

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

FORM 10-Q

(Mark One)

- ☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED** **SEPTEMBER 30, 2017**
- OR**
- ☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM** **TO**
- Commission file number: 1-10989**

Ventas, Inc.

(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State or Other Jurisdiction of Incorporation or Organization)

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

353 N. Clark Street, Suite 3300
Chicago, Illinois
(Address of Principal Executive Offices)

60654
(Zip Code)

(877) 483-6827
(Registrant's Telephone Number, Including Area Code)

Not Applicable

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

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

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

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

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

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

Class of Common Stock:

Common Stock, \$0.25 par value

Outstanding at October 25, 2017:

356,163,849

VENTAS, INC.
FORM 10-Q

INDEX

	Page
PART I—FINANCIAL INFORMATION	
Item 1. Consolidated Financial Statements (Unaudited)	1
Consolidated Balance Sheets as of September 30, 2017 and December 31, 2016	1
Consolidated Statements of Income for the Three and Nine Months Ended September 30, 2017 and 2016	2
Consolidated Statements of Comprehensive Income for the Three and Nine Months Ended September 30, 2017 and 2016	3
Consolidated Statements of Equity for the Nine Months Ended September 30, 2017 and the Year Ended December 31, 2016	4
Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2017 and 2016	5
Notes to Consolidated Financial Statements	7
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	42
Item 3. Quantitative and Qualitative Disclosures About Market Risk	66
Item 4. Controls and Procedures	69
PART II—OTHER INFORMATION	
Item 1. Legal Proceedings	70
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	70
Item 6. Exhibits	70

PART I—FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

VENTAS, INC.
CONSOLIDATED BALANCE SHEETS
(Unaudited)

	As of September 30, 2017	As of December 31, 2016
	(In thousands, except per share amounts)	
Assets		
Real estate investments:		
Land and improvements	\$ 2,121,214	\$ 2,089,591
Buildings and improvements	21,935,860	21,516,396
Construction in progress	306,095	210,599
Acquired lease intangibles	1,536,476	1,510,629
	25,899,645	25,327,215
Accumulated depreciation and amortization	(5,434,772)	(4,932,461)
Net real estate property	20,464,873	20,394,754
Secured loans receivable and investments, net	1,352,434	702,021
Investments in unconsolidated real estate entities	117,185	95,921
Net real estate investments	21,934,492	21,192,696
Cash and cash equivalents	85,063	286,707
Escrow deposits and restricted cash	76,522	80,647
Goodwill	1,034,497	1,033,225
Assets held for sale	68,926	54,961
Other assets	540,295	518,364
Total assets	\$ 23,739,795	\$ 23,166,600
Liabilities and equity		
Liabilities:		
Senior notes payable and other debt	\$ 11,424,145	\$ 11,127,326
Accrued interest	95,684	83,762
Accounts payable and other liabilities	943,800	907,928
Liabilities related to assets held for sale	9,837	1,462
Deferred income taxes	296,272	316,641
Total liabilities	12,769,738	12,437,119
Redeemable OP unitholder and noncontrolling interests	171,813	200,728
Commitments and contingencies		
Equity:		
Ventas stockholders' equity:		
Preferred stock, \$1.00 par value; 10,000 shares authorized, unissued	—	—
Common stock, \$0.25 par value; 600,000 shares authorized, 356,163 and 354,125 shares issued at September 30, 2017 and December 31, 2016, respectively	89,023	88,514
Capital in excess of par value	13,034,527	12,917,002
Accumulated other comprehensive loss	(40,780)	(57,534)
Retained earnings (deficit)	(2,351,430)	(2,487,695)
Treasury stock, 0 and 1 share at September 30, 2017 and December 31, 2016, respectively	—	(47)
Total Ventas stockholders' equity	10,731,340	10,460,240
Noncontrolling interests	66,904	68,513
Total equity	10,798,244	10,528,753
Total liabilities and equity	\$ 23,739,795	\$ 23,166,600

See accompanying notes.

VENTAS, INC.
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2017	2016	2017	2016
(In thousands, except per share amounts)				
Revenues				
Rental income:				
Triple-net leased	\$ 212,370	\$ 210,424	\$ 634,955	\$ 635,030
Office	189,506	158,273	561,641	446,496
	401,876	368,697	1,196,596	1,081,526
Resident fees and services	461,700	461,974	1,386,131	1,390,387
Office building and other services revenue	3,196	4,317	9,781	17,006
Income from loans and investments	32,985	31,566	85,499	78,098
Interest and other income	171	562	854	792
Total revenues	899,928	867,116	2,678,861	2,567,809
Expenses				
Interest	113,869	105,063	336,245	312,001
Depreciation and amortization	213,407	208,387	655,298	666,735
Property-level operating expenses:				
Senior living	315,598	312,145	936,296	932,675
Office	60,609	48,972	174,728	136,619
	376,207	361,117	1,111,024	1,069,294
Office building services costs	418	974	1,708	6,277
General, administrative and professional fees	33,317	31,567	100,560	95,387
Loss on extinguishment of debt, net	511	383	856	3,165
Merger-related expenses and deal costs	804	16,217	8,903	25,073
Other	13,030	2,430	16,066	8,901
Total expenses	751,563	726,138	2,230,660	2,186,833
Income before unconsolidated entities, income taxes, discontinued operations, real estate dispositions and noncontrolling interests	148,365	140,978	448,201	380,976
Income from unconsolidated entities	750	931	3,794	2,151
Income tax benefit	7,815	8,537	13,119	28,507
Income from continuing operations	156,930	150,446	465,114	411,634
Discontinued operations	(19)	(118)	(95)	(755)
Gain (loss) on real estate dispositions	458,280	(144)	502,288	31,779
Net income	615,191	150,184	967,307	442,658
Net income attributable to noncontrolling interests	1,233	732	3,391	1,064
Net income attributable to common stockholders	\$ 613,958	\$ 149,452	\$ 963,916	\$ 441,594
Earnings per common share				
Basic:				
Income from continuing operations	\$ 0.44	\$ 0.43	\$ 1.31	\$ 1.20
Net income attributable to common stockholders	1.72	0.43	2.71	1.29
Diluted:				
Income from continuing operations	\$ 0.44	\$ 0.42	\$ 1.30	\$ 1.19
Net income attributable to common stockholders	1.71	0.42	2.69	1.28
Weighted average shares used in computing earnings per common share:				
Basic	355,929	350,274	355,110	341,610
Diluted	359,333	354,186	358,365	345,352
Dividends declared per common share	\$ 0.775	\$ 0.73	\$ 2.325	\$ 2.19

See accompanying notes.

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2017	2016	2017	2016
(In thousands)				
Net income	\$ 615,191	\$ 150,184	\$ 967,307	\$ 442,658
Other comprehensive income (loss):				
Foreign currency translation	5,239	(6,421)	17,607	(39,804)
Unrealized (loss) gain on government-sponsored pooled loan investments	(48)	(92)	(233)	158
Other	(936)	1,094	(620)	(2,403)
Total other comprehensive income (loss)	4,255	(5,419)	16,754	(42,049)
Comprehensive income	619,446	144,765	984,061	400,609
Comprehensive income attributable to noncontrolling interests	1,233	732	3,391	1,064
Comprehensive income attributable to common stockholders	\$ 618,213	\$ 144,033	\$ 980,670	\$ 399,545

See accompanying notes.

VENTAS, INC.
CONSOLIDATED STATEMENTS OF EQUITY
For the Nine Months Ended September 30, 2017 and the Year Ended December 31, 2016
(Unaudited)

	Common Stock Par Value	Capital in Excess of Par Value	Accumulated Other Comprehensive Income (Loss)	Retained Earnings (Deficit)	Treasury Stock	Total Ventas Stockholders' Equity	Noncontrolling Interests	Total Equity
(In thousands, except per share amounts)								
Balance at January 1, 2016	\$ 83,579	\$ 11,602,838	\$ (7,565)	\$ (2,111,958)	\$ (2,567)	\$ 9,564,327	\$ 61,100	\$ 9,625,427
Net income	—	—	—	649,231	—	649,231	2,259	651,490
Other comprehensive loss	—	—	(49,969)	—	—	(49,969)	—	(49,969)
Impact of CCP Spin-Off	—	640	—	—	—	640	—	640
Net change in noncontrolling interests	—	(2,179)	—	—	—	(2,179)	19,008	16,829
Dividends to common stockholders— \$2.965 per share	—	—	—	(1,024,968)	—	(1,024,968)	—	(1,024,968)
Issuance of common stock	4,716	1,281,947	—	—	17	1,286,680	—	1,286,680
Issuance of common stock for stock plans	99	26,594	—	—	2,572	29,265	—	29,265
Change in redeemable noncontrolling interests	—	(1,714)	—	—	—	(1,714)	(13,854)	(15,568)
Adjust redeemable OP unitholder interests to current fair value	—	(21,085)	—	—	—	(21,085)	—	(21,085)
Redemption of OP units	92	22,622	—	—	1,098	23,812	—	23,812
Grant of restricted stock, net of forfeitures	28	7,339	—	—	(1,167)	6,200	—	6,200
Balance at December 31, 2016	88,514	12,917,002	(57,534)	(2,487,695)	(47)	10,460,240	68,513	10,528,753
Net income	—	—	—	963,916	—	963,916	3,391	967,307
Other comprehensive income	—	—	16,754	—	—	16,754	—	16,754
Impact of CCP Spin-Off	—	93	—	—	—	93	—	93
Net change in noncontrolling interests	—	(1,427)	—	—	—	(1,427)	(11,023)	(12,450)
Dividends to common stockholders— \$2.325 per share	—	—	—	(827,651)	—	(827,651)	—	(827,651)
Issuance of common stock	276	72,723	—	—	552	73,551	—	73,551
Issuance of common stock for stock plans	84	20,265	—	—	425	20,774	—	20,774
Change in redeemable noncontrolling interests	—	412	—	—	—	412	6,023	6,435
Adjust redeemable OP unitholder interests to current fair value	—	(12,030)	—	—	—	(12,030)	—	(12,030)
Redemption of OP units	81	19,900	—	—	2,783	22,764	—	22,764
Grant of restricted stock, net of forfeitures	68	17,589	—	—	(3,713)	13,944	—	13,944
Balance at September 30, 2017	<u>\$ 89,023</u>	<u>\$ 13,034,527</u>	<u>\$ (40,780)</u>	<u>\$ (2,351,430)</u>	<u>\$ —</u>	<u>\$ 10,731,340</u>	<u>\$ 66,904</u>	<u>\$ 10,798,244</u>

See accompanying notes.

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

	For the Nine Months Ended September 30,	
	2017	2016
	(In thousands)	
Cash flows from operating activities:		
Net income	\$ 967,307	\$ 442,658
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	655,298	666,735
Amortization of deferred revenue and lease intangibles, net	(16,283)	(15,307)
Other non-cash amortization	11,186	7,174
Stock-based compensation	19,923	15,885
Straight-lining of rental income, net	(17,384)	(21,386)
Loss on extinguishment of debt, net	856	3,165
Gain on real estate dispositions	(502,288)	(31,779)
Gain on real estate loan investments	(124)	(2,271)
Income tax benefit	(15,619)	(30,832)
Income from unconsolidated entities	(767)	(2,151)
Gain on re-measurement of equity interest upon acquisition, net	(3,027)	—
Distributions from unconsolidated entities	3,909	5,574
Other	7,439	(1,075)
Changes in operating assets and liabilities:		
(Increase) decrease in other assets	(17,598)	1,753
Increase (decrease) in accrued interest	12,688	(10,053)
Decrease in accounts payable and other liabilities	(19,277)	(21,944)
Net cash provided by operating activities	1,086,239	1,006,146
Cash flows from investing activities:		
Net investment in real estate property	(262,123)	(1,421,592)
Investment in loans receivable and other	(734,033)	(154,949)
Proceeds from real estate disposals	532,137	63,561
Proceeds from loans receivable	84,361	194,063
Development project expenditures	(210,423)	(94,398)
Capital expenditures	(83,387)	(75,296)
Distributions from unconsolidated entities	5,816	—
Investment in unconsolidated entities	(42,399)	(6,175)
Net cash used in investing activities	(710,051)	(1,494,786)
Cash flows from financing activities:		
Net change in borrowings under revolving credit facility	384,738	46,728
Proceeds from debt	1,058,437	876,617
Repayment of debt	(1,225,525)	(916,505)
Purchase of noncontrolling interests	(15,809)	(1,604)
Payment of deferred financing costs	(26,426)	(6,147)
Issuance of common stock, net	73,596	1,265,702
Cash distribution to common stockholders	(827,285)	(750,402)
Cash distribution to redeemable OP unitholders	(5,677)	(6,486)
Contributions from noncontrolling interests	4,402	5,926
Distributions to noncontrolling interests	(9,248)	(5,121)
Other	10,543	16,631
Net cash (used in) provided by financing activities	(578,254)	525,339
Net (decrease) increase in cash and cash equivalents	(202,066)	36,699
Effect of foreign currency translation on cash and cash equivalents	422	(443)
Cash and cash equivalents at beginning of period	286,707	53,023
Cash and cash equivalents at end of period	\$ 85,063	\$ 89,279

See accompanying notes.

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

**For the Nine Months Ended
September 30,**

2017 2016

(In thousands)

Supplemental schedule of non-cash activities:

Assets acquired and liabilities assumed from acquisitions:

Real estate investments	\$ 206,771	\$ 59,666
Utilization of funds held for an Internal Revenue Code Section 1031 exchange	(84,995)	(6,954)
Other assets	(5,546)	79,879
Debt	64,629	47,641
Other liabilities	64,090	60,446
Deferred income tax liability	(16,116)	2,279
Noncontrolling interests	3,627	22,225
Equity issued for redemption of OP and Class C units	22,694	22,970

See accompanying notes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 1—DESCRIPTION OF BUSINESS

Ventas, Inc. (together with its subsidiaries, unless otherwise indicated or except where the context otherwise requires, “we,” “us” or “our”), an S&P 500 company, is a real estate investment trust (“REIT”) with a highly diversified portfolio of seniors housing and healthcare properties located throughout the United States, Canada and the United Kingdom. As of September 30, 2017, we owned more than 1,200 properties (including properties owned through investments in unconsolidated entities and properties classified as held for sale), consisting of seniors housing communities, medical office buildings (“MOBs”), life science and innovation centers, inpatient rehabilitation and long-term acute care facilities, health systems and skilled nursing facilities (“SNFs”), and we had 13 properties under development, including one property that is owned by an unconsolidated real estate entity. Our company was originally founded in 1983 and is headquartered in Chicago, Illinois.

We primarily invest in seniors housing and healthcare properties through acquisitions and lease our properties to unaffiliated tenants or operate them through independent third-party managers. As of September 30, 2017, we leased a total of 558 properties (excluding MOBs) to various healthcare operating companies under “triple-net” or “absolute-net” leases that obligate the tenants to pay all property-related expenses, including maintenance, utilities, repairs, taxes, insurance and capital expenditures, and we engaged independent operators, such as Atria Senior Living, Inc. (“Atria”) and Sunrise Senior Living, LLC (together with its subsidiaries, “Sunrise”), to manage 296 seniors housing communities for us pursuant to long-term management agreements.

Our three largest tenants, Brookdale Senior Living Inc. (together with its subsidiaries, “Brookdale Senior Living”), Ardent Health Partners, LLC (together with its subsidiaries, “Ardent”) and Kindred Healthcare, Inc. (together with its subsidiaries, “Kindred”) leased from us 136 properties (excluding one property managed by Brookdale Senior Living pursuant to a long-term management agreement), 10 properties and 46 properties (excluding one MOB included within our office operations reportable business segment), respectively, as of September 30, 2017.

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

NOTE 2—ACCOUNTING POLICIES

The accompanying Consolidated Financial Statements have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) for interim financial information set forth in the Accounting Standards Codification (“ASC”), as published by the Financial Accounting Standards Board (“FASB”), and with the Securities and Exchange Commission (“SEC”) instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair statement of results for the interim period have been included. Operating results for the three and nine months ended September 30, 2017 are not necessarily indicative of the results that may be expected for the year ending December 31, 2017. The accompanying Consolidated Financial Statements and related notes should be read in conjunction with the audited Consolidated Financial Statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2016, filed with the SEC on February 14, 2017. Certain prior period amounts have been reclassified to conform to the current period presentation.

Principles of Consolidation

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

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

investment in a VIE when we determine that we are its primary beneficiary. We may change our original assessment of a VIE upon subsequent events such as the modification of contractual arrangements that affects the characteristics or adequacy of the entity's equity investments at risk and the disposition of all or a portion of an interest held by the primary beneficiary.

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

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

We consolidate several VIEs that share the following common characteristics:

- the VIE is in the legal form of an LP or LLC;
- the VIE was designed to own and manage its underlying real estate investments;
- we are the general partner or managing member of the VIE;
- we own a majority of the voting interests in the VIE;
- a minority of voting interests in the VIE are owned by external third parties, unrelated to us;
- the minority owners do not have substantive kick-out or participating rights in the VIE; and
- we are the primary beneficiary of the VIE.

We have separately identified certain special purpose entities that were established to allow investments in life science projects by tax credit investors ("TCIs"). We have determined that these special purpose entities are VIEs and that we are the primary beneficiary of the VIEs, and therefore we consolidate these special purpose entities. Our primary beneficiary determination is based upon several factors, including but not limited to the rights we have in directing the activities which most significantly impact the VIEs' economic performance as well as certain guarantees which protect the TCIs from losses should a tax credit recapture event occur.

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

	September 30, 2017		December 31, 2016	
	Total Assets	Total Liabilities	Total Assets	Total Liabilities
(In thousands)				
NHP/PMB L.P.	\$ 614,534	\$ 195,529	\$ 639,763	\$ 199,674
Ventas Realty Capital Healthcare Trust Operating Partnership, L.P.	—	—	2,143,139	162,426
Other identified VIEs	1,950,131	335,106	1,882,336	354,034
Tax credit VIEs	975,093	230,973	981,752	234,109

Investments in Unconsolidated Entities

We report investments in unconsolidated entities over whose operating and financial policies we have the ability to exercise significant influence under the equity method of accounting. Under this method of accounting, our share of the investee's earnings or losses is included in our Consolidated Statements of Income.

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

We generally amortize any difference between our cost basis and the basis reflected at the joint venture level, if any, over the lives of the related assets and liabilities and include that amortization in our share of income or loss from unconsolidated entities. For earnings of equity method investments with pro rata distribution allocations, net income or loss is allocated between the partners in the joint venture based on their respective stated ownership percentages. In other instances, net income or loss is allocated between the partners in the joint venture based on the hypothetical liquidation at book value method (the “HLBV method”). Under the HLBV method, net income or loss is allocated between the partners based on the difference between each partner’s claim on the net assets of the joint venture at the end and beginning of the period, after taking into account contributions and distributions. Each partner’s share of the net assets of the joint venture is calculated as the amount that the partner would receive if the joint venture were to liquidate all of its assets at net book value and distribute the resulting cash to creditors and partners in accordance with their respective priorities. Under the HLBV method, in any given period, we could record more or less income than the joint venture has generated, than actual cash distributions we receive or than the amount we may receive in the event of an actual liquidation.

Redeemable OP Unitholder and Noncontrolling Interests

We own a majority interest in NHP/PMB L.P. (“NHP/PMB”), a limited partnership formed in 2008 to acquire properties from entities affiliated with Pacific Medical Buildings LLC. We consolidate NHP/PMB, as our wholly owned subsidiary is the general partner and the primary beneficiary of this VIE. As of September 30, 2017, third party investors owned 2.7 million Class A limited partnership units in NHP/PMB (“OP Units”), which represented 27.4% of the total units then outstanding, and we owned 7.2 million Class B limited partnership units in NHP/PMB, representing the remaining 72.6%. At any time following the first anniversary of the date of their issuance, the OP Units may be redeemed at the election of the holder for cash or, at our option, 0.9051 shares of our common stock per OP Unit, subject to further adjustment in certain circumstances. We are party by assumption to a registration rights agreement with the holders of the OP Units that requires us, subject to the terms and conditions and certain exceptions set forth therein, to file and maintain a registration statement relating to the issuance of shares of our common stock upon redemption of OP Units.

Prior to January 2017, we owned a majority interest in Ventas Realty Capital Healthcare Trust Operating Partnership, L.P. (“Ventas Realty OP”) and we consolidated this entity, as our wholly owned subsidiary is the general partner, and was the primary beneficiary of this VIE. In January 2017, third party investors redeemed the remaining 341,776 limited partnership units (“Class C Units”) outstanding for 341,776 shares of Ventas common stock, valued at \$20.9 million. After giving effect to such redemptions, Ventas Realty OP is our wholly owned subsidiary.

As redemption rights are outside of our control, the redeemable OP Units and Class C Units (together, the “OP Unitholder Interests”) are classified outside of permanent equity on our Consolidated Balance Sheets. We reflect the redeemable OP Unitholder Interests at the greater of cost or fair value. As of September 30, 2017 and December 31, 2016, the fair value of the redeemable OP Unitholder Interests was \$160.8 million and \$177.2 million, respectively. We recognize changes in fair value through capital in excess of par value, net of cash distributions paid and purchases by us of any OP Unitholder Interests. Our diluted earnings per share (“EPS”) includes the effect of any potential shares outstanding from redemption of the OP Unitholder Interests.

Certain noncontrolling interests of other consolidated joint ventures were also classified as redeemable at September 30, 2017 and December 31, 2016. Accordingly, we record the carrying amount of these noncontrolling interests at the greater of their initial carrying amount (increased or decreased for the noncontrolling interests’ share of net income or loss and distributions) or the redemption value. Our joint venture partners have certain redemption rights with respect to their noncontrolling interests in these joint ventures that are outside of our control, and the redeemable noncontrolling interests are classified outside of permanent equity on our Consolidated Balance Sheets. We recognize changes in the carrying value of redeemable noncontrolling interests through capital in excess of par value. In March 2017, certain joint venture partners redeemed all (or a portion) of their interests for \$15.8 million.

Noncontrolling Interests

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

Accounting for Historic and New Markets Tax Credits

For certain of our life science and innovation centers, we are party to contractual arrangements with TCIs that were established to enable the TCIs to receive benefits of historic tax credits (“HTCs”) and/or new market tax credits (“NMTCs”). As of September 30, 2017, we owned 11 properties (three of which were in development) that had syndicated HTCs or NMTCs, or both, to TCIs.

In general, capital contributions are made by TCIs into special purpose entities that invest in entities that own the subject property and generate the tax credits. The TCIs receive substantially all of the tax credits and hold only a noncontrolling interest in the economic risk and benefits of the special purpose entities.

HTCs are delivered to the TCIs upon substantial completion of the project. NMTCs are allowed for up to 39% of a qualified investment and are delivered to the TCIs after the investment has been funded and spent on a qualified business. HTCs are subject to 20% recapture per year beginning one year after the completion of the historic rehabilitation of the subject property. NMTCs are subject to 100% recapture until the end of the seventh year following the qualifying investment. We have provided the TCIs with certain guarantees which protect the TCIs from losses should a tax credit recapture event occur. The contractual arrangements with the TCIs include a put/call provision whereby we may be obligated or entitled to repurchase the ownership interest of the TCIs in the special purpose entities at the end of the tax credit recapture period. We anticipate that either the TCIs will exercise their put rights or we will exercise our call rights prior to the applicable tax credit recapture periods.

The portion of the TCI’s capital contribution that is attributed to the put is recorded at fair value at inception in accounts payable and other liabilities on our Consolidated Balance Sheets, and is accreted to the expected put price as interest expense in our Consolidated Statements of Income over the recapture period. The remaining balance of the TCI’s capital contribution is initially recorded in accounts payable and other liabilities on our Consolidated Balance Sheets and will be relieved upon delivery of the tax credit to the TCI, as a reduction in the carrying value of the subject property, net of allocated expenses. Direct and incremental costs incurred in structuring the transaction are deferred and will be recognized as an increase in the cost basis of the subject property upon the recognition of the related tax credit as discussed above.

Accounting for Real Estate Acquisitions

On January 1, 2017, we adopted Accounting Standards Update (“ASU”) 2017-01, *Clarifying the Definition of a Business* (“ASU 2017-01”) which narrows the FASB’s definition of a business and provides a framework that gives entities a basis for making reasonable judgments about whether a transaction involves an asset or a business. ASU 2017-01 states that when substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets, the acquired asset is not a business. If this initial test is not met, an acquired asset cannot be considered a business unless it includes an input and a substantive process that together significantly contribute to the ability to create output. The primary differences between business combinations and asset acquisitions include recognition of goodwill at the acquisition date and expense recognition for transaction costs as incurred. We are applying ASU 2017-01 prospectively for acquisitions after January 1, 2017.

Regardless of whether an acquisition is considered a business combination or an asset acquisition, we record the cost of the businesses or assets acquired as tangible and intangible assets and liabilities based upon their estimated fair values as of the acquisition date. Intangibles primarily include the value of in-place leases and acquired lease contracts.

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

The fair value of acquired lease-related intangibles, if any, reflects: (i) the estimated value of any above and/or below market leases, determined by discounting the difference between the estimated market rent and in-place lease rent; and (ii) the estimated value of in-place leases related to the cost to obtain tenants, including leasing commissions, and an estimated value of

the absorption period to reflect the value of the rent and recovery costs foregone during a reasonable lease-up period as if the acquired space was vacant. We amortize any acquired lease-related intangibles to revenue or amortization expense over the remaining life of the associated lease plus any assumed bargain renewal periods. If a lease is terminated prior to its stated expiration or not renewed upon expiration, we recognize all unamortized amounts of lease-related intangibles associated with that lease in operations at that time.

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

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

In connection with an acquisition, we may assume rights and obligations under certain lease agreements pursuant to which we become the lessee of a given property. We generally assume the lease classification previously determined by the prior lessee absent a modification in the assumed lease agreement. We assess assumed operating leases, including ground leases, to determine whether the lease terms are favorable or unfavorable to us given current market conditions on the acquisition date. To the extent the lease terms are favorable or unfavorable to us relative to market conditions on the acquisition date, we recognize an intangible asset or liability at fair value and amortize that asset or liability to interest or rental expense in our Consolidated Statements of Income over the applicable lease term. We include all lease-related intangible assets and liabilities within acquired lease intangibles and accounts payable and other liabilities, respectively, on our Consolidated Balance Sheets.

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

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

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

Impairment of Long-Lived and Intangible Assets

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

If impairment indicators arise with respect to intangible assets with finite useful lives, then we evaluate impairment by comparing the carrying amount of the asset to the estimated future undiscounted net cash flows expected to be generated by the asset. If estimated future undiscounted net cash flows are less than the carrying amount of the asset, then we estimate the fair value of the asset and compare the estimated fair value to the intangible asset's carrying value. We recognize any shortfall from carrying value as an impairment loss in the current period.

We evaluate our investments in unconsolidated entities for impairment at least annually, and whenever events or changes in circumstances indicate that the carrying value of our investment may exceed its fair value. If we determine that a decline in the fair value of our investment in an unconsolidated entity is other-than-temporary, and if such reduced fair value is below the carrying value, we record an impairment.

We test goodwill for impairment at least annually, and more frequently if indicators arise. We first assess qualitative factors, such as current macroeconomic conditions, state of the equity and capital markets and our overall financial and operating performance, to determine the likelihood that the fair value of a reporting unit is less than its carrying amount. If we determine it is more likely than not that the fair value of a reporting unit is less than its carrying amount, we proceed with a two-step approach to evaluating impairment. First, we estimate the fair value of the reporting unit and compare it to the reporting unit's carrying value. If the carrying value exceeds fair value, we proceed with the second step, which requires us to assign the fair value of the reporting unit to all of the assets and liabilities of the reporting unit as if it had been acquired in a business combination at the date of the impairment test. The excess fair value of the reporting unit over the amounts assigned to the assets and liabilities is the implied value of goodwill and is used to determine the amount of impairment. We recognize an impairment loss to the extent the carrying value of goodwill exceeds the implied value in the current period.

Estimates of fair value used in our evaluation of goodwill (if necessary based on our qualitative assessment), investments in real estate, investments in unconsolidated entities and intangible assets are based upon discounted future cash flow projections or other acceptable valuation techniques that are based, in turn, upon all available evidence including level three inputs, such as revenue and expense growth rates, estimates of future cash flows, capitalization rates, discount rates, general economic conditions and trends, or other available market data. Our ability to accurately predict future operating results and cash flows and to estimate and determine fair values impacts the timing and recognition of impairments. While we believe our assumptions are reasonable, changes in these assumptions may have a material impact on our financial results.

Assets Held for Sale and Discontinued Operations

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

Fair Values of Financial Instruments

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

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

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

- *Cash and cash equivalents* - The carrying amount of unrestricted cash and cash equivalents reported on our Consolidated Balance Sheets approximates fair value due to the short maturity of these instruments.
- *Escrow deposits and restricted cash* - The carrying amount of escrow deposits and restricted cash reported on our Consolidated Balance Sheets approximates fair value due to the short maturity of these instruments.
- *Loans receivable* - We estimate the fair value of loans receivable using level two and level three inputs. We discount future cash flows using current interest rates at which similar loans with the same terms and length to maturity would be made to borrowers with similar credit ratings.
- *Marketable debt securities* - We estimate the fair value of corporate bonds, if any, using level two inputs. We observe quoted prices for similar assets or liabilities in active markets that we have the ability to access. We estimate the fair value of certain government-sponsored pooled loan investments using level three inputs. We consider credit spreads, underlying asset performance and credit quality, and default rates.
- *Derivative instruments* - With the assistance of a third party, we estimate the fair value of derivative instruments, including interest rate caps, interest rate swaps, and foreign currency forward contracts, using level two inputs.
 - Interest rate caps - We observe forward yield curves and other relevant information;
 - Interest rate swaps - We observe alternative financing rates derived from market-based financing rates, forward yield curves and discount rates; and
 - Foreign currency forward contracts - We estimate the future values of the two currency tranches using forward exchange rates that are based on traded forward points and calculate a present value of the net amount using a discount factor based on observable traded interest rates.
- *Senior notes payable and other debt* - We estimate the fair value of senior notes payable and other debt using level two inputs. We discount the future cash flows using current interest rates at which we could obtain similar borrowings. For mortgage debt, we may estimate fair value using level three inputs, similar to those used in determining fair value of loans receivable (above).
- *Redeemable OP Unitholder Interests* - We estimate the fair value of our redeemable OP Unitholder Interests using level one inputs. We base fair value on the closing price of our common stock, as OP Units (and previously Class C Units) may be redeemed at the election of the holder for cash or, at our option, shares of our common stock, subject to adjustment in certain circumstances.

Revenue Recognition

Triple-Net Leased Properties and Office Operations

Certain of our triple-net leases and most of our MOB and life science and innovation center (collectively, “office operations”) leases provide for periodic and determinable increases in base rent. We recognize base rental revenues under these leases on a straight-line basis over the applicable lease term when collectibility is reasonably assured. Recognizing rental income on a straight-line basis generally results in recognized revenues during the first half of a lease term exceeding the cash amounts contractually due from our tenants, creating a straight-line rent receivable that is included in other assets on our Consolidated Balance Sheets. At September 30, 2017 and December 31, 2016, this cumulative excess totaled \$262.0 million (net of allowances of \$115.4 million) and \$244.6 million (net of allowances of \$109.8 million), respectively (excluding properties classified as held for sale).

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

Senior Living Operations

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

Other

We recognize interest income from loans and investments, including discounts and premiums, using the effective interest method when collectibility is reasonably assured. We apply the effective interest method on a loan-by-loan basis and

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

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

Allowances

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

Recently Issued or Adopted Accounting Standards

On January 1, 2017, we adopted ASU 2016-09, *Compensation - Stock Compensation* ("ASU 2016-09") which simplifies several aspects of the accounting for employee share-based payment transactions, including the accounting for forfeitures and statutory tax withholding requirements, as well as classification in the statement of cash flows. Adoption of ASU 2016-09 did not have a significant impact on our Consolidated Financial Statements.

In 2014, the FASB issued ASU 2014-09, *Revenue From Contracts With Customers* ("ASU 2014-09", as codified in "ASC 606"), which outlines a comprehensive model for entities to use in accounting for revenue arising from contracts with customers. ASC 606 states that "an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services." While ASC 606 specifically references contracts with customers, it may also apply to certain other transactions such as the sale of real estate. ASC 606 is effective for us beginning January 1, 2018 and we plan to adopt ASC 606 using the modified retrospective method.

We have evaluated all of our revenue streams to identify any differences in the timing, measurement or presentation of revenue recognition. Based on a review of our various revenue streams, we believe the following items in our Consolidated Statements of Income are subject to ASC 606: office building and other services revenue, certain elements of our resident fees and services, common area maintenance in our office operations and gains on the sale of real estate. Our office building and other services revenues are primarily generated by management contracts where we provide management, leasing, marketing, facility development and advisory services. Resident fees and services include revenues generated through certain point-of-sale transactions provided to residents of our seniors housing communities that are ancillary to the residents' contractual rights to occupy living and common-area space at the communities. While these revenue streams are subject to the application of ASC 606, we believe that the pattern and timing of recognition of income will be consistent with the current accounting model. We will not apply the principles of ASC 606 to our common area maintenance revenues and certain resident fees and services until January 1, 2019, when we adopt ASU 2016-02, *Leases* ("ASU 2016-02").

As it relates to gains on sale of real estate, we expect to recognize any gains when we transfer control of a property and will no longer apply existing sales criteria in ASC 360, *Property, Plant, and Equipment*. We are evaluating the impact of ASC 606 to \$31.2 million of deferred gains relating to sales of real estate assets in 2015. Other than the potential cumulative effect adjustment relating to such deferred gains, we do not expect the adoption of ASC 606 to have a significant impact on our Consolidated Financial Statements. Our remaining implementation items include calculating the cumulative effect adjustment, if any, to be recorded upon adoption of ASC 606, drafting revised disclosures in accordance with the new standard and implementing changes to internal control policies and procedures, if any.

In February 2016, the FASB issued ASU 2016-02, which introduces a lessee model that brings most leases on the balance sheet and, among other changes, eliminates the requirement in current GAAP for an entity to use bright-line tests in determining lease classification. ASU 2016-02 is not effective for us until January 1, 2019, with early adoption permitted. We are continuing to evaluate this guidance and the impact to us, as both lessor and lessee, on our Consolidated Financial Statements.

In 2016, the FASB issued ASU 2016-15, *Classification of Certain Cash Receipts and Cash Payments* (“ASU 2016-15”), which provides clarification regarding how certain cash receipts and cash payments are presented and classified in the statement of cash flows and ASU 2016-18, *Restricted Cash* (“ASU 2016-18”), which requires an entity to show the changes in total cash, cash equivalents, restricted cash and restricted cash equivalents in the statement of cash flows. ASU 2016-15 and ASU 2016-18 are effective for us beginning January 1, 2018 and will be applied by us using a retrospective transition method. Adoption of these standards is not expected to have a significant impact on our Consolidated Financial Statements.

In 2016, the FASB issued ASU 2016-16, *Intra-Entity Transfers of Assets Other Than Inventory* (“ASU 2016-16”), which requires a company to recognize the tax consequences of an intra-entity transfer of an asset, other than inventory, when the transfer occurs. ASU 2016-16 is effective for us beginning January 1, 2018 and will be applied by us using a modified retrospective method. Adoption of this standard is not expected to have a significant impact on our Consolidated Financial Statements.

NOTE 3—CONCENTRATION OF CREDIT RISK

As of September 30, 2017, Atria, Sunrise, Brookdale Senior Living, Ardent and Kindred managed or operated approximately 22.1%, 10.9%, 7.6%, 4.9% and 1.1%, respectively, of our real estate investments based on gross book value (excluding properties classified as held for sale and properties owned through investments in unconsolidated entities as of September 30, 2017). Because Atria and Sunrise manage our properties in exchange for the receipt of a management fee from us, we are not directly exposed to the credit risk of our managers in the same manner or to the same extent as our triple-net lease tenants.

Based on gross book value, approximately 25.2% and 35.2% of our real estate investments were seniors housing communities included in the triple-net leased properties and senior living operations reportable business segments, respectively (excluding properties classified as held for sale and properties owned through investments in unconsolidated entities as of September 30, 2017). MOB, life science and innovation centers, inpatient rehabilitation and long-term acute care facilities, health systems, SNFs and secured loans receivable and investments collectively comprised the remaining 39.6% of real estate investments. Our consolidated properties were located in 46 states, the District of Columbia, seven Canadian provinces and the United Kingdom as of September 30, 2017, with properties in one state (California) accounting for more than 10% of our total continuing revenues and net operating income (“NOI,” which is defined as total revenues, excluding interest and other income, less property-level operating expenses and office building services costs) for the three months then ended.

Triple-Net Leased Properties

The following table reflects our concentration risk for the periods presented:

	For the Three Months Ended September 30,	
	2017	2016
Revenues ⁽¹⁾ :		
Kindred ⁽²⁾	4.7%	5.3%
Brookdale Senior Living ⁽³⁾	4.9	4.8
Ardent	3.1	3.1
NOI:		
Kindred ⁽²⁾	8.1%	9.1%
Brookdale Senior Living ⁽³⁾	8.4	8.2
Ardent	5.3	5.3

⁽¹⁾ Total revenues include office building and other services revenue, income from loans and investments and interest and other income.

⁽²⁾ Includes 14 SNFs classified as held for sale at September 30, 2017 that are included in continuing operations.

⁽³⁾ Excludes one seniors housing community included in senior living operations and includes one seniors housing community classified as held for sale at September 30, 2017 that is included in continuing operations.

Each of our leases with Brookdale Senior Living, Ardent and Kindred is a triple-net lease that obligates the tenant to pay all property-related expenses, including maintenance, utilities, repairs, taxes, insurance and capital expenditures, and to comply with the terms of the mortgage financing documents, if any, affecting the properties. In addition, each of our Brookdale Senior Living, Ardent and Kindred leases has a corporate guaranty. Brookdale Senior Living and Kindred have multiple leases with us and those leases contain cross-default provisions tied to each other, as well as lease renewals by lease agreement or by pool of assets.

The properties we lease to Brookdale Senior Living, Ardent and Kindred accounted for a significant portion of our triple-net leased properties segment revenues and NOI for the three months ended September 30, 2017 and 2016. If any of Brookdale Senior Living, Ardent or Kindred becomes unable or unwilling to satisfy its obligations to us or to renew its leases with us upon expiration of the terms thereof, our financial condition and results of operations could decline, and our ability to service our indebtedness and to make distributions to our stockholders could be impaired. We cannot assure you that Brookdale Senior Living, Ardent and Kindred will have sufficient assets, income and access to financing to enable them to satisfy their respective obligations to us, and any failure, inability or unwillingness by Brookdale Senior Living, Ardent or Kindred to do so could have a material adverse effect on our business, financial condition, results of operations and liquidity, our ability to service our indebtedness and other obligations and our ability to make distributions to our stockholders, as required for us to continue to qualify as a REIT (a "Material Adverse Effect"). We also cannot assure you that Brookdale Senior Living, Ardent and Kindred will elect to renew their respective leases with us upon expiration of the leases or that we will be able to reposition any non-renewed properties on a timely basis or on the same or better economic terms, if at all.

Senior Living Operations

As of September 30, 2017, Atria and Sunrise, collectively, provided comprehensive property management and accounting services with respect to 269 of our 296 seniors housing communities, for which we pay annual management fees pursuant to long-term management agreements.

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

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

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

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

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

NOTE 4—ACQUISITIONS OF REAL ESTATE PROPERTY

We acquire and invest in seniors housing and healthcare properties primarily to achieve an expected yield on investment, to grow and diversify our portfolio and revenue base, and to reduce our dependence on any single tenant, operator or manager, geographic location, asset type, business model or revenue source.

During the nine months ended September 30, 2017, we acquired 14 triple-net leased properties (including six assets previously owned by an equity method investee) and two properties reported within our office operations reportable business segment (one life science, research and medical campus and one medical office building) for an aggregate purchase price of \$410.8 million. Each of these acquisitions was accounted for as an asset acquisition.

During the nine months ended September 30, 2017, we completed the development of one triple-net leased property, representing \$6.5 million of net real estate property on our Consolidated Balance Sheets.

NOTE 5—DISPOSITIONS

2017 Activity

During the nine months ended September 30, 2017, we sold 37 triple-net leased properties, three MOBs, and three vacant land parcels for aggregate consideration of \$617.1 million, and we recognized a gain on the sale of these assets of \$502.3 million, net of taxes.

SNF Dispositions

In November 2016, we entered into agreements with Kindred providing that Kindred will either acquire all 36 SNFs owned by us and operated by Kindred (the "Ventas SNFs") for \$700 million, in connection with Kindred's previously announced plan to exit its SNF business; or, renew the current lease on all unpurchased Ventas SNFs not purchased by Kindred by April 30, 2018 until 2025 at the current rent level plus annual escalations. On June 30, 2017, Kindred announced that it had signed definitive agreements to sell its entire SNF business to an affiliate of Blue Mountain Capital Management, LLC and that, as Kindred closes on the sale of its SNFs, Kindred will pay to us its allocable portion of the sale proceeds for a total \$700 million aggregate purchase price for the Ventas SNFs, and we will convey the applicable Ventas SNFs to the ultimate buyer.

In August 2017, we sold 22 of the Ventas SNFs, included in the 37 triple-net properties described above, for aggregate consideration of \$488.1 million and recognized a gain on the sale of these assets of \$458.0 million. Subsequent to September 30, 2017, we sold an additional seven Ventas SNFs for aggregate consideration of \$82.5 million. We expect to recognize a gain on the sale of these assets of approximately \$78 million during the fourth quarter. Kindred expects the closings of the sale of the remaining seven Ventas SNFs to occur by year end 2017. However, there can be no assurance that the closings will occur or the timing of any such closings.

Real Estate Impairment

We recognized impairments of \$20.2 million and \$14.5 million, respectively, for the nine months ended September 30, 2017 and 2016, which are recorded primarily in depreciation and amortization in our Consolidated Statements of Income.

Assets Held for Sale

The table below summarizes our real estate assets classified as held for sale as of September 30, 2017 and December 31, 2016, including the amounts reported on our Consolidated Balance Sheets.

	September 30, 2017			December 31, 2016		
	Number of Properties Held for Sale	Assets Held for Sale	Liabilities Related to Assets Held for Sale	Number of Properties Held for Sale	Assets Held for Sale	Liabilities Related to Assets Held for Sale
(Dollars in thousands)						
Triple-Net Leased Properties	15	\$ 16,142	\$ 8,522	—	\$ —	\$ —
Office Operations	7	52,784	1,315	7	53,151	1,462
Senior Living Operations*	—	—	—	—	1,810	—
Total	22	\$ 68,926	\$ 9,837	7	\$ 54,961	\$ 1,462

* Includes one vacant land parcel classified as held for sale as of December 31, 2016, which was sold in June 2017.

NOTE 6—LOANS RECEIVABLE AND INVESTMENTS

As of September 30, 2017 and December 31, 2016, we had \$1.4 billion and \$754.6 million, respectively, of net loans receivable and investments relating to seniors housing and healthcare operators or properties. The following is a summary of our loans receivable and investments, net as of September 30, 2017 and December 31, 2016, including amortized cost, fair value and unrealized gains or losses on available-for-sale investments:

	Carrying Amount	Amortized Cost	Fair Value	Unrealized Gain
(In thousands)				
As of September 30, 2017:				
Secured/mortgage loans and other	\$ 1,297,956	\$ 1,297,956	\$ 1,316,664	\$ —
Government-sponsored pooled loan investments ⁽¹⁾	54,478	53,472	54,478	1,006
Total investments reported as Secured loans receivable and investments, net	1,352,434	1,351,428	1,371,142	1,006
Non-mortgage loans receivable, net	54,955	54,955	55,098	—
Total investments reported as Other assets	54,955	54,955	55,098	—
Total loans receivable and investments, net	\$ 1,407,389	\$ 1,406,383	\$ 1,426,240	\$ 1,006
As of December 31, 2016:				
Secured/mortgage loans and other	\$ 646,972	\$ 646,972	\$ 655,981	\$ —
Government-sponsored pooled loan investments ⁽¹⁾	55,049	53,810	55,049	1,239
Total investments reported as Secured loans receivable and investments, net	702,021	700,782	711,030	1,239
Non-mortgage loans receivable, net	52,544	52,544	53,626	—
Total investments reported as Other assets	52,544	52,544	53,626	—
Total loans receivable and investments, net	\$ 754,565	\$ 753,326	\$ 764,656	\$ 1,239

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

2017 Activity

In March 2017, we provided secured debt financing to a subsidiary of Ardent to facilitate Ardent's acquisition of LHP Hospital Group, Inc., which included a \$700.0 million term loan and a \$60.0 million revolving line of credit feature (of which \$23.0 million was outstanding at September 30, 2017). The LIBOR-based debt financing has a five -year term with a weighted average interest rate of approximately 9.0% as of September 30, 2017 and is guaranteed by Ardent's parent company.

During the nine months ended September 30, 2017, we received \$27.0 million for the partial prepayment of secured and unsecured loans receivable and \$32.6 million for the full repayment of three secured loans receivable that were due to mature between 2017 and 2030.

NOTE 7—INVESTMENTS IN UNCONSOLIDATED ENTITIES

We report investments in unconsolidated entities over whose operating and financial policies we have the ability to exercise significant influence under the equity method of accounting. We are not required to consolidate these entities because our joint venture partners have significant participating rights, nor are these entities considered VIEs, as they are controlled by equity holders with sufficient capital. At September 30, 2017, we had 25% ownership interests in joint ventures that owned 30 properties, excluding properties under development. We account for our interests in real estate joint ventures, as well as our 34% interest in Atria and 9.9% interest in Ardent (which are included within other assets on our Consolidated Balance Sheets), under the equity method of accounting.

With the exception of our interests in Atria and Ardent, we provide various services to each unconsolidated entity in exchange for fees and reimbursements. Total management fees earned in connection with these entities were \$1.6 million and \$1.8 million for the three months ended September 30, 2017 and 2016, respectively, and \$4.6 million and \$5.0 million for the nine months ended September 30, 2017 and 2016, respectively, which is included in office building and other services revenue in our Consolidated Statements of Income.

In February 2017, we acquired the controlling interest in six triple-net leased seniors housing communities for a purchase price of \$100.0 million. In connection with this acquisition, we re-measured the fair value of our previously held equity interest, resulting in a gain on re-measurement of \$3.0 million, which is included in income from unconsolidated entities in our Consolidated Statements of Income.

NOTE 8—INTANGIBLES

The following is a summary of our intangibles as of September 30, 2017 and December 31, 2016:

	September 30, 2017		December 31, 2016	
	Balance	Remaining Weighted Average Amortization Period in Years	Balance	Remaining Weighted Average Amortization Period in Years
(Dollars in thousands)				
Intangible assets:				
Above market lease intangibles	\$ 184,994	7.1	\$ 184,993	6.9
In-place and other lease intangibles	1,351,482	23.7	1,325,636	23.6
Goodwill	1,034,497	N/A	1,033,225	N/A
Other intangibles	35,905	12.2	35,783	11.3
Accumulated amortization	(842,819)	N/A	(769,558)	N/A
Net intangible assets	<u>\$ 1,764,059</u>	21.7	<u>\$ 1,810,079</u>	21.5
Intangible liabilities:				
Below market lease intangibles	\$ 360,295	13.8	\$ 345,103	14.1
Other lease intangibles	40,334	40.2	40,843	38.5
Accumulated amortization	(155,091)	N/A	(133,468)	N/A
Purchase option intangibles	3,568	N/A	3,568	N/A
Net intangible liabilities	<u>\$ 249,106</u>	15.6	<u>\$ 256,046</u>	15.9

N/A—Not Applicable.

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

NOTE 9—OTHER ASSETS

The following is a summary of our other assets as of September 30, 2017 and December 31, 2016 :

	September 30, 2017	December 31, 2016
	(In thousands)	
Straight-line rent receivables, net	\$ 262,028	\$ 244,580
Non-mortgage loans receivable, net	54,955	52,544
Other intangibles, net	6,842	8,190
Investments in unconsolidated operating entities	43,049	28,431
Other	173,421	184,619
Total other assets	<u>\$ 540,295</u>	<u>\$ 518,364</u>

NOTE 10—SENIOR NOTES PAYABLE AND OTHER DEBT

The following is a summary of our senior notes payable and other debt as of September 30, 2017 and December 31, 2016 :

	September 30, 2017	December 31, 2016
	(In thousands)	
Unsecured revolving credit facility ⁽¹⁾	\$ 538,911	\$ 146,538
1.250% Senior Notes due 2017	—	300,000
2.00% Senior Notes due 2018	700,000	700,000
Unsecured term loan due 2018 ⁽²⁾	—	200,000
Unsecured term loan due 2019 ⁽²⁾	—	371,215
4.00% Senior Notes due 2019	600,000	600,000
3.00% Senior Notes, Series A due 2019 ⁽³⁾	320,847	297,841
2.700% Senior Notes due 2020	500,000	500,000
Unsecured term loan due 2020	900,000	900,000
4.750% Senior Notes due 2021	700,000	700,000
4.25% Senior Notes due 2022	600,000	600,000
3.25% Senior Notes due 2022	500,000	500,000
3.300% Senior Notes due 2022 ⁽³⁾	200,529	186,150
Secured revolving construction credit facility due 2022	—	—
3.125% Senior Notes due 2023	400,000	400,000
3.100% Senior Notes due 2023	400,000	—
2.55% Senior Notes, Series D due 2023 ⁽³⁾	220,582	—
3.750% Senior Notes due 2024	400,000	400,000
4.125% Senior Notes, Series B due 2024 ⁽³⁾	200,529	186,150
3.500% Senior Notes due 2025	600,000	600,000
4.125% Senior Notes due 2026	500,000	500,000
3.25% Senior Notes due 2026	450,000	450,000
3.850% Senior Notes due 2027	400,000	—
6.90% Senior Notes due 2037	52,400	52,400
6.59% Senior Notes due 2038	22,973	22,973
5.45% Senior Notes due 2043	258,750	258,750
5.70% Senior Notes due 2043	300,000	300,000
4.375% Senior Notes due 2045	300,000	300,000
Mortgage loans and other	1,446,097	1,718,897
Total	11,511,618	11,190,914
Deferred financing costs, net	(76,372)	(61,304)
Unamortized fair value adjustment	18,866	25,224
Unamortized discounts	(29,967)	(27,508)
Senior notes payable and other debt	\$ 11,424,145	\$ 11,127,326

⁽¹⁾ As of September 30, 2017 and December 31, 2016 , respectively, \$40.8 million and \$146.5 million of aggregate borrowings were denominated in Canadian dollars. Aggregate borrowings of \$31.1 million were denominated in British pounds as of September 30, 2017 . There were no aggregate borrowings denominated in British pounds as of December 31, 2016 .

⁽²⁾ As of December 31, 2016 , there was \$571.2 million of unsecured term loan borrowings under our unsecured credit facility, of which \$92.6 million was in the form of Canadian dollars. In August 2017, we repaid the balances then outstanding on the term loans.

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

As of September 30, 2017, our indebtedness had the following maturities:

	Principal Amount Due at Maturity	Unsecured Revolving Credit Facility ⁽¹⁾	Scheduled Periodic Amortization	Total Maturities
	(In thousands)			
2017	\$ 18,539	\$ —	\$ 6,273	\$ 24,812
2018	901,879	—	20,824	922,703
2019	1,333,378	—	14,878	1,348,256
2020	1,437,725	—	11,996	1,449,721
2021	772,837	538,911	10,545	1,322,293
Thereafter ⁽²⁾	6,327,024	—	116,809	6,443,833
Total maturities	\$ 10,791,382	\$ 538,911	\$ 181,325	\$ 11,511,618

⁽¹⁾ As of September 30, 2017, we had \$85.1 million of unrestricted cash and cash equivalents, for \$453.8 million of net borrowings outstanding under our unsecured revolving credit facility.

⁽²⁾ Includes \$52.4 million aggregate principal amount of our 6.90% senior notes due 2037 that is subject to repurchase, at the option of the holders, on October 1, 2027, and \$23.0 million aggregate principal amount of 6.59% senior notes due 2038 that is subject to repurchase, at the option of the holders, on July 7 in each of 2018, 2023 and 2028.

Credit Facilities and Unsecured Term Loans

In April 2017, we entered into an unsecured credit facility comprised of a \$3.0 billion unsecured revolving credit facility, priced at LIBOR plus 0.875%, that replaced our previous \$2.0 billion unsecured revolving credit facility priced at LIBOR plus 1.0%. The new unsecured credit facility was also comprised of our \$200.0 million term loan that was scheduled to mature in 2018 and our \$278.6 million term loan that was scheduled to mature in 2019. The 2018 and 2019 term loans were priced at LIBOR plus 1.05%. In August 2017, we used most of the proceeds from the sale of 22 SNFs to repay the balances then outstanding on the 2018 and 2019 term loans, and recognized a loss on extinguishment of debt of \$0.5 million. See "NOTE 5-DISPOSITIONS".

The revolving credit facility matures in 2021, but may be extended at our option subject to the satisfaction of certain conditions for two additional periods of six months each. The revolving credit facility also includes an accordion feature that permits us to increase our aggregate borrowing capacity thereunder to up to \$3.75 billion.

As of September 30, 2017, we had \$538.9 million of borrowings outstanding, \$14.5 million of letters of credit outstanding and \$2.4 billion of unused borrowing capacity available under our revolving credit facility.

As of September 30, 2017, we also had a \$900.0 million term loan due 2020 priced at LIBOR plus 0.975%.

In September 2017, we entered into a new \$400.0 million secured revolving construction credit facility which matures in 2022 and will be primarily used to finance life science and innovation center and other construction projects. As of September 30, 2017, there were no borrowings outstanding under the secured revolving construction credit facility.

Senior Notes

In March 2017, our wholly-owned subsidiary, Ventas Realty, Limited Partnership ("Ventas Realty"), issued and sold \$400.0 million aggregate principal amount of 3.100% senior notes due 2023 at a public offering price equal to 99.280% of par, for total proceeds of \$397.1 million before the underwriting discount and expenses, and \$400.0 million aggregate principal amount of 3.850% senior notes due 2027 at a public offering price equal to 99.196% of par, for total proceeds of \$396.8 million before the underwriting discount and expenses.

In April 2017, we repaid in full, at par, \$300.0 million aggregate principal amount then outstanding of our 1.250% senior notes due 2017 upon maturity.

In June 2017, our wholly-owned subsidiary, Ventas Canada Finance Limited issued and sold C\$275.0 million aggregate principal amount of 2.55% senior notes, Series D due 2023 at a price equal to 99.954% of par, for total proceeds of C\$274.9 million before the agent fees and expenses. The notes were offered on a private placement basis in Canada. We used part of the proceeds to repay C \$124.4 million on our unsecured term loan due 2019.

Mortgage Loan Obligations

During the nine months ended September 30, 2017 , we repaid in full mortgage loans outstanding in the aggregate principal amount of \$307.5 million .

Derivatives and Hedging

In January and February 2017, we entered into a total of \$275 million of notional forward starting swaps with an effective date of April 3, 2017 that reduced our exposure to fluctuations in interest rates related to changes in rates between the trade dates of the swaps and the forecasted issuance of long-term debt. The rate on the notional amounts was locked at a weighted average rate of 2.33% . In March 2017, these swaps were terminated in conjunction with our issuance of the 3.850% senior notes due 2027, which resulted in a \$0.8 million gain that is being recognized over the life of the notes using the effective interest method.

In March 2017, we entered into interest rate swaps totaling a notional amount of \$400 million with a maturity of January 15, 2023 , effectively converting fixed rate debt to three month LIBOR-based floating rate debt. As a result, we will receive a fixed rate on the swap of 3.10% and will pay a floating rate equal to three month LIBOR plus a weighted average swap spread of 0.98% .

In June 2017, we entered into a total of \$125 million of notional forward starting swaps with an effective date of January 15, 2018 and a maturity of January 15, 2028, that reduced our exposure to fluctuations in interest rates related to changes in rates between the trade dates of the swaps and the forecasted issuance of long-term debt. The rate on the notional amounts was locked at a weighted average rate of 2.1832% .

NOTE 11—FAIR VALUES OF FINANCIAL INSTRUMENTS

As of September 30, 2017 and December 31, 2016 , the carrying amounts and fair values of our financial instruments were as follows:

	September 30, 2017		December 31, 2016	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
(In thousands)				
Assets:				
Cash and cash equivalents	\$ 85,063	\$ 85,063	\$ 286,707	\$ 286,707
Secured mortgage loans and other, net	1,297,956	1,316,664	646,972	655,981
Non-mortgage loans receivable, net	54,955	55,098	52,544	53,626
Government-sponsored pooled loan investments	54,478	54,478	55,049	55,049
Derivative instruments	5,264	5,264	3,302	3,302
Liabilities:				
Senior notes payable and other debt, gross	11,511,618	11,768,668	11,190,914	11,369,440
Derivative instruments	2,334	2,334	2,316	2,316
Redeemable OP unitholder interests	160,765	160,765	177,177	177,177

For a discussion of the assumptions considered, refer to “ NOTE 2—ACCOUNTING POLICIES .” The use of different market assumptions and estimation methodologies may have a material effect on the reported estimated fair value amounts. Accordingly, the estimates presented above are not necessarily indicative of the amounts we would realize in a current market exchange.

NOTE 12—LITIGATION

Proceedings against Tenants, Operators and Managers

From time to time, Atria, Sunrise, Brookdale Senior Living, Kindred, Ardent and our other tenants, operators and managers are parties to certain legal actions, regulatory investigations and claims arising in the conduct of their business and operations. Even though we generally are not party to these proceedings, the unfavorable resolution of any such actions, investigations or claims could, individually or in the aggregate, materially adversely affect such tenants’, operators’ or

managers' liquidity, financial condition or results of operations and their ability to satisfy their respective obligations to us, which, in turn, could have a Material Adverse Effect on us.

Proceedings Indemnified and Defended by Third Parties

From time to time, we are party to certain legal actions, regulatory investigations and claims for which third parties are contractually obligated to indemnify, defend and hold us harmless. The tenants of our triple-net leased properties and, in some cases, their affiliates are required by the terms of their leases and other agreements with us to indemnify, defend and hold us harmless against certain actions, investigations and claims arising in the course of their business and related to the operations of our triple-net leased properties. In addition, third parties from whom we acquired certain of our assets and, in some cases, their affiliates are required by the terms of the related conveyance documents to indemnify, defend and hold us harmless against certain actions, investigations and claims related to the acquired assets and arising prior to our ownership or related to excluded assets and liabilities. In some cases, a portion of the purchase price consideration is held in escrow for a specified period of time as collateral for these indemnification obligations. We are presently being defended by certain tenants and other obligated third parties in these types of matters. We cannot assure you that our tenants, their affiliates or other obligated third parties will continue to defend us in these matters, that our tenants, their affiliates or other obligated third parties will have sufficient assets, income and access to financing to enable them to satisfy their defense and indemnification obligations to us or that any purchase price consideration held in escrow will be sufficient to satisfy claims for which we are entitled to indemnification. The unfavorable resolution of any such actions, investigations or claims could, individually or in the aggregate, materially adversely affect our tenants' or other obligated third parties' liquidity, financial condition or results of operations and their ability to satisfy their respective obligations to us, which, in turn, could have a Material Adverse Effect on us.

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

From time to time, we are party to various legal actions, regulatory investigations and claims (some of which may not be insured and some of which may allege large damage amounts) arising in connection with our senior living and office operations or otherwise in the course of our business. In limited circumstances, the manager of the applicable seniors housing community, MOB or life science and innovation center may be contractually obligated to indemnify, defend and hold us harmless against such actions, investigations and claims. It is the opinion of management, except as otherwise set forth in this Note 12, that the disposition of any such actions, investigations and claims that are currently pending will not, individually or in the aggregate, have a Material Adverse Effect on us. However, regardless of their merits, we may be forced to expend significant financial resources to defend and resolve these matters. We are unable to predict the ultimate outcome of these actions, investigations and claims, and if management's assessment of our liability with respect thereto is incorrect, such actions, investigations and claims could have a Material Adverse Effect on us.

NOTE 13—INCOME TAXES

We have elected to be taxed as a REIT under the applicable provisions of the Internal Revenue Code of 1986, as amended, for every year beginning with the year ended December 31, 1999. We have also elected for certain of our subsidiaries to be treated as taxable REIT subsidiaries ("TRS" or "TRS entities"), which are subject to federal, state and foreign income taxes. All entities other than the TRS entities are collectively referred to as the "REIT" within this Note 13. Certain REIT entities are subject to foreign income tax.

Although the TRS entities and certain other foreign entities have paid minimal cash federal, state and foreign income taxes for the nine months ended September 30, 2017, their income tax liabilities may increase in future periods as we exhaust net operating loss ("NOL") carryforwards and as our senior living and other operations grow. Such increases could be significant.

Our consolidated provision for income taxes for the three months ended September 30, 2017 and 2016 was a benefit of \$7.8 million and \$8.5 million, respectively. Our consolidated provision for income taxes for the nine months ended September 30, 2017 and 2016 was a benefit of \$13.1 million and \$28.5 million, respectively. The income tax benefit for the nine months ended September 30, 2017 was due primarily to operating losses at our taxable REIT subsidiaries; however, \$0.8 million and \$4.9 million of the income tax benefit was due to the reversal of a net deferred tax liability at a TRS entity and the release of a tax reserve at the REIT, respectively. The income tax benefit for the nine months ended September 30, 2016 was due primarily to operating losses at our taxable REIT subsidiaries; however, \$5.9 million and \$3.6 million of the income tax benefit was due to the reversal of a net deferred tax liability at a TRS entity and the release of a tax reserve at the REIT, respectively.

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

Each TRS is a tax paying component for purposes of classifying deferred tax assets and liabilities. Net deferred tax liabilities with respect to our TRS entities totaled \$296.3 million and \$316.6 million as of September 30, 2017 and December 31, 2016 , respectively, and related primarily to differences between the financial reporting and tax bases of fixed and intangible assets, net of loss carryforwards.

Generally, we are subject to audit under the statute of limitations by the Internal Revenue Service for the year ended December 31, 2014 and subsequent years and are subject to audit by state taxing authorities for the year ended December 31, 2013 and subsequent years. We are subject to audit generally under the statutes of limitation by the Canada Revenue Agency and provincial authorities with respect to the Canadian entities for the year ended December 31, 2013 and subsequent years. We are also subject to audit in Canada for periods subsequent to the acquisition, and certain prior periods, with respect to the entities acquired in 2014 from Holiday Retirement. We are subject to audit in the United Kingdom generally for periods ended in and subsequent to 2015.

NOTE 14—STOCKHOLDERS' EQUITY

Capital Stock

During the nine months ended September 30, 2017 , we sold 1.1 million shares of common stock under our “at-the-market” (“ATM”) equity offering program for aggregate net proceeds of \$73.9 million , after sales agent commissions. As of September 30, 2017 , approximately \$155.6 million of our common stock remained available for sale under our ATM equity offering program.

Accumulated Other Comprehensive Loss

The following is a summary of our accumulated other comprehensive loss as of September 30, 2017 and December 31, 2016 :

	September 30, 2017	December 31, 2016
	(In thousands)	
Foreign currency translation	\$ (48,585)	\$ (66,192)
Accumulated unrealized gain on government-sponsored pooled loan investments	1,006	1,239
Other	6,799	7,419
Total accumulated other comprehensive loss	<u>\$ (40,780)</u>	<u>\$ (57,534)</u>

NOTE 15—EARNINGS PER SHARE

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2017	2016	2017	2016
(In thousands, except per share amounts)				
Numerator for basic and diluted earnings per share:				
Income from continuing operations	\$ 156,930	\$ 150,446	\$ 465,114	\$ 411,634
Discontinued operations	(19)	(118)	(95)	(755)
Gain (loss) on real estate dispositions	458,280	(144)	502,288	31,779
Net income	615,191	150,184	967,307	442,658
Net income attributable to noncontrolling interests	1,233	732	3,391	1,064
Net income attributable to common stockholders	\$ 613,958	\$ 149,452	\$ 963,916	\$ 441,594
Denominator:				
Denominator for basic earnings per share—weighted average shares	355,929	350,274	355,110	341,610
Effect of dilutive securities:				
Stock options	624	847	528	594
Restricted stock awards	318	193	236	168
OP Unitholder interests	2,462	2,872	2,491	2,980
Denominator for diluted earnings per share—adjusted weighted average shares	359,333	354,186	358,365	345,352
Basic earnings per share:				
Income from continuing operations	\$ 0.44	\$ 0.43	\$ 1.31	\$ 1.20
Net income attributable to common stockholders	1.72	0.43	2.71	1.29
Diluted earnings per share:				
Income from continuing operations	\$ 0.44	\$ 0.42	\$ 1.30	\$ 1.19
Net income attributable to common stockholders	1.71	0.42	2.69	1.28

NOTE 16—SEGMENT INFORMATION

As of September 30, 2017, we operated through three reportable business segments: triple-net leased properties, senior living operations and office operations. Under our triple-net leased properties segment, we invest in and own seniors housing and healthcare properties throughout the United States and the United Kingdom and lease those properties to healthcare operating companies under “triple-net” or “absolute-net” leases that obligate the tenants to pay all property-related expenses. In our senior living operations segment, we invest in seniors housing communities throughout the United States and Canada and engage independent operators, such as Atria and Sunrise, to manage those communities. In our office operations segment, we primarily acquire, own, develop, lease and manage MOBs and life science and innovation centers throughout the United States. Information provided for “all other” includes income from loans and investments and other miscellaneous income and various corporate-level expenses not directly attributable to any of our three reportable business segments. Assets included in “all other” consist primarily of corporate assets, including cash, restricted cash, loans receivable and investments, and miscellaneous accounts receivable.

Our chief operating decision makers evaluate performance of the combined properties in each reportable business segment and determine how to allocate resources to those segments, in significant part, based on segment net operating income (“NOI”) and related measures. We define segment NOI as total revenues, less interest and other income, property-level operating expenses and office building services costs. We consider segment NOI useful because it allows investors, analysts and our management to measure unlevered property-level operating results and to compare our operating results to the operating results of other real estate companies between periods on a consistent basis. In order to facilitate a clear understanding of our historical consolidated operating results, segment NOI should be examined in conjunction with income from continuing operations as presented in our Consolidated Financial Statements and other financial data included elsewhere in this Quarterly Report on Form 10-Q.

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

Summary information by reportable business segment is as follows:

	For the Three Months Ended September 30, 2017				
	Triple-Net Leased Properties	Senior Living Operations	Office Operations	All Other	Total
	(In thousands)				
Revenues:					
Rental income	\$ 212,370	\$ —	\$ 189,506	\$ —	\$ 401,876
Resident fees and services	—	461,700	—	—	461,700
Office building and other services revenue	1,125	—	1,568	503	3,196
Income from loans and investments	—	—	—	32,985	32,985
Interest and other income	—	—	—	171	171
Total revenues	<u>\$ 213,495</u>	<u>\$ 461,700</u>	<u>\$ 191,074</u>	<u>\$ 33,659</u>	<u>\$ 899,928</u>
Total revenues	\$ 213,495	\$ 461,700	\$ 191,074	\$ 33,659	\$ 899,928
Less:					
Interest and other income	—	—	—	171	171
Property-level operating expenses	—	315,598	60,609	—	376,207
Office building services costs	—	—	418	—	418
Segment NOI	213,495	146,102	130,047	33,488	523,132
Income (loss) from unconsolidated entities	1,122	300	(348)	(324)	750
Segment profit	<u>\$ 214,617</u>	<u>\$ 146,402</u>	<u>\$ 129,699</u>	<u>\$ 33,164</u>	<u>523,882</u>
Interest and other income					171
Interest expense					(113,869)
Depreciation and amortization					(213,407)
General, administrative and professional fees					(33,317)
Loss on extinguishment of debt, net					(511)
Merger-related expenses and deal costs					(804)
Other					(13,030)
Income tax benefit					7,815
Income from continuing operations					<u>\$ 156,930</u>

	For the Three Months Ended September 30, 2016				
	Triple-Net Leased Properties	Senior Living Operations	Office Operations	All Other	Total
	(In thousands)				
Revenues:					
Rental income	\$ 210,424	\$ —	\$ 158,273	\$ —	\$ 368,697
Resident fees and services	—	461,974	—	—	461,974
Office building and other services revenue	1,246	—	2,211	860	4,317
Income from loans and investments	—	—	—	31,566	31,566
Interest and other income	—	—	—	562	562
Total revenues	<u>\$ 211,670</u>	<u>\$ 461,974</u>	<u>\$ 160,484</u>	<u>\$ 32,988</u>	<u>\$ 867,116</u>
Total revenues	\$ 211,670	\$ 461,974	\$ 160,484	\$ 32,988	\$ 867,116
Less:					
Interest and other income	—	—	—	562	562
Property-level operating expenses	—	312,145	48,972	—	361,117
Office building services costs	—	—	974	—	974
Segment NOI	211,670	149,829	110,538	32,426	504,463
Income from unconsolidated entities	584	75	238	34	931
Segment profit	<u>\$ 212,254</u>	<u>\$ 149,904</u>	<u>\$ 110,776</u>	<u>\$ 32,460</u>	<u>505,394</u>
Interest and other income					562
Interest expense					(105,063)
Depreciation and amortization					(208,387)
General, administrative and professional fees					(31,567)
Loss on extinguishment of debt, net					(383)
Merger-related expenses and deal costs					(16,217)
Other					(2,430)
Income tax benefit					8,537
Income from continuing operations					<u>\$ 150,446</u>

For the Nine Months Ended September 30, 2017					
	Triple-Net Leased Properties	Senior Living Operations	Office Operations	All Other	Total
(In thousands)					
Revenues:					
Rental income	\$ 634,955	\$ —	\$ 561,641	\$ —	\$ 1,196,596
Resident fees and services	—	1,386,131	—	—	1,386,131
Office building and other services revenue	3,455	—	5,347	979	9,781
Income from loans and investments	—	—	—	85,499	85,499
Interest and other income	—	—	—	854	854
Total revenues	<u>\$ 638,410</u>	<u>\$ 1,386,131</u>	<u>\$ 566,988</u>	<u>\$ 87,332</u>	<u>\$ 2,678,861</u>
Total revenues	\$ 638,410	\$ 1,386,131	\$ 566,988	\$ 87,332	\$ 2,678,861
Less:					
Interest and other income	—	—	—	854	854
Property-level operating expenses	—	936,296	174,728	—	1,111,024
Office building services costs	—	—	1,708	—	1,708
Segment NOI	638,410	449,835	390,552	86,478	1,565,275
Income (loss) from unconsolidated entities	4,768	(157)	284	(1,101)	3,794
Segment profit	<u>\$ 643,178</u>	<u>\$ 449,678</u>	<u>\$ 390,836</u>	<u>\$ 85,377</u>	<u>1,569,069</u>
Interest and other income					854
Interest expense					(336,245)
Depreciation and amortization					(655,298)
General, administrative and professional fees					(100,560)
Loss on extinguishment of debt, net					(856)
Merger-related expenses and deal costs					(8,903)
Other					(16,066)
Income tax benefit					13,119
Income from continuing operations					<u>\$ 465,114</u>

For the Nine Months Ended September 30, 2016					
	Triple-Net Leased Properties	Senior Living Operations	Office Operations	All Other	Total
(In thousands)					
Revenues:					
Rental income	\$ 635,030	\$ —	\$ 446,496	\$ —	\$ 1,081,526
Resident fees and services	—	1,390,387	—	—	1,390,387
Office building and other services revenue	3,676	—	10,556	2,774	17,006
Income from loans and investments	—	—	—	78,098	78,098
Interest and other income	—	—	—	792	792
Total revenues	<u>\$ 638,706</u>	<u>\$ 1,390,387</u>	<u>\$ 457,052</u>	<u>\$ 81,664</u>	<u>\$ 2,567,809</u>
Total revenues	\$ 638,706	\$ 1,390,387	\$ 457,052	\$ 81,664	\$ 2,567,809
Less:					
Interest and other income	—	—	—	792	792
Property-level operating expenses	—	932,675	136,619	—	1,069,294
Office building services costs	—	—	6,277	—	6,277
Segment NOI	638,706	457,712	314,156	80,872	1,491,446
Income from unconsolidated entities	738	732	301	380	2,151
Segment profit	<u>\$ 639,444</u>	<u>\$ 458,444</u>	<u>\$ 314,457</u>	<u>\$ 81,252</u>	<u>1,493,597</u>
Interest and other income					792
Interest expense					(312,001)
Depreciation and amortization					(666,735)
General, administrative and professional fees					(95,387)
Loss on extinguishment of debt, net					(3,165)
Merger-related expenses and deal costs					(25,073)
Other					(8,901)
Income tax benefit					28,507
Income from continuing operations					<u>\$ 411,634</u>

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2017	2016	2017	2016
(In thousands)				
Capital expenditures:				
Triple-net leased properties	\$ 9,954	\$ 12,992	\$ 151,906	\$ 69,642
Senior living operations	45,152	26,495	96,533	70,297
Office operations	62,108	1,400,742	307,494	1,451,347
Total capital expenditures	<u>\$ 117,214</u>	<u>\$ 1,440,229</u>	<u>\$ 555,933</u>	<u>\$ 1,591,286</u>

Our portfolio of properties and mortgage loan and other investments are located in the United States, Canada and the United Kingdom. Revenues are attributed to an individual country based on the location of each property. Geographic information regarding our operations is as follows:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2017	2016	2017	2016
(In thousands)				
Revenues:				
United States	\$ 844,370	\$ 815,719	\$ 2,521,813	\$ 2,417,314
Canada	48,639	45,021	137,647	130,195
United Kingdom	6,919	6,376	19,401	20,300
Total revenues	<u>\$ 899,928</u>	<u>\$ 867,116</u>	<u>\$ 2,678,861</u>	<u>\$ 2,567,809</u>
			As of September 30, 2017	As of December 31, 2016
(In thousands)				
Net real estate property:				
United States			\$ 19,079,529	\$ 19,105,939
Canada			1,086,929	1,037,105
United Kingdom			298,415	251,710
Total net real estate property			<u>\$ 20,464,873</u>	<u>20,394,754</u>

NOTE 17—CONDENSED CONSOLIDATING INFORMATION (Unaudited)

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

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

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

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

The following pages summarize our condensed consolidating information as of September 30, 2017 and December 31, 2016 and for the three and nine months ended September 30, 2017 and 2016 .

CONDENSED CONSOLIDATING BALANCE SHEET

As of September 30, 2017

	As of September 30, 2017				
	Ventas, Inc.	Ventas Realty	Ventas Subsidiaries	Consolidated Elimination	Consolidated
	(In thousands)				
Assets					
Net real estate investments	\$ 1,881	\$ 121,240	\$ 21,811,371	\$ —	\$ 21,934,492
Cash and cash equivalents	14,063	—	71,000	—	85,063
Escrow deposits and restricted cash	197	128	76,197	—	76,522
Investment in and advances to affiliates	14,606,452	2,916,060	—	(17,522,512)	—
Goodwill	—	—	1,034,497	—	1,034,497
Assets held for sale	—	12,757	56,169	—	68,926
Other assets	44,166	7,606	488,523	—	540,295
Total assets	<u>\$ 14,666,759</u>	<u>\$ 3,057,791</u>	<u>\$ 23,537,757</u>	<u>\$ (17,522,512)</u>	<u>\$ 23,739,795</u>
Liabilities and equity					
Liabilities:					
Senior notes payable and other debt	\$ —	\$ 8,883,519	\$ 2,540,626	\$ —	\$ 11,424,145
Intercompany loans	7,666,742	(6,958,293)	(708,449)	—	—
Accrued interest	(6,686)	83,604	18,766	—	95,684
Accounts payable and other liabilities	130,732	22,280	790,788	—	943,800
Liabilities related to assets held for sale	—	7,666	2,171	—	9,837
Deferred income taxes	296,272	—	—	—	296,272
Total liabilities	8,087,060	2,038,776	2,643,902	—	12,769,738
Redeemable OP unitholder and noncontrolling interests	—	—	171,813	—	171,813
Total equity	6,579,699	1,019,015	20,722,042	(17,522,512)	10,798,244
Total liabilities and equity	<u>\$ 14,666,759</u>	<u>\$ 3,057,791</u>	<u>\$ 23,537,757</u>	<u>\$ (17,522,512)</u>	<u>\$ 23,739,795</u>

CONDENSED CONSOLIDATING BALANCE SHEET

As of December 31, 2016

	As of December 31, 2018				
	Ventas, Inc.	Ventas Realty	Ventas Subsidiaries	Consolidated Elimination	Consolidated
	(In thousands)				
Assets					
Net real estate investments	\$ 2,007	\$ 173,259	\$ 21,017,430	\$ —	\$ 21,192,696
Cash and cash equivalents	210,303	—	76,404	—	286,707
Escrow deposits and restricted cash	198	1,504	78,945	—	80,647
Investment in and advances to affiliates	14,258,931	2,938,441	—	(17,197,372)	—
Goodwill	—	—	1,033,225	—	1,033,225
Assets held for sale	—	—	54,961	—	54,961
Other assets	35,468	6,792	476,104	—	518,364
Total assets	<u>\$ 14,506,907</u>	<u>\$ 3,119,996</u>	<u>\$ 22,737,069</u>	<u>\$ (17,197,372)</u>	<u>\$ 23,166,600</u>
Liabilities and equity					
Liabilities:					
Senior notes payable and other debt	\$ —	\$ 8,406,979	\$ 2,720,347	\$ —	\$ 11,127,326
Intercompany loans	7,088,838	(6,209,707)	(879,131)	—	—
Accrued interest	(1,753)	67,156	18,359	—	83,762
Accounts payable and other liabilities	89,115	35,587	783,226	—	907,928
Liabilities related to assets held for sale	—	(1)	1,463	—	1,462
Deferred income taxes	316,641	—	—	—	316,641
Total liabilities	7,492,841	2,300,014	2,644,264	—	12,437,119
Redeemable OP unitholder and noncontrolling interests	—	—	200,728	—	200,728
Total equity	7,014,066	819,982	19,892,077	(17,197,372)	10,528,753
Total liabilities and equity	<u>\$ 14,506,907</u>	<u>\$ 3,119,996</u>	<u>\$ 22,737,069</u>	<u>\$ (17,197,372)</u>	<u>\$ 23,166,600</u>

CONDENSED CONSOLIDATING STATEMENT OF INCOME

For the Three Months Ended September 30, 2017

	For the Three Months Ended September 30, 2017				
	Ventas, Inc.	Ventas Realty	Ventas Subsidiaries	Consolidated Elimination	Consolidated
	(In thousands)				
Revenues					
Rental income	\$ 602	\$ 45,446	\$ 355,828	\$ —	\$ 401,876
Resident fees and services	—	—	461,700	—	461,700
Office building and other services revenue	—	—	3,196	—	3,196
Income from loans and investments	309	—	32,676	—	32,985
Equity earnings in affiliates	133,571	—	(412)	(133,159)	—
Interest and other income	3	—	168	—	171
Total revenues	134,485	45,446	853,156	(133,159)	899,928
Expenses					
Interest	(16,801)	82,007	48,663	—	113,869
Depreciation and amortization	1,314	1,455	210,638	—	213,407
Property-level operating expenses	—	69	376,138	—	376,207
Office building services costs	—	—	418	—	418
General, administrative and professional fees	103	4,240	28,974	—	33,317
Loss on extinguishment of debt, net	—	504	7	—	511
Merger-related expenses and deal costs	361	—	443	—	804
Other	1,626	—	11,404	—	13,030
Total expenses	(13,397)	88,275	676,685	—	751,563
Income (loss) before unconsolidated entities, income taxes, discontinued operations, real estate dispositions and noncontrolling interests	147,882	(42,829)	176,471	(133,159)	148,365
Income (loss) from unconsolidated entities	—	1,614	(864)	—	750
Income tax benefit	7,815	—	—	—	7,815
Income (loss) from continuing operations	155,697	(41,215)	175,607	(133,159)	156,930
Discontinued operations	(19)	—	—	—	(19)
Gain on real estate dispositions	458,280	—	—	—	458,280
Net income (loss)	613,958	(41,215)	175,607	(133,159)	615,191
Net income attributable to noncontrolling interests	—	—	1,233	—	1,233
Net income (loss) attributable to common stockholders	\$ 613,958	\$ (41,215)	\$ 174,374	\$ (133,159)	\$ 613,958

CONDENSED CONSOLIDATING STATEMENT OF INCOME

For the Three Months Ended September 30, 2016

	Ventas, Inc.	Ventas Realty	Ventas Subsidiaries	Consolidated Elimination	Consolidated
	(In thousands)				
Revenues					
Rental income	\$ 585	\$ 49,652	\$ 318,460	\$ —	\$ 368,697
Resident fees and services	—	—	461,974	—	461,974
Office building and other services revenue	401	—	3,916	—	4,317
Income from loans and investments	82	—	31,484	—	31,566
Equity earnings in affiliates	143,782	—	(281)	(143,501)	—
Interest and other income	476	—	86	—	562
Total revenues	145,326	49,652	815,639	(143,501)	867,116
Expenses					
Interest	(11,779)	70,371	46,471	—	105,063
Depreciation and amortization	1,414	2,833	204,140	—	208,387
Property-level operating expenses	—	80	361,037	—	361,117
Office building services costs	—	—	974	—	974
General, administrative and professional fees	(1,359)	4,940	27,986	—	31,567
(Gain) loss on extinguishment of debt, net	(58)	340	101	—	383
Merger-related expenses and deal costs	15,952	—	265	—	16,217
Other	(21)	4	2,447	—	2,430
Total expenses	4,149	78,568	643,421	—	726,138
Income (loss) before unconsolidated entities, income taxes, discontinued operations, real estate dispositions and noncontrolling interests	141,177	(28,916)	172,218	(143,501)	140,978
Income from unconsolidated entities	—	783	148	—	931
Income tax benefit	8,537	—	—	—	8,537
Income (loss) from continuing operations	149,714	(28,133)	172,366	(143,501)	150,446
Discontinued operations	(118)	—	—	—	(118)
Loss on real estate dispositions	(144)	—	—	—	(144)
Net income (loss)	149,452	(28,133)	172,366	(143,501)	150,184
Net income attributable to noncontrolling interests	—	—	732	—	732
Net income (loss) attributable to common stockholders	\$ 149,452	\$ (28,133)	\$ 171,634	\$ (143,501)	\$ 149,452

CONDENSED CONSOLIDATING STATEMENT OF INCOME

For the Nine Months Ended September 30, 2017

	For the Nine Months Ended September 30, 2017				
	Ventas, Inc.	Ventas Realty	Ventas Subsidiaries	Consolidated Elimination	Consolidated
	(In thousands)				
Revenues					
Rental income	\$ 1,782	\$ 141,717	\$ 1,053,097	\$ —	\$ 1,196,596
Resident fees and services	—	—	1,386,131	—	1,386,131
Office building and other services revenue	—	—	9,781	—	9,781
Income from loans and investments	908	—	84,591	—	85,499
Equity earnings in affiliates	398,757	—	(1,125)	(397,632)	—
Interest and other income	374	—	480	—	854
Total revenues	401,821	141,717	2,532,955	(397,632)	2,678,861
Expenses					
Interest	(61,095)	238,312	159,028	—	336,245
Depreciation and amortization	4,140	6,062	645,096	—	655,298
Property-level operating expenses	—	235	1,110,789	—	1,111,024
Office building services costs	—	—	1,708	—	1,708
General, administrative and professional fees	421	13,570	86,569	—	100,560
Loss (gain) on extinguishment of debt, net	—	942	(86)	—	856
Merger-related expenses and deal costs	8,007	—	896	—	8,903
Other	1,744	—	14,322	—	16,066
Total expenses	(46,783)	259,121	2,018,322	—	2,230,660
Income (loss) before unconsolidated entities, income taxes, discontinued operations, real estate dispositions and noncontrolling interests	448,604	(117,404)	514,633	(397,632)	448,201
Income (loss) from unconsolidated entities	—	4,919	(1,125)	—	3,794
Income tax benefit	13,119	—	—	—	13,119
Income (loss) from continuing operations	461,723	(112,485)	513,508	(397,632)	465,114
Discontinued operations	(95)	—	—	—	(95)
Gain on real estate dispositions	502,288	—	—	—	502,288
Net income (loss)	963,916	(112,485)	513,508	(397,632)	967,307
Net income attributable to noncontrolling interests	—	—	3,391	—	3,391
Net income (loss) attributable to common stockholders	\$ 963,916	\$ (112,485)	\$ 510,117	\$ (397,632)	\$ 963,916

CONDENSED CONSOLIDATING STATEMENT OF INCOME

For the Nine Months Ended September 30, 2016

	For the Nine Months Ended September 30, 2016				
	Ventas, Inc.	Ventas Realty	Ventas Subsidiaries	Consolidated Elimination	Consolidated
	(In thousands)				
Revenues					
Rental income	\$ 2,084	\$ 147,795	\$ 931,647	\$ —	\$ 1,081,526
Resident fees and services	—	—	1,390,387	—	1,390,387
Office building and other services revenue	1,605	—	15,401	—	17,006
Income from loans and investments	82	—	78,016	—	78,098
Equity earnings in affiliates	376,570	—	(913)	(375,657)	—
Interest and other income	546	—	246	—	792
Total revenues	380,887	147,795	2,414,784	(375,657)	2,567,809
Expenses					
Interest	(33,668)	207,961	137,708	—	312,001
Depreciation and amortization	7,549	15,614	643,572	—	666,735
Property-level operating expenses	—	236	1,069,058	—	1,069,294
Office building services costs	—	—	6,277	—	6,277
General, administrative and professional fees	872	13,657	80,858	—	95,387
Loss on extinguishment of debt, net	—	2,772	393	—	3,165
Merger-related expenses and deal costs	24,067	—	1,006	—	25,073
Other	4	8	8,889	—	8,901
Total expenses	(1,176)	240,248	1,947,761	—	2,186,833
Income (loss) before unconsolidated entities, income taxes, discontinued operations, real estate dispositions and noncontrolling interests	382,063	(92,453)	467,023	(375,657)	380,976
Income from unconsolidated entities	—	1,230	921	—	2,151
Income tax benefit	28,507	—	—	—	28,507
Income (loss) from continuing operations	410,570	(91,223)	467,944	(375,657)	411,634
Discontinued operations	(755)	—	—	—	(755)
Gain on real estate dispositions	31,779	—	—	—	31,779
Net income (loss)	441,594	(91,223)	467,944	(375,657)	442,658
Net income attributable to noncontrolling interests	—	—	1,064	—	1,064
Net income (loss) attributable to common stockholders	\$ 441,594	\$ (91,223)	\$ 466,880	\$ (375,657)	\$ 441,594

CONDENSED CONSOLIDATING STATEMENTS OF COMPREHENSIVE INCOME

For the Three Months Ended September 30, 2017

	Ventas, Inc.	Ventas Realty	Ventas Subsidiaries	Consolidated Elimination	Consolidated
	(In thousands)				
Net income (loss)	\$ 613,958	\$ (41,215)	\$ 175,607	\$ (133,159)	615,191
Other comprehensive (loss) income:					
Foreign currency translation	—	—	5,239	—	5,239
Unrealized loss on government-sponsored pooled loan investments	(48)	—	—	—	(48)
Other	—	—	(936)	—	(936)
Total other comprehensive (loss) income	(48)	—	4,303	—	4,255
Comprehensive income (loss)	613,910	(41,215)	179,910	(133,159)	619,446
Comprehensive income attributable to noncontrolling interests	—	—	1,233	—	1,233
Comprehensive income (loss) attributable to common stockholders	\$ 613,910	\$ (41,215)	\$ 178,677	\$ (133,159)	\$ 618,213

For the Three Months Ended September 30, 2016

	Ventas, Inc.	Ventas Realty	Ventas Subsidiaries	Consolidated Elimination	Consolidated
	(In thousands)				
Net income (loss)	\$ 149,452	\$ (28,133)	\$ 172,366	\$ (143,501)	150,184
Other comprehensive loss:					
Foreign currency translation	—	—	(6,421)	—	(6,421)
Unrealized loss on government-sponsored pooled loan investments	(92)	—	—	—	(92)
Other	—	—	1,094	—	1,094
Total other comprehensive loss	(92)	—	(5,327)	—	(5,419)
Comprehensive income (loss)	149,360	(28,133)	167,039	(143,501)	144,765
Comprehensive income attributable to noncontrolling interests	—	—	732	—	732
Comprehensive income (loss) attributable to common stockholders	\$ 149,360	\$ (28,133)	\$ 166,307	\$ (143,501)	\$ 144,033

CONDENSED CONSOLIDATING STATEMENTS OF COMPREHENSIVE INCOME

For the Nine Months Ended September 30, 2017

	Ventas, Inc.	Ventas Realty	Ventas Subsidiaries	Consolidated Elimination	Consolidated
	(In thousands)				
Net income (loss)	\$ 963,916	\$ (112,485)	\$ 513,508	\$ (397,632)	\$ 967,307
Other comprehensive (loss) income:					
Foreign currency translation	—	—	17,607	—	17,607
Unrealized loss on government-sponsored pooled loan investments	(233)	—	—	—	(233)
Other	—	—	(620)	—	(620)
Total other comprehensive (loss) income	(233)	—	16,987	—	16,754
Comprehensive income (loss)	963,683	(112,485)	530,495	(397,632)	984,061
Comprehensive income attributable to noncontrolling interests	—	—	3,391	—	3,391
Comprehensive income (loss) attributable to common stockholders	\$ 963,683	\$ (112,485)	\$ 527,104	\$ (397,632)	\$ 980,670

For the Nine Months Ended September 30, 2016

	Ventas, Inc.	Ventas Realty	Ventas Subsidiaries	Consolidated Elimination	Consolidated
	(In thousands)				
Net income (loss)	\$ 441,594	\$ (91,223)	\$ 467,944	\$ (375,657)	\$ 442,658
Other comprehensive income (loss):					
Foreign currency translation	—	—	(39,804)	—	(39,804)
Unrealized gain on government-sponsored pooled loan investments	158	—	—	—	158
Other	—	—	(2,403)	—	(2,403)
Total other comprehensive income (loss)	158	—	(42,207)	—	(42,049)
Comprehensive income (loss)	441,752	(91,223)	425,737	(375,657)	400,609
Comprehensive income attributable to noncontrolling interests	—	—	1,064	—	1,064
Comprehensive income (loss) attributable to common stockholders	\$ 441,752	\$ (91,223)	\$ 424,673	\$ (375,657)	\$ 399,545

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS

For the Nine Months Ended September 30, 2017

	Ventas, Inc.	Ventas Realty	Ventas Subsidiaries	Consolidated Elimination	Consolidated
	(In thousands)				
Net cash provided by (used in) operating activities	\$ 60,228	\$ (86,406)	\$ 1,112,417	\$ —	\$ 1,086,239
Cash flows from investing activities:					
Net investment in real estate property	(232,791)	—	(29,332)	—	(262,123)
Investment in loans receivable and other	(2,727)	—	(731,306)	—	(734,033)
Proceeds from real estate disposals	531,637	—	500	—	532,137
Proceeds from loans receivable	36	—	84,325	—	84,361
Development project expenditures	—	—	(210,423)	—	(210,423)
Capital expenditures	—	(604)	(82,783)	—	(83,387)
Distributions from unconsolidated entities	—	—	5,816	—	5,816
Investment in unconsolidated entities	—	—	(42,399)	—	(42,399)
Net cash provided by (used in) investing activities	296,155	(604)	(1,005,602)	—	(710,051)
Cash flows from financing activities:					
Net change in borrowings under revolving credit facility	—	467,000	(82,262)	—	384,738
Proceeds from debt	—	793,904	264,533	—	1,058,437
Repayment of debt	—	(778,606)	(446,919)	—	(1,225,525)
Purchase of noncontrolling interests	(15,809)	—	—	—	(15,809)
Net change in intercompany debt	741,457	(748,586)	7,129	—	—
Payment of deferred financing costs	—	(20,450)	(5,976)	—	(26,426)
Issuance of common stock, net	73,596	—	—	—	73,596
Cash distribution (to) from affiliates	(560,606)	373,748	186,858	—	—
Cash distribution to common stockholders	(827,285)	—	—	—	(827,285)
Cash distribution to redeemable OP unitholders	—	—	(5,677)	—	(5,677)
Contributions from noncontrolling interests	—	—	4,402	—	4,402
Distributions to noncontrolling interests	—	—	(9,248)	—	(9,248)
Other	10,543	—	—	—	10,543
Net cash (used in) provided by financing activities	(578,104)	87,010	(87,160)	—	(578,254)
Net (decrease) increase in cash and cash equivalents	(221,721)	—	19,655	—	(202,066)
Effect of foreign currency translation on cash and cash equivalents	25,481	—	(25,059)	—	422
Cash and cash equivalents at beginning of period	210,303	—	76,404	—	286,707
Cash and cash equivalents at end of period	\$ 14,063	\$ —	\$ 71,000	\$ —	\$ 85,063

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS

For the Nine Months Ended September 30, 2016

	Ventas, Inc.	Ventas Realty	Ventas Subsidiaries	Consolidated Elimination	Consolidated
	(In thousands)				
Net cash provided by (used in) operating activities	\$ 44,088	\$ (73,848)	\$ 1,035,906	\$ —	\$ 1,006,146
Cash flows from investing activities:					
Net investment in real estate property	(1,440,710)	—	19,118	—	(1,421,592)
Investment in loans receivable and other	—	—	(154,949)	—	(154,949)
Proceeds from real estate disposals	20,441	—	43,120	—	63,561
Proceeds from loans receivable	—	—	194,063	—	194,063
Development project expenditures	—	—	(94,398)	—	(94,398)
Capital expenditures	—	(18)	(75,278)	—	(75,296)
Investment in unconsolidated entities	—	—	(6,175)	—	(6,175)
Net cash used in investing activities	(1,420,269)	(18)	(74,499)	—	(1,494,786)
Cash flows from financing activities:					
Net change in borrowings under revolving credit facility	—	(94,000)	140,728	—	46,728
Proceeds from debt	—	846,521	30,096	—	876,617
Repayment of debt	—	(651,820)	(264,685)	—	(916,505)
Purchase of noncontrolling interests	—	—	(1,604)	—	(1,604)
Net change in intercompany debt	877,609	(32,967)	(844,642)	—	—
Payment of deferred financing costs	—	(5,485)	(662)	—	(6,147)
Issuance of common stock, net	1,265,702	—	—	—	1,265,702
Cash distribution from (to) affiliates	8,206	11,617	(19,823)	—	—
Cash distribution to common stockholders	(750,402)	—	—	—	(750,402)
Cash distribution to redeemable OP unitholders	—	—	(6,486)	—	(6,486)
Contributions from noncontrolling interest	—	—	5,926	—	5,926
Distributions to noncontrolling interests	—	—	(5,121)	—	(5,121)
Other	16,631	—	—	—	16,631
Net cash provided by (used in) financing activities	1,417,746	73,866	(966,273)	—	525,339
Net increase (decrease) in cash and cash equivalents	41,565	—	(4,866)	—	36,699
Effect of foreign currency translation on cash and cash equivalents	(41,259)	—	40,816	—	(443)
Cash and cash equivalents at beginning of period	11,733	—	41,290	—	53,023
Cash and cash equivalents at end of period	\$ 12,039	\$ —	\$ 77,240	\$ —	\$ 89,279

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

Cautionary Statements

Forward-Looking Statements

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

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

- The ability and willingness of our tenants, operators, borrowers, managers and other third parties to satisfy their obligations under their respective contractual arrangements with us, including, in some cases, their obligations to indemnify, defend and hold us harmless from and against various claims, litigation and liabilities;
- The ability of our tenants, operators, borrowers and managers to maintain the financial strength and liquidity necessary to satisfy their respective obligations and liabilities to third parties, including without limitation obligations under their existing credit facilities and other indebtedness;
- Our success in implementing our business strategy and our ability to identify, underwrite, finance, consummate and integrate diversifying acquisitions and investments;
- Macroeconomic conditions such as a disruption of or lack of access to the capital markets, changes in the debt rating on U.S. government securities, default or delay in payment by the United States of its obligations, and changes in the federal or state budgets resulting in the reduction or nonpayment of Medicare or Medicaid reimbursement rates;
- The nature and extent of future competition, including new construction in the markets in which our seniors housing communities and office buildings are located;
- The extent and effect of future or pending healthcare reform and regulation, including cost containment measures and changes in reimbursement policies, procedures and rates;
- Increases in our borrowing costs as a result of changes in interest rates and other factors;
- The ability of our tenants, operators and managers, as applicable, to comply with laws, rules and regulations in the operation of our properties, to deliver high-quality services, to attract and retain qualified personnel and to attract residents and patients;
- Changes in general economic conditions or economic conditions in the markets in which we may, from time to time, compete, and the effect of those changes on our revenues, earnings and funding sources;
- Our ability to pay down, refinance, restructure or extend our indebtedness as it becomes due;
- Our ability and willingness to maintain our qualification as a REIT in light of economic, market, legal, tax and other considerations;
- Final determination of our taxable net income for the year ending December 31, 2017 ;
- The ability and willingness of our tenants to renew their leases with us upon expiration of the leases, our ability to reposition our properties on the same or better terms in the event of nonrenewal or in the event we exercise our right to replace an existing tenant, and obligations, including indemnification obligations, we may incur in connection with the replacement of an existing tenant;

- Risks associated with our senior living operating portfolio, such as factors that can cause volatility in our operating income and earnings generated by those properties, including without limitation national and regional economic conditions, development of new competing properties, costs of food, materials, energy, labor and services, employee benefit costs, insurance costs and professional and general liability claims, and the timely delivery of accurate property-level financial results for those properties;
- Changes in exchange rates for any foreign currency in which we may, from time to time, conduct business;
- Year-over-year changes in the Consumer Price Index or the U.K. Retail Price Index and the effect of those changes on the rent escalators contained in our leases and on our earnings;
- Our ability and the ability of our tenants, operators, borrowers and managers to obtain and maintain adequate property, liability and other insurance from reputable, financially stable providers;
- The impact of increased operating costs and uninsured professional liability claims on our liquidity, financial condition and results of operations or that of our tenants, operators, borrowers and managers and our ability and the ability of our tenants, operators, borrowers and managers to accurately estimate the magnitude of those claims;
- Risks associated with our office building portfolio and operations, including our ability to successfully design, develop and manage office buildings and to retain key personnel;
- The ability of the hospitals on or near whose campuses our medical office buildings (“MOBs”) are located and their affiliated health systems to remain competitive and financially viable and to attract physicians and physician groups;
- Risks associated with our investments in joint ventures and unconsolidated entities, including our lack of sole decision-making authority and our reliance on our joint venture partners’ financial condition;
- Our ability to obtain the financial results expected from our development and redevelopment projects, including projects undertaken through our joint ventures;
- The impact of market or issuer events on the liquidity or value of our investments in marketable securities;
- Consolidation in the seniors housing and healthcare industries resulting in a change of control of, or a competitor’s investment in, one or more of our tenants, operators, borrowers or managers or significant changes in the senior management of our tenants, operators, borrowers or managers;
- The impact of litigation or any financial, accounting, legal or regulatory issues that may affect us or our tenants, operators, borrowers or managers; and
- Changes in accounting principles, or their application or interpretation, and our ability to make estimates and the assumptions underlying the estimates, which could have an effect on our earnings.

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

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

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

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

Company Overview

We are a REIT with a highly diversified portfolio of seniors housing and healthcare properties located throughout the United States, Canada and the United Kingdom. As of September 30, 2017, we owned more than 1,200 properties (including properties owned through investments in unconsolidated entities and properties classified as held for sale), consisting of seniors housing communities, MOBs, life science and innovation centers, inpatient rehabilitation and long-term acute care facilities, health systems and skilled nursing facilities, and we had 13 properties under development, including one property that is owned by an unconsolidated real estate entity. We are an S&P 500 company and headquartered in Chicago, Illinois.

We primarily invest in seniors housing and healthcare properties through acquisitions and lease our properties to unaffiliated tenants or operate them through independent third-party managers. As of September 30, 2017, we leased a total of 558 properties (excluding MOBs) to various healthcare operating companies under “triple-net” or “absolute-net” leases that obligate the tenants to pay all property-related expenses, including maintenance, utilities, repairs, taxes, insurance and capital expenditures, and we engaged independent operators, such as Atria and Sunrise, to manage 296 seniors housing communities for us pursuant to long-term management agreements.

Our three largest tenants, Brookdale Senior Living, Ardent and Kindred leased from us 136 properties (excluding one property managed by Brookdale Senior Living pursuant to a long-term management agreement), 10 properties and 46 properties (excluding one office building included within our office operations reportable business segment), respectively, as of September 30, 2017.

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

We aim to enhance shareholder value by delivering consistent, superior total returns through a strategy of: (1) generating reliable and growing cash flows; (2) maintaining a balanced, diversified portfolio of high-quality assets; and (3) preserving our financial strength, flexibility and liquidity.

Our ability to access capital in a timely and cost effective manner is critical to the success of our business strategy because it affects our ability to satisfy existing obligations, including the repayment of maturing indebtedness, and to make future investments. Factors such as general market conditions, interest rates, credit ratings on our securities, expectations of our potential future earnings and cash distributions, and the trading price of our common stock that are beyond our control and fluctuate over time all impact our access to and cost of external capital. For that reason, we generally attempt to match the long-term duration of our investments in real property with long-term financing through the issuance of shares of our common stock or the incurrence of long-term fixed rate debt.

Operating Highlights and Key Performance Trends

2017 Highlights and Other Recent Developments

Investments and Dispositions

- In March 2017, we provided secured debt financing to a subsidiary of Ardent to facilitate Ardent’s acquisition of LHP Hospital Group, Inc., which included a \$700.0 million term loan and a \$60.0 million revolving line of credit feature (of which \$23.0 million was outstanding at September 30, 2017). The LIBOR-based debt financing has a five -year term with a weighted average interest rate of approximately 9.0% as of September 30, 2017 and is guaranteed by Ardent’s parent company.
- During the nine months ended September 30, 2017, we acquired 14 triple-net leased properties (including six assets previously owned by an equity method investee) and two properties reported within our office operations reportable business segment (one life science, research and medical campus and one medical office building) for an aggregate purchase price of \$410.8 million.
- During the nine months ended September 30, 2017, we sold 37 triple-net leased properties, three MOBs, and three vacant land parcels for aggregate consideration of \$617.1 million, and we recognized a gain on the sale of these assets of \$502.3 million.

- In August 2017, we sold 22 SNFs, included in the 37 triple-net properties described above, owned by us and operated by Kindred for aggregate consideration of \$488.1 million and recognized a gain on the sale of these assets of \$458.0 million .
- During the nine months ended September 30, 2017 , we received \$27.0 million for the partial prepayment of secured and unsecured loans receivable and \$32.6 million for the full repayment of three secured loans receivable that were due to mature between 2017 and 2030.
- Subsequent to the quarter ending September 30, 2017 , we sold an additional seven SNFs owned by us and operated by Kindred for aggregate consideration of \$82.5 million . We expect to recognize a gain on the sale of these assets of approximately \$78 million during the fourth quarter.

Liquidity, Capital and Dividends

- We paid the first three quarterly installments of our 2017 dividend of \$0.775 per share.
- In March 2017, we issued and sold \$400.0 million aggregate principal amount of 3.100% senior notes due 2023 at a public offering price equal to 99.280% of par, for total proceeds of \$397.1 million before the underwriting discount and expenses, and \$400.0 million aggregate principal amount of 3.850% senior notes due 2027 at a public offering price equal to 99.196% of par, for total proceeds of \$396.8 million before the underwriting discount and expenses.
- In April 2017, we entered into an unsecured credit facility comprised of a \$3.0 billion unsecured revolving credit facility, priced at LIBOR plus 0.875% , that replaced our previous \$2.0 billion unsecured revolving credit facility priced at LIBOR plus 1.0%.
- In April 2017, we repaid in full, at par, \$300.0 million aggregate principal amount then outstanding of our 1.250% senior notes due 2017 upon maturity.
- In June 2017, we issued and sold C\$275.0 million aggregate principal amount of 2.55% senior notes, Series D due 2023 on a private placement basis at a price equal to 99.954% of par, for total proceeds of C\$274.9 million before agent fees and expenses. We used part of the proceeds to repay C\$124.4 million on our unsecured term loan due 2019.
- In August 2017, we used most of the proceeds from the sale of 22 SNFs to repay the balances then outstanding on the 2018 and 2019 term loans.
- In September 2017, we entered into a new \$400.0 million secured revolving construction credit facility which matures in 2022 and will be primarily used to finance life science and innovation center and other construction projects.

Concentration Risk

We use concentration ratios to identify, understand and evaluate the potential impact of economic downturns and other adverse events that may affect our asset types, geographic locations, business models, and tenants, operators and managers. We evaluate concentration risk in terms of investment mix and operations mix. Investment mix measures the percentage of our investments that is concentrated in a specific asset type or that is operated or managed by a particular tenant, operator or manager. Operations mix measures the percentage of our operating results that is attributed to a particular tenant, operator or manager, geographic location or business model. The following tables reflect our concentration risk as of the dates and for the periods presented:

	As of September 30, 2017	As of December 31, 2016
Investment mix by asset type ⁽¹⁾ :		
Seniors housing communities	60.4%	61.8%
MOBs	20.1	20.7
Life science and innovation centers	6.7	6.1
Health systems	5.3	5.6
Inpatient rehabilitation and long-term acute care facilities	1.7	1.7
Skilled nursing facilities	0.8	1.4
Secured loans receivable and investments, net	5.0	2.7
Investment mix by tenant, operator and manager ⁽¹⁾ :		
Atria	22.1%	22.6%
Sunrise	10.9	11.3
Brookdale Senior Living	7.6	8.1
Ardent	4.9	5.1
Kindred	1.1	1.8
All other	53.4	51.1

(1) Ratios are based on the gross book value of real estate investments (excluding properties classified as held for sale and properties owned through investments in unconsolidated entities) as of each reporting date.

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2017	2016	2017	2016
Operations mix by tenant and operator and business model:				
Revenues ⁽¹⁾ :				
Senior living operations	51.3%	53.2%	51.7%	54.2%
Kindred	4.7	5.3	4.9	5.3
Brookdale Senior Living ⁽²⁾	4.9	4.8	4.9	4.8
Ardent	3.1	3.1	3.1	3.1
All others	36.0	33.6	35.4	32.6
Adjusted EBITDA ⁽³⁾ :				
Senior living operations	29.1%	30.4%	29.8%	31.3%
Kindred	7.9	8.7	8.2	8.9
Brookdale Senior Living ⁽²⁾	7.7	7.8	7.7	7.9
Ardent	5.1	5.0	5.1	5.1
All others	50.2	48.1	49.2	46.8
NOI ⁽⁴⁾ :				
Senior living operations	27.9%	29.7%	28.7%	30.7%
Kindred	8.1	9.1	8.4	9.2
Brookdale Senior Living ⁽²⁾	8.4	8.2	8.3	8.3
Ardent	5.3	5.3	5.3	5.3
All others	50.3	47.7	49.3	46.5
Operations mix by geographic location ⁽⁵⁾ :				
California	15.2%	15.2%	15.3%	15.3%
New York	8.6	8.8	8.6	8.8
Texas	5.7	6.1	5.8	6.3
Illinois	4.7	4.9	4.8	4.9
Florida	4.4	4.4	4.4	4.5
All others	61.4	60.6	61.1	60.2

(1) Total revenues include office building and other services revenue, revenue from loans and investments and interest and other income (excluding amounts in discontinued operations and including amounts related to assets classified as held for sale).

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

(3) “Adjusted EBITDA” is defined as consolidated earnings, which includes amounts in discontinued operations, before interest, taxes, depreciation and amortization (including non-cash stock-based compensation expense), excluding gains or losses on extinguishment of debt, our consolidated joint venture partners’ share of EBITDA, merger-related expenses and deal costs, expenses related to the re-audit and re-review in 2014 of our historical financial statements, net gains or losses on real estate activity, gains or losses on re-measurement of equity interest upon acquisition, changes in the fair value of financial instruments, unrealized foreign currency gains or losses and net expenses or recoveries related to natural disasters, and including our share of EBITDA from unconsolidated entities and adjustments for other immaterial or identified items.

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

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

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

Triple-Net Lease Expirations

If our tenants are not able or willing to renew our triple-net leases upon expiration, we may be unable to reposition the applicable properties on a timely basis or on the same or better economic terms, if at all. Although our lease expirations are staggered, the non-renewal of some or all of our triple-net leases that expire in any given year could have a material adverse effect on our business, financial condition, results of operations and liquidity, our ability to service our indebtedness and other obligations and our ability to make distributions to our stockholders, as required for us to continue to qualify as a REIT (a “Material Adverse Effect”). During the nine months ended September 30, 2017, we had no triple-net lease renewals or expirations without renewal that, in the aggregate, had a material impact on our financial condition or results of operations for that period.

Critical Accounting Policies and Estimates

Our Consolidated Financial Statements included in Item 1 of this Quarterly Report on Form 10-Q have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) for interim financial information set forth in the Accounting Standards Codification (“ASC”), as published by the Financial Accounting Standards Board (“FASB”). GAAP requires us to make estimates and assumptions regarding future events that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. We base these estimates on our experience and assumptions we believe to be reasonable under the circumstances. However, if our judgment or interpretation of the facts and circumstances relating to various transactions or other matters had been different, we may have applied a different accounting treatment, resulting in a different presentation of our financial statements. We periodically reevaluate our estimates and assumptions, and in the event they prove to be different from actual results, we make adjustments in subsequent periods to reflect more current estimates and assumptions about matters that are inherently uncertain. Please refer to our Annual Report on Form 10-K for the year ended December 31, 2016, filed with the SEC on February 14, 2017, for further information regarding the critical accounting policies that affect our more significant estimates and judgments used in the preparation of our Consolidated Financial Statements included in Item 1 of this Quarterly Report on Form 10-Q.

Principles of Consolidation

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

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

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

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

Accounting for Real Estate Acquisitions

On January 1, 2017, we adopted Accounting Standards Update (“ASU”) 2017-01, *Clarifying the Definition of a Business* (“ASU 2017-01”) which narrows the FASB’s definition of a business and provides a framework that gives entities a basis for making reasonable judgments about whether a transaction involves an asset or a business. ASU 2017-01 states that when substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets, the acquired asset is not a business. If this initial test is not met, an acquired asset cannot be considered a business unless it includes an input and a substantive process that together significantly contribute to the ability to create output. The primary differences between business combinations and asset acquisitions include recognition of goodwill at the acquisition date and expense recognition for transaction costs as incurred. We are applying ASU 2017-01 prospectively for acquisitions after January 1, 2017.

Regardless of whether an acquisition is considered a business combination or an asset acquisition, we record the cost of the businesses or assets acquired as tangible and intangible assets and liabilities based upon their estimated fair values as of the acquisition date. Intangibles primarily include the value of in-place leases and acquired lease contracts.

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

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

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

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

In connection with an acquisition, we may assume rights and obligations under certain lease agreements pursuant to which we become the lessee of a given property. We generally assume the lease classification previously determined by the prior lessee absent a modification in the assumed lease agreement. We assess assumed operating leases, including ground leases, to determine whether the lease terms are favorable or unfavorable to us given current market conditions on the acquisition date. To the extent the lease terms are favorable or unfavorable to us relative to market conditions on the acquisition date, we recognize an intangible asset or liability at fair value and amortize that asset or liability to interest or rental expense in our Consolidated Statements of Income over the applicable lease term. We include all lease-related intangible assets and liabilities within acquired lease intangibles and accounts payable and other liabilities, respectively, on our Consolidated Balance Sheets.

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

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

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

Impairment of Long-Lived and Intangible Assets

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

If impairment indicators arise with respect to intangible assets with finite useful lives, then we evaluate impairment by comparing the carrying amount of the asset to the estimated future undiscounted net cash flows expected to be generated by the asset. If estimated future undiscounted net cash flows are less than the carrying amount of the asset, then we estimate the fair value of the asset and compare the estimated fair value to the intangible asset's carrying value. We recognize any shortfall from carrying value as an impairment loss in the current period.

We evaluate our investments in unconsolidated entities for impairment at least annually, and whenever events or changes in circumstances indicate that the carrying value of our investment may exceed its fair value. If we determine that a decline in the fair value of our investment in an unconsolidated entity is other-than-temporary, and if such reduced fair value is below the carrying value, we record an impairment.

We test goodwill for impairment at least annually, and more frequently if indicators arise. We first assess qualitative factors, such as current macroeconomic conditions, state of the equity and capital markets and our overall financial and operating performance, to determine the likelihood that the fair value of a reporting unit is less than its carrying amount. If we determine it is more likely than not that the fair value of a reporting unit is less than its carrying amount, we proceed with the two-step approach to evaluating impairment. First, we estimate the fair value of the reporting unit and compare it to the reporting unit's carrying value. If the carrying value exceeds fair value, we proceed with the second step, which requires us to assign the fair value of the reporting unit to all of the assets and liabilities of the reporting unit as if it had been acquired in a business combination at the date of the impairment test. The excess fair value of the reporting unit over the amounts assigned to the assets and liabilities is the implied value of goodwill and is used to determine the amount of impairment. We recognize an impairment loss to the extent the carrying value of goodwill exceeds the implied value in the current period.

Estimates of fair value used in our evaluation of goodwill (if necessary based on our qualitative assessment), investments in real estate, investments in unconsolidated entities and intangible assets are based upon discounted future cash flow projections or other acceptable valuation techniques that are based, in turn, upon all available evidence including level three inputs, such as revenue and expense growth rates, estimates of future cash flows, capitalization rates, discount rates, general economic conditions and trends, or other available market data. Our ability to accurately predict future operating results and cash flows and to estimate and determine fair values impacts the timing and recognition of impairments. While we believe our assumptions are reasonable, changes in these assumptions may have a material impact on our financial results.

Revenue Recognition

Triple-Net Leased Properties and Office Operations

Certain of our triple-net leases and most of our MOB and life science and innovation center (collectively, "office operations") leases provide for periodic and determinable increases in base rent. We recognize base rental revenues under these leases on a straight-line basis over the applicable lease term when collectibility is reasonably assured. Recognizing rental

income on a straight-line basis generally results in recognized revenues during the first half of a lease term exceeding the cash amounts contractually due from our tenants, creating a straight-line rent receivable that is included in other assets on our Consolidated Balance Sheets.

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

Senior Living Operations

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

Other

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

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

Allowances

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

Recently Issued or Adopted Accounting Standards

On January 1, 2017, we adopted ASU 2016-09, *Compensation - Stock Compensation* ("ASU 2016-09") which simplifies several aspects of the accounting for employee share-based payment transactions, including the accounting for forfeitures and statutory tax withholding requirements, as well as classification in the statement of cash flows. Adoption of ASU 2016-09 did not have a significant impact on our Consolidated Financial Statements.

In 2014, the FASB issued ASU 2014-09, *Revenue From Contracts With Customers* ("ASU 2014-09", as codified in "ASC 606"), which outlines a comprehensive model for entities to use in accounting for revenue arising from contracts with customers. ASC 606 states that "an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services." While ASC 606 specifically references contracts with customers, it may also apply to certain other transactions such as the sale of real estate. ASC 606 is effective for us beginning January 1, 2018 and we plan to adopt ASC 606 using the modified retrospective method.

We have evaluated all of our revenue streams to identify any differences in the timing, measurement or presentation of revenue recognition. Based on a review of our various revenue streams, we believe the following items in our Consolidated

Statements of Income are subject to ASC 606: office building and other services revenue, certain elements of our resident fees and services, common area maintenance in our office operations and gains on the sale of real estate. Our office building and other services revenues are primarily generated by management contracts where we provide management, leasing, marketing, facility development and advisory services. Resident fees and services include revenues generated through certain point-of-sale transactions provided to residents of our seniors housing communities that are ancillary to the residents' contractual rights to occupy living and common-area space at the communities. While these revenue streams are subject to the application of ASC 606, we believe that the pattern and timing of recognition of income will be consistent with the current accounting model. We will not apply the principles of ASC 606 to our common area maintenance revenues and certain resident fees and services until January 1, 2019, when we adopt ASU 2016-02, *Leases* ("ASU 2016-02").

As it relates to gains on sale of real estate, we expect to recognize any gains when we transfer control of a property and will no longer apply existing sales criteria in ASC 360, *Property, Plant, and Equipment*. We are evaluating the impact of ASC 606 to \$31.2 million of deferred gains relating to sales of real estate assets in 2015. Other than the potential cumulative effect adjustment relating to such deferred gains, we do not expect the adoption of ASC 606 to have a significant impact on our Consolidated Financial Statements. Our remaining implementation items include calculating the cumulative effect adjustment, if any, to be recorded upon adoption of ASC 606, drafting revised disclosures in accordance with the new standard and implementing changes to internal control policies and procedures, if any.

In February 2016, the FASB issued ASU 2016-02, which introduces a lessee model that brings most leases on the balance sheet and, among other changes, eliminates the requirement in current GAAP for an entity to use bright-line tests in determining lease classification. ASU 2016-02 is not effective for us until January 1, 2019, with early adoption permitted. We are continuing to evaluate this guidance and the impact to us, as both lessor and lessee, on our Consolidated Financial Statements.

In 2016, the FASB issued ASU 2016-15, *Classification of Certain Cash Receipts and Cash Payments* ("ASU 2016-15"), which provides clarification regarding how certain cash receipts and cash payments are presented and classified in the statement of cash flows and ASU 2016-18, *Restricted Cash* ("ASU 2016-18"), which requires an entity to show the changes in total cash, cash equivalents, restricted cash and restricted cash equivalents in the statement of cash flows. ASU 2016-15 and ASU 2016-18 are effective for us beginning January 1, 2018 and will be applied by using a retrospective transition method. Adoption of these standards is not expected to have a significant impact on our Consolidated Financial Statements.

In 2016, the FASB issued ASU 2016-16, *Intra-Entity Transfers of Assets Other Than Inventory* ("ASU 2016-16"), which requires a company to recognize the tax consequences of an intra-entity transfer of an asset, other than inventory, when the transfer occurs. ASU 2016-16 is effective for us beginning January 1, 2018 with early adoption permitted. ASU 2016-16 will be applied by us using a modified retrospective method. Adoption of this standard is not expected to have a significant impact on our Consolidated Financial Statements.

Results of Operations

As of September 30, 2017, we operated through three reportable business segments: triple-net leased properties, senior living operations and office operations. In our triple-net leased properties segment, we invest in and own seniors housing and healthcare properties throughout the United States and the United Kingdom and lease those properties to healthcare operating companies under "triple-net" or "absolute-net" leases that obligate the tenants to pay all property-related expenses. In our senior living operations segment, we invest in seniors housing communities throughout the United States and Canada and engage independent operators, such as Atria and Sunrise, to manage those communities. In our office operations segment, we primarily acquire, own, develop, lease and manage MOBs and life science and innovation centers throughout the United States. Information provided for "all other" includes income from loans and investments and other miscellaneous income and various corporate-level expenses not directly attributable to any of our three reportable business segments. Assets included in "all other" consist primarily of corporate assets, including cash, restricted cash, loans receivable and investments, and miscellaneous accounts receivable. We evaluate performance of the combined properties in each reportable business segment based on segment NOI and related measures. For further information regarding our reportable business segments and a discussion of our definition of segment NOI, see "NOTE 16—SEGMENT INFORMATION" of the Notes to Consolidated Financial Statements included in Item 1 of this Quarterly Report on Form 10-Q.

Three Months Ended September 30, 2017 and 2016

The table below shows our results of operations for the three months ended September 30, 2017 and 2016 and the effect of changes in those results from period to period on our net income attributable to common stockholders.

	For the Three Months Ended September 30,		Increase (Decrease) to Net Income	
	2017	2016	\$	%
(Dollars in thousands)				
Segment NOI:				
Triple-net leased properties	\$ 213,495	\$ 211,670	\$ 1,825	0.9 %
Senior living operations	146,102	149,829	(3,727)	(2.5)
Office operations	130,047	110,538	19,509	17.6
All other	33,488	32,426	1,062	3.3
Total segment NOI	523,132	504,463	18,669	3.7
Interest and other income	171	562	(391)	(69.6)
Interest expense	(113,869)	(105,063)	(8,806)	(8.4)
Depreciation and amortization	(213,407)	(208,387)	(5,020)	(2.4)
General, administrative and professional fees	(33,317)	(31,567)	(1,750)	(5.5)
Loss on extinguishment of debt, net	(511)	(383)	(128)	(33.4)
Merger-related expenses and deal costs	(804)	(16,217)	15,413	95.0
Other	(13,030)	(2,430)	(10,600)	(436.2)
Income before unconsolidated entities, income taxes, discontinued operations, real estate dispositions and noncontrolling interests	148,365	140,978	7,387	5.2
Income from unconsolidated entities	750	931	(181)	(19.4)
Income tax benefit	7,815	8,537	(722)	(8.5)
Income from continuing operations	156,930	150,446	6,484	4.3
Discontinued operations	(19)	(118)	99	83.9
Gain (loss) on real estate dispositions	458,280	(144)	458,424	nm
Net income	615,191	150,184	465,007	309.6
Net income attributable to noncontrolling interests	1,233	732	(501)	(68.4)
Net income attributable to common stockholders	\$ 613,958	\$ 149,452	464,506	310.8

nm - not meaningful

Segment NOI—Triple-Net Leased Properties

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

The following table summarizes results of operations in our triple-net leased properties reportable business segment, including assets sold or classified as held for sale as of September 30, 2017, but excluding assets whose operations were classified as discontinued operations:

	For the Three Months Ended September 30,		Increase (Decrease) to Segment NOI	
	2017	2016	\$	%
(Dollars in thousands)				
Segment NOI—Triple-Net Leased Properties:				
Rental income	\$ 212,370	\$ 210,424	\$ 1,946	0.9 %
Other services revenue	1,125	1,246	(121)	(9.7)
Segment NOI	\$ 213,495	\$ 211,670	1,825	0.9

In our triple-net leased properties segment, our revenues generally consist of fixed rental amounts (subject to annual contractual escalations) received from our tenants in accordance with the applicable lease terms. However, occupancy rates may affect the profitability of our tenants' operations. The following table sets forth average continuing occupancy rates related to the triple-net leased properties we owned at September 30, 2017 for the second quarter of 2017 (which is the most recent information available to us from our tenants) and average continuing occupancy rates related to the triple-net leased properties we owned at September 30, 2016 for the second quarter of 2016.

	Number of Properties Owned at September 30, 2017	Average Occupancy for the Three Months Ended June 30, 2017	Number of Properties Owned at September 30, 2016	Average Occupancy for the Three Months Ended June 30, 2016
Seniors housing communities ⁽¹⁾	437	85.8%	424	88.1%
Skilled nursing facilities ⁽¹⁾	17	86.0	17	87.7
Inpatient rehabilitation and long-term acute care facilities ⁽¹⁾	38	58.8	38	61.3

⁽¹⁾ Excludes properties included in discontinued operations and properties sold or classified as held for sale, non-stabilized properties, properties owned through investments in unconsolidated entities and certain properties for which we do not receive occupancy information. Also excludes properties acquired during the three months ended September 30, 2017 and 2016, respectively, and properties that transitioned operators for which we do not have five full quarters of results subsequent to the transition.

The following table compares results of operations for our 497 same-store triple-net leased properties, unadjusted for foreign currency movements between comparison periods. With regard to our triple-net leased properties segment, "same-store" refers to properties owned, consolidated, operational and reported under a consistent business model for the full period in both comparison periods, excluding assets sold or classified as held for sale as of September 30, 2017 and assets whose operations were classified as discontinued operations.

	For the Three Months Ended September 30,		Increase to Segment NOI	
	2017	2016	\$	%
(Dollars in thousands)				
Same-Store Segment NOI—Triple-Net Leased Properties:				
Rental income	\$ 194,111	\$ 191,126	\$ 2,985	1.6%
Segment NOI	<u>\$ 194,111</u>	<u>\$ 191,126</u>	<u>2,985</u>	<u>1.6</u>

Segment NOI—Senior Living Operations

The following table summarizes results of operations in our senior living operations reportable business segment, including assets sold or classified as held for sale as of September 30, 2017, but excluding assets whose operations were classified as discontinued operations:

	For the Three Months Ended September 30,		Decrease to Segment NOI	
	2017	2016	\$	%
(Dollars in thousands)				
Segment NOI—Senior Living Operations:				
Resident fees and services	\$ 461,700	\$ 461,974	\$ (274)	(0.1)%
Less:				
Property-level operating expenses	(315,598)	(312,145)	(3,453)	(1.1)
Segment NOI	<u>\$ 146,102</u>	<u>\$ 149,829</u>	<u>(3,727)</u>	<u>(2.5)</u>

	Number of Properties at September 30,		Average Unit Occupancy For the Three Months Ended September 30,		Average Monthly Revenue Per Occupied Room For the Three Months Ended September 30,	
	2017	2016	2017	2016	2017	2016
Total communities	293	298	88.3%	90.7%	\$ 5,761	\$ 5,495

Resident fees and services include all amounts earned from residents at our seniors housing communities, such as rental fees related to resident leases, extended health care fees and other ancillary service income.

Property-level operating expenses related to our senior living operations segment include labor, food, utilities, marketing, management and other costs of operating the properties.

The following table compares results of operations for our 290 same-store senior living operating communities, unadjusted for foreign currency movements between periods. With regard to our senior living operations segment, “same-store” refers to properties owned, consolidated, operational and reported under a consistent business model for the full period in both comparison periods, excluding properties that transitioned operators since the start of the prior comparison period, assets sold or classified as held for sale as of September 30, 2017 and assets whose operations were classified as discontinued operations.

	For the Three Months Ended September 30,		Increase (Decrease) to Segment NOI	
	2017	2016	\$	%
(Dollars in thousands)				
Same-Store Segment NOI—Senior Living Operations:				
Resident fees and services	\$ 458,011	\$ 451,809	\$ 6,202	1.4 %
Less:				
Property-level operating expenses	(312,576)	(304,652)	(7,924)	(2.6)
Segment NOI	<u>\$ 145,435</u>	<u>\$ 147,157</u>	<u>(1,722)</u>	<u>(1.2)</u>

	Number of Properties at September 30,		Average Unit Occupancy For the Three Months Ended September 30,		Average Monthly Revenue Per Occupied Room For the Three Months Ended September 30,	
	2017	2016	2017	2016	2017	2016
Same-store communities	290	290	88.4%	90.9%	\$ 5,767	\$ 5,535

Segment NOI—Office Operations

The following table summarizes results of operations in our office operations reportable business segment, including assets sold or classified as held for sale as of September 30, 2017, but excluding assets whose operations were classified as discontinued operations:

	For the Three Months Ended September 30,		Increase (Decrease) to Segment NOI	
	2017	2016	\$	%
(Dollars in thousands)				
Segment NOI—Office Operations:				
Rental income	\$ 189,506	\$ 158,273	\$ 31,233	19.7 %
Office building services revenue	1,568	2,211	(643)	(29.1)
Total revenues	191,074	160,484	30,590	19.1
Less:				
Property-level operating expenses	(60,609)	(48,972)	(11,637)	(23.8)
Office building services costs	(418)	(974)	556	57.1
Segment NOI	<u>\$ 130,047</u>	<u>\$ 110,538</u>	<u>19,509</u>	<u>17.6</u>

	Number of Properties at September 30,		Occupancy at September 30,		Annualized Average Rent Per Occupied Square Foot for the Three Months Ended September 30,	
	2017	2016	2017	2016	2017	2016
Total office buildings	389	393	91.7%	91.2%	\$ 32	\$ 32

The increase in our office operations segment rental income in the third quarter of 2017 over the same period in 2016 is attributed primarily to the September 2016 acquisition of life science and innovation centers and in-place lease escalations, partially offset by asset dispositions. The increase in our office building property-level operating expenses in the third quarter of 2017 over the same period in 2016 is attributed primarily to the above acquisition and increases in real estate taxes and other operating expenses, partially offset by asset dispositions.

Office building services revenue, net of applicable costs, decreased year over year primarily due to decreased construction activity during the third quarter of 2017 over the same period in 2016 .

The following table compares results of operations for our 354 same-store office buildings. With regard to our office operations segment, “same-store” refers to properties owned, consolidated, operational and reported under a consistent business model for the full period in both comparison periods, excluding assets sold or classified as held for sale as of September 30, 2017 and assets whose operations were classified as discontinued operations.

	For the Three Months Ended September 30,		Increase (Decrease) to Segment NOI	
	2017	2016	\$	%
(Dollars in thousands)				
Same-Store Segment NOI—Office Operations:				
Rental income	\$ 142,570	\$ 141,354	\$ 1,216	0.9 %
Less:				
Property-level operating expenses	(44,108)	(42,791)	(1,317)	(3.1)
Segment NOI	<u>\$ 98,462</u>	<u>\$ 98,563</u>	<u>(101)</u>	<u>(0.1)</u>

	Number of Properties at September 30,		Occupancy at September 30,		Annualized Average Rent Per Occupied Square Foot for the Three Months Ended September 30,	
	2017	2016	2017	2016	2017	2016
Same-store office buildings	354	354	91.0%	91.6%	\$ 31	\$ 30

All Other

The \$1.1 million increase in all other for the three months ended September 30, 2017 over the same period in 2016 is primarily due to income from new loans issued during the 2017, partially offset by decreased income attributable to loan repayments received during 2016.

Interest Expense

The \$8.8 million increase in total interest expense for the three months ended September 30, 2017 compared to 2016 , is attributed primarily to an increase of \$6.1 million due to higher debt balances and an increase of \$2.7 million due to a higher effective interest rate, including the amortization of any fair value adjustments. Our effective interest rate was 3.8% and 3.7% for the three months ended September 30, 2017 and 2016 , respectively.

Depreciation and Amortization

Depreciation and amortization expense related to continuing operations increased during the three months ended September 30, 2017 compared to the same period in 2016 primarily due to the 2016 life science and innovation centers acquisition, partially offset by a decrease in amortization related to certain lease intangibles that were fully amortized during the third quarter of 2016.

Other

Other increased \$10.6 million during the three months ended September 30, 2017 compared to the same period in 2016 primarily due to expenses and impairments related to natural disasters. We have insurance coverage to mitigate the financial impact of these types of events. However, there can be no assurance regarding the amount or timing of any insurance recoveries. Such recoveries will be recognized when collection is deemed probable.

Income Tax Benefit

Income tax benefits related to continuing operations for the three months ended September 30, 2017 and 2016 were each due primarily to operating losses at our taxable REIT subsidiaries (“TRS entities”), and the reversal of a tax reserve at the REIT.

Gain on Real Estate Dispositions

The \$458.4 million increase in gain on real estate dispositions for the three months ended September 30, 2017 over the same period in 2016 is due primarily to a \$458.0 million gain on the sale of 22 triple-net leased properties in August 2017.

Nine Months Ended September 30, 2017 and 2016

The table below shows our results of operations for the nine months ended September 30, 2017 and 2016 and the effect of changes in those results from period to period on our net income attributable to common stockholders.

	For the Nine Months Ended September 30,		Increase (Decrease) to Net Income	
	2017	2016	\$	%
(Dollars in thousands)				
Segment NOI:				
Triple-net leased properties	\$ 638,410	\$ 638,706	\$ (296)	(0.0)%
Senior living operations	449,835	457,712	(7,877)	(1.7)
Office operations	390,552	314,156	76,396	24.3
All other	86,478	80,872	5,606	6.9
Total segment NOI	1,565,275	1,491,446	73,829	5.0
Interest and other income	854	792	62	7.8
Interest expense	(336,245)	(312,001)	(24,244)	(7.8)
Depreciation and amortization	(655,298)	(666,735)	11,437	1.7
General, administrative and professional fees	(100,560)	(95,387)	(5,173)	(5.4)
Loss on extinguishment of debt, net	(856)	(3,165)	2,309	73.0
Merger-related expenses and deal costs	(8,903)	(25,073)	16,170	64.5
Other	(16,066)	(8,901)	(7,165)	(80.5)
Income before unconsolidated entities, income taxes, discontinued operations, real estate dispositions and noncontrolling interests	448,201	380,976	67,225	17.6
Income from unconsolidated entities	3,794	2,151	1,643	76.4
Income tax benefit	13,119	28,507	(15,388)	(54.0)
Income from continuing operations	465,114	411,634	53,480	13.0
Discontinued operations	(95)	(755)	660	87.4
Gain on real estate dispositions	502,288	31,779	470,509	nm
Net income	967,307	442,658	524,649	118.5
Net income attributable to noncontrolling interests	3,391	1,064	(2,327)	(218.7)
Net income attributable to common stockholders	\$ 963,916	\$ 441,594	522,322	118.3

nm - not meaningful

Segment NOI—Triple-Net Leased Properties

The following table summarizes results of operations in our triple-net leased properties reportable business segment, including assets sold or classified as held for sale as of September 30, 2017, but excluding assets whose operations were classified as discontinued operations:

	For the Nine Months Ended September 30,		Decrease to Segment NOI	
	2017	2016	\$	%
(Dollars in thousands)				
Segment NOI—Triple-Net Leased Properties:				
Rental income	\$ 634,955	\$ 635,030	\$ (75)	(0.0)%
Other services revenue	3,455	3,676	(221)	(6.0)
Segment NOI	\$ 638,410	\$ 638,706	(296)	(0.0)

The following table compares results of operations for our 495 same-store triple-net leased properties, unadjusted for foreign currency movements between comparison periods. With regard to our triple-net leased properties segment, “same-store” refers to properties that we owned for the full period in both comparison periods, excluding assets sold or classified as held for sale as of September 30, 2017 and assets whose operations were classified as discontinued operations.

	For the Nine Months Ended September 30,		Increase to Segment NOI	
	2017	2016	\$	%
(Dollars in thousands)				
Same-Store Segment NOI—Triple-Net Leased Properties:				
Rental income	\$ 578,240	\$ 575,149	\$ 3,091	0.5%
Segment NOI	<u>\$ 578,240</u>	<u>\$ 575,149</u>	<u>3,091</u>	<u>0.5</u>

Segment NOI—Senior Living Operations

The following table summarizes results of operations in our senior living operations reportable business segment, including assets sold or classified as held for sale as of September 30, 2017 , but excluding assets whose operations were classified as discontinued operations:

	For the Nine Months Ended September 30,		Decrease to Segment NOI	
	2017	2016	\$	%
(Dollars in thousands)				
Segment NOI—Senior Living Operations:				
Resident fees and services	\$ 1,386,131	\$ 1,390,387	\$ (4,256)	(0.3)%
Less:				
Property-level operating expenses	(936,296)	(932,675)	(3,621)	(0.4)
Segment NOI	<u>\$ 449,835</u>	<u>\$ 457,712</u>	<u>(7,877)</u>	<u>(1.7)</u>

	Number of Properties at September 30,		Average Unit Occupancy For the Nine Months Ended September 30,		Average Monthly Revenue Per Occupied Room For the Nine Months Ended September 30,	
	2017	2016	2017	2016	2017	2016
Total communities	293	298	88.2%	90.4%	\$ 5,722	\$ 5,460

The following table compares results of operations for our 288 same-store senior living operating communities, unadjusted for foreign currency movements between periods. With regard to our senior living operations segment, “same-store” refers to properties that we owned and were operational for the full period in both comparison periods, excluding properties that transitioned operators since the start of the prior comparison period, assets sold or classified as held for sale as of September 30, 2017 and assets whose operations were classified as discontinued operations.

	For the Nine Months Ended September 30,		Increase (Decrease) to Segment NOI	
	2017	2016	\$	%
(Dollars in thousands)				
Same-Store Segment NOI—Senior Living Operations:				
Resident fees and services	\$ 1,354,062	\$ 1,334,793	\$ 19,269	1.4 %
Less:				
Property-level operating expenses	(914,662)	(893,995)	(20,667)	(2.3)
Segment NOI	<u>\$ 439,400</u>	<u>\$ 440,798</u>	<u>(1,398)</u>	<u>(0.3)</u>

	Number of Properties at September 30,		Average Unit Occupancy For the Nine Months Ended September 30,		Average Monthly Revenue Per Occupied Room For the Nine Months Ended September 30,	
	2017	2016	2017	2016	2017	2016
Same-store communities	288	288	88.3%	90.5%	\$ 5,746	\$ 5,526

Segment NOI—Office Operations

The following table summarizes results of operations in our office operations reportable business segment, including assets sold or classified as held for sale as of September 30, 2017, but excluding assets whose operations were classified as discontinued operations:

	For the Nine Months Ended September 30,		Increase (Decrease) to Segment NOI	
	2017	2016	\$	%
(Dollars in thousands)				
Segment NOI—Office Operations:				
Rental income	\$ 561,641	\$ 446,496	\$ 115,145	25.8 %
Office building services revenue	5,347	10,556	(5,209)	(49.3)
Total revenues	566,988	457,052	109,936	24.1
Less:				
Property-level operating expenses	(174,728)	(136,619)	(38,109)	(27.9)
Office building services costs	(1,708)	(6,277)	4,569	72.8
Segment NOI	<u>\$ 390,552</u>	<u>\$ 314,156</u>	76,396	24.3

	Number of Properties at September 30,		Occupancy at September 30,		Annualized Average Rent Per Occupied Square Foot for the Nine Months Ended September 30,	
	2017	2016	2017	2016	2017	2016
Total office buildings	389	393	91.7%	91.2%	\$ 32	\$ 31

The increase in our office operations segment rental income during the nine months ended September 30, 2017 over the prior year is attributed primarily to the September 2016 acquisition of life science and innovation centers and in-place lease escalations, partially offset by asset dispositions. The increase in our office building property-level operating expenses during the nine months ended September 30, 2017 over the prior year is attributed primarily to the above acquisition and increases in real estate taxes and other operating expenses, partially offset by asset dispositions.

Office building services revenue, net of applicable costs, decreased year over year primarily due to decreased construction activity during the nine months ended September 30, 2017 over the prior year.

The following table compares results of operations for our 352 same-store office buildings. With regard to our office operations segment, “same-store” refers to properties that we owned for the full period in both comparison periods, excluding assets sold or classified as held for sale as of September 30, 2017 and assets whose operations were classified as discontinued operations.

	For the Nine Months Ended September 30,		Increase (Decrease) to Segment NOI	
	2017	2016	\$	%
(Dollars in thousands)				
Same-Store Segment NOI—Office Operations:				
Rental income	\$ 425,348	\$ 419,892	\$ 5,456	1.3 %
Less:				
Property-level operating expenses	(128,815)	(125,563)	(3,252)	(2.6)
Segment NOI	<u>\$ 296,533</u>	<u>\$ 294,329</u>	2,204	0.7

	Number of Properties at September 30,		Occupancy September 30,		Annualized Average Rent Per Occupied Square Foot for the Nine Months Ended September 30,	
	2017	2016	2017	2016	2017	2016
Same-store Office Buildings	352	352	91.0%	91.6%	\$ 30	\$ 29

All Other

The \$5.6 million increase in all other for the nine months ended September 30, 2017 over the same period in 2016 is primarily due to income from new loans issued during the 2017, partially offset by decreased income attributable to loan repayments received during 2016.

Interest Expense

The \$24.2 million increase in total interest expense for the nine months ended September 30, 2017 and 2016, respectively, is attributed primarily to an increase of \$15.5 million in interest expense due to higher debt balances and an increase of \$8.7 million due to a higher effective interest rate, including the amortization of any fair value adjustments. Our effective interest rate was approximately 3.7% and 3.6% for the nine months ended September 30, 2017 and 2016, respectively.

Depreciation and Amortization

Depreciation and amortization expense related to continuing operations decreased during the nine months ended September 30, 2017 compared to the same period in 2016, primarily due to a decrease in amortization related to certain lease intangibles that were fully amortized during the third quarter of 2016, partially offset by the 2016 life science and innovation centers acquisition.

Loss on Extinguishment of Debt, Net

Loss on extinguishment of debt, net for the nine months ended September 30, 2017 was due primarily to term loan repayments and the replacement of our previous \$2.0 billion unsecured revolving credit facility. Loss on extinguishment of debt, net for the nine months ended September 30, 2016 was due to our 2016 redemption and repayment of the \$550.0 million aggregate principal amount then outstanding of our 1.55% senior notes due 2016 and term loan repayments.

Merger-Related Expenses and Deal Costs

The \$16.2 million decrease in merger-related expenses and deal costs for the nine months ended September 30, 2017 over the same period in 2016 was due primarily to the September 2016 acquisition of life science and innovation centers.

Other

The \$7.2 million increase in other for the nine months ended September 30, 2017 over the same period in 2016 is primarily due to expenses and impairments related to natural disasters. We have insurance coverage to mitigate the financial impact of these types of events. However, there can be no assurance regarding the amount or timing of any insurance recoveries. Such recoveries will be recognized when collection is deemed probable.

Income from Unconsolidated Entities

The \$1.6 million increase in income from unconsolidated entities for the nine months ended September 30, 2017 over the same period in 2016 is primarily due to the fair value re-measurement of our previously held equity interest, resulting in a gain on re-measurement of \$3.0 million, partially offset by our share of net losses related to certain unconsolidated entities. Refer to “NOTE 7—INVESTMENTS IN UNCONSOLIDATED ENTITIES” of the Notes to Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q for additional information.

Income Tax Benefit

Income tax benefit related to continuing operations for the nine months ended September 30, 2017 and 2016 were each due primarily to operating losses at our taxable REIT subsidiaries (“TRS entities”), the reversal of a deferred tax liability at a TRS entity and the reversal of a tax reserve at the REIT.

Gain on Real Estate Dispositions

The \$470.5 million increase in gain on real estate dispositions for the nine months ended September 30, 2017 over the same period in 2016 is due primarily to a \$458.0 million gain on the sale of 22 triple-net leased properties in August 2017.

Net Income Attributable to Noncontrolling Interests

The increase in net income attributable to noncontrolling interests of \$2.3 million over the same period in 2016 is primarily due to the September 2016 acquisition of life science and innovation centers and asset dispositions.

Non-GAAP Financial Measures

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

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

Funds From Operations and Normalized Funds From Operations

Historical cost accounting for real estate assets implicitly assumes that the value of real estate assets diminishes predictably over time. However, since real estate values historically have risen or fallen with market conditions, many industry investors deem presentations of operating results for real estate companies that use historical cost accounting to be insufficient by themselves. For that reason, we consider Funds From Operations (“FFO”) and normalized FFO to be appropriate supplemental measures of operating performance of an equity REIT. In particular, we believe that normalized FFO is useful because it allows investors, analysts and our management to compare our operating performance to the operating performance of other real estate companies and between periods on a consistent basis without having to account for differences caused by non-recurring items and other non-operational events such as transactions and litigation. In some cases, we provide information about identified non-cash components of FFO and normalized FFO because it allows investors, analysts and our management to assess the impact of those items on our financial results.

We use the National Association of Real Estate Investment Trusts (“NAREIT”) definition of FFO. NAREIT defines FFO as net income attributable to common stockholders (computed in accordance with GAAP), excluding gains or losses from sales of real estate property, including gains or losses on re-measurement of equity method investments, and impairment write-downs of depreciable real estate, plus real estate depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures. Adjustments for unconsolidated partnerships and joint ventures will be calculated to reflect FFO on the same basis. We define normalized FFO as FFO excluding the following income and expense items (which may be recurring in nature): (a) merger-related costs and expenses, including amortization of intangibles, transition and integration expenses, and deal costs and expenses, including expenses and recoveries relating to acquisition lawsuits; (b) the impact of any expenses related to asset impairment and valuation allowances, the write-off of unamortized deferred financing fees, or additional costs, expenses, discounts, make-whole payments, penalties or premiums incurred as a result of early retirement or payment of our debt; (c) the non-cash effect of income tax benefits or expenses, the non-cash impact of changes to our executive equity compensation plan and derivative transactions that have non-cash mark-to-market impacts on our Consolidated Statements of Income; (d) the financial impact of contingent consideration, severance-related costs and charitable donations made to the Ventas Charitable Foundation; (e) gains and losses for non-operational foreign currency hedge agreements and changes in the fair value of financial instruments; (f) gains and losses on non-real estate dispositions and other unusual items related to unconsolidated entities; (g) expenses related to the re-audit and re-review in 2014 of our historical financial statements and related matters; and (h) net expenses or recoveries related to natural disasters. We believe that income from continuing operations is the most comparable GAAP measure because it provides insight into our continuing operations.

The following table summarizes our FFO and normalized FFO for the three and nine months ended September 30, 2017 and 2016 . The increase in normalized FFO for the nine months ended September 30, 2017 over the same period in 2016 is due primarily to improved property performance and accretive investments.

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2017	2016	2017	2016
(In thousands)				
Income from continuing operations	\$ 156,930	\$ 150,446	\$ 465,114	\$ 411,634
Discontinued operations	(19)	(118)	(95)	(755)
Gain (loss) on real estate dispositions	458,280	(144)	502,288	31,779
Net income	615,191	150,184	967,307	442,658
Net income attributable to noncontrolling interests	1,233	732	3,391	1,064
Net income attributable to common stockholders	613,958	149,452	963,916	441,594
Adjustments:				
Real estate depreciation and amortization	211,784	206,560	650,092	661,632
Real estate depreciation related to noncontrolling interests	(1,911)	(1,865)	(5,723)	(5,754)
Real estate depreciation related to unconsolidated entities	855	1,113	3,500	4,322
Gain on real estate dispositions related to unconsolidated entities	(986)	—	(1,045)	(495)
Gain on re-measurement of equity interest upon acquisition, net	—	—	(3,027)	—
Gain on real estate dispositions related to noncontrolling interests	18	—	18	—
(Gain) loss on real estate dispositions	(458,280)	144	(502,288)	(31,779)
Discontinued operations:				
Loss on real estate dispositions	—	—	—	1
FFO attributable to common stockholders	365,438	355,404	1,105,443	1,069,521
Adjustments:				
Change in fair value of financial instruments	8	14	(122)	(72)
Non-cash income tax benefit	(8,515)	(9,389)	(15,619)	(30,832)
Loss on extinguishment of debt, net	486	383	936	3,165
(Gain) loss on non-real estate dispositions related to unconsolidated entities	(22)	28	(34)	(557)
Merger-related expenses, deal costs and re-audit costs	2,741	16,965	12,906	28,769
Amortization of other intangibles	328	438	1,131	1,314
Unusual items related to unconsolidated entities	1,207	—	1,699	—
Non-cash impact of changes to equity plan	1,372	—	4,082	—
Natural disaster expenses (recoveries), net	9,810	—	9,810	—
Normalized FFO attributable to common stockholders	\$ 372,853	\$ 363,843	\$ 1,120,232	\$ 1,071,308

Adjusted EBITDA

We consider Adjusted EBITDA an important supplemental measure because it provides another manner in which to evaluate our operating performance and serves as another indicator of our credit strength and our ability to service our debt obligations. We define Adjusted EBITDA as consolidated earnings, which includes amounts in discontinued operations, before interest, taxes, depreciation and amortization (including non-cash stock-based compensation expense), excluding gains or losses on extinguishment of debt, our consolidated joint venture partners' share of EBITDA, merger-related expenses and deal costs, expenses related to the re-audit and re-review in 2014 of our historical financial statements, net gains or losses on real estate activity, gains or losses on re-measurement of equity interest upon acquisition, changes in the fair value of financial instruments, unrealized foreign currency gains or losses and net expenses or recoveries related to natural disasters, and including our share of EBITDA from unconsolidated entities and adjustments for other immaterial or identified items. The following table sets forth a reconciliation of income from continuing operations to Adjusted EBITDA for the three and nine months ended September 30, 2017 and 2016 :

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2017	2016	2017	2016
(In thousands)				
Income from continuing operations	\$ 156,930	\$ 150,446	\$ 465,114	\$ 411,634
Discontinued operations	(19)	(118)	(95)	(755)
Gain (loss) on real estate dispositions	458,280	(144)	502,288	31,779
Net income	615,191	150,184	967,307	442,658
Net income attributable to noncontrolling interests	1,233	732	3,391	1,064
Net income attributable to common stockholders	613,958	149,452	963,916	441,594
Adjustments:				
Interest	113,869	105,063	336,245	312,001
Loss on extinguishment of debt, net	511	383	856	3,165
Taxes (including tax amounts in general, administrative and professional fees)	(8,130)	(7,940)	(11,629)	(27,214)
Depreciation and amortization	213,407	208,387	655,298	666,735
Non-cash stock-based compensation expense	6,527	5,848	19,923	15,885
Merger-related expenses, deal costs and re-audit costs	2,092	16,489	11,001	25,741
Net income (loss) attributable to noncontrolling interests, net of consolidated joint venture partners' share of EBITDA	(3,278)	(3,076)	(9,788)	(9,229)
(Income) loss from unconsolidated entities, net of Ventas share of EBITDA from unconsolidated entities	6,660	5,509	20,797	20,861
(Gain) loss on real estate dispositions	(458,280)	144	(502,288)	(31,778)
Unrealized foreign currency losses (gains)	210	(359)	(899)	(931)
Change in fair value of financial instruments	6	13	(142)	(101)
Gain on re-measurement of equity interest upon acquisition, net	—	—	(3,027)	—
Natural disaster expenses (recoveries), net	9,810	—	9,810	—
Adjusted EBITDA	\$ 497,362	\$ 479,913	\$ 1,490,073	\$ 1,416,729

NOI

We also consider NOI an important supplemental measure because it allows investors, analysts and our management to assess our unlevered property-level operating results and to compare our operating results with those of other real estate companies and between periods on a consistent basis. We define NOI as total revenues, less interest and other income, property-level operating expenses and office building services costs. Cash receipts may differ due to straight-line recognition of certain rental income and the application of other GAAP policies. The following table sets forth a reconciliation of income from continuing operations to NOI for the three and nine months ended September 30, 2017 and 2016 :

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2017	2016	2017	2016
	(In thousands)			
Income from continuing operations	\$ 156,930	\$ 150,446	\$ 465,114	\$ 411,634
Discontinued operations	(19)	(118)	(95)	(755)
Gain (loss) on real estate dispositions	458,280	(144)	502,288	31,779
Net income	615,191	150,184	967,307	442,658
Net income attributable to noncontrolling interests	1,233	732	3,391	1,064
Net income attributable to common stockholders	613,958	149,452	963,916	441,594
Adjustments:				
Interest and other income	(171)	(562)	(854)	(792)
Interest	113,869	105,063	336,245	312,001
Depreciation and amortization	213,407	208,387	655,298	666,735
General, administrative and professional fees	33,317	31,567	100,560	95,387
Loss on extinguishment of debt, net	511	383	856	3,165
Merger-related expenses and deal costs	823	16,335	8,998	25,827
Other	13,030	2,430	16,066	8,901
Net income attributable to noncontrolling interests	1,233	732	3,391	1,064
Income from unconsolidated entities	(750)	(931)	(3,794)	(2,151)
Income tax benefit	(7,815)	(8,537)	(13,119)	(28,507)
(Gain) loss on real estate dispositions	(458,280)	144	(502,288)	(31,778)
NOI	\$ 523,132	\$ 504,463	\$ 1,565,275	\$ 1,491,446

Liquidity and Capital Resources

As of September 30, 2017, we had a total of \$85.1 million of unrestricted cash and cash equivalents, operating cash and cash related to our senior living operations and office operations reportable business segments that is deposited and held in property-level accounts. Funds maintained in the property-level accounts are used primarily for the payment of property-level expenses, debt service payments and certain capital expenditures. As of September 30, 2017, we also had escrow deposits and restricted cash of \$76.5 million and \$2.4 billion of unused borrowing capacity available under our unsecured revolving credit facility.

During the nine months ended September 30, 2017, our principal sources of liquidity were cash flows from operations, proceeds from the issuance of debt securities, proceeds from asset sales and cash on hand.

For the next 12 months, our principal liquidity needs are to: (i) fund operating expenses; (ii) meet our debt service requirements; (iii) repay maturing mortgage and other debt, including \$700.0 million of senior notes; (iv) fund capital expenditures; (v) fund acquisitions, investments and commitments, including development and redevelopment activities; and (vi) make distributions to our stockholders and unitholders, as required for us to continue to qualify as a REIT. We expect that these liquidity needs generally will be satisfied by a combination of the following: cash flows from operations, cash on hand, debt assumptions and financings (including secured financings), issuances of debt and equity securities, dispositions of assets (in whole or in part through joint venture arrangements with third parties) and borrowings under our unsecured revolving credit facility. However, an inability to access liquidity through multiple capital sources concurrently could have a Material Adverse Effect on us.

Credit Facilities and Unsecured Term Loans

In April 2017, we entered into an unsecured credit facility comprised of a \$3.0 billion unsecured revolving credit facility, priced at LIBOR plus 0.875% , that replaced our previous \$2.0 billion unsecured revolving credit facility priced at LIBOR plus 1.0% . The unsecured credit facility was also comprised of our \$200.0 million term loan that was scheduled to mature in 2018 and our \$278.6 million term loan that was scheduled to mature in 2019. The 2018 and 2019 term loans were priced at LIBOR plus 1.05% . In August 2017, we used most of the proceeds from the sale of 22 SNFs to repay the balances then outstanding on the 2018 and 2019 term loans, and recognized a loss on extinguishment of debt of \$0.5 million . See "NOTE 5-DISPOSITIONS" of the Notes to Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q for additional information.

The revolving credit facility matures in 2021, but may be extended at our option subject to the satisfaction of certain conditions for two additional periods of six months each. The revolving credit facility also includes an accordion feature that permits us to increase our aggregate borrowing capacity thereunder to up to \$3.75 billion .

As of September 30, 2017 , we had \$538.9 million of borrowings outstanding, \$14.5 million of letters of credit outstanding and \$2.4 billion of unused borrowing capacity available under our new revolving credit facility.

As of September 30, 2017 , we also had a \$900.0 million term loan due 2020 priced at LIBOR plus 0.975% .

In September 2017, we entered into a new \$400.0 million secured revolving construction credit facility which matures in 2022 and will be primarily used to finance life science and innovation center and other construction projects. As of September 30, 2017 , there were no borrowings outstanding under the secured revolving construction credit facility.

Senior Notes

In March 2017, we issued and sold \$400.0 million aggregate principal amount of 3.100% senior notes due 2023 at a public offering price equal to 99.280% of par, for total proceeds of \$397.1 million before the underwriting discount and expenses, and \$400.0 million aggregate principal amount of 3.850% senior notes due 2027 at a public offering price equal to 99.196% of par, for total proceeds of \$396.8 million before the underwriting discount and expenses.

In April 2017, we repaid in full, at par, \$300.0 million aggregate principal amount then outstanding of our 1.250% senior notes due 2017 upon maturity.

In June 2017, we issued and sold C\$275.0 million aggregate principal amount of 2.55% senior notes due 2023 at a price equal to 99.954% of par, for total proceeds of C\$274.9 million before the agent fees and expenses. The notes were offered on a private placement basis in Canada. We used part of the proceeds to repay C\$124.4 million on our unsecured term loan due 2019.

Mortgage Loan Obligations

During the nine months ended September 30, 2017 , we repaid in full mortgage loans outstanding in the aggregate principal amount of \$307.5 million .

Cash Flows

The following table sets forth our sources and uses of cash flows for the nine months ended September 30, 2017 and 2016 :

	For the Nine Months Ended September 30,		Increase (Decrease) to Cash	
	2017	2016	\$	%
	(Dollars in thousands)			
Cash and cash equivalents at beginning of period	\$ 286,707	\$ 53,023	\$ 233,684	nm
Net cash provided by operating activities	1,086,239	1,006,146	80,093	8.0 %
Net cash used in investing activities	(710,051)	(1,494,786)	784,735	52.5
Net cash (used in) provided by financing activities	(578,254)	525,339	(1,103,593)	(210.1)
Effect of foreign currency translation on cash and cash equivalents	422	(443)	865	195.3
Cash and cash equivalents at end of period	\$ 85,063	\$ 89,279	(4,216)	(4.7)

nm - not meaningful

Cash Flows from Operating Activities

Cash flows from operating activities increased \$80.1 million during the nine months ended September 30, 2017 over the same period in 2016 due primarily to investments made during 2016 and 2017, partially offset by dispositions during the same periods.

Cash Flows from Investing Activities

Cash used in investing activities decreased \$784.7 million during the nine months ended September 30, 2017 over the same period in 2016 primarily due to decreased investment in real estate property during the nine months ended September 30, 2017 and proceeds from the August 2017 sale of 22 SNFs, partially offset by the \$700.0 million term loan we provided in March 2017 to facilitate Ardent's acquisition of LHP, increases in development project expenditures and decreased loan receivable payments received during 2017.

Cash Flows from Financing Activities

Cash flows from financing activities decreased \$1.1 billion during the nine months ended September 30, 2017 over the same period in 2016 primarily due to increased debt repayments and decreased proceeds from the issuance of common stock during 2017, partially offset by increased senior note issuances and unsecured revolving credit facility borrowings during the nine months ended September 30, 2017 over the same period in 2016.

Capital Expenditures

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

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

We are party to certain agreements that obligate us to develop seniors housing or healthcare properties funded through capital that we and, in certain circumstances, our joint venture partners provide. As of September 30, 2017, we had 13 properties under development pursuant to these agreements, including one property that is owned by an unconsolidated real estate entity. In addition, from time to time, we engage in redevelopment projects with respect to our existing seniors housing communities to maximize the value, increase NOI, maintain a market-competitive position, achieve property stabilization or change the primary use of the property.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

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

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

To highlight the sensitivity of our fixed rate debt to changes in interest rates, the following summary shows the effects of a hypothetical instantaneous change of 100 basis points in interest rates as of September 30, 2017 and December 31, 2016 :

	As of September 30, 2017	As of December 31, 2016
	(In thousands)	
Gross book value	\$ 9,585,186	\$ 9,481,101
Fair value ⁽¹⁾	9,816,981	9,600,621
Fair value reflecting change in interest rates ⁽¹⁾ :		
-100 basis points	10,326,811	10,117,238
+100 basis points	9,324,881	9,133,292

⁽¹⁾ The change in fair value of our fixed rate debt from December 31, 2016 to September 30, 2017 was due primarily to senior note issuances in 2017, partially offset by 2017 senior note and fixed rate mortgage debt repayments.

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

	As of September 30, 2017	As of December 31, 2016	As of September 30, 2016
	(Dollars in thousands)		
Balance:			
Fixed rate:			
Senior notes and other, unhedged portion	\$ 8,226,610	\$ 7,854,264	\$ 7,869,733
Floating to fixed rate swap on term loan	200,000	200,000	200,000
Mortgage loans and other ⁽¹⁾	1,158,576	1,426,837	1,455,432
Variable rate:			
Fixed to floating rate swap on senior notes	400,000	—	—
Unsecured revolving credit facility	538,911	146,538	232,405
Unsecured term loans, unhedged portion	700,000	1,271,215	1,273,353
Mortgage loans and other ⁽¹⁾	287,521	292,060	286,914
Total	<u>\$ 11,511,618</u>	<u>\$ 11,190,914</u>	<u>\$ 11,317,837</u>
Percentage of total debt:			
Fixed rate:			
Senior notes and other, unhedged portion	71.4%	70.2%	69.5%
Floating to fixed rate swap on term loan	1.7	1.8	1.8
Mortgage loans and other ⁽¹⁾	10.1	12.7	12.9
Variable rate:			
Fixed to floating rate swap on senior notes	3.5	—	—
Unsecured revolving credit facility	4.7	1.3	2.0
Unsecured term loans, unhedged portion	6.1	11.4	11.3
Mortgage loans and other ⁽¹⁾	2.5	2.6	2.5
Total	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
Weighted average interest rate at end of period:			
Fixed rate:			
Senior notes and other, unhedged portion	3.7%	3.6%	3.6%
Floating to fixed rate swap on term loan	2.1	2.2	2.0
Mortgage loans and other ⁽¹⁾	5.4	5.6	5.6
Variable rate:			
Fixed to floating rate swap on senior notes	2.3	—	—
Unsecured revolving credit facility	2.0	1.9	1.7
Unsecured term loans, unhedged portion	2.2	1.7	1.5
Mortgage loans and other ⁽¹⁾	2.2	2.1	2.1
Total	3.6	3.6	3.5

⁽¹⁾ Excludes mortgage debt of \$66.0 million related to real estate assets classified as held for sale as of September 30, 2016, which was included in liabilities related to assets held for sale on our Consolidated Balance Sheet as of September 30, 2016.

The variable rate debt in the table above reflects, in part, the effect of \$150.6 million notional amount of interest rate swaps with a maturity of March 2018 that effectively convert fixed rate debt to variable rate debt. In addition, the fixed rate debt in the table above reflects, in part, the effect of \$251.2 million notional amount of interest rate swaps with maturities ranging from October 2018 to September 2027, in each case that effectively convert variable rate debt to fixed rate debt.

In January and February 2017, we entered into a total of \$275 million of notional forward starting swaps with an effective date of April 3, 2017 that reduced our exposure to fluctuations in interest rates related to changes in rates between the trade dates of the swaps and the forecasted issuance of long-term debt. The rate on the notional amounts was locked at a

weighted average rate of 2.33%. In March 2017, these swaps were terminated in conjunction with the issuance of the 3.850% senior notes due 2027, which resulted in a \$0.8 million gain which will be recognized over the life of the notes using the effective interest method.

In March 2017, we entered into interest rate swaps totaling a notional amount of \$400.0 million with a maturity of January 15, 2023, effectively converting fixed rate debt to three month LIBOR-based floating rate debt. As a result, we will receive a fixed rate on the swap of 3.10% and will pay a floating rate equal to three month LIBOR plus a weighted average swap spread of 0.98%.

In June 2017, we entered into a total of \$125 million of notional forward starting swaps with an effective date of January 15, 2018 that reduced our exposure to fluctuations in interest rates related to changes in rates between the trade dates of the swaps and the forecasted issuance of long-term debt. The rate on the notional amounts was locked at a weighted average rate of 2.1832%.

The increase in our outstanding variable rate debt at September 30, 2017 compared to December 31, 2016 is primarily attributable to the \$400.0 million notional amount interest rate swaps mentioned above and increased borrowings under our unsecured revolving credit facility, partially offset by term loan repayments.

Pursuant to the terms of certain leases with one of our tenants, if interest rates increase on certain variable rate debt that we have totaling \$80.0 million as of September 30, 2017, our tenant is required to pay us additional rent (on a dollar-for-dollar basis) in an amount equal to the increase in interest expense resulting from the increased interest rates. Therefore, the increase in interest expense related to this debt is equally offset by an increase in additional rent due to us from the tenant. Assuming a 100 basis point increase in the weighted average interest rate related to our variable rate debt and assuming no change in our variable rate debt outstanding as of September 30, 2017, interest expense for 2017 would increase by approximately \$18.5 million, or \$0.05 per diluted common share.

As of September 30, 2017 and December 31, 2016, our joint venture partners' aggregate share of total debt was \$74.1 million and \$80.9 million, respectively, with respect to certain properties we owned through consolidated joint ventures. Total debt does not include our portion of debt related to investments in unconsolidated entities, which was \$89.9 million and \$122.0 million as of September 30, 2017 and December 31, 2016, respectively.

As of September 30, 2017 and December 31, 2016, the fair value of our secured and non-mortgage loans receivable, based on our estimates of currently prevailing rates for comparable loans, was \$1.4 billion and \$709.6 million, respectively.

As a result of our Canadian and United Kingdom operations, we are subject to fluctuations in certain foreign currency exchange rates that may, from time to time, affect our financial condition and operating performance. Based solely on our results for the nine months ended September 30, 2017 (including the impact of existing hedging arrangements), if the value of the U.S. dollar relative to the British pound and Canadian dollar were to increase or decrease by one standard deviation compared to the average exchange rate during the year, our normalized FFO per share for the three and nine months of 2017 would decrease or increase, as applicable, by less than \$0.01 per share or 1%. We will continue to mitigate these risks through a layered approach to hedging looking out for the next year and continual assessment of our foreign operational capital structure. Nevertheless, we cannot assure you that any such fluctuations will not have an effect on our earnings.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

As required by Rules 13a-15(b) and 15d-15(b) of the Exchange Act, our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures as of September 30, 2017. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) were effective as of September 30, 2017, at the reasonable assurance level.

Internal Control Over Financial Reporting

During the third quarter of 2017, there were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The information contained in NOTE 12. "LITIGATION" of the Notes to Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q is incorporated by reference into this Item 1. Except as set forth therein, there have been no new material legal proceedings and no material developments in the legal proceedings reported in our Annual Report on Form 10-K for the year ended December 31, 2016 .

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

Issuer Purchases of Equity Securities

We do not have a publicly announced repurchase plan or program in effect. The table below summarizes other repurchases of our common stock made during the quarter ended September 30, 2017 :

	Number of Shares Repurchased ⁽¹⁾	Average Price Per Share
July 1 through July 31	24	\$ 69.18
August 1 through August 31	3,518	67.45
September 1 through September 30	—	—

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

ITEM 6. EXHIBITS

The exhibits required by Item 601 of Regulation S-K which are filed with this report are listed in the Exhibit Index.

SIGNATURES

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

Date: October 27, 2017

VENTAS, INC.

By:

/s/ DEBRA A. CAFARO

Debra A. Cafaro
Chairman and
Chief Executive Officer

By:

/s/ ROBERT F. PROBST

Robert F. Probst
Executive Vice President and
Chief Financial Officer

EXHIBIT INDEX

Exhibit Number	Description of Document	Location of Document
<u>10.1</u>	Employment Transition Agreement dated July 25, 2017 between Ventas, Inc. and Todd W. Lillibridge	Filed herewith.
<u>12.1</u>	Statement Regarding Computation of Ratios of Earnings to Fixed Charges.	Filed herewith.
<u>31.1</u>	Certification of Debra A. Cafaro, Chairman and Chief Executive Officer, pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as amended.	Filed herewith.
<u>31.2</u>	Certification of Robert F. Probst, Executive Vice President and Chief Financial Officer, pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as amended.	Filed herewith.
<u>32.1</u>	Certification of Debra A. Cafaro, Chairman and Chief Executive Officer, pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934, as amended, and 18 U.S.C. § 1350.	Filed herewith.
<u>32.2</u>	Certification of Robert F. Probst, Executive Vice President and Chief Financial Officer, pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934, as amended, and 18 U.S.C. § 1350.	Filed herewith.
101	Interactive Data File.	Filed herewith.

EMPLOYMENT TRANSITION AGREEMENT

This EMPLOYMENT TRANSITION AGREEMENT (“Agreement”) is entered into as of the 25th day of July, 2017 (the “Execution Date”), by and between VENTAS, INC., a Delaware corporation (the “Company”), and Todd W. Lillibridge (“Employee”). The Agreement is effective (the “Effective Date”) as of the earlier of (i) the start date for the Employee’s successor (the “Transition Date”) and (ii) the 14th day of February, 2018, assuming Employee remains employed by the Company through such date. For the avoidance of doubt, the Agreement shall terminate and be of no force and effect if Employee’s employment with the Company terminates prior to the Effective Date.

WHEREAS, the Company and Employee entered into an Employee Protection and Noncompetition Agreement dated as of June 17, 2015 (the “EPA”);

WHEREAS, the Company and Employee wish to ensure and facilitate an orderly and effective transition of Employee’s duties to his successor;

WHEREAS, the EPA shall terminate and be of no further force or effect as of the Effective Date, and the Company and Employee now desire to enter into this Agreement, effective as of the Effective Date; and

WHEREAS, this Agreement describes the terms of Employee’s employment with the Company following the Effective Date, including compensation terms and limited severance protections if Employee’s employment is terminated in certain circumstances and provides the Company with certain protections regarding Employee’s actions, including after termination of employment.

NOW, THEREFORE, in consideration of the promises and the respective covenants and agreements contained herein, and intending to be legally bound hereby, the Company and Employee agree as follows:

1. Employment Term. The EPA shall terminate and this Agreement shall become effective on the Effective Date and the terms of this Agreement shall remain in effect until Employee’s Date of Separation (as defined below) for any reason (such period from the Effective Date until Employee’s Date of Separation shall be known as the “Term”). Employee shall be an at-will employee of the Company during the Term and shall work no fewer than 30 hours per week.

2. Employment Provisions. During the Term, the following provisions shall govern Employee’s employment with the Company:

(a) Title: Effective as of the Transition Date, Employee’s title shall be Special Advisor to the Chief Executive Officer, reporting to the Chief Executive Officer of the Company. Employee shall cease to be an executive officer of the Company and member of the Executive Leadership Team of the Company on the Transition Date.

(b) Duties : Employee shall use his best efforts to facilitate a smooth transition of Employee's role to Employee's successor and shall perform special projects as assigned by the Chief Executive Officer of the Company, *e.g.* , customer relations and projects related to hospitals, partners and the healthcare industry.

(c) Base Salary : From the Execution Date until the Transition Date, Employee's base salary shall remain at an annual rate of \$510,000. On and after the Transition Date, Employee's base salary shall be an annual rate of \$400,000.

(d) Annual Cash Incentive Awards

(i) 2017 : Regardless of the timing of the Effective Date, Employee shall be entitled to his full 2017 annual cash incentive award based on actual achievement of the previously identified performance criteria, as determined by the Executive Compensation Committee (the "Committee") of the Company's Board of Directors (the "Board"), so long as Employee (A) is not terminated by the Company for Cause (as defined below) or (B) does not resign prior to the earlier of (x) the date such 2017 annual cash incentive awards are paid to similarly situated employees of the Company or (y) February 14, 2018. Employee's 2017 award eligibility targets shall remain unchanged and be calculated as previously determined by the Committee.

(ii) 2018 and Future : If the Transition Date occurs on or prior to February 14, 2018, Employee shall not be entitled to earn any annual cash incentive award in respect of his 2018 performance. If the Transition Date occurs after February 14, 2018, subject to Employee's execution and non-revocation of a general release of claims in a form substantially similar to the form attached hereto as Appendix A (the "Release"), Employee shall be entitled to earn a prorated portion of Employee's 2018 annual cash incentive award based on actual achievement of the specified performance criteria through the Transition Date, as determined by the Committee. Such prorated award shall be calculated by multiplying the full amount of the award by the quotient of the number of days Employee was employed by the Company in 2018 through the Transition Date divided by 365. If eligible to receive an award under this Section 2(d)(ii), Employee's 2018 award eligibility targets shall remain unchanged from the 2017 targets and performance criteria shall be as specified by the Committee. Such prorated award shall be paid within 30 days following the Transition Date. Employee shall not be eligible to receive any cash incentive awards other than as specified in this Section 2(d).

(e) Equity Incentive Awards

(i) Existing Equity Awards . Except as otherwise specified in Sections 2(e)(i)(1)-(2) below, Employee's outstanding equity shall continue to vest during the Term and shall be governed by the applicable equity award agreements.

(1) Subject to Committee approval (which shall be sought in good faith as soon as reasonably practicable following the Execution Date), notwithstanding any language to the contrary in the Ventas, Inc. 2006 Incentive Plan, the Ventas, Inc. 2012 Incentive Plan or in any applicable equity award agreements granted thereunder, all of Employee's vested and unexercised stock options shall remain exercisable until the applicable expiration date of such stock options.

(2) Subject to Committee approval (which shall be sought in good faith as soon as reasonably practicable following the Execution Date), notwithstanding any language to the contrary in the Ventas, Inc. 2006 Incentive Plan, the Ventas, Inc. 2012 Incentive Plan or in any applicable equity award agreements granted thereunder, if the Transition Date occurs prior to February 14, 2018 and Employee is terminated by the Company without Cause prior to February 14, 2018, (i) Employee's outstanding time-based equity awards shall vest in full and (ii) all of Employee's vested and unexercised stock options shall remain exercisable until the applicable expiration date of such stock options.

(ii) 2018 and Future Equity Awards. Regardless of the timing of the Effective Date, Employee shall not be eligible to receive any future equity award grants following the Execution Date, unless mutually agreed otherwise.

(f) Severance. Following the Effective Date, Employee shall not be eligible to receive any severance under the EPA, this Agreement or under any other Company agreement, plan or document. Employee hereby agrees that in consideration for the rights granted under this Agreement, Employee waives any and all rights to any payments or benefits under any plans, programs, contracts or arrangements of the Company or its affiliates that provide for severance payments or benefits upon a termination of employment, regardless of whether such documents are in effect as of the Execution Date.

(g) Employee Benefits. During the Term, Employee shall continue to participate in all Company benefit plans on the same terms as all other similarly situated employees.

(h) Employment Support. During the Term, Employee shall be entitled to private office space, continued use of Company-provided technological devices and administrative assistant support.

(i) Resignation from Boards and Committees. Employee shall resign from all corporate boards and Company committees and similar positions on the Transition Date.

3. Agreement does not Trigger Good Reason. Notwithstanding any language to the contrary in any other agreements, nothing contemplated in this Agreement, either expressly or implied (including but not limited to the termination of the EPA, Employee's potential

ineligibility to receive 2018 or future annual cash incentive awards, Employee's ineligibility to receive a 2018 or other future equity incentive awards, or any other change to Employee's compensation, duties, responsibilities, title, reporting relationship or severance entitlements), shall trigger "Good Reason" or similar severance benefits under any other agreement (including but not limited to the EPA or any of the Company's equity plans or equity award agreements). Employee expressly agrees that, on and after the Effective Date, (i) all existing "Good Reason" or similar protections contained in Company documents, agreements, plans or arrangements shall be of no further force and effect and (ii) all severance payments and benefits (including but not limited to equity vesting), if any, shall be solely as provided in this Agreement.

4. Restrictive Covenants.

(a) Confidentiality.

(i) Employee shall not, unless written permission is granted by the Company, disclose to or communicate in any manner with the press or any other media about Employee's employment with the Company, the terms of this Agreement, the termination of Employee's employment with the Company, the Company's businesses or affairs, the Company's officers, directors, employees and/or consultants, or any matter related to any of the foregoing.

(ii) Employee acknowledges that it is the policy of the Company and its Subsidiaries to maintain as secret and confidential all information and techniques acquired, developed, possessed or used by the Company and its Subsidiaries relating to their business, operations, actual or potential products, strategies, assets, liabilities, potential assets and liabilities, employees, customers, tenants, operators, borrowers, managers, proposed or prospective customers, tenants, operators, borrowers and managers, business partners, communities, buildings and facilities (including without limitation: information protected by the Company's attorney/client, work product, or tax advisor/audit privileges; tax matters and information; financial analysis and models; the Company's strategic plans; negotiations with third parties; methods, policies, processes, formulas, techniques, know-how and other knowledge; trade practices, trade secrets, or financial matters; lists of customers or customers' purchases; lists of suppliers, representatives, or other distributors; lists of and information (business, financial or otherwise) about tenants, operators, borrowers, managers and customers and their respective businesses and operations; requirements for systems, programs, machines, or their equipment; information regarding the Company's bank accounts, credit agreement or financial projections, results or information; information regarding the Company's directors or officers or their personal affairs), whether or not any such information or any of the material described above is explicitly designated or marked as "confidential" ("Confidential Information"). "Confidential Information" shall not include information that (A) is or becomes generally available to the public other than as a result of a disclosure by Employee in violation of this Agreement, (B) was available to

Employee on a non-confidential basis prior to Employee's employment with the Company, or (C) is compelled to be disclosed by any law, regulation or order of a court or governmental agency, provided that prior written notice is given to the Company and Employee cooperates with the Company in any efforts by the Company to limit the scope of such obligation and/or to obtain confidential treatment of any material disclosed pursuant to such obligation. Employee recognizes that all such Confidential Information is the sole and exclusive property of the Company and its Subsidiaries, and that disclosure of Confidential Information would cause damage to the Company and its Subsidiaries. Employee shall not disclose, directly or indirectly, any Confidential Information obtained during Employee's employment with the Company, and will take all necessary precautions to prevent disclosure, to any unauthorized individual or entity inside or outside the Company, and will not use the Confidential Information or permit its use for the benefit of Employee or other third party other than the Company. These obligations shall continue for so long as the Confidential Information remains Confidential Information.

(b) Noncompetition, Nonsolicitation, Noninterference. Employee shall not during Employee's employment with the Company and during the one (1) year period after the termination of Employee's employment with the Company for any reason (the "Restricted Period"), either directly or indirectly (through another business or person), engage in or facilitate any of the following activities anywhere in the United States:

(i) Hiring, recruiting, engaging as a consultant or adviser, employing or attempting or soliciting to hire, recruit or employ any person employed by the Company or any Subsidiary or affiliate, or causing or attempting to cause any third party to do any of the foregoing; nothing in this Section 3(b)(i) shall, however, restrict Employee from general employment advertising on a broad basis not targeted at or designed for any such employee;

(ii) Causing or attempting to cause any person employed at any time during the Restricted Period by the Company or any Subsidiary or affiliate to terminate his or her relationship with the Company or any Subsidiary or affiliate;

(iii) Soliciting, enticing away, or endeavoring to entice away, or otherwise interfering with any employee, customer, tenant, operator, manager or proposed employee, customer, tenant, operator or manager with whom the Company or any Subsidiary or affiliate has ongoing contact, financial partner or proposed financial partner with whom the Company or any Subsidiary or affiliate has ongoing contact, vendor, supplier or other similar business relation, who at any time during the Restricted Period or who at any time during the period commencing one (1) year prior to the Date of Separation, to Employee's knowledge, maintained a material business relationship with the Company or any Subsidiary or affiliate or with whom the Company or any Subsidiary or affiliate is targeting for a material business relationship or is engaged in discussions with to

commence a material business relationship at the time of termination of Employee's employment with the Company;
or

(iv) Performing services as an employee, director, officer, consultant, independent contractor or advisor; or investing in, whether in the form of equity or debt, owning any interest or otherwise having an ownership or other interest or a connection to any Prohibited Entity (as defined below); or performing services as an employee, director, officer, consultant, independent contractor or advisor to any other company, entity or person if those services relate directly to a business or businesses that directly and materially compete with the Company anywhere in the United States. Nothing in this Section 3(b)(iv) shall, however, restrict Employee from (A) making an investment in and owning up to two percent (2%) of the common stock of any company whose stock is listed on a national exchange, provided that such investment does not give Employee the right or ability to control or influence the policy decisions of any direct competitor, or (B) except as provided in Section 3(c) below, performing services as an employee, director, officer, consultant, independent contractor or advisor of an operating company that provides healthcare goods or services other than leasing or financing of real property (for example, a hospital or a nursing facility). For purposes of this Agreement, a "Prohibited Entity" is any company, entity or person that derives more than twenty percent (20%) of its consolidated gross revenues from a business or businesses that directly and materially compete with the Company.

(c) Other Prohibited Activities. Employee acknowledges that Employee's position at the Company provides Employee with access to highly sensitive information concerning the Company's lessees, managers, borrowers and operators and their affiliates and leases, operating agreements, management agreements and other contractual agreements with such lessees, managers, borrowers and operators and their affiliates which are critical to the Company's ability to effectively function and to the properties to be purchased by the Company, and that if Employee were to provide services for such lessees, managers, borrowers and operators and/or their affiliates such services would cause irreparable damages to the Company. Employee shall not during Employee's employment and the Restricted Period, either directly or indirectly (through another business or person), engage in or facilitate any of the following activities anywhere in the United States or in any location outside the United States where the Company conducts or plans to conduct business: performing services as an employee, director, officer, consultant, independent contractor or advisor of, or investing in, whether in the form of equity or debt, owning any interest or otherwise having an ownership or other interest in any of the Company's then current lessees, managers, borrowers or operators or any of their respective parent, sister, subsidiary or affiliated entities (other than any such lessee, manager, borrower or operator that, together with its parent, sister, subsidiary and affiliated entities, contributes less than five percent (5%) of the Company's net operating income (NOI), computed on a pro forma annualized basis consistent with the Company's most recent supplemental disclosure, and is not in default under any of its agreements

with the Company nor has an ongoing dispute with the Company) in any manner, including without limitation as an owner, principal, partner, officer, director, stockholder, employee, consultant, contractor, agent, broker, representative or otherwise. Nothing in this Section 3(c) shall, however, restrict Employee from making an investment in and owning, directly or indirectly, up to two percent (2%) of the common stock of any company whose stock is listed on a national exchange, provided that such investment does not give Employee the right or ability to control or influence the policy decisions of any lessee, manager, borrower or operator or any of its parent, sister, subsidiary or affiliated entities.

(d) Non-Disparagement.

(i) Employee agrees not to make, or cause to be made, any statement, observation or opinion, or communicate any information (whether oral or written, directly or indirectly) that (A) accuses or implies that the Company and/or any of its affiliates, together with their respective present or former officers, directors, partners, stockholders, employees and agents, and each of their predecessors, successors and assigns, engaged in any wrongful, unlawful, unethical or improper conduct, whether relating to Employee's employment (or termination thereof), the business or operations of the Company, or otherwise; or (B) disparages, impugns or in any way reflects adversely upon the business, good will, products, business opportunities, competency, character, behavior or reputation of the Company and/or any of its affiliates, together with their respective present or former officers, directors, partners, stockholders, employees and agents, and each of their predecessors, successors and assigns.

(ii) Nothing in this Agreement is intended to: (1) limit Employee's ability to report to, respond to inquiries from, or otherwise cooperate with, any governmental, regulatory or self-regulatory agency with jurisdiction over the Company or its assets, or make disclosures that are protected under whistleblower or other provisions of applicable law or regulation; (2) limit monetary or personal relief or remedy available for pursuing a claim or charge that cannot be released in accordance with federal, state or local law; or (3) create any obligation on Employee's part to inform the Company about the fact or substance of any communications Employee may have with any governmental authorities in connection with any pending and/or future actions.

(e) New Employer. Employee shall provide the terms and conditions of this Section 3 to any prospective new employer or new employer and shall permit the Company to contact any such company, entity or individual to confirm Employee's compliance with this Section 3 and shall provide the Company with such information as it requests to allow such inquiry.

(f) Reasonableness of Restrictive Covenants.

(i) Employee acknowledges that the covenants contained in this Section 3 are reasonable in the scope of the activities restricted, the geographic area covered by the restrictions, and the duration of the restrictions, and that such covenants are reasonably necessary to protect the Company's legitimate interests in its Confidential Information, its reputation, and in its relationships with its employees, customers, and suppliers.

(ii) The Company has consulted, and Employee has had an opportunity to consult, with their respective legal counsel and to be advised concerning the reasonableness and propriety of such covenants. Employee acknowledges that Employee's observance of the covenants contained herein will not deprive Employee of the ability to earn a livelihood or to support Employee's dependents.

(iii) If any provision or portion of Section 3 of this Agreement is held to be unenforceable because of the scope, duration, territory or terms thereof, Employee agrees that the court making such determination shall have the power to and shall reduce the scope, duration, territory and/or terms of such provision, so that the provision is enforceable by the court to afford the maximum protection to the Company under the law, and such provision as amended shall be enforced by the court.

(g) Right to Injunction. In recognition of the confidential nature of the Confidential Information, and in recognition of the necessity of the limited restrictions imposed by Section 3, Employee and the Company agree that it would be impossible to measure solely in money the damages which the Company would suffer if Employee were to breach any of Employee's obligations hereunder. Employee acknowledges that any breach of any provision of this Agreement would irreparably injure the Company. Accordingly, Employee agrees that if Employee breaches any of the provisions of Section 3, the Company shall be entitled, in addition to any other remedies to which the Company may be entitled under this Agreement or otherwise, to an injunction to be issued without bond by a court of competent jurisdiction, to restrain any breach, or threatened breach, of any provision of Section 3, and Employee hereby waives any right to assert any claim or defense that the Company has an adequate remedy at law for any such breach or to require the Company to post bond or other security during the pendency of such injunction.

(h) Assistance. During the one (1) year period following the Date of Separation, Employee shall from time to time provide the Company with such reasonable assistance and cooperation as the Company may reasonably from time to time request in connection with any financial and business issues, investigation, claim, dispute, judicial, legislative, administrative or arbitral proceeding, or litigation (any of the foregoing, a "Proceeding") arising out of matters within the knowledge of Employee and related to Employee's position as an employee of the Company. Such assistance and cooperation shall include providing information, declarations or statements to the Company, signing documents, meeting with attorneys or other representatives of the Company, and

preparing for and giving truthful testimony in connection with any Proceeding or related deposition. Employee shall agree to also make himself available to assist the Company with transition of Employee's duties to his successor and addressing ongoing issues and problems. In any such instance, Employee shall provide such assistance and cooperation at times and in places mutually convenient for the Company and Employee and which do not unreasonably interfere with Employee's business or personal activities. The Company shall reimburse Employee's reasonable out-of-pocket costs and expenses in connection with such assistance and cooperation upon Employee's written request in such form and containing such information as the Company shall reasonably request.

(i) Public Announcements. The Company and Employee shall cooperate with respect to all public announcements regarding matters related to the Agreement. Employee shall be given an opportunity to review and comment on such public announcements, except for SEC filings and other similar mandatory disclosures.

5. Termination of Employment. Subject to the provisions of this Agreement, the Company or Employee may terminate Employee's employment at any time for any reason whatsoever or for no reason and with or without Cause. Employee acknowledges and agrees that Employee's employment with the Company is terminable at the will of the Company or at the will of Employee without any obligation, except as may be expressly provided in Section 2.

(a) Cause. For purposes of this Agreement, "Cause" shall mean (i) Employee's indictment for, conviction of, or plea of nolo contendere to, any felony or a misdemeanor involving fraud, dishonesty or moral turpitude; (ii) the willful or intentional material breach by Employee of Employee's duties and responsibilities; (iii) the willful or intentional material misconduct by Employee in the performance of Employee's duties, or (iv) the willful or intentional failure by Employee to comply in all material respects with any lawful instruction or directive of the CEO.

(b) Notice of Termination. Any termination by the Company for Cause shall be communicated by notice (a "Notice of Termination") given in accordance with this Agreement. For purposes of this Agreement, a Notice of Termination means a written notice which (i) indicates the specific termination provision in this Agreement relied upon, (ii) sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination by the Company (for Cause) of Employee's employment under the provision so indicated, and (iii) specifies the intended termination date. The failure by the Company to set forth in the Notice of Termination any fact or circumstance which contributes to a showing of Cause shall not waive any right of the Company hereunder or preclude the Company from asserting such fact or circumstance in enforcing its rights hereunder.

(c) Date of Separation. "Date of Separation" means (i) if Employee's employment is terminated by the Company for Cause, the date specified in the Notice of Termination or (ii) if Employee's employment is terminated (1) by the Company other than for Cause, (2) by Employee or (3) due to Employee's death or Disability (as defined below), the date on which the Company or Employee notified the other party of such

termination. To the extent necessary to have payments and benefits under this Agreement be exempt from the requirements of Section 409A of the Internal Revenue Code of 1986, as amended ("Code Section 409A"), or comply with the requirements of Code Section 409A, the Company and Employee agree to cooperate in a reasonable manner (including with regard to any post-termination services by Employee) such that the Date of Separation as defined in this Agreement shall constitute a "separation from service" pursuant to Code Section 409A ("Separation from Service"). Notwithstanding anything contained in this Agreement to the contrary, the date on which a Separation from Service occurs shall be the "Date of Separation" or termination of employment for purposes of determining the timing of payments under this Agreement to the extent necessary to have such payments and benefits under this Agreement be exempt from the requirements of Code Section 409A or comply with the requirements of Code Section 409A. For purposes of this Agreement, "Disability" shall mean the total disability as determined by the Board in accordance with standards and procedures similar to those under the Company's long-term disability plan, or, if none, a physical or mental infirmity which impairs the Employee's ability to perform substantially Employee's duties for a period of 180 consecutive days.

6. Disputes. Any dispute or controversy arising under, out of, or in connection with this Agreement shall, at the election and upon written demand of the Company, be finally determined and settled by binding arbitration in the City of Chicago, Illinois, in accordance with the commercial arbitration rules and procedures of JAMS, and judgment upon the award may be entered in any court having jurisdiction thereof. Each party shall bear its own costs, legal fees and other expenses respecting such arbitration; provided, however, if one party shall prevail in the claims in such arbitration as determined by the arbitrator, the non-prevailing party shall pay the prevailing party's costs, legal fees and other expenses respecting such arbitration. The parties agree that for any dispute for which the Company does not make the arbitration election and demand, the exclusive jurisdiction and venue will be in the federal or state courts located in Cook County, Illinois.

7. Successors.

(a) This Agreement is personal to Employee and without the prior written consent of the Company shall not be assignable by Employee otherwise than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by Employee's legal representatives.

(b) This Agreement shall inure to the benefit of and be binding upon the Company and its successors and assigns. This Agreement shall not be terminated by the voluntary or involuntary dissolution of the Company or by any merger or consolidation where the Company is not the surviving corporation, or upon any transfer of all or substantially all of the Company's stock or assets. In the event of such merger, consolidation or transfer, the provisions of this Agreement shall be binding upon and shall inure to the benefit of the surviving corporation or corporation to which such stock or assets of the Company shall be transferred.

(c) The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company, or any business of the Company for which Employee's services are principally performed, to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. As used in this Agreement, "Company" shall mean the Company as herein before defined and any successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law, or otherwise.

8. Payment Cutback. Notwithstanding any provision of this Agreement to the contrary, if any payments or benefits to which Employee becomes entitled, whether pursuant to the terms of or by reason of this Agreement or any other plan, arrangement, agreement, policy or program (including without limitation any restricted stock, stock option, stock appreciation right or similar right, or the lapse or termination of any restriction on the vesting or exercisability of any of the foregoing) with the Company, any successor to the Company or to all or a part of the business or assets of the Company (whether direct or indirect, by purchase, merger, consolidation, spin off, or otherwise and regardless of whether such payment is made by or on behalf of the Company or such successor) or any person whose actions result in a Change in Control (as defined below) or any person affiliated with the Company or such persons (in the aggregate, "Total Payments"), constitute "parachute payments" within the meaning of Section 280G of the Internal Revenue Code of 1986, as amended ("Code"), and but for this Section 8, would be subject to the excise tax imposed by Section 4999 of the Code, then Employee will be entitled to receive either (a) the full amount of the Total Payments or (b) a portion of the Total Payments having a value equal to \$1 less than three (3) times such individual's "base amount" (as such term is defined in Section 280G(b)(3)(A) of the Code), whichever of (a) and (b), after taking into account applicable federal, state, and local income and employment taxes and the excise tax imposed by Section 4999 of the Code or any successor provision of the Code or any similar state or local tax, results in the receipt by Employee on an after-tax basis, of the greatest portion of the Total Payments.

All determinations required to be made under this Section 8 shall be made by the accountant or tax counsel or other similar expert advisor selected by Employee (such advisor, the "Tax Advisor"), which shall, if requested, provide detailed supporting calculations both to the Company and Employee within fifteen (15) business days of the receipt of notice from the Company or Employee that there has been Total Payments, or such earlier time as is requested by the Company or Employee, and if requested, a written opinion. All fees, costs and expenses (including, but not limited to, the costs of retaining experts) of the Tax Advisor shall be borne by the Company. The determination by the Tax Advisor shall be binding upon the Company and Employee.

(a) Change in Control. For purposes of this Agreement, a "Change in Control" means the occurrence of any of the following events:

(i) An acquisition (other than directly from the Company) of any voting securities of the Company (the “Voting Securities”) by any “Person” (having the meaning ascribed to such term in Section 3(a)(9) of the Securities Exchange Act of 1934, as amended (the “1934 Act”), and as used in Section 13(d) and 14(d) thereof, including a “group” as defined in Section 13(d)) immediately after which such Person has beneficial ownership (within the meaning of Rule 13d-3 promulgated under the 1934 Act) (“Beneficial Ownership” and/or Beneficially Owned”) of thirty-five percent (35%) or more of the combined voting power of the Company’s then outstanding Voting Securities; provided, however, that in determining whether a Change in Control has occurred, Voting Securities which are acquired in a Non-Control Acquisition (as hereinafter defined) shall not constitute an acquisition which would cause a Change in Control. A Non-Control Acquisition shall mean an acquisition by (i) the Company or any company, corporation, partnership, limited liability company or other Person in which the Company directly or indirectly owns a majority interest (“Subsidiary”), (ii) an employee benefit plan (or a trust forming a part thereof) maintained by the Company or any Subsidiary, or (iii) any Person in connection with a Non-Control Transaction (as hereinafter defined);

(ii) The individuals who, as of the Execution Date, were members of the Board (the “Incumbent Board”) cease for any reason to constitute at least a majority of the Board; provided, however, that if the election, or nomination for election by the Company’s stockholders, of any new director was approved by a vote of at least a majority of the Incumbent Board, such new director shall, for purposes of this Section 8(a), be considered a member of the Incumbent Board; and provided, further, however, that no individual shall be considered a member of the Incumbent Board if such individual initially assumed office as a result of either an actual or threatened election contest (as described in former Rule 14a-11 promulgated under the 1934 Act) (“Election Contest”) or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board (a “Proxy Contest”), including by reason of any agreement intended to avoid or settle any Election Contest or Proxy Contest; or

(iii) Approval by stockholders of the Company and the consummation of:

(1) A merger, consolidation or reorganization involving the Company, unless such transaction is a Non-Control Transaction. For purposes of this Agreement, the term “Non-Control Transaction” shall mean a merger, consolidation or reorganization of the Company in which:

(A) The stockholders of the Company, immediately before such merger, consolidation or reorganization, own, directly or indirectly immediately following such merger, consolidation or reorganization, at least forty-five percent (45%) of the combined

voting power of the voting securities of the corporation or entity resulting from such merger, consolidation or reorganization (the “Surviving Company”) over which any Person has Beneficial Ownership in substantially the same proportion as their Beneficial Ownership of the Voting Securities immediately before such merger, consolidation or reorganization;

(B) The individuals who were members of the Incumbent Board immediately prior to the execution of the agreement providing for such merger, consolidation or reorganization constitute at least a majority of the members of the board of directors or equivalent body of the Surviving Company; and

(C) No Person (other than the Company, any Subsidiary, any employee benefit plan (or any trust forming a part thereof) maintained by the Company, the Surviving Company or any Person who, immediately prior to such merger, consolidation or reorganization, had Beneficial Ownership of thirty-five percent (35%) or more of the then outstanding Voting Securities) has Beneficial Ownership of thirty-five percent (35%) or more of the combined voting power of the Surviving Company’s then outstanding voting securities.

(2) A complete liquidation or dissolution of the Company.

(3) The sale or other disposition of all or substantially all of the assets of the Company to any Person (other than a transfer to a Subsidiary).

Notwithstanding the foregoing, a Change in Control shall not be deemed to occur solely because any Person (the “Subject Person”) acquired Beneficial Ownership of more than the permitted amount of the outstanding Voting Securities as a result of the acquisition of Voting Securities by the Company which, by reducing the number of Voting Securities outstanding, increases the proportional number of shares Beneficially Owned by the Subject Person; provided, however, that if a Change in Control would occur (but for the operation of this sentence) as a result of the acquisition of Voting Securities by the Company, and after such share acquisition by the Company, the Subject Person becomes the Beneficial Owner of any additional Voting Securities which increases the percentage of the then outstanding Voting Securities Beneficially Owned by the Subject Person, then a Change in Control shall occur.

9. Withholding. The Company may withhold all applicable required federal, state, local and other employment, income and other taxes from any and all payments to be made pursuant to this Agreement.

10. No Mitigation. Employee shall have no duty to mitigate Employee's damages by seeking other employment and, should Employee actually receive compensation from any such other employment, the payments required hereunder shall not be reduced or offset by any such compensation.

11. Notices. Any notice required or permitted to be given under this Agreement shall be in writing and shall be deemed to have been duly given and effective when delivered or sent by telephone facsimile transmission, personal or overnight couriers, or registered mail, in each case with confirmation of receipt, addressed as follows:

If to Employee: at the most recent address on file with the Company.

If to Company:

Ventas, Inc.
500 N. Hurstbourne Pkwy, Suite 200
Louisville, KY 40222
Attn.: General Counsel

Either party may change its specified address by giving notice in writing to the other in accordance with the foregoing method.

12. Waiver of Breach and Severability. The waiver by either party of a breach of any provision of this Agreement by the other party shall not operate or be construed as a waiver of any subsequent breach by either party. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision, which other provision shall remain in full force and effect. In the event any provision of this Agreement is found to be invalid or unenforceable, it may be severed from the Agreement and the remaining provisions of the Agreement shall continue to be binding and effective.

13. Entire Agreement; Amendment. This instrument contains the entire agreement of the parties with respect to the subject matter hereof and supersedes all prior agreements (including the EPA), promises, covenants, arrangements, communications, representations and warranties between them, whether written or oral, with respect to the subject matter hereof. No provisions of this Agreement may be modified, waived or discharged unless such modification, waiver or discharge is agreed to in writing signed by Employee and the Company. For the avoidance of doubt, the following agreements shall remain in full force and effect, to the extent any obligations remain outstanding thereunder: (i) the Intellectual Property Rights Purchase and Sale Agreement between Ventas, Inc. and Todd W. Lillibridge dated June 22, 2010, (ii) the Merger Agreement by and among LHRET, Ventas, Inc., Merger Sub I, PGA II, PGA III, Bristol, PGA II as the Shareholder Representative and the Management Indemnitors, (iii) the Merger Agreement by and among LHPT, Ventas, Inc., Merger Sub II, PGA III-A, PGA III-C, PGA III-A as the Shareholder Representative and the Management Indemnitors and (iv) the Merger Agreement by and among LHP-B, Ventas, Inc., Merger Sub III, PGA IV-DOM, PGA IV-INT, PGA IV-DOM as the Shareholder Representative and the Management Indemnitors.

14. Agreement Does Not Grant Employment Rights. This Agreement shall not be construed as granting to Employee any right to employment by the Company. The right of the Company to terminate Employee's employment at any time, with or without Cause, is specifically reserved.

15. Compliance with Code Section 409A. All payments pursuant to this Agreement shall be subject to the provisions of this Section 15. Notwithstanding anything herein to the contrary, this Agreement is intended to be interpreted and operated to the fullest extent possible so that the payments and benefits under this Agreement either shall be exempt from the requirements of Code Section 409A or shall comply with the requirements of such provision; provided, however, that notwithstanding anything to the contrary in this Agreement in no event shall the Company be liable to Employee for or with respect to any taxes, penalties or interest which may be imposed upon Employee pursuant to Code Section 409A.

(a) Payments to Specified Employees. To the extent that any payment or benefit pursuant to this Agreement constitutes a "deferral of compensation" subject to Code Section 409A (after taking into account to the maximum extent possible any applicable exemptions) (a "409A Payment") treated as payable upon a Separation from Service, then, if on the date of Employee's Separation from Service, Employee is a Specified Employee, then to the extent required for Employee not to incur additional taxes pursuant to Code Section 409A, no such 409A Payment shall be made to Employee earlier than the earlier of (i) six (6) months after Employee's Separation from Service; or (ii) the date of his death. Should this Section 15 otherwise result in the delay of in-kind benefits (for example, health benefits), any such benefit shall be made available to Employee by the Company during such delay period at Employee's expense. Should this Section 15 result in payments or benefits to Employee at a later time than otherwise would have been made under this Agreement, on the first day any such payments or benefits may be made without incurring additional tax pursuant to Code Section 409A (the "409A Payment Date"), the Company shall make such payments and provide such benefits as provided for in this Agreement, provided that any amounts that would have been payable earlier but for the application of this Section 15, as well as reimbursement of the amount Employee paid for benefits pursuant to the preceding sentence, shall be paid in lump-sum on the 409A Payment Date along with accrued interest at the rate of interest published in the Wall Street Journal as the "prime rate" (or equivalent) on the date that payments or benefits, as applicable, to Employee should have been made under this Agreement. For purposes of this Section 15, the term "Specified Employee" shall have the meaning set forth in Code Section 409A, as determined in accordance with the methodology established by the Company. For purposes of determining whether a Separation from Service has occurred for purposes of Code Section 409A, to the extent permissible under Code Section 409A, subsidiaries and affiliates of the Company are those included by using a twenty percent (20%) standard to define the controlled group under Code Section 1563(a) in lieu of the fifty percent (50%) default rule. In addition, for purposes of determining whether a Separation from Service has occurred for purposes of Code Section 409A, a Separation from Service is deemed to include a reasonably anticipated permanent reduction in the level of services performed by Employee to less

than fifty percent (50%) of the average level of services performed by Employee during the immediately preceding twelve (12) month period.

(b) Reimbursements. For purposes of complying with Code Section 409A and without extending the payment timing otherwise provided in this Agreement, taxable reimbursements under this Agreement, subject to the following sentence and to the extent required to comply with Code Section 409A, will be made no later than the end of the calendar year following the calendar year in which the expense was incurred. To the extent required to comply with Code Section 409A, any taxable reimbursements and any in-kind benefits under this Agreement will be subject to the following: (a) payment of such reimbursements or in-kind benefits during one calendar year will not affect the amount of such reimbursement or in-kind benefits provided during any other calendar year (other than for medical reimbursement arrangements as excepted under Treasury Regulations §1.409A-3(i)(1)(iv)(B) solely because the arrangement provides for a limit on the amount of expenses that may be reimbursed under such arrangement over some or all of the period the arrangement remains in effect); (b) such right to reimbursement or in-kind benefits is not subject to liquidation or exchange for another form of compensation to Employee and (c) the right to reimbursements under this Agreement will be in effect for the lesser of the time specified in this Agreement or ten (10) years plus the lifetime of Employee. Any taxable reimbursements or in-kind benefits shall be treated as not subject to Code Section 409A to the maximum extent provided by Treasury Regulations §1.409A-1(b)(9)(v) or otherwise under Code Section 409A.

(c) Release. To the extent that Employee is required to execute and deliver a Release to receive a 409A Payment, and this Agreement provides for such 409A Payment to be provided prior to the 55th day following Employee's Separation from Service, such 409A Payment will be provided upon the 55th day following Employee's Separation from Service provided the Release in the form mutually agreed upon between Employee and the Company or in the form set forth in Appendix A has been executed, delivered and effective prior to such time. To the extent a 409A Payment is made at a later time than otherwise would have been made under this Agreement because of the provisions of the preceding sentence of this Section 15(c), interest for the delay and the opportunity for Employee to pay for benefits in the interim with subsequent reimbursement from the Company shall be provided in a manner consistent with that set forth in Section 15(a). To the extent that Employee is required to execute and deliver a Release to receive a 409A Payment and this Agreement provides for such 409A Payment to be provided in accordance with Section 15(a), such 409A Payment will be provided as set forth in Section 15(a) provided the Release in the form mutually agreed upon between Employee and the Company or in the form set forth in Appendix A has been executed, delivered and effective prior to such time. If a Release is required for a 409A Payment and such Release is not executed, delivered and effective by the date six (6) months after Employee's Separation from Service if such 409A Payment is subject to the limitations set forth in Section 15(a) or the 55th day following Employee's Separation from Service if such 409A Payment is not subject to the limitations set forth in Section 15(a), such 409A Payment shall not be provided to Employee to the extent that providing such 409A

Payment would cause such 409A Payment to fail to comply with Code Section 409A. To the extent that any payments or benefits under this Agreement are intended to be exempt from Code Section 409A as a short-term deferral pursuant to Treasury Regulations §1.409A-1(b)(4) or any successor thereto and require Employee to provide a Release to the Company to obtain such payments or benefits, any Release required for such payment or benefit must be provided in the form mutually agreed upon between Employee and the Company or in the form set forth in Appendix A no later than March 7th of the calendar year following the calendar year of Employee's Separation from Service.

(d) No Acceleration; Separate Payments; Termination of Employment. No 409A Payment payable under this Agreement shall be subject to acceleration or to any change in the specified time or method of payment, except as otherwise provided under this Agreement and consistent with Code Section 409A. If under this Agreement, a 409A Payment is to be paid in two or more installments, for purposes of Section 409A, each installment shall be treated as a separate payment. Notwithstanding anything contained in this Agreement to the contrary, the date on which a Separation from Service occurs shall be treated as the termination of employment date for purposes of determining the timing of payments under this Agreement to the extent necessary to have such payments and benefits under this Agreement be exempt from the requirements of Section 409A of the Code or comply with the requirements of Code Section 409A.

(e) Cooperation. If the Company or Employee determines that any provision of this Agreement is or might be inconsistent with the requirements of Code Section 409A, the parties shall attempt in good faith to agree on such amendments to this Agreement as may be necessary or appropriate to avoid subjecting Employee to the imposition of any additional tax under Code Section 409A without changing the basic economic terms of this Agreement. Notwithstanding the foregoing, no provision of this Agreement shall be interpreted or construed to transfer any liability for failure to comply with Code Section 409A from Employee or any other individual to the Company. This Section 15 is not intended to impose any restrictions on payments or benefits to Employee other than those otherwise set forth in this Agreement or required for Employee not to incur additional tax under Code Section 409A and shall be interpreted and operated accordingly. The Company to the extent reasonably requested by Employee shall modify this Agreement to effectuate the intention set forth in the preceding sentence.

16. Recoupment. Employee acknowledges that Employee will be subject to recoupment policies adopted by the Company pursuant to the requirements of Dodd-Frank Wall Street Reform and Consumer Protection Act or other law or the listing requirements of any national securities exchange on which the common stock of the Company is listed.

17. Governing Law. This Agreement shall be construed in accordance with and governed by the laws of the State of Illinois without regard to its choice of law principles.

18. Headings. The headings in this Agreement are for convenience only and shall not be used to interpret or construe its provisions.

19. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

VENTAS, INC.

By: /s/ Edmund M. Brady, III

Name: Edmund M. Brady, III

Title: Senior Vice President and Chief Human Resources Officer

/s/ Todd W. Lillibridge

Todd W. Lillibridge

Employee

APPENDIX A

RELEASE AND WAIVER OF CLAIMS

This Release and Waiver of Claims ("Release") is made as of this ____ day of _____, _____, by and between Ventas, Inc., a Delaware corporation (the "Company") and Todd W. Lillibridge ("Employee").

WHEREAS, the Company and Employee entered into an Employment Transition Agreement, executed on July 25, 2017 (the "Agreement");

WHEREAS, Employee's employment with the Company has terminated; and

WHEREAS, in connection with the termination of Employee's employment, under the Agreement, Employee is entitled to certain benefits.

NOW, THEREFORE, in consideration of the payments and other benefits, if any, due Employee under the Agreement ("Severance Benefits"), the Company and Employee hereby agree as follows:

1. Except as specifically provided herein, Employee, for Employee and Employee's heirs, agents, executors, successors, assigns, legal representatives, personal representatives, and administrators (collectively, the "Related Parties"), intending to be legally bound, does hereby RELEASE AND FOREVER DISCHARGE the Company, its agents, affiliates, subsidiaries, parents, joint ventures, and its and their respective officers, directors, shareholders, employees, predecessors, and partners, and its and their respective successors and assigns, heirs, executors, and administrators (collectively, "Releasees") from all causes of action, suits, debts, claims obligations, and demands of every kind and nature whatsoever in law or in equity, known or unknown, which Employee ever had, now has, or hereafter may have, or which the Related Parties may have, by reason of any matter, cause or thing whatsoever, at any time prior to the execution of this Release and particularly, but without limitation of the foregoing general terms, any claims arising from or relating in any way to the Agreement, Employee's employment relationship with Company, the terms and conditions of that employment relationship, and the termination of that employment relationship, including, but not limited to the following: claims or demands related to salary, bonuses, commissions, stock, stock options, any other ownership interests in the Company, paid time off, fringe benefits, expense reimbursements, sabbatical benefits, severance benefits, or any other form of compensation or equity; any claims arising under the Age Discrimination in Employment Act ("ADEA"), as amended, 29 U.S.C. § 621 *et seq.*, the Older Worker's Benefit Protection Act, 29 U.S.C. § 626(0)(1), Title VII of The Civil Rights Act of 1964, as amended, 42 U.S.C. § 2000e *et seq.*, the Civil Rights Act of 1871, the Civil Rights Act of 1991, the Americans with Disabilities Act, 42 U.S.C. § 12101-12213, the Rehabilitation Act, the Family and Medical Leave Act of 1993 ("FMLA"), 29 U.S.C. § 2601 *et seq.*, the Fair Labor Standards Act; any other claims under any federal, state or local common law, statutory, or regulatory provision, now or hereafter recognized; claims for wrongful discharge, discrimination, fraud, defamation, harassment, emotional distress, or breach of the implied covenant of good faith and fair dealing; and any claims for attorneys' fees and costs. This Release does not apply to any claims that cannot be released or waived by law or to claims for the following: payments and benefits to Employee provided for under the Agreement or any employee benefit plan or equity plan of the Company in which Employee is a participant, including, without limitation, any options, stock or other equity awards that are vested (including those that vested as a result of Employee's

termination of employment), or payment of any benefits to which Employee may be entitled under a Company sponsored tax qualified retirement or savings plan; any rights of Employee to indemnification under the Certificate of Incorporation or by-laws of the Company, the Agreement or other agreement between Employee and the Company; or any rights of Employee under any directors' and officers' liability insurance policy maintained by the Company. Except as specifically provided herein, it is expressly understood and agreed that this Release shall operate as a clear and unequivocal waiver by Employee of any claim for accrued or unpaid wages, benefits or any other type of payment other than as provided to Employee under the Agreement or any employee benefit plan or equity plan of the Company in which Employee is a participant. It is the intention of the parties to make this Release as broad and as general as the law permits as to the claims released hereunder.

2. Employee further agrees and recognizes that Employee has permanently and irrevocably severed Employee's employment relationship with the Company, that Employee shall not seek employment at any time in the future with the Company or any entity with which the Company is consolidated for financial reporting purposes, and that the Company has no obligation to employ Employee in the future.

3. Employee agrees that no promise or inducement to enter into this Release has been offered or made except as set forth herein and that Employee is entering into this Release without any threat or coercion and without reliance on any statement or representation made on behalf of the Company or by any person employed by or representing the Company, except for the written provisions and promises contained in this Release.

4. The parties agree that damages incurred as a result of a breach of this Release will be difficult to measure. It is, therefore, further agreed that, in addition to the remedy set forth in Section 6(h) or any other remedies, equitable relief will be available in the case of a breach of this Release. It also is agreed that, in the event Employee files a claim against the Company (other than a charge before the EEOC) with respect to a claim released by Employee herein, the Company may withhold, retain, or require reimbursement of the Severance Benefits.

5. The parties agree and acknowledge that this Release, and the settlement and termination of any asserted or unasserted claims against the Releasees pursuant to the Release, are not and shall not be construed to be an admission of any violation of any federal, state or local statute or regulation, or of any duty owed by any of the Releasees to Employee.

6. Employee certifies and acknowledges:

(a) Employee has read the terms of this Release, and Employee understands its terms and effects, including the fact that Employee has agreed to RELEASE AND FOREVER DISCHARGE all Releasees from any legal action or other liability of any type related in any way to the matters released pursuant to this Release other than as provided in the Agreement and in this Release;

(b) Employee has signed this Release voluntarily and knowingly in exchange for the Severance Benefits and other consideration described herein, which Employee acknowledges is adequate and satisfactory to Employee and which Employee acknowledges is in addition to any other benefits to which Employee is otherwise entitled;

(c) Employee has been and is hereby advised in writing to consult with an attorney prior to signing this Release and Employee has had the opportunity to seek legal counsel in connection with this Release;

(d) Employee does not waive rights or claims that may arise after the date this Release is executed;

(e) Employee has been informed that Employee has the right to consider this Release for a period of **[21] [45]** days from receipt, and Employee has signed on the date indicated below after concluding that this Release is satisfactory to Employee;

(f) Neither the Company, nor any of its directors, employees, or attorneys, has made any representations to Employee concerning the terms or effects of this Release other than those contained herein;

(g) Employee has not filed a charge, lawsuit or any other claim (and will not hereafter file a charge, lawsuit or any other claim (other than a charge before the EEOC)) against the Company relating to Employee's employment and/or cessation of employment with the Company or otherwise involving facts that occurred on or prior to the date that Employee has signed this Release, other than a lawsuit or claim that the Company has failed to pay Employee the Severance Benefits due under any employee benefit plan or equity plan of the Company in which Employee is a participant; and

(h) If Employee commences, continues, joins in, or in any other manner attempts to pursue a recovery for any claim released herein against any of the Releasees, or otherwise violates the terms of this Release, (i) Employee will cease to have any further rights to Severance Benefits from the Company, and (ii) Employee shall be required to return any Severance Benefits granted to Employee by the Company (together with interest thereon). A claim that would be expressly permitted by the terms of this Release were it successful will not be deemed a violation of this Release even if such claim is unsuccessful, provided that such claim

is made in good faith. In addition, nothing in this Release is intended to: (1) limit Employee's ability to report to, respond to inquiries from, or otherwise cooperate with, any governmental, regulatory or self-regulatory agency with jurisdiction over the Company or its assets (including but not limited to the EEOC), or make disclosures that are protected under whistleblower or other provisions of applicable law or regulation; (2) limit monetary or personal relief or remedy available for pursuing a claim or charge that cannot be released in accordance with federal, state or local law; or (3) create any obligation on Employee's part to inform the Company about the fact or substance of any communications Employee may have with any governmental authorities in connection with any pending and/or future actions.

7. Employee acknowledges that Employee may later discover facts different from or in addition to those which Employee knows or believes to be true now, and Employee agrees that, in such event, this Release shall nevertheless remain effective in all respects, notwithstanding such different or additional facts or the discovery of those facts.

8. This Release may not be introduced in any legal or administrative proceeding, or other similar forum, except one concerning a breach of this Release.

9. If all or any part of this Release is declared by any court or governmental authority to be unlawful or invalid, such unlawfulness or invalidity shall not invalidate any other portion of this Release. Any section or a part of a section declared to be unlawful or invalid shall, if possible, be construed in a manner which will give effect to the terms of the section to the fullest extent possible while remaining lawful and valid.

10. This Release shall not be altered, amended, or modified except by written instrument executed by the Company and Employee. A waiver of any portion of this Release shall not be deemed a waiver of any other portion of this Release.

11. This Release may be executed in several counterparts, each of which shall be deemed to be an original, but all of which together will constitute one and the same instrument.

12. This Release shall be governed by and construed and interpreted in accordance with the laws of the State of Illinois without regard to its choice of law principles.

13. Employee also understands that Employee has the right to revoke this Release within seven (7) days after execution, and that this Release will not become effective or enforceable until the revocation period has expired, by giving written notice by regular mail and facsimile to the following:

Ventas, Inc.
SVP and Chief Human Resources Officer
353 North Clark Street, Suite 3300
Chicago, Illinois 60654
Telephone No.: (312) 268-4717
Fax No.: (312) 660-3891

(Signature Page to Follow)

IN WITNESS WHEREOF, and intending to be legally bound hereby, the parties execute the foregoing Release and Waiver of Claims.

TODD W. LILLIBRIDGE

Date: _____

VENTAS, INC.

By: _____

Title: _____

Date: _____

STATEMENT REGARDING COMPUTATION OF RATIOS OF EARNINGS TO FIXED CHARGES

	For the Nine Months Ended September 30, 2017	
	(Dollars in thousands)	
Income before unconsolidated entities, income taxes, discontinued operations, real estate dispositions and noncontrolling interest	\$	448,201
Interest expense		
Senior notes payable and other debt		336,245
Distributions from unconsolidated entities		9,725
Earnings	\$	794,171
Interest		
Senior notes payable and other debt expense	\$	336,245
Interest capitalized		3,310
Fixed charges	\$	339,555
Ratio of Earnings to Fixed Charges		2.34

I, Debra A. Cafaro, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Ventas, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report, any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting, which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 27, 2017

/s/ DEBRA A. CAFARO

Debra A. Cafaro

Chairman and Chief Executive Officer

I, Robert F. Probst, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Ventas, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report, any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting, which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 27, 2017

/s/ ROBERT F. PROBST

Robert F. Probst

Executive Vice President and Chief Financial Officer

CERTIFICATION PURSUANT TO

18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Ventas, Inc. (the "Company") for the period ended September 30, 2017, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Debra A. Cafaro, Chairman and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: October 27, 2017

/s/ DEBRA A. CAFARO

Debra A. Cafaro

Chairman and Chief Executive Officer

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

CERTIFICATION PURSUANT TO

18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Ventas, Inc. (the "Company") for the period ended September 30, 2017, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Robert F. Probst, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: October 27, 2017

/s/ ROBERT F. PROBST

Robert F. Probst

Executive Vice President and Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.