VENTAS INC
Form 10-Q
October 27, 2017

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

FORM 10-Q

(Mark One)

x	QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED 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	61-1055020
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

353 N. Clark Street, Suite 3300
Chicago, Illinois
(Address of Principal Executive Offices)
60654
(Zip Code)
(877) 483-6827
(Registrant’s Telephone Number, Including Area Code)
Not Applicable
(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

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

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

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

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

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

Class of Common Stock:	Outstanding at October 25, 2017:
Common Stock, $0.25 par value	356,163,849

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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.

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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.

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

September 30, 2017	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
2017	(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	$89,023	$13,034,527	$(40,780)	$(2,351,430)	$—	$10,731,340	$66,904	$10,798,244

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

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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). MOBs, 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	$1,764,059	21.7	$1,810,079	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	$249,106	15.6	$256,046	15.9

N/A—Not Applicable.

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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	$540,295	$ 518,364

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.

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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	$(40,780)	$ (57,534)

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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	$213,495	$461,700	$191,074	$33,659	$899,928
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	$214,617	$146,402	$129,699	$33,164	523,882
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					$156,930

	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	$211,670	$ 461,974	$ 160,484	$32,988	$867,116
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	$212,254	$ 149,904	$ 110,776	$32,460	505,394
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					$150,446

	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	$638,410	$1,386,131	$566,988	$87,332	$2,678,861
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	$643,178	$449,678	$390,836	$85,377	1,569,069
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					$465,114

	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	$638,706	$1,390,387	$457,052	$81,664	$2,567,809
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	$639,444	$458,444	$314,457	$81,252	1,493,597
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					$411,634

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	$117,214	$1,440,229	$555,933	$1,591,286

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	$899,928	$867,116	$2,678,861	$2,567,809

	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	$20,464,873	20,394,754

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				
	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	$14,666,759	$3,057,791	$23,537,757	$(17,522,512)	$23,739,795
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	$14,666,759	$3,057,791	$23,537,757	$(17,522,512)	$23,739,795

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CONDENSED CONSOLIDATING BALANCE SHEET

	As of December 31, 2016				
	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	$14,506,907	$3,119,996	$22,737,069	$(17,197,372)	$23,166,600
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	$14,506,907	$3,119,996	$22,737,069	$(17,197,372)	$23,166,600

CONDENSED CONSOLIDATING STATEMENT OF INCOME

	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

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CONDENSED CONSOLIDATING STATEMENT OF INCOME

	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

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CONDENSED CONSOLIDATING STATEMENT OF INCOME

	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 express 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.

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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

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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	$194,111	$191,126	2,985	1.6

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	$146,102	$149,829	(3,727)	(2.5)

	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	$145,435	$147,157	(1,722)	(1.2)

	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	$130,047	$110,538	19,509	17.6

	Number of Properties at September	Occupancy at September 30,	Annualized Average Rent Per Occupied Square Foot

	30,				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.

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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	$98,462	$98,563	(101)	(0.1)

	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)

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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	$578,240	$575,149	3,091	0.5

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	$449,835	$457,712	(7,877)	(1.7)

	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	$439,400	$440,798	(1,398)	(0.3)

	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

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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	$390,552	$314,156	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	$296,533	$294,329	2,204	0.7

	Number of Properties	Occupancy September 30,	Annualized Average Rent

	at September 30,				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

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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.

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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.

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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.

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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	$11,511,618	$11,190,914	$11,317,837
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	100.0 %	100.0 %	100.0 %
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

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