HCP, INC.
Form 10-Q
August 09, 2016
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the quarterly period ended June 30, 2016.

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 001-08895

HCP, INC.

(Exact name of registrant as specified in its charter)

Maryland	33-0091377
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1920 Main Street, Suite 1200

Irvine, CA 92614

(Address of principal executive offices)

(949) 407-0700

(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

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

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

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

Large Accelerated Filer	Accelerated Filer
Non-accelerated Filer (Do not check if a smaller reporting company)	Smaller Reporting Company

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

As of July 29, 2016, there were 467,583,448 shares of the registrant's $1.00 par value common stock outstanding.

Table of Contents

HCP, INC.

INDEX

PART I. FINANCIAL INFORMATION		
Item 1.	Financial Statements (Unaudited):	
	Consolidated Balance Sheets	3
	Consolidated Statements of Operations	4
	Consolidated Statements of Comprehensive Income (Loss)	5
	Consolidated Statements of Equity	6
	Consolidated Statements of Cash Flows	7
	Notes to the Consolidated Financial Statements	8
Item 2.	Management’s Discussion and Analysis of Financial Condition and Results of Operations	38
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	66
Item 4.	Controls and Procedures	67
PART II. OTHER INFORMATION		
Item 1A.	Risk Factors	68
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	68
Item 6.	Exhibits	68
Signatures		70

Table of Contents

HCP, Inc.

CONSOLIDATED BALANCE SHEETS

(In thousands, except share and per share data)

(Unaudited)

	June 30, 2016	December 31, 2015
ASSETS		
Real estate:		
Buildings and improvements	$ 12,321,266	$ 12,198,704
Development costs and construction in progress	387,560	388,576
Land	1,933,823	1,948,757
Accumulated depreciation and amortization	(2,716,880)	(2,541,334)
Net real estate	11,925,769	11,994,703
Net investment in direct financing leases	5,856,544	5,905,009
Loans receivable, net	708,096	768,743
Investments in and advances to unconsolidated joint ventures	604,941	605,244
Accounts receivable, net of allowance of $4,892 and $3,261, respectively	51,800	48,929
Cash and cash equivalents	116,450	346,500
Restricted cash	180,404	60,616
Intangible assets, net	550,569	603,706
Real estate and related assets held for sale, net	330,453	314,126
Other assets, net	791,431	802,273
Total assets(1)	$ 21,116,457	$ 21,449,849
LIABILITIES AND EQUITY		
Bank line of credit	$ 869,078	$ 397,432
Term loans	477,890	524,807
Senior unsecured notes	8,626,559	9,120,107
Mortgage debt	688,910	932,212
Other debt	93,012	94,445
Intangible liabilities, net	49,448	56,147
Intangible liabilities related to assets held for sale, net	17,001	19,126
Accounts payable and accrued liabilities	482,133	436,239
Deferred revenue	136,038	123,017
Total liabilities(1)	11,440,069	11,703,532
Commitments and contingencies		
Common stock, $1.00 par value: 750,000,000 shares authorized; 467,324,914 and 465,488,492 shares issued and outstanding, respectively	467,325	465,488
Additional paid-in capital	11,701,707	11,647,039
Cumulative dividends in excess of earnings	(2,857,164)	(2,738,414)
Accumulated other comprehensive loss	(30,738)	(30,470)

Total stockholders’ equity	9,281,130	9,343,643
Joint venture partners	214,671	217,066
Non-managing member unitholders	180,587	185,608
Total noncontrolling interests	395,258	402,674
Total equity	9,676,388	9,746,317
Total liabilities and equity	$ 21,116,457	$ 21,449,849

(1) HCP, Inc.’s consolidated total assets and total liabilities at June 30, 2016 and December 31, 2015 include certain assets of variable interest entities (“VIEs”) that can only be used to settle the liabilities of the related VIE. The VIE creditors do not have recourse to HCP, Inc. Total assets at June 30, 2016 include VIE assets as follows: buildings and improvements $3.4 billion; development costs $16 million; land $324 million; accumulated depreciation and amortization $598 million; investments in unconsolidated joint ventures $14 million; accounts receivable $25 million; cash $59 million; restricted cash $25 million; intangible assets, net $184 million; and other assets, net $62 million. Total assets at December 31, 2015 include VIE assets as follows: buildings and improvements $3.4 billion; development costs $54 million; land $327 million; accumulated depreciation and amortization $537 million; investments in unconsolidated joint ventures $14 million; accounts receivable $19 million; cash $61 million; restricted cash $21 million; intangible assets, net $204 million; and other assets, net $63 million. Total liabilities at June 30, 2016 include VIE liabilities as follows: mortgage debt $571 million; intangible liabilities, net $10 million; accounts payable and accrued liabilities $116 million and deferred revenue $25 million. Total liabilities at December 31, 2015 include VIE liabilities as follows: mortgage debt $589 million; intangible liabilities, net $10 million; accounts payable and accrued liabilities $107 million and deferred revenue $19 million. See Note 16 to the Consolidated Financial Statements for additional information.

See accompanying Notes to the Consolidated Financial Statements.

Table of Contents

HCP, Inc.

CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data)

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Revenues:				
Rental and related revenues	$ 299,076	$ 276,734	$ 596,270	$ 551,816
Tenant recoveries	33,930	31,376	65,667	61,272
Resident fees and services	164,202	106,838	329,965	211,851
Income from direct financing leases	132,100	156,181	260,068	323,259
Interest income	32,787	35,945	50,816	69,207
Investment management fee income	81	458	172	918
Total revenues	662,176	607,532	1,302,958	1,218,323
Costs and expenses:				
Interest expense	121,333	118,632	243,395	235,412
Depreciation and amortization	141,386	120,403	282,708	234,925
Operating	180,125	136,342	357,080	268,373
General and administrative	22,793	28,845	48,292	53,618
Acquisition and pursuit costs	14,527	18,407	17,002	21,797
Impairments	—	44,835	—	523,299
Total costs and expenses	480,164	467,464	948,477	1,337,424
Other income:				
Gain on sales of real estate	119,614	61	119,614	6,325
Other income, net	2,280	11,055	3,502	12,779
Total other income, net	121,894	11,116	123,116	19,104
Income (loss) before income taxes and equity (loss) income from unconsolidated joint ventures	303,906	151,184	477,597	(99,997)
Income tax benefit (expense)	2,003	4,563	(51,035)	4,640
Equity (loss) income from unconsolidated joint ventures	(1,067)	12,001	(1,975)	25,602
Net income (loss)	304,842	167,748	424,587	(69,755)
Noncontrolling interests' share in earnings	(3,125)	(2,863)	(6,751)	(5,974)
Net income (loss) attributable to HCP, Inc.	301,717	164,885	417,836	(75,729)
Participating securities' share in earnings	(342)	(370)	(651)	(704)
Net income (loss) applicable to common shares	$ 301,375	$ 164,515	$ 417,185	$ (76,433)
Earnings per common share:				
Basic	$ 0.65	$ 0.36	$ 0.89	$ (0.17)

Diluted	$ 0.64	$ 0.36	$ 0.89	$ (0.17)
Weighted average shares used to calculate earnings per common share:				
Basic	467,084	461,874	466,579	461,380
Diluted	471,425	462,106	466,777	461,380
Dividends declared per common share	$ 0.575	$ 0.565	$ 1.150	$ 1.130

See accompanying Notes to the Consolidated Financial Statements.

Table of Contents

HCP, Inc.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(In thousands)

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Net income (loss)	$ 304,842	$ 167,748	$ 424,587	$ (69,755)
Other comprehensive income (loss):				
Change in net unrealized gains (losses) on securities	10	8	(5)	3
Change in net unrealized gains (losses) on cash flow hedges:				
Unrealized gains (losses)	1,038	(2,541)	348	(202)
Reclassification adjustment realized in net income	171	354	340	348
Change in Supplemental Executive Retirement Plan obligation	71	69	141	138
Foreign currency translation adjustment	(355)	(1,544)	(1,092)	(8,507)
Total other comprehensive income (loss)	935	(3,654)	(268)	(8,220)
Total comprehensive income (loss)	305,777	164,094	424,319	(77,975)
Total comprehensive income attributable to noncontrolling interests	(3,125)	(2,863)	(6,751)	(5,974)
Total comprehensive income (loss) attributable to HCP, Inc.	$ 302,652	$ 161,231	$ 417,568	$ (83,949)

See accompanying Notes to the Consolidated Financial Statements.

Table of Contents

HCP, Inc.

CONSOLIDATED STATEMENTS OF EQUITY

(In thousands, except per share data)

(Unaudited)

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Cumulative Dividends In Excess Of Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity	Total Noncontrolling Interests	Total Equity
January 1, 2016	465,488	$ 465,488	$ 11,647,039	$ (2,738,414)	$ (30,470)	$ 9,343,643	$ 402,674	$ 9,746,317
Net income	—	—	—	417,836	—	417,836	6,751	424,587
Other comprehensive loss	—	—	—	—	(268)	(268)	—	(268)
Issuance of common stock, net	1,715	1,715	41,357	—	—	43,072	—	43,072
Conversion of DownREIT units to common stock	120	120	4,902	—	—	5,022	(5,022)	—
Repurchase of common stock	(109)	(109)	(3,765)	—	—	(3,874)	—	(3,874)
Exercise of stock options	111	111	2,741	—	—	2,852	—	2,852
Amortization of deferred compensation	—	—	9,505	—	—	9,505	—	9,505
Common dividends ($1.15 per share)	—	—	—	(537,061)	—	(537,061)	—	(537,061)
Distributions to noncontrolling interests	—	—	(36)	—	—	(36)	(12,437)	(12,473)
Issuance of noncontrolling interests	—	—	—	—	—	—	3,225	3,225
Deconsolidation of noncontrolling	—	—	(36)	475	—	439	67	506

interests								
June 30, 2016	467,325	$ 467,325	$ 11,701,707	$ (2,857,164)	$ (30,738)	$ 9,281,130	$ 395,258	$ 9,676,388

	Common Stock		Additional Paid-In Capital	Cumulative Dividends In Excess Of Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity	Total Noncontrolling Interests	Total Equity
	Shares	Amount						
January 1, 2015	459,746	$ 459,746	$ 11,431,987	$ (1,132,541)	$ (23,895)	$ 10,735,297	$ 261,802	$ 10,997,099
Net loss	—	—	—	(75,729)	—	(75,729)	5,974	(69,755)
Other comprehensive loss	—	—	—	—	(8,220)	(8,220)	—	(8,220)
Issuance of common stock, net	2,094	2,094	66,047	—	—	68,141	(2,448)	65,693
Repurchase of common stock	(171)	(171)	(7,519)	—	—	(7,690)	—	(7,690)
Exercise of stock options	817	817	26,608	—	—	27,425	—	27,425
Amortization of deferred compensation	—	—	15,724	—	—	15,724	—	15,724
Common dividends ($1.13 per share)	—	—	—	(521,898)	—	(521,898)	—	(521,898)
Distributions to noncontrolling interests	—	—	(263)	—	—	(263)	(8,143)	(8,406)
Issuance of noncontrolling interests	—	—	—	—	—	—	37,025	37,025
June 30, 2015	462,486	$ 462,486	$ 11,532,584	$ (1,730,168)	$ (32,115)	$ 10,232,787	$ 294,210	$ 10,526,997

See accompanying Notes to the Consolidated Financial Statements.

Table of Contents

HCP, Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

	Six Months Ended June 30,	
	2016	2015
Cash flows from operating activities:		
Net income (loss)	$ 424,587	$ (69,755)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	282,708	234,925
Amortization of market lease intangibles, net	(972)	(636)
Amortization of deferred compensation	9,505	15,724
Amortization of deferred financing costs	10,561	9,726
Straight-line rents	(11,117)	(17,748)
Loan and direct financing lease non-cash interest	278	(46,997)
Deferred rental revenues	(808)	(1,004)
Equity loss (income) from unconsolidated joint ventures	1,975	(25,602)
Distributions of earnings from unconsolidated joint ventures	3,202	2,493
Lease termination income, net	—	(1,103)
Gain on sales of real estate	(119,614)	(6,325)
Deferred income tax expense	49,156	—
Foreign exchange and other gains, net	(91)	(9,866)
Impairments	—	523,299
Changes in:		
Accounts receivable, net	(2,871)	(6,464)
Other assets, net	(2,892)	(8,473)
Accounts payable and accrued liabilities	23,305	1,792
Net cash provided by operating activities	666,912	593,986
Cash flows from investing activities:		
Acquisitions of real estate	(94,271)	(1,247,900)
Development of real estate	(204,624)	(121,510)
Leasing costs and tenant and capital improvements	(41,161)	(28,302)
Proceeds from sales of real estate, net	96,652	8,600
Contributions to unconsolidated joint ventures	(10,156)	(31,512)
Distributions in excess of earnings from unconsolidated joint ventures	6,421	1,994
Principal repayments on loans receivable, direct financing leases and other	205,576	53,081
Investments in loans receivable and other	(122,113)	(276,038)
Decrease (increase) in restricted cash	10,058	(3,481)
Net cash used in investing activities	(153,618)	(1,645,068)
Cash flows from financing activities:		
Net borrowings under bank line of credit	642,898	186,557

Repayments under bank line of credit	(135,000)	—
Borrowings under term loan	—	333,014
Issuance of senior unsecured notes	—	1,338,555
Repayments of senior unsecured notes	(500,000)	(400,000)
Repayments of mortgage and other debt	(246,387)	(20,333)
Deferred financing costs	—	(13,272)
Issuance of common stock and exercise of options	45,924	93,118
Repurchase of common stock	(3,874)	(7,690)
Dividends paid on common stock	(537,061)	(521,898)
Issuance of noncontrolling interests	3,225	3,397
Distributions to noncontrolling interests	(12,473)	(8,406)
Net cash (used in) provided by financing activities	(742,748)	983,042
Effect of foreign exchange on cash and cash equivalents	(596)	—
Net decrease in cash and cash equivalents	(230,050)	(68,040)
Cash and cash equivalents, beginning of period	346,500	183,810
Cash and cash equivalents, end of period	$ 116,450	$ 115,770

See accompanying Notes to the Consolidated Financial Statements.

Table of Contents

HCP, Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE 1. Business

HCP, Inc., a Standard & Poor's ("S&P") 500 company, together with its consolidated entities (collectively, "HCP" or the "Company"), invests primarily in real estate serving the healthcare industry in the United States ("U.S."). The Company is a Maryland corporation organized in 1985 and qualifies as a self-administered real estate investment trust ("REIT"). The Company is headquartered in Irvine, California, with offices in Nashville, Los Angeles, San Francisco and London. The Company acquires, develops, leases, manages and disposes of healthcare real estate, and provides financing to healthcare providers. The Company's diverse portfolio is comprised of investments in the following healthcare segments: (i) senior housing, (ii) post-acute/skilled nursing, (iii) life science, (iv) medical office and (v) hospital.

In May 2016, the Company announced its intention to spin off interests in 338 properties (including 17 non-strategic properties, of which we expect seven to be sold by the end of 2016 and the remaining 10 to be sold in the first quarter of 2017), primarily comprised of its HCR ManorCare, Inc. ("HCRMC") direct financing lease ("DFL") investments and its equity investment in HCRMC (the "Spin-Off"). Quality Care Properties, Inc. ("QCP") (formerly HCP SpinCo, Inc.) will be an independent, publicly-traded, self-managed and self-administrated company. QCP will elect and intends to qualify as a REIT. The Spin-Off is expected to be effectuated through a pro rata special distribution of QCP's common shares to HCP stockholders and will not qualify as a tax-free spin-off for U.S. federal income tax purposes. The transaction is subject to certain conditions, including the filing and approval of QCP's common stock to be listed on the New York Stock Exchange, customary third party consents, the U.S. Securities and Exchange Commission (the "SEC") declaring effective a registration statement for the QCP common shares to be distributed, and approval and declaration of the distribution by the Company's Board of Directors. The transaction is expected to be completed in the fourth quarter of 2016. The Company may, at any time and for any reason until the proposed transaction is complete, abandon, modify or change the terms of the Spin-Off. There can be no assurance as to whether or when the Spin-Off will occur. QCP filed its initial Registration Statement on Form 10 on June 17, 2016 and Amendment No. 1 to its Registration Statement on Form 10 on August 9, 2016.

NOTE 2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") for interim financial information. Management is required to make estimates and assumptions in the preparation of financial statements in conformity with GAAP. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from management's estimates.

The consolidated financial statements include the accounts of HCP, Inc., its wholly-owned subsidiaries, joint ventures and VIEs that it controls through voting rights or other means. Intercompany transactions and balances have been eliminated upon consolidation. In the opinion of management, all adjustments (consisting of normal recurring adjustments) necessary to present fairly the Company's financial position, results of operations and cash flows have been included. Operating results for the three and six months ended June 30, 2016 are not necessarily indicative of the results that may be expected for the year ending December 31, 2016. The accompanying unaudited interim financial information should be read in conjunction with the consolidated financial statements and notes thereto for the year ended December 31, 2015 included in the Company's Annual Report on Form 10-K filed with the SEC.

Recent Accounting Pronouncements

In June 2016, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") No. 2016 13, Measurement of Credit Losses on Financial Instruments ("ASU 2016-13"). ASU 2016-13 is intended to

Table of Contents

improve financial reporting by requiring timelier recognition of credit losses on loans and other financial instruments held by financial institutions and other organizations. ASU 2016-13 is effective for fiscal years, and interim periods within, beginning after December 15, 2019. Early adoption is permitted for fiscal years, and interim periods within, beginning after December 15, 2018. The Company is evaluating the impact of the adoption of ASU 2016 13 on January 1, 2020 to its consolidated financial position or results of operations.

In May 2016, the FASB issued ASU No. 2016-12, Narrow-Scope Improvements and Practical Expedients (“ASU 2016-12”). The amendments in ASU 2016-12 do not change the core principles of the guidance in the new revenue standard described in ASU No. 2014-09 below. Rather, the amendments in ASU 2016-12 provide practical expedients and improvements on the previously narrow scope of the standard. ASU 2016-12 is effective for fiscal years, and interim periods within, beginning after December 15, 2017. Early adoption is permitted at the original effective date of the new revenue standard (January 1, 2017). The Company is evaluating the impact of the adoption of ASU 2016-12 on January 1, 2018 to its consolidated financial position or results of operations.

In March 2016, the FASB issued ASU No. 2016-09, Improvements to Employee Share-Based Payment Accounting (“ASU 2016-09”). ASU 2016-09 is intended to simplify accounting for share-based payment transactions. The areas for simplification in this update involve several aspects of accounting for share-based payment transactions, including income tax consequences, classification of awards as either equity or liabilities and classification on the statements of cash flows. ASU 2016-09 is effective for fiscal years, and interim periods within, beginning after December 15, 2016. Early adoption is permitted. The Company is evaluating the impact of the adoption of ASU 2016-09 on January 1, 2017 to its consolidated financial position, results of operations or cash flows.

In March 2016, the FASB issued ASU No. 2016-08, Principal versus Agent Considerations (Reporting Revenue Gross versus Net) (“ASU 2016-08”). ASU 2016-08 is intended to improve the operability and understandability of the implementation guidance on principal versus agent considerations. ASU 2016-08 is effective for fiscal years, and interim periods within, beginning after December 15, 2017. Early adoption is permitted at the original effective date of the new revenue standard described in ASU No. 2014-09 below (January 1, 2017). The Company is evaluating the impact of the adoption of ASU 2016-08 on January 1, 2018 to its consolidated financial position or results of operations.

In February 2016, the FASB issued ASU No. 2016-02, Leases (“ASU 2016-02”). ASU 2016-02 amends the current accounting for leases to (i) require lessees to put most leases on their balance sheets, but continue recognizing expenses on their income statements in a manner similar to requirements under current accounting guidance, (ii) eliminate current real estate specific lease provisions and (iii) modify the classification criteria and accounting for sales-type leases for lessors. ASU 2016-02 is effective for fiscal years, and interim periods within, beginning after December 15, 2018. Early adoption is permitted. The Company is evaluating the impact of the adoption of ASU 2016-02 on January 1, 2019 to its consolidated financial position or results of operations.

In January 2016, the FASB issued ASU No. 2016-01, Recognition and Measurement of Financial Assets and Financial Liabilities ("ASU 2016-01"). ASU 2016-01 requires equity investments (except those accounted for under the equity method of accounting or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income. This update also simplifies the impairment assessment of equity investments without readily determinable fair values by requiring a qualitative assessment to identify impairment at each reporting period. ASU 2016-01 is effective for fiscal years, and interim periods within, beginning after December 15, 2017. Early adoption is permitted only for updates to certain disclosure requirements. The Company is evaluating the impact of the adoption of ASU 2016-01 on January 1, 2018 to its consolidated financial position or results of operations.

In September 2015, the FASB issued ASU No. 2015-16, Simplifying the Accounting for Measurement-Period Adjustments ("ASU 2015-16"). ASU 2015-16 simplifies the accounting for adjustments made to provisional amounts recognized in a business combination by requiring the acquirer to (i) recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amount is determined, (ii) record, in the same period, the effect on earnings of changes in depreciation, amortization, or other income effects, if any, as a result of the change to the provisional amounts, calculated as if the accounting had been completed at the acquisition date and (iii) present separately or disclose the portion of the amount recorded in current-period earnings by line item that would have been recorded in previous reporting periods if the adjustment to the provisional amounts had been recognized as of the

acquisition date. ASU 2015-16 is effective for fiscal years, and interim periods within, beginning after December 15, 2015. Early adoption is permitted. The Company adopted ASU 2015-16 on January 1, 2016; the adoption of which did not have a material impact on its consolidated financial position or results of operations.

In February 2015, the FASB issued ASU No. 2015-02, Amendments to the Consolidation Analysis ("ASU 2015-02"). ASU 2015-02 requires amendments to both the VIE and voting consolidation accounting models. The amendments (i) rescind the indefinite deferral of certain aspects of accounting standards relating to consolidations and provide a permanent scope exception for registered money market funds and similar unregistered money market funds, (ii) modify (a) the identification of variable interests (fees paid to a decision maker or service provider), (b) the VIE characteristics for a limited partnership or similar entity and (c) the primary beneficiary determination under the VIE model and (iii) eliminate the presumption within the current voting model that a general partner controls a limited partnership or similar entity. ASU 2015-02 is effective for fiscal years, and interim periods within, beginning after December 15, 2015. Early adoption is permitted. A reporting entity may apply the amendments in ASU 2015-02 using either a modified retrospective or retrospective approach by recording a cumulative-effect adjustment to equity as of the beginning of the fiscal year of adoption. The Company adopted ASU 2015-02 on January 1, 2016; the adoption of which did not have a material impact to its consolidated financial position or results of operations (see Note 16).

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers ("ASU 2014-09"). This update changes the requirements for recognizing revenue. ASU 2014-09 provides guidance for revenue recognition 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. In August 2015, the FASB issued ASU No. 2015-14, Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date ("ASU 2015-14"). ASU 2015-14 defers the effective date of ASU 2014-09 by one year to fiscal years, and interim periods within, beginning after December 15, 2017. Early adoption is permitted for annual periods, and interim periods within, beginning after December 15, 2016. A reporting entity may apply the amendments in ASU 2014-09 using either a modified retrospective or retrospective approach by recording a cumulative-effect adjustment to equity as of the beginning of the fiscal year of adoption. The Company is evaluating the impact of the adoption of ASU 2014-09 on January 1, 2018 to its consolidated financial position or results of operations.

Reclassification

Certain amounts in the Company's consolidated financial statements have been reclassified for prior periods to conform to the current period presentation. Real estate and related assets held for sale, net and intangible liabilities related to assets held for sale, net have been reclassified on the consolidated balance sheets (see Note 4).

NOTE 3. Real Estate Property Investments

2016 Acquisitions

The following table summarizes the Company's real estate acquisitions for the six months ended June 30, 2016 (in thousands):

	Consideration		Assets Acquired(1)	
Segment	Cash Paid	Liabilities Assumed	Real Estate	Net Intangibles
Senior housing	$ 76,362	$ 1,200	$ 71,875	$ 5,687
Post-acute/skilled nursing	17,909	—	16,596	1,313
	$ 94,271	$ 1,200	$ 88,471	$ 7,000

(1) The purchase price allocation is preliminary and may be subject to change. Revenues and earnings since the acquisition dates as well as the supplementary pro forma information, assuming these acquisitions occurred as of the beginning of the prior periods, were not material.

2015 Acquisitions

Acquisition of Private Pay Senior Housing Portfolio ("RIDEA III"). On June 30, 2015, the Company and Brookdale Senior Living ("Brookdale") acquired a portfolio of 35 private pay senior housing communities from Chartwell Retirement Residences, including two leasehold interests, representing 5,025 units. The portfolio was acquired under a RIDEA structure which is permitted by the Housing and Economic Recovery Act of 2008 (commonly referred to as "RIDEA"),

Table of Contents

with Brookdale owning a 10% noncontrolling interest. Brookdale has operated these communities since 2011 and continues to manage the communities under a long-term management agreement, which is cancellable under certain conditions (subject to a fee if terminated within seven years from the acquisition date). The Company paid $770 million in cash consideration, net of cash assumed, and assumed $32 million of net liabilities and $29 million of noncontrolling interests to acquire: (i) real estate with a fair value of $776 million, (ii) lease-up intangible assets with a fair value of $48 million and (iii) working capital of $7 million. As a result of the acquisition, the Company recognized a net termination fee of $8 million in rental and related revenues, which represents the termination value of the two leasehold interests. The lease-up intangible assets recognized were attributable to the value of the acquired underlying operating resident leases of the senior housing communities that were stabilized or nearly stabilized (i.e., resident occupancy above 80%).

Pro Forma Results of Operations. The following unaudited pro forma consolidated results of operations assume that the RIDEA III acquisition was completed as of January 1, 2014 (in thousands, except per share data):

	Three Months Ended June 30, 2015	Six Months Ended June 30, 2015
Revenues	$ 651,095	$ 1,305,449
Net income (loss)	171,653	(61,945)
Net income (loss) applicable to HCP, Inc.	168,400	(68,700)
Basic earnings per common share	0.36	(0.15)
Diluted earnings per common share	0.36	(0.15)

2015 Other Acquisitions. The following table summarizes the Company's real estate acquisitions for the six months ended June 30, 2015 (in thousands):

	Consideration			Assets Acquired	
Segment	Cash Paid	Liabilities Assumed	Noncontrolling Interest	Real Estate	Net Intangibles
Senior housing	$ 178,888(1)	$ 821	$ 3,885	$ 166,732	$ 16,862
Post-acute/skilled nursing	178,707(1)	—	—	151,663	27,044
Medical office	377,351	12,851	—	349,650	40,552
	$ 734,946	$ 13,672	$ 3,885	$ 668,045	$ 84,458

(1)Includes £174 million ($254 million) of the Company's HC-One Facility (see Note 6) converted to fee ownership in a portfolio of 36 care homes located throughout the United Kingdom ("U.K.").

Construction, Tenant and Other Capital Improvements

The following table summarizes the Company’s funding for construction, tenant and other capital improvements (in thousands):

	Six Months Ended June 30,	
Segment	2016	2015
Senior housing	$ 65,290	$ 36,826
Post-acute/skilled nursing	4,518	2,492
Life science	97,348	50,548
Medical office	55,391	49,534
Hospital	—	37
	$ 222,547	$ 139,437

Table of Contents

Pending Acquisitions

In May 2016, the Company announced it entered into definitive agreements to acquire a portfolio of seven private pay senior housing communities for $186 million, including the assumption of $75 million of debt maturing in 2044 at a 4.0% interest rate. Consisting of 526 assisted living and memory care units, the portfolio will be managed by Senior Lifestyle Corporation in a 100% owned RIDEA structure. This transaction is expected to close in the second half of 2016 and remains subject to regulatory and third party approvals and other customary closing conditions.

Subsequent Event. In July 2016, the Company acquired two life science buildings and a parcel of land in San Diego, California for $49 million.

NOTE 4. Dispositions of Real Estate

Held for Sale

At June 30, 2016, four life science facilities and a senior housing facility were classified as held for sale, with an aggregate carrying value of $330 million. At December 31, 2015, four life science facilities were classified as held for sale, with an aggregate carrying value of $314 million.

2016 Dispositions

During the six months ended June 30, 2016, the Company sold five post-acute/skilled nursing and two senior housing facilities for $130 million, a life science facility for $74 million, two medical office buildings for $19 million and a senior housing facility for $6 million and recognized total gain on sales of $120 million.

2015 Dispositions

During the six months ended June 30, 2015, the Company sold nine senior housing facilities for $60 million, resulting from Brookdale’s exercise of its purchase option received as part of a transaction with Brookdale in 2014.

Pending Dispositions

In June 2016, the Company entered into a sale agreement to sell a senior housing facility in Jacksonville, Florida for $22 million (classified as held for sale as of June 30, 2016 discussed above). The transaction is expected to close in the third quarter of 2016.

In May 2016, the Company entered into a master contribution agreement to contribute its ownership interest in joint venture entities that own and operate senior housing properties in a RIDEA structure (“RIDEA II”) to an unconsolidated joint venture owned by HCP and an investor group led by Columbia Pacific Advisors, LLC (“CPA”) (the “HCP/CPA JV”). In return, the Company will receive $109 million in cash proceeds from the HCP/CPA JV, a $636 million note receivable (the “Note”) and retain an approximately 40% beneficial interest in RIDEA II. This transaction, upon completion, would result in the Company deconsolidating the net assets of RIDEA II because it will not direct the activities that most significantly impact the venture. The Company further expects that the members will recapitalize RIDEA II, at which time the Company expects to receive cash proceeds in payment against the Note. The closing of these transactions is expected to occur in the second half of 2016 and remains subject to regulatory and third party approvals and other customary closing conditions.

In January 2016, the Company entered into a sale agreement for purchase options that were exercised on eight life science facilities in South San Francisco, California, to be sold in two tranches for $311 million (classified as held for sale as of June 30, 2016 discussed above) and $269 million, respectively. The transactions are expected to close in the second half of 2016 for the first tranche and in 2018 for the second tranche.

Table of Contents

NOTE 5. Net Investment in Direct Financing Leases

Net investment in DFLs consisted of the following (dollars in thousands):

	June 30, 2016	December 31, 2015
Minimum lease payments receivable	$ 25,912,425	$ 26,283,392
Estimated residual values	3,930,300	3,900,679
Less unearned income	(23,169,141)	(23,462,022)
Net investment in direct financing leases before allowance	6,673,584	6,722,049
Allowance for DFL losses	(817,040)	(817,040)
Net investment in direct financing leases	$ 5,856,544	$ 5,905,009
Properties subject to direct financing leases	340	348

HCR ManorCare, Inc.

The Company acquired 334 post-acute, skilled nursing and assisted living facilities in its 2011 transaction with HCRMC and entered into a triple-net Master Lease and Security Agreement (the “Master Lease”) with a subsidiary (“Lessee”) of HCRMC. The Master Lease, as amended by the “HCRMC Lease Amendment” described below, is referred to herein as the “Amended Master Lease.”

As part of the Company’s fourth quarter 2015 review process, including its internal rating evaluation, it assessed the collectibility of all contractual rent payments under the Amended Master Lease, discussed below. The Company’s evaluation included, but was not limited to, consideration of: (i) the continued decline in HCRMC’s operating performance and fixed charge coverage ratio during the second half of 2015, with the most significant deterioration occurring during the fourth quarter, (ii) the reduced growth outlook for the post-acute/skilled nursing business and (iii) HCRMC’s 2015 audited financial statements. The Company determined that the timing and amounts owed under the Master Lease were no longer reasonably assured and assigned an internal rating of “Watch List” as of December 31, 2015. Further, the Company placed the HCRMC DFL investments on nonaccrual status and began utilizing a cash basis method of accounting in accordance with its policies.

As a result of assigning an internal rating of “Watch List” to its HCRMC DFL investments during the quarterly review process, the Company further evaluated the carrying amount of its HCRMC DFL investments. As a result of the significant decline in HCRMC’s fixed charge coverage ratio in the fourth quarter of 2015, combined with a lower growth outlook for the post-acute/skilled nursing business, the Company determined that it was probable that its HCRMC DFL investments were impaired and the amount of the loss could be reasonably estimated. In the fourth quarter of 2015, the Company recorded an allowance for DFL losses (impairment charge) of $817 million, reducing

the carrying amount of its HCRMC DFL investments from $6.0 billion to $5.2 billion at December 31, 2015.

In December 2015, the Company reduced the carrying amount of its equity investment in HCRMC to zero, and beginning in January 2016, income is recognized only if cash distributions are received from HCRMC. As a result, the Company no longer recharacterizes (eliminates) its proportional ownership share of income from DFLs to equity income from unconsolidated joint ventures (see Note 7).

During the three months ended March 31, 2015, the Company and HCRMC agreed to market for sale the real estate and operations associated with 50 non-strategic facilities under the Master Lease. HCRMC will receive an annual rent reduction under the Master Lease based on 7.75% of the net sales proceeds received by HCP. During the year ended December 31, 2015, the Company completed sales of 22 non-strategic HCRMC facilities for $219 million. During the six months ended June 30, 2016, the Company sold an additional 11 facilities for $62 million, bringing the total facilities sold through August 8, 2016 to 33. Of the 17 remaining non-strategic facilities, seven are expected to close by the end of 2016 and 10 are expected to be sold in the first quarter of 2017. Contracts have been entered into with third-party purchasers with respect to the sale of 10 of the 17 properties.

On March 29, 2015, certain subsidiaries of the Company entered into an amendment to the Master Lease (the “HCRMC Lease Amendment”) effective April 1, 2015. The HCRMC Lease Amendment reduced initial annual rent by a net

13

$68 million from $541 million to $473 million. Commencing on April 1, 2016, the minimum rent escalation was reset to 3.0% for each lease year through the expiration of the initial term of each applicable pool of facilities. Prior to the HCRMC Lease Amendment, rent payments would have increased 3.5% on April 1, 2015 and 2016 and 3.0% annually thereafter. The initial term was extended five years to an average of 16 years, and the extension options' aggregate terms remained the same.

As consideration for the rent reduction, the Company received a deferred rent obligation ("DRO") from the Lessee equal to an aggregate amount of $525 million, which was allocated into two tranches: (i) a Tranche A DRO of $275 million and (ii) a Tranche B DRO of $250 million. The Lessee made rental payments equal to 6.9% of the outstanding amount (representing $19 million) for the initial lease year until the entire Tranche A DRO was paid in full in March 2016 in connection with the nine facility purchases discussed below. Commencing on April 1, 2016, until the Tranche B DRO is paid in full, the outstanding principal balance of the Tranche B DRO will be increased annually by (i) 3.0% initially, (ii) 4.0% commencing on April 1, 2019, (iii) 5.0% commencing on April 1, 2020, and (iv) 6.0% commencing on April 1, 2021 and annually for the remainder of its term. The DRO is due and payable on the earlier of (i) certain capital or liquidity events of HCRMC, including an initial public offering or sale, or (ii) March 31, 2029, which is not subject to any extensions. The HCRMC Lease Amendment also imposes certain restrictions on the Lessee and HCRMC until the DRO is paid in full, including with respect to the payment of dividends and the transfer of interest in HCRMC.

Additionally, HCRMC agreed to sell, and HCP agreed to purchase, nine post-acute facilities for an aggregate purchase price of $275 million. Through December 31, 2015, HCRMC and HCP completed seven of the nine facility purchases for $183 million. Through March 31, 2016, HCRMC and HCP completed the remaining two facility purchases for $92 million, bringing the nine facility purchases to an aggregate $275 million, the proceeds of which were used to settle the Tranche A DRO discussed above. Following the purchase of a facility, the Lessee leases such facility from the Company pursuant to the Amended Master Lease. The nine facilities initially contribute an aggregate of $19 million of annual rent (subject to escalation) under the Amended Master Lease.

In March 2015, the Company recorded a net impairment charge of $478 million related to its HCRMC DFL investments. The impairment charge reduced the carrying value of the HCRMC DFL investments from $6.6 billion to $6.1 billion, based on the present value of the future lease payments effective April 1, 2015 under the Amended Master Lease discounted at the original DFL investments' effective lease rate.

During the three months ended June 30, 2016 and 2015, the Company recognized DFL income of $116 million and $140 million, respectively, and received cash payments of $116 million and $118 million, respectively, from the HCRMC DFL investments. During the six months ended June 30, 2016 and 2015, the Company recognized DFL income of $229 million and $292 million, respectively, and received cash payments of $229 million and $249 million, respectively, from the HCRMC DFL investments. During the three and six months ended June 30, 2015, the Company recognized a total of $22 million and $43 million, respectively, of net accretion related to its HCRMC DFL investments. No accretion related to its HCRMC DFL investments has been recognized in 2016 due to the Company utilizing a cash basis method of accounting beginning January 1, 2016. The carrying value of the HCRMC DFL investments was $5.1 billion and $5.2 billion at June 30, 2016 and December 31, 2015, respectively.

The Company acquired the HCRMC DFL investments in 2011 through an acquisition of a C-Corporation, which was subject to federal and state built-in gain tax of up to $2 billion, if all the assets were sold within 10 years. At the time of acquisition, the Company intended to hold the assets for at least 10 years, at which time the assets would no longer be subject to the built-in gain tax.

In December 2015, the U.S. Federal Government passed legislation which permanently reduced the holding period, for federal tax purposes, to five years. The Company satisfied the five year holding period requirement in April 2016. In June 2016, the U.S. Department of the Treasury issued proposed regulations that would change the holding period back to 10 years, but effective only for conversion transactions after August 8, 2016. As currently proposed, these regulations will not impact the properties in the HCRMC DFL as the HCRMC conversion transaction occurred on April 7, 2011. However, certain states still require a 10-year holding period and, as such, the assets are still subject to state built-in gain tax.

Table of Contents

As of March 31, 2016, the Company determined that it may sell assets during the next five years and, therefore, recorded a deferred tax liability of $49 million representing its estimated exposure to state built-in gain tax.

On April 20, 2015, the U.S. Department of Justice ("DOJ") unsealed a previously filed complaint in the U.S. District Court for the Eastern District of Virginia against HCRMC and certain of its affiliates in three consolidated cases following a civil investigation arising out of three lawsuits filed by former employees of HCRMC under the qui tam provisions of the federal False Claims Act. The DOJ's complaint in intervention is captioned United States of America, ex rel. Ribik, Carson, and Slough v. HCR ManorCare, Inc., ManorCare Inc., HCR ManorCare Services, LLC and Heartland Employment Services, LLC (Civil Action Numbers: 1:09cv13; 1:11cv1054; 1:14cv1228 (CMH/TCB)). The complaint alleges that HCRMC submitted claims to Medicare for therapy services that were not covered by the skilled nursing facility benefit, were not medically reasonable and necessary, and were not skilled in nature, and therefore not entitled to Medicare reimbursement. In June 2016, the court approved the parties' joint discovery plan, which provides for discovery to be completed by February 2017. The court has not yet issued a scheduling order setting forth dates for summary judgment motions, other pre-trial motions or a trial date. While this litigation is at an early stage and HCRMC has indicated that it believes the claims are unjust and it will vigorously defend against them, a significant adverse judgment against HCRMC or significant settlement obligation could impact the carrying value of the Company's HCRMC DFL investments further.

See Notes 1, 7, 11 and 17 for additional discussion of HCRMC.

DFL Internal Ratings

The following table summarizes the Company's internal ratings for DFLs at June 30, 2016 (dollars in thousands):

	Carrying	Percentage of	Internal Ratings		
			Performing	Watch List	Workout
Segment	Amount	DFL Portfolio	DFLs	DFLs	DFLs
Senior housing	$ 1,793,743	31	$ 262,278	$ 1,531,465	$ —
Post-acute/skilled nursing	3,938,910	67	—	3,938,910	—
Hospital	123,891	2	123,891	—	—
	$ 5,856,544	100	$ 386,169	$ 5,470,375	$ —

Beginning September 30, 2013, the Company placed a 14-property senior housing DFL (the "DFL Portfolio") on nonaccrual status and assigned an internal rating of "Watch List." The Company determined that the collection of all rental payments was and continues to be no longer reasonably assured; therefore, rental revenue from the DFL Portfolio is recognized when cash is received utilizing a cash basis method of accounting in accordance with its policies. During the three months ended June 30, 2016 and 2015, the Company recognized DFL income of $4 million

and $5 million, respectively, and received cash payments of $5 million and $6 million, respectively, from the DFL Portfolio. During the six months ended June 30, 2016 and 2015, the Company recognized DFL income of $8 million and $9 million, respectively, and received cash payments of $10 million and $11 million, respectively, from the DFL Portfolio. The carrying value of the DFL Portfolio was $363 million and $366 million at June 30, 2016 and December 31, 2015, respectively.

Table of Contents

NOTE 6. Loans Receivable

The following table summarizes the Company’s loans receivable (in thousands):

	June 30, 2016			December 31, 2015		
	Real Estate Secured	Other Secured	Total	Real Estate Secured	Other Secured	Total
Mezzanine(1) (2)	$ —	$ 633,576	$ 633,576	$ —	$ 660,138	$ 660,138
Other(2) (3)	78,889	—	78,889	114,322	—	114,322
Unamortized discounts, fees and costs(1)	665	(5,034)	(4,369)	961	(6,678)	(5,717)
	$ 79,554	$ 628,542	$ 708,096	$ 115,283	$ 653,460	$ 768,743

(1) At June 30, 2016, included £280 million ($376 million) outstanding and £3 million ($4 million) of associated unamortized discounts, fees and costs. At December 31, 2015, included £273 million ($403 million) outstanding and £4 million ($5 million) of associated unamortized discounts, fees and costs.
(2) At June 30, 2016, the Company had £40 million ($53 million) remaining under its commitments to fund development projects and capital expenditures under its U.K. development projects.
(3) At June 30, 2016, the Company had $1 million remaining of commitments to fund development projects and capital expenditures under its senior housing development loan program.

Loans Receivable Internal Ratings

The following table summarizes the Company’s internal ratings for loans receivable at June 30, 2016 (dollars in thousands):

Investment Type	Carrying Amount	Percentage of Loan Portfolio	Internal Ratings Performing Loans	Watch List Loans	Workout Loans
Real estate secured	$ 79,554	11	$ 79,554	$ —	$ —
Other secured	628,542	89	628,542	—	—
	$ 708,096	100	$ 708,096	$ —	$ —

Real Estate Secured Loans

Four Seasons Health Care. In December 2015, the Company purchased £28 million ($42 million) of Four Seasons Health Care's ("Four Seasons") £40 million senior secured term loan. The loan is secured by, among other things, the real estate assets of Four Seasons, and represents the most senior debt tranche. The loan bears interest at a rate of LIBOR plus 6.0% per annum and matures in December 2017.

Other Secured Loans

HC-One Facility. In November 2014, the Company was the lead investor in the financing for Formation Capital and Safanad's acquisition of NHP, a company that, at closing, owned 273 nursing and residential care homes representing over 12,500 beds in the U.K. principally operated by HC-One. The Company provided a loan facility (the "HC-One Facility"), secured by substantially all of NHP's assets, totaling £395 million, with £363 million ($574 million) drawn at closing and has a five-year term. In February 2015, the Company increased the HC-One Facility by £108 million ($164 million) to £502 million ($795 million), in conjunction with HC-One's acquisition of Meridian Healthcare. In April 2015, the Company converted £174 million of the HC-One Facility into a sale-leaseback transaction for 36 nursing and residential care homes located throughout the U.K. In September 2015, the Company amended and increased its commitment under the HC-One Facility by £11 million primarily for the funding of capital expenditures and a development project. As part of the amendments, the Company shortened the non-call period by 17 months and provided consent for (i) the paydown of £34 million from disposition proceeds without a prepayment premium and (ii) the spin-off of 36 properties into a separate joint venture. In return, the Company retained security over the spin-off properties for a period of two years. During the year ended December 31, 2015, the Company received paydowns of £34 million ($52 million). At June 30, 2016, the HC-One Facility had an outstanding balance of $372 million.

Table of Contents

Tandem Health Care Loan. On July 31, 2012, the Company closed a mezzanine loan facility to lend up to $205 million to Tandem Health Care ("Tandem") as part of the recapitalization of a post-acute/skilled nursing portfolio. The Company funded $100 million (the "First Tranche") at closing and funded an additional $102 million (the "Second Tranche") in June 2013. In May 2015, the Company increased and extended the mezzanine loan facility with Tandem to: (i) fund $50 million (the "Third Tranche") and $5 million (the "Fourth Tranche"), which proceeds were used to repay a portion of Tandem's existing senior and mortgage debt, respectively, (ii) extend its maturity to October 2018 and (iii) extend the prepayment penalty period to January 2017. The loans bear interest at fixed rates of 12%, 14%, 6% and 6% per annum for the First, Second, Third and Fourth Tranches, respectively. At June 30, 2016, the facility had an outstanding balance of $256 million at an 11.5% blended interest rate and was subordinate to $379 million of senior mortgage debt.

NOTE 7. Investments in and Advances to Unconsolidated Joint Ventures

The Company owns interests in the following entities that are accounted for under the equity method at June 30, 2016 (dollars in thousands):

Entity(1)	Segment	Carrying Amount	Ownership%
CCRC JV(2)	Senior housing	$ 459,659	49
HCRMC(3)	Senior housing and post-acute/skilled nursing	—	9
MBK JV(4)	Senior housing	42,756	50
HCP Ventures III, LLC	Medical office	9,370	30
HCP Ventures IV, LLC	Medical office and hospital	7,121	20
HCP Life Science(5)	Life science	68,438	50 – 63
Vintage Park Development JV	Senior housing	8,593	85
MBK Development JV(4)	Senior housing	2,454	50
Suburban Properties, LLC	Medical office	4,693	67
K&Y(6)	Post-acute/skilled nursing	1,294	80
Advances to unconsolidated joint ventures, net and other		563	
		$ 604,941	

(1) These entities are not consolidated because the Company does not control, through voting rights or other means, the joint ventures.
(2) Includes two unconsolidated joint ventures in a RIDEA structure (CCRC PropCo and CCRC OpCo).
(3) In December 2014, September 2015 and December 2015, the Company recognized impairment charges of $36 million, $27 million and $19 million, respectively.
(4) Includes two unconsolidated joint ventures in a RIDEA structure.

(5) Includes the following unconsolidated partnerships (and the Company's ownership percentage): (i) Torrey Pines Science Center, LP (50%); (ii) Britannia Biotech Gateway, LP (55%); and (iii) LASDK, LP (63%).

(6) Includes three unconsolidated joint ventures.

Table of Contents

The following tables summarize combined financial information for the Company's equity method investments (in thousands):

	June 30, 2016	December 31, 2015
Real estate, net	$ 4,466,964	$ 4,470,249
Goodwill and other assets, net	4,936,866	4,935,343
Assets held for sale	67,693	94,866
Total assets	$ 9,471,523	$ 9,500,458
Capital lease obligations and mortgage debt	$ 6,536,106	$ 6,575,531
Accounts payable	1,161,178	1,111,350
Liabilities and mortgage debt held for sale		