	2,319	5,632	1,988
Las Vegas, NV	-	74	15,287	1,150	74	16,437	4,969
Las Vegas, NV	-	433	6,921	212	433	7,133	2,464
Las Vegas, NV	-	6,127	-	50	6,127	50	-
Lenexa, KS	-	540	17,926	256	540	18,182	3,270
Lenexa, KS	-	100	14,058	-	100	14,058	673
Lincoln, NE	-	1,420	29,723	25	1,420	29,748	7,625
Los Alamitos, CA	-	39	18,635	1,218	39	19,853	5,625
Los Gatos, CA	-	488	22,386	1,740	488	24,126	8,383
Loxahatchee, FL	-	1,637	5,048	985	1,719	5,951	2,009
Loxahatchee, FL	-	1,340	6,509	624	1,440	7,033	2,279
Loxahatchee, FL	-	1,553	4,694	1,018	1,650	5,615	1,791
Marinette, WI	6,036	-	13,538	-	-	13,538	3,146
Melbourne, FL	-	3,439	50,461	257	3,439	50,718	3,039
Merced, CA	-	-	14,699	5	-	14,704	3,274
Merriam, KS	-	176	8,005	8,558	775	15,965	2,094
Merriam, KS	-	-	1,996	-	-	1,996	782
Merriam, KS	-	-	10,222	-	-	10,222	4,121
Merriam, KS	-	-	5,862	-	-	5,862	2,059
Merriam, KS	-	1,226	24,998	-	1,226	24,998	2,449
Merrillville, IN	-	-	22,134	632	-	22,766	5,023
Mesa, AZ	-	1,558	9,561	629	1,558	10,190	3,461
Mesquite, TX	-	496	3,834	-	496	3,834	531
Milwaukee, WI	2,569	540	8,457	-	540	8,457	1,767
Milwaukee, WI	8,962	1,425	11,520	-	1,425	11,520	3,138
Milwaukee, WI	2,242	922	2,185	-	922	2,185	744
Milwaukee, WI	17,365	-	44,535	-	-	44,535	8,415
Mission Hills, CA	25,247	-	42,276	1,090	4,791	38,575	2,886
Moline, IL	-	-	8,783	29	-	8,812	483

Monticello, MN	8,464	61	18,489	22	61	18,510	1,986
Moorestown, NJ	-	6	50,896	-	6	50,896	6,324
Mount Juliet, TN	3,016	1,566	11,697	1,118	1,566	12,815	4,326
Mount Vernon, IL	-	-	24,892	-	-	24,892	3,195
Murrieta, CA	-	-	47,190	486	-	47,676	11,011
Murrieta, CA	-	3,800	-	-	3,800	-	-
Muskego, WI	1,078	964	2,159	-	964	2,159	417
Nashville, TN	-	1,806	7,165	2,036	1,806	9,201	3,416
New Albany, IN	-	2,411	16,494	30	2,411	16,524	993
New Berlin, WI	4,156	3,739	8,290	-	3,739	8,290	1,737
Niagara Falls, NY	-	1,433	10,891	271	1,597	10,998	4,302
Niagara Falls, NY	-	454	8,362	-	454	8,362	2,358
Oklahoma City, OK	-	216	19,135	77	216	19,212	2,553
Oro Valley, AZ	9,395	89	18,339	746	89	19,084	5,423
Oshkosh, WI	-	-	18,339	-	-	18,339	3,515
Oshkosh, WI	7,467	-	15,881	-	-	15,881	3,012
Palm Springs, FL	-	739	4,066	494	739	4,560	1,732
Palm Springs, FL	-	1,182	7,765	563	1,182	8,328	2,978
Palmer, AK	18,345	217	29,705	1,220	217	30,925	8,475
Pasadena, TX	-	1,700	8,009	-	1,700	8,009	501
Pearland, TX	-	1,500	11,253	-	1,500	11,253	613
Pearland, TX	-	9,594	32,753	191	9,807	32,731	1,337
Pendleton, OR	-	-	10,312	-	-	10,312	549
Phoenix, AZ	-	1,149	48,018	11,069	1,149	59,087	18,292
Pineville, NC	-	961	6,974	2,515	1,077	9,373	3,343
Plano, TX	-	5,423	20,698	-	5,423	20,698	9,178
Plano, TX	52,479	793	83,209	578	793	83,787	13,469
Plantation, FL	-	8,563	10,666	3,169	8,575	13,823	5,716
Plantation, FL	-	8,848	9,262	587	8,908	9,789	5,824
Plymouth, WI	1,258	1,250	1,870	-	1,250	1,870	440
Portland, ME	-	655	25,930	13	655	25,943	4,949
Redmond, WA	-	5,015	26,709	284	5,015	26,993	5,122
Reno, NV	-	1,117	21,972	1,999	1,117	23,970	7,123
Richmond, VA	-	2,969	26,697	60	3,004	26,722	4,413
Rockwall, TX	-	132	17,197	3	132	17,200	2,862
Rogers, AR	-	1,062	29,326	-	1,062	29,326	6,007
Rolla, MO	-	1,931	47,639	-	1,931	47,639	7,480
Roswell, NM	-	183	5,851	-	183	5,851	1,116
Roswell, NM	4,049	883	15,984	-	883	15,984	2,720
Roswell, NM	-	762	17,171	1	762	17,171	2,333
Sacramento, CA	-	866	12,756	1,715	866	14,471	4,491
Salem, NH	-	1,655	14,050	20	1,655	14,070	1,052
San Antonio, TX	-	1,012	10,545	739	1,012	11,284	4,482
San Antonio, TX	-	1,038	9,173	-	1,038	9,173	3,565
San Antonio, TX	18,400	4,518	31,041	362	4,548	31,373	6,536
San Antonio, TX	-	900	17,288	304	900	17,591	1,726
Santa Clarita, CA	-	-	2,338	19,664	5,196	16,806	1,125
Santa Clarita, CA	-	-	28,384	1,580	5,250	24,714	1,705
Santa Clarita, CA	-	278	185	-	278	185	67
Santa Clarita, CA	25,000	295	40,262	-	295	40,262	1,525
Santa Clarita, CA	-	-	20,618	307	4,407	16,518	1,219

Santa Clarita, CA	-	9,835	-	1,760	11,595	-	-
Sarasota, FL	-	62	47,325	864	62	48,190	6,807
Seattle, WA	-	4,410	38,428	358	4,410	38,786	8,479
Sewell, NJ	-	60	57,929	308	74	58,223	16,141
Shakopee, MN	6,350	508	11,412	36	509	11,447	2,701
Shakopee, MN	10,739	707	18,089	66	773	18,089	3,142
Sheboygan, WI	1,737	1,012	2,216	-	1,012	2,216	526
Shenandoah, TX	-	-	21,135	-	-	21,135	528
Sherman Oaks, CA	-	-	32,186	1,902	3,121	30,967	2,097
Somerville, NJ	-	3,400	22,244	2	3,400	22,246	4,125
Southlake, TX	11,680	592	18,243	149	592	18,392	2,896
Southlake, TX	17,800	698	30,549	1,709	698	32,258	4,276
Southlake, TX	-	3,000	-	-	3,000	-	-
Springfield, IL	5,273	-	-	11,919	1,569	10,350	66
Springfield, IL	1,650	-	-	3,696	177	3,519	23
St Paul, MN	-	49	37,695	283	49	37,978	1,465
St. Louis, MO	-	336	17,247	1,119	336	18,366	5,550
St. Paul, MN	24,781	2,706	39,507	13	2,704	39,523	7,500
Suffern, NY	-	653	37,255	130	696	37,342	6,695
Suffolk, VA	-	1,566	11,511	25	1,566	11,537	3,326
Sugar Land, TX	8,305	3,543	15,532	-	3,543	15,532	2,643
Summit, WI	-	2,899	87,666	-	2,899	87,666	22,984
Tacoma, WA	-	-	64,307	-	-	64,307	8,481
Tallahassee, FL	-	-	17,449	-	-	17,449	3,575
Tampa, FL	-	4,318	12,228	-	4,318	12,222	1,672
Temple, TX	-	2,900	9,954	26	2,900	9,980	870
Tucson, AZ	-	1,302	4,925	847	1,325	5,749	2,170
Tustin, CA	-	3,345	2,171	-	3,345	2,171	328
Tustin, CA	-	3,361	12,039	-	3,361	12,039	200
Van Nuys, CA	-	-	36,187	-	-	36,187	6,561
Voorhees, NJ	-	6,404	24,251	1,471	6,477	25,649	7,515
Voorhees, NJ	-	6	96,075	77	6	96,152	13,977
Wellington, FL	-	107	16,933	2,587	302	19,325	4,967
Wellington, FL	-	388	13,697	925	388	14,622	3,832
West Allis, WI	3,190	1,106	3,309	-	1,106	3,309	938
West Seneca, NY	-	917	22,435	2,623	1,665	24,310	7,547
Zephyrhills, FL	-	3,875	27,270	-	3,875	27,270	4,063
Outpatient medical total:	$ 627,689	$ 490,437	$ 4,274,941	$ 278,333	$ 535,720	$ 4,507,983	$ 794,063

Assets held for sale:										
Akron, OH	$ -	$ 300	$ 20,200	$ -	$ -	$ -	$ -	2009	2008	200 E. Market St.
Amelia Island, FL	-	3,290	24,310	-	-	-	-	2005	1998	48 Osprey Village Dr.
Austin, TX	-	730	18,970	-	-	-	-	2007	2006	3200 W. Slaughter Lane
Baytown, TX	-	450	6,150	-	-	-	-	2002	2000	3921 N. Main St.
Baytown, TX	-	540	11,110	-	-	-	-	2009	2008	2000 West Baker Lane
Bellaire, TX	-	4,551	46,105	-	-	-	-	2006	2005	5410 W. Loop S.
Bellaire, TX	-	2,972	33,445	-	-	-	-	2006	2005	5420 W. Loop S.
Bellevue, WI	-	1,740	18,260	-	-	-	-	2006	2004	1660 Hoffman Rd.
Bellingham, MA	-	9,270	-	-	-	2,156	-	2007	2015	Maple Street and High Street
Bridgeton, MO	-	-	30,221	-	-	-	-	2011	2011	12380 DePaul Drive
Brookline, MA	-	2,760	9,217	-	-	-	-	2011	1984	30 Webster Street
Columbus, OH	-	-	-	6,710	-	6,710	-	2012	2013	750 Mt. Carmel Mall
Coral Springs, FL	-	1,598	10,627	-	-	9,246	-	2006	1992	1725 N. University Dr.
Corpus Christi, TX	-	400	1,916	-	-	-	-	2005	1985	1101 S. Alameda
DeForest, WI	-	250	5,350	-	-	-	-	2007	2006	6902 Parkside Circle
Denton, TX	-	-	19,407	-	-	-	-	2007	2005	2900 North I-35
Denver, CO	-	2,530	9,514	-	-	-	-	2005	1986	3701 W. Radcliffe Ave.
Fayetteville, GA	-	959	7,540	-	-	6,733	-	2006	1999	1275 Hwy. 54 W.
Frisco, TX	-	130	16,445	-	-	-	-	2012	2010	2990 Legacy Drive
Germantown, TN	-	3,049	12,456	-	-	12,202	-	2006	2002	1325 Wolf Park Drive
Grand Blanc, MI	-	700	7,843	-	-	-	-	2011	2012	5400 East Baldwin
Greenfield, WI	-	600	6,626	-	-	-	-	2006	2006	3933 S. Prairie Hill Lane
Greenville, SC	-	5,400	100,523	-	-	-	-	2006	2009	10 Fountainview Terrace
Hattiesburg, MS	-	450	15,518	-	-	14,089	-	2010	2012	217 Methodist Hospital Blvd
Hermitage, TN	-	1,500	9,856	-	-	10,213	-	2011	1983	4131 Andrew Jackson Parkway
Houston, TX	-	860	18,715	-	-	-	-	2007	2006	8702 South Course Drive
Houston, TX	-	630	5,970	-	-	-	-	2002	1995	3625 Green Crest Dr.
Kenosha, WI	-	1,500	9,139	-	-	-	-	2007	2009	6300 67th Street
Lapeer, MI	-	220	7,625	-	-	-	-	2011	2012	2323 Demille Road
McHenry, IL	-	3,550	15,300	-	-	-	-	2006	2004	3300 Charles Miller Rd.
Melbourne, FL	-	2,540	21,319	-	-	-	-	2010	2012	3260 N Harbor City Blvd
Memphis, TN	-	390	9,660	-	-	-	-	2010	1981	141 N. McLean Blvd.
Merrillville, IN	-	1,080	3,413	-	-	-	-	2010	2011	300 W. 89th Ave.
Merrillville, IN	-	643	7,084	-	-	-	-	1997	1999	101 W. 87th Ave.
Millersville, MD	-	680	1,020	-	-	680	-	2011	2000	899 Cecil Avenue
Morrow, GA	-	818	8,064	-	-	5,913	-	2007	1990	6635 Lake Drive
Mount Airy, NC	-	270	6,430	-	-	-	-	2005	1998	1000 Ridgecrest Lane
Murrieta, CA	-	8,800	202,412	-	-	-	-	2008	2010	28062 Baxter Road
Myrtle Beach, SC	-	6,890	41,526	-	-	-	-	2007	2009	101 Brightwater Dr.
Neenah, WI	-	630	15,120	-	-	-	-	2010	1991	131 E. North Water St.
Orange Village, OH	-	610	7,419	-	-	6,096	-	2007	1985	3755 Orange Place
Oshkosh, WI	-	900	3,800	-	-	-	-	2006	2005	711 Bayshore Drive
Oshkosh, WI	-	400	23,237	-	-	-	-	2007	2008	631 Hazel Street
Overland Park, KS	-	1,120	8,360	-	-	-	-	2005	1970	7541 Switzer St.
Panama City Beach, FL	-	900	7,717	-	-	7,716	-	2011	1996	6012 Magnolia Beach Road
Pasadena, TX	-	720	24,080	-	-	-	-	2007	2005	3434 Watters Rd.
Pawleys Island, SC	-	2,020	32,590	-	-	-	-	2005	1997	120 Lakes at Litchfield Dr.

Saint Simons Island, GA	-	6,440	50,060	-	-	-	-	2008	2007	136 Marsh's Edge Lane
San Antonio, TX	-	560	7,315	-	-	-	-	2002	2000	5437 Eisenhaur Rd.
San Antonio, TX	-	640	13,360	-	-	-	-	2007	2004	8503 Mystic Park
Scituate, MA	-	1,740	10,640	-	-	-	-	2005	1976	309 Driftway
Sheboygan, WI	-	80	5,320	-	-	-	-	2006	2006	4221 Kadlec Dr.
Silver Spring, MD	-	1,150	9,252	-	-	-	-	2012	1968	12325 New Hampshire
Spartanburg, SC	-	3,350	15,750	-	-	-	-	2005	1997	110 Summit Hills Dr.
St. Louis, MO	-	1,890	12,165	-	-	12,472	-	2010	1999	6543 Chippewa St
Tampa, FL	-	-	-	17,685	-	17,685	-	2012	1984	3000 Medical Park Drive
Thomasville, GA	-	530	13,899	-	-	13,193	-	2011	1987	423 Covington Avenue
Tucson, AZ	-	930	13,399	-	-	-	-	2005	1985	6211 N. La Cholla Blvd.
Virginia Beach, VA	-	-	-	16,555	-	16,555	-	2011	2007	828 Healthy Way
Waukesha, WI	-	1,100	14,910	-	-	-	-	2008	2009	3217 Fiddlers Creek Dr
Webster, TX	-	360	5,940	-	-	-	-	2002	2000	17231 Mill Forest
West Palm Beach, FL	-	628	14,740	-	-	10,762	-	2006	1993	5325 Greenwood Ave.
West Palm Beach, FL	-	610	14,618	-	-	10,575	-	2006	1991	927 45th St.
Westerville, OH	-	-	-	6,954	-	6,954	-	2012	2010	444 N Cleveland Avenue
Winston-Salem, NC	$ -	$ 5,700	$ 13,550	$ -	$ -	$ -	-	2005	1997	2101 Homestead Hills
Assets held for sale total	$ -	$ 106,048	$ 1,136,527	$ 47,904	$ -	$ 169,950	-			

Summary:							
Triple-net	$ 554,014	$ 1,003,748	$ 10,800,837	$ 600,549	$ 1,032,860	$ 11,372,276	$ 1,539,033
Seniors housing operating	2,290,552	972,005	10,569,105	446,629	994,865	10,992,868	1,463,201
Outpatient medical	627,689	490,437	4,274,941	278,333	535,720	4,507,983	794,063
Construction in progress	-	-	258,968	-	-	258,968	-
Total continuing operating properties	**3,472,255**	**2,466,190**	**25,903,851**	**1,325,511**	**2,563,445**	**27,132,095**	**3,796,297**
Assets held for sale	-	106,048	1,136,527	47,904	-	169,950	-
Total investments in real property owned	$ **3,472,255**	$ **2,572,238**	$ **27,040,378**	$ **1,373,415**	$ **2,563,445**	$ **27,302,045**	$ **3,796,297**

(1) Please see Note 2 to our consolidated financial statements for information regarding lives used for depreciation and amortization.
(2) Represents real property asset associated with a capital lease.

	Year Ended December 31, 2015		2014		2013
Reconciliation of real property:			(in thousands)		
Investment in real estate:					
Balance at beginning of year	$ 25,491,935	$	23,734,733	$	18,082,399
Additions:					
Acquisitions	3,364,891		2,210,600		3,597,955
Improvements	445,625		380,298		408,844
Assumed other items, net	389,256		160,897		772,972
Assumed debt	1,064,810		265,152		1,340,939
Total additions	5,264,582		3,016,947		6,120,710
Deductions:					
Cost of real estate sold	(449,932)		(916,997)		(498,564)
Reclassification of accumulated depreciation and amortization for assets held for sale	(41,464)		(64,476)		(3,730)
Impairment of assets	(2,220)		-		-
Total deductions	(493,616)		(981,473)		(502,294)
Foreign currency translation	(397,411)		(278,272)		33,918
Balance at end of year(1)	$ 29,865,490	$	25,491,935	$	23,734,733
Accumulated depreciation:					
Balance at beginning of year	$ 3,020,908	$	2,386,658	$	1,555,055
Additions:					
Depreciation and amortization expenses	826,240		844,130		873,960
Amortization of above market leases	11,912		7,935		7,831
Total additions	838,152		852,065		881,791
Deductions:					
Sale of properties	(69,735)		(123,582)		(49,625)
Reclassification of accumulated depreciation and amortization for assets held for sale	(41,464)		(64,476)		(3,730)
Total deductions	(111,199)		(188,058)		(53,355)
Foreign currency translation	48,436		(29,757)		3,167
Balance at end of year	$ 3,796,297	$	3,020,908	$	2,386,658

(1) The aggregate cost for tax purposes for real property equals $19,159,762,000, $21,621,760,000, and $20,260,297,000 at December 31, 2015, 2014 and 2013, respectively.

Welltower Inc.
Schedule IV - Mortgage Loans on Real Estate
December 31, 2015
(in thousands)

Location	Segment	Interest Rate	Final Maturity Date	Monthly Payment Terms	Prior Liens	Face Amount of Mortgages	Carrying Amount of Mortgages	Principal Amount of Loans Subject to Delinquent Principal or Interest
First mortgages relating to 1 property located in:								
California	Outpatient Medical	6.08%	12/22/17	$ 309,681	$ -	$ 65,000	$ 60,902	$ -
United Kingdom	Triple-Net	7.00%	04/19/18	127,412	-	21,382	21,382	-
United Kingdom	Triple-Net	7.00%	11/21/18	121,437	-	20,497	20,497	-
Massachusetts	Triple-Net	7.86%	12/31/16	35,434	-	21,000	5,316	-
United Kingdom	Triple-Net	7.00%	12/31/19	55,858	-	27,133	9,737	-
United Kingdom	Triple-Net	8.25%	06/11/19	14,973	-	15,262	2,216	-
United Kingdom	Triple-Net	8.00%	07/31/19	4,737	-	22,119	1,629	-
United Kingdom	Triple-Net	8.50%	05/01/16	39,496	-	9,721	6,429	-
United Kingdom	Triple-Net	7.54%	07/31/15	9,437	-	3,097	1,474	-
Oklahoma	Triple-Net	8.42%	10/28/19	59,007	-	11,610	8,719	-
Oregon	Triple-Net	7.10%	05/01/16	1,357	-	225	225	-
Pennsylvania	Triple-Net	7.10%	03/01/16	1,479	-	250	250	-
Texas	Triple-Net	8.00%	02/28/21	53,507	-	7,875	7,875	-
First mortgage relating to multiple properties:								
Four properties in the United Kingdom	Triple-Net	7.50%	11/30/19	$ 85,135	$ -	$ 13,742	$ 13,409	$ -
49 properties in seven states	Triple-Net	9.75%	02/28/17	2,589,041	-	360,000	305,833	-
15 properties in eight states	Triple-Net	8.00%	11/30/17	440,877	-	171,090	134,100	-
Second mortgages relating to 1 property located in:								
Connecticut	Triple-Net	8.11%	04/01/18	$ 39,658	$ 16,009	$ 5,961	$ 5,961	$ -
Texas	Triple-Net	12.17%	05/01/19	31,009	11,489	3,100	3,100	-
Florida	Triple-Net	12.17%	07/01/18	27,008	9,283	2,700	2,700	-
Florida	Triple-Net	12.17%	11/01/18	27,008	11,654	2,700	2,700	-

Indiana	Triple-Net	10.50%	04/01/19	25,264	11,211	2,887	2,887	-
Indiana	Triple-Net	10.50%	04/01/19	17,320	8,202	1,979	1,979	-
Kansas	Triple-Net	10.50%	09/19/19	15,403	1,228	1,760	1,760	-
Texas	Triple-Net	10.50%	11/01/19	17,123	-	1,957	1,957	-
Second mortgage relating to multiple properties:								
Five properties in three states	Triple-Net	10.00%	12/30/18	$ 212,329	$ 51,467	$ 25,000	$ 12,455	$ -
Totals					$ 120,543	$ 818,047	$ 635,492	$ -

	Year Ended December 31, 2015	2014	2013
Reconciliation of mortgage loans:		(in thousands)	
Balance at beginning of year	$ 188,651	$ 146,987	$ 87,955
Additions:			
New mortgage loans	524,088	113,996	68,530
Draws on existing loans	30,550	26,330	-
Total additions	554,638	140,326	68,530
Deductions:			
Collections of principal	(80,552)	(49,974)	(8,790)
Conversions to real property	(23,288)	(45,836)	-
Charge-offs	-	-	(2,110)
Total deductions	(103,840)	(95,810)	(10,900)
Change in balance due to foreign currency translation	(3,957)	(2,852)	1,402
Balance at end of year	$ 635,492	$ 188,651	$ 146,987

EXHIBIT INDEX

1.1(a) Form of Equity Distribution Agreement, dated as of November 12, 2010, entered into by and between the Company and each of UBS Securities LLC, RBS Securities Inc., KeyBanc Capital Markets Inc. and Credit Agricole Securities (USA) Inc. (filed with the Commission as Exhibit 1.1 to the Company's Form 8-K filed November 15, 2010 (File No. 001-08923), and incorporated herein by reference thereto).

1.1(b) Form of Amendment No. 1, dated September 1, 2011, to the Equity Distribution Agreements entered into by and between the Company and each of UBS Securities LLC, RBS Securities Inc., KeyBanc Capital Markets Inc. and Credit Agricole Securities (USA) Inc. (filed with the Commission as Exhibit 1.1 to the Company's Form 8-K filed September 8, 2011 (File No. 001-08923), and incorporated herein by reference thereto).

1.1(c) Form of Amendment No. 2, dated August 5, 2015, to the Equity Distribution Agreements entered into by and between the Company and each of UBS Securities LLC, KeyBanc Capital Markets Inc. and Credit Agricole Securities (USA) Inc. (filed with the Commission as Exhibit 1.3 to the Company's Form 8-K filed August 5, 2015 (File No. 001-08923), and incorporated herein by reference thereto).

3.1(a) Second Restated Certificate of Incorporation of the Company (filed with the Commission as Exhibit 3.1 to the Company's Form 10-K filed March 20, 2000 (File No. 001-08923), and incorporated herein by reference thereto).

3.1(b) Certificate of Amendment of Second Restated Certificate of Incorporation of the Company (filed with the Commission as Exhibit 3.1 to the Company's Form 10-K filed March 20, 2000 (File No. 001-08923), and incorporated herein by reference thereto).

3.1(c) Certificate of Amendment of Second Restated Certificate of Incorporation of the Company (filed with the Commission as Exhibit 3.1 to the Company's Form 8-K filed June 13, 2003 (File No. 001-08923), and incorporated herein by reference thereto).

3.1(d) Certificate of Amendment of Second Restated Certificate of Incorporation of the Company (filed with the Commission as Exhibit 3.9 to the Company's Form 10-Q filed August 9, 2007 (File No. 001-08923), and incorporated herein by reference thereto).

3.1(e) Certificate of Change of Location of Registered Office and of Registered Agent of the Company (filed with the Commission as Exhibit 3.1 to the Company's Form 10-Q filed August 6, 2010 (File No. 001-08923), and incorporated herein by reference thereto).

3.1(f) Certificate of Designation of 6.50% Series I Cumulative Convertible Perpetual Preferred Stock of the Company (filed with the Commission as Exhibit 3.1 to the Company's Form 8-K filed March 7, 2011 (File No. 001-08923), and incorporated herein by reference thereto).

3.1(g) Certificate of Amendment of Second Restated Certificate of Incorporation of the Company (filed with the Commission as Exhibit 3.1 to the Company's Form 8-K filed May 10, 2011 (File No. 001-08923), and incorporated herein by reference thereto).

3.1(h) Certificate of Designation of 6.50% Series J Cumulative Redeemable Preferred Stock of the Company (filed with the Commission as Exhibit 3.1 to the Company's Form 8-K filed March 8, 2012 (File No. 001-08923), and incorporated herein by reference thereto).

3.1(i) Certificate of Amendment of Second Restated Certificate of Incorporation of the Company (filed with the Commission as Exhibit 3.1 to the Company’s Form 8-K filed May 6, 2014 (File No. 001-08923), and incorporated herein by reference thereto).

3.1(j) Certificate of Amendment of Second Restated Certificate of Incorporation of the Company (filed with the Commission as Exhibit 3.1 to the Company's Form 8-K filed September 30, 2015 (File No. 001-08923), and incorporated herein by reference thereto).

3.2 Fifth Amended and Restated By-Laws of the Company (filed with the Commission as Exhibit 3.2 to the Company's Form 10-Q filed October 30, 2015 (File No. 001-08923), and incorporated herein by reference thereto).

4.1(a) Indenture for Senior Debt Securities, dated as of September 6, 2002, between the Company and Fifth Third Bank (filed with the Commission as Exhibit 4.1 to the Company's Form 8-K filed September 9, 2002 (File No. 001-08923), and incorporated herein by reference thereto).

4.1(b) Supplemental Indenture No. 1, dated as of September 6, 2002, to Indenture for Senior Debt Securities, dated as of September 6, 2002, between the Company and Fifth Third Bank (filed with the Commission as Exhibit 4.2 to the Company's Form 8-K filed September 9, 2002 (File No. 001-08923), and incorporated herein by reference thereto).

4.1(c) Amendment No. 1, dated March 12, 2003, to Supplemental Indenture No. 1, dated as of September 6, 2002, to Indenture for Senior Debt Securities, dated as of September 6, 2002, between the Company and Fifth Third Bank (filed with the Commission as Exhibit 4.1 to the Company's Form 8-K filed March 14, 2003 (File No. 001-08923), and incorporated herein by reference thereto).

4.1(d) Supplemental Indenture No. 2, dated as of September 10, 2003, to Indenture for Senior Debt Securities, dated as of September 6, 2002, between the Company and Fifth Third Bank (filed with the Commission as Exhibit 4.2 to the Company's Form 8-K filed September 24, 2003 (File No. 001-08923), and incorporated herein by reference thereto).

4.1(e) Amendment No. 1, dated September 16, 2003, to Supplemental Indenture No. 2, dated as of September 10, 2003, to Indenture for Senior Debt Securities, dated as of September 6, 2002, between the Company and Fifth Third Bank (filed with the Commission as Exhibit 4.4 to the Company's Form 8-K filed September 24, 2003 (File No. 001-08923), and incorporated herein by reference thereto).

4.1(f) Supplemental Indenture No. 3, dated as of October 29, 2003, to Indenture for Senior Debt Securities, dated as of September 6, 2002, between the Company and Fifth Third Bank (filed with the Commission as Exhibit 4.1 to the Company's Form 8-K filed October 30, 2003 (File No. 001-08923), and incorporated herein by reference thereto).

4.1(g) Amendment No. 1, dated September 13, 2004, to Supplemental Indenture No. 3, dated as of October 29, 2003, to Indenture for Senior Debt Securities, dated as of September 6, 2002, between the Company and The Bank of New York Trust Company, N.A., as successor to Fifth Third Bank (filed with the Commission as Exhibit 4.1 to the Company's Form 8-K filed September 13, 2004 (File No. 001-08923), and incorporated herein by reference thereto).

4.1(h) Supplemental Indenture No. 4, dated as of April 27, 2005, to Indenture for Senior Debt Securities, dated as of September 6, 2002, between the Company and The Bank of New York Trust Company, N.A. (filed with the Commission as Exhibit 4.1 to the Company's Form 8-K filed April 28, 2005 (File No. 001-08923), and incorporated herein by reference thereto).

4.1(i) Supplemental Indenture No. 5, dated as of November 30, 2005, to Indenture for Senior Debt Securities, dated as of September 6, 2002, between the Company and The Bank of New York Trust Company, N.A. (filed with the Commission as Exhibit 4.1 to the Company's Form 8-K filed November 30, 2005 (File No. 001-08923), and incorporated herein by reference thereto).

4.2(a) Indenture, dated as of March 15, 2010, between the Company and The Bank of New York Mellon Trust Company, N.A. (filed with the Commission as Exhibit 4.1 to the Company's Form 8-K filed March 15, 2010 (File No. 001-08923), and incorporated herein by reference thereto).

4.2(b) Supplemental Indenture No. 1, dated as of March 15, 2010, between the Company and The Bank of New York Mellon Trust Company, N.A. (filed with the Commission as Exhibit 4.2 to the Company's Form 8-K filed March 15, 2010 (File No. 001-08923), and incorporated herein by reference thereto).

4.2(c) Amendment No. 1 to Supplemental Indenture No. 1, dated as of June 18, 2010, between the Company and The Bank of New York Mellon Trust Company, N.A. (filed with the Commission as Exhibit 4.3 to the Company's Form 8-K filed June 18, 2010 (File No. 001-08923), and incorporated herein by reference thereto).

4.2(d) Supplemental Indenture No. 2, dated as of April 7, 2010, between the Company and The Bank of New York Mellon Trust Company, N.A. (filed with the Commission as Exhibit 4.2 to the Company's Form 8-K filed April 7, 2010 (File No. 001-08923), and incorporated herein by reference thereto).

4.2(e) Amendment No. 1 to Supplemental Indenture No. 2, dated as of June 8, 2010, between the Company and The Bank of New York Mellon Trust Company, N.A. (filed with the Commission as Exhibit 4.3 to the Company's Form 8-K filed June 8, 2010 (File No. 001-08923), and incorporated herein by reference thereto).

4.2(f) Supplemental Indenture No. 3, dated as of September 10, 2010, between the Company and The Bank of New York Mellon Trust Company, N.A. (filed with the Commission as Exhibit 4.2 to the Company's Form 8-K filed September 13, 2010 (File No. 001-08923), and incorporated herein by reference thereto).

4.2(g) Supplemental Indenture No. 4, dated as of November 16, 2010, between the Company and The Bank of New York Mellon Trust Company, N.A. (filed with the Commission as Exhibit 4.2 to the Company's Form 8-K filed November 16, 2010 (File No. 001-08923), and incorporated herein by reference thereto).

4.2(h) Supplemental Indenture No. 5, dated as of March 14, 2011, between the Company and The Bank of New York Mellon Trust Company, N.A. (filed with the Commission as Exhibit 4.2 to the Company's Form 8-K filed March 14, 2011 (File No. 001-08923), and incorporated herein by reference thereto).

4.2(i) Supplemental Indenture No. 6, dated as of April 3, 2012, between the Company and The Bank of New York Mellon Trust Company, N.A. (filed with the Commission as Exhibit 4.2 to the Company's Form 8-K filed April 4, 2012 (File No. 001-08923), and incorporated herein by reference thereto).

4.2(j) Supplemental Indenture No. 7, dated as of December 6, 2012, between the Company and The Bank of New York Mellon Trust Company, N.A. (filed with the Commission as Exhibit 4.2 to the Company's Form 8-K filed December 11, 2012 (File No. 001-08923), and incorporated herein by reference thereto).

4.2(k) Supplemental Indenture No. 8, dated as of October 7, 2013, between the Company and The Bank of New York Mellon Trust Company, N.A. (filed with the Commission as Exhibit 4.2 to the Company's Form 8-K filed October 9, 2013 (File No. 001-08923), and incorporated herein by reference thereto).

4.2(l) Supplemental Indenture No. 9, dated as of November 20, 2013, between the Company and The Bank of New York Mellon Trust Company, N.A. (filed with the Commission as Exhibit 4.2 to the Company's Form 8-K filed November 20, 2013 (File No. 001-08923), and incorporated herein by reference thereto).

4.2(m) Supplemental Indenture No. 10, dated as of November 25, 2014, between the Company and The Bank of New York Mellon Trust Company, N.A. (filed with the Commission as Exhibit 4.2 to the Company's Form 8-K filed November 25, 2014 (File No. 001-08923), and incorporated herein by reference thereto).

4.2(n) Supplemental Indenture No. 11, dated as of May 26, 2015, between the Company and The Bank of New York Mellon Trust Company, N.A. (filed with the Commission as Exhibit 4.2 to the Company's Form 8-K filed May 27, 2015 (File No. 001-08923), and incorporated herein by reference thereto).

4.2(o) Amendment No. 1 to Supplemental Indenture No. 11, dated as of October 19, 2015, between the Company and The Bank of New York Mellon Trust Company, N.A. (filed with the Commission as Exhibit 4.3 to the Company's Form 8-K filed October 20, 2015 (File No. 001-08923), and incorporated herein by reference thereto).

4.3 Form of Indenture for Senior Subordinated Debt Securities (filed with the Commission as Exhibit 4.9 to the Company's Form S-3 (File No. 333-73936) filed November 21, 2001, and incorporated herein by reference thereto).

4.4 Form of Indenture for Junior Subordinated Debt Securities (filed with the Commission as Exhibit 4.10 to the Company's Form S-3 (File No. 333-73936) filed November 21, 2001, and incorporated herein by reference thereto).

4.5(a) Indenture, dated as of November 25, 2015, by and among HCN Canadian Holdings-1 LP, the Company and BNY Trust Company of Canada.

4.5(b) First Supplemental Indenture, dated as of November 25, 2015, by and among HCN Canadian Holdings-1 LP, the Company and BNY Trust Company of Canada.

10.1 Credit Agreement dated as of July 25, 2014 by and among the Company; the lenders listed therein; KeyBank National Association, as administrative agent, L/C issuer and a swingline lender; Bank of America, N.A. and JPMorgan Chase Bank, N.A., as co-syndication agents; Deutsche Bank Securities Inc., as documentation agent; Merrill Lynch, Pierce, Fenner & Smith Incorporated, J.P. Morgan Securities LLC, KeyBanc Capital Markets Inc. and Deutsche Bank Securities Inc., as U.S. joint lead arrangers; Merrill Lynch, Pierce, Fenner & Smith Incorporated, J.P. Morgan Securities LLC and RBC Capital Markets, as Canadian joint lead arrangers; and Merrill Lynch, Pierce, Fenner & Smith Incorporated and J.P. Morgan Securities LLC, as joint book runners (filed with the Commission as Exhibit 10.1 to the Company's Form 8-K filed July 31, 2014 (File No. 001-08923), and incorporated herein by reference thereto).

10.2 Equity Purchase Agreement, dated as of February 28, 2011, by and among the Company, FC-GEN Investment, LLC and FC-GEN Operations Investment, LLC (filed with the Commission as Exhibit 10.1 to the Company's Form 8-K filed February 28, 2011 (File No. 001-08923), and incorporated herein by reference thereto).

10.3(a) Amended and Restated Health Care REIT, Inc. 2005 Long-Term Incentive Plan (filed with the Commission as Appendix A to the Company's Proxy Statement for the 2009 Annual Meeting of Stockholders, filed March 25, 2009 (File No. 001-08923), and incorporated herein by reference thereto).*

10.3(b) Form of Stock Option Agreement (with Dividend Equivalent Rights) for the Chief Executive Officer under the 2005 Long-Term Incentive Plan (filed with the Commission as Exhibit 10.18 to the Company's Form 10-K filed March 10, 2006 (File No. 001-08923), and incorporated herein by reference thereto).*

10.3(c) Form of Amendment to Stock Option Agreements (with Dividend Equivalent Rights) for the Chief Executive Officer under the 2005 Long-Term Incentive Plan (filed with the Commission as Exhibit 10.6 to the Company's Form 8-K filed January 5, 2009 (File No. 001-08923), and incorporated herein by reference thereto).*

10.3(d) Form of Stock Option Agreement (with Dividend Equivalent Rights) for the Chief Executive Officer under the 2005 Long-Term Incentive Plan (filed with the Commission as Exhibit 10.8 to the Company's Form 8-K filed January 5, 2009 (File No. 001-08923), and incorporated herein by reference thereto).*

10.3(e) Form of Stock Option Agreement (with Dividend Equivalent Rights) for Executive Officers under the 2005 Long-Term Incentive Plan (filed with the Commission as Exhibit 10.19 to the Company's Form 10-K filed March 10, 2006 (File No. 001-08923), and incorporated herein by reference thereto).*

10.3(f) Form of Amendment to Stock Option Agreements (with Dividend Equivalent Rights) for Executive Officers under the 2005 Long-Term Incentive Plan (filed with the Commission as Exhibit 10.7 to the Company's Form 8-K filed January 5, 2009 (File No. 001-08923), and incorporated herein by reference thereto).*

10.3(g) Form of Stock Option Agreement (with Dividend Equivalent Rights) for Executive Officers under the 2005 Long-Term Incentive Plan (filed with the Commission as Exhibit 10.9 to the Company's Form 8-K filed January 5, 2009 (File No. 001-08923), and incorporated herein by reference thereto).*

10.3(h) Form of Stock Option Agreement (without Dividend Equivalent Rights) for the Chief Executive Officer under the 2005 Long-Term Incentive Plan (filed with the Commission as Exhibit 10.20 to the Company's Form 10-K filed March 10, 2006 (File No. 001-08923), and incorporated herein by reference thereto).*

10.3(i) Form of Stock Option Agreement (without Dividend Equivalent Rights) for the Chief Executive Officer under the Amended and Restated 2005 Long-Term Incentive Plan (filed with the Commission as Exhibit 10.1 to the Company's Form 10-Q filed May 10, 2010 (File No. 001-08923), and incorporated herein by reference thereto).*

10.3(j) Form of Stock Option Agreement (without Dividend Equivalent Rights) for Executive Officers under the 2005 Long-Term Incentive Plan (filed with the Commission as Exhibit 10.21 to the Company's Form 10-K filed March 10, 2006 (File No. 001-08923), and incorporated herein by reference thereto).*

10.3(k) Form of Stock Option Agreement (without Dividend Equivalent Rights) for Executive Officers under the Amended and Restated 2005 Long-Term Incentive Plan (filed with the Commission as Exhibit 10.2 to the Company's Form 10-Q filed May 10, 2010 (File No. 001-08923), and incorporated herein by reference thereto).*

10.3(l) Form of Restricted Stock Agreement for the Chief Executive Officer under the 2005 Long-Term Incentive Plan (filed with the Commission as Exhibit 10.22 to the Company's Form 10-K filed March 10, 2006 (File No. 001-08923), and incorporated herein by reference thereto).*

10.3(m) Form of Restricted Stock Agreement for Executive Officers under the 2005 Long-Term Incentive Plan (filed with the Commission as Exhibit 10.23 to the Company's Form 10-K filed March 10, 2006 (File No. 001-08923), and incorporated herein by reference thereto).*

10.3(n) Form of Restricted Stock Agreement for the Chief Executive Officer under the Amended and Restated 2005 Long-Term Incentive Plan (filed with the Commission as Exhibit 10.3 to the Company's Form 10-Q filed May 10, 2010 (File No. 001-08923), and incorporated herein by reference thereto).*

10.3(o) Form of Restricted Stock Agreement for Executive Officers under the Amended and Restated 2005 Long-Term Incentive Plan (filed with the Commission as Exhibit 10.4 to the Company's Form 10-Q filed May 10, 2010 (File No. 001-08923), and incorporated herein by reference thereto).*

10.3(p) Form of Deferred Stock Unit Grant Agreement for Non-Employee Directors under the 2005 Long-Term Incentive Plan (filed with the Commission as Exhibit 10.24 to the Company's Form 10-K filed March 10, 2006 (File No. 001-08923), and incorporated herein by reference thereto).*

10.3(q) Form of Amendment to Deferred Stock Unit Grant Agreements for Non-Employee Directors under the 2005 Long-Term Incentive Plan (filed with the Commission as Exhibit 10.10 to the Company's Form 8-K filed January 5, 2009 (File No. 001-08923), and incorporated herein by reference thereto).*

10.3(r) Form of Deferred Stock Unit Grant Agreement for Non-Employee Directors under the 2005 Long-Term Incentive Plan (filed with the Commission as Exhibit 10.11 to the Company's Form 8-K filed January 5, 2009 (File No. 001-08923), and incorporated herein by reference thereto).*

10.3(s) Form of Deferred Stock Unit Grant Agreement for Non-Employee Directors under the Amended and Restated 2005 Long-Term Incentive Plan (filed with the Commission as Exhibit 10.5 to the Company's Form 10-Q filed May 10, 2010 (File No. 001-08923), and incorporated herein by reference thereto).*

10.4 Retirement and Consulting Agreement, dated April 13, 2014, between the Company and George L. Chapman (filed with the Commission as Exhibit 10.1 to the Company's Form 10-Q filed May 8, 2014 (File No. 001-08923), and incorporated herein by reference thereto).*

10.5(a) Amended and Restated Employment Agreement, dated December 28, 2014, between the Company and Thomas J. DeRosa.*

10.5(b) Performance-Based Restricted Stock Unit Grant Agreement, dated effective as of July 30, 2014, between the Company and Thomas J. DeRosa (filed with the Commission as Exhibit 10.2 to the Company's Form 10-Q filed November 4, 2014 (File No. 001-08923), and incorporated herein by reference thereto).*

10.6 Second Amended and Restated Employment Agreement, dated December 29, 2008, between the Company and Scott A. Estes (filed with the Commission as Exhibit 10.4 to the Company's Form 8-K filed January 5, 2009 (File No. 001-08923), and incorporated herein by reference thereto).*

10.7(a) Executive Retirement Agreement, effective July 1, 2015, between the Company and Charles J. Herman, Jr. (filed with the Commission as Exhibit 10.1 to the Company's Form 10-Q filed August 4, 2015 (File No. 001-08923), and incorporated herein by reference thereto).*

10.7(b) Consulting Agreement, effective July 1, 2015, between the Company and Charles J. Herman, Jr. (filed with the Commission as Exhibit 10.2 to the Company's Form 10-Q filed August 4, 2015 (File No. 001-08923), and incorporated herein by reference thereto).*

10.8 Amended and Restated Employment Agreement, dated December 29, 2008, between the Company and Jeffrey H. Miller (filed with the Commission as Exhibit 10.8 to the Company's Form 10-K filed March 2, 2009 (File No. 001-08923), and incorporated herein by reference thereto).*

10.9 Employment Agreement, dated March 11, 2013, by and between the Company and Scott M. Brinker (filed with the Commission as Exhibit 10.3 to the Company's Form 10-Q filed May 7, 2013 (File No. 001-08923), and incorporated herein by reference thereto).*

10.10 Third Amended and Restated Employment Agreement, dated December 29, 2008, between the Company and Erin C. Ibele (filed with the Commission as Exhibit 10.11 to the Company's Form 10-K filed March 2, 2009 (File No. 001-08923), and incorporated herein by reference thereto).*

10.11 Amended and Restated Health Care REIT, Inc. Supplemental Executive Retirement Plan, dated December 29, 2008 (filed with the Commission as Exhibit 10.12 to the Company's Form 8-K filed January 5, 2009 (File No. 001-08923), and incorporated herein by reference thereto).*

10.12 Form of Indemnification Agreement between the Company and each director, executive officer and officer of the Company (filed with the Commission as Exhibit 10.1 to the Company's Form 8-K filed February 18, 2005 (File No. 001-08923), and incorporated herein by reference thereto).*

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

10.14 Health Care REIT, Inc. 2013-2015 Long-Term Incentive Program, as Amended and Restated (filed with the Commission as Exhibit 10.3 to the Company's Form 10-Q filed May 8, 2014 (File No. 001-08923), and incorporated herein by reference thereto).*

10.15(a) Health Care REIT, Inc. 2015-2017 Long-Term Incentive Program (filed with the Commission as Exhibit 10.3 to the Company's Form 10-Q filed August 4, 2015 (File No. 001-08923), and incorporated herein by reference thereto).*

10.15(b) Form of Performance Restricted Stock Unit Award Agreement under the 2015-2017 Long-Term Incentive Program (filed with the Commission as Exhibit 10.4 to the Company's Form 10-Q filed August 4, 2015 (File No. 001-08923), and incorporated herein by reference thereto).*

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

21	Subsidiaries of the Company.
23	Consent of Ernst & Young LLP, independent registered public accounting firm.
24	Powers of Attorney.

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

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

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

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

101.INS XBRL Instance Document**

101.SCH XBRL Taxonomy Extension Schema Document**

101.CAL XBRL Taxonomy Extension Calculation Linkbase Document**

101.LAB XBRL Taxonomy Extension Label Linkbase Document**

101.PRE XBRL Taxonomy Extension Presentation Linkbase Document**

101.DEF XBRL Taxonomy Extension Definition Linkbase Document**

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* Management Contract or Compensatory Plan or Arrangement.

** Attached as Exhibit 101 to this Annual Report on Form 10-K are the following materials, formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Balance Sheets at December 31, 2015 and 2014, (ii) the Consolidated Statements of Comprehensive Income for the years ended December 31, 2015, 2014 and 2013, (iii) the Consolidated Statements of Equity for the years ended December 31, 2015, 2014 and 2013, (iv) the Consolidated Statements of Cash Flows for the years ended December 31, 2015, 2014 and 2013, (v) the Notes to Consolidated Financial Statements, (vi) Schedule III – Real Estate and Accumulated Depreciation and (vii) Schedule IV – Mortgage Loans on Real Estate.