Concurrent Session: Case Study: Ventas' Spin-off of Capital Care Properties

Friday, March 24th
11:00am – 12:15pm
La Quinta Resort & Club, La Quinta, California

Moderator:
Thomas Dorsey, Principal, Centerview Partners

Panelists:
Kristen Benson, EVP, General Counsel, & Corporate Secretary, Care Capital Properties, Inc.
Gregory Liebbe, SVP, CAO & Controller, Ventas, Inc.
Ian Nelson, Partner-RE/AM/BCM Team Leader, PwC
Brian Wood, SVP & Chief Tax Officer, Ventas, Inc.

REIT Wise® 2017

NAREIT's Law, Accounting & Finance Conference

March 22 – 24, 2017

Ventas – CCP Panel

Ventas – CCP Transaction Overview

Transaction Description	◆ Ventas announced its plan to separate most of its SNF portfolio into a new company named Care Capital Properties on April 6, 2015 in a tax-free spin-off ◆ Retained all public post-acute operators – Kindred, Genesis, HealthSouth, Select and Ensign-leased SNFs(1) ◆ Ventas shareholders received 1 CCP share for every 4 Ventas shares ◆ Spin-off completed on August 17, 2015
Pro Forma Ventas	◆ Focus on strategy of investing in high-quality private pay and select healthcare assets, primarily operated by leading providers in the U.S. and abroad ◆ Use cash from new debt raised by CCP for debt paydown ◆ No change to pro forma Ventas's credit rating / outlook
Pro Forma Care Capital Properties	◆ Focus on owning stable, quality NNN post-acute assets primarily operated by diversified mix of regional and local care providers and growth through acquisitions and redevelopment ◆ At time of spin: 355 properties and one of only two pure-play, publicly traded SNF REITs

(1) Ventas also retained 2 Brookdale-leased SNFs.

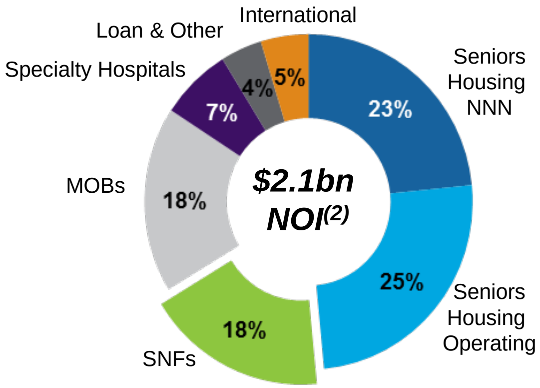
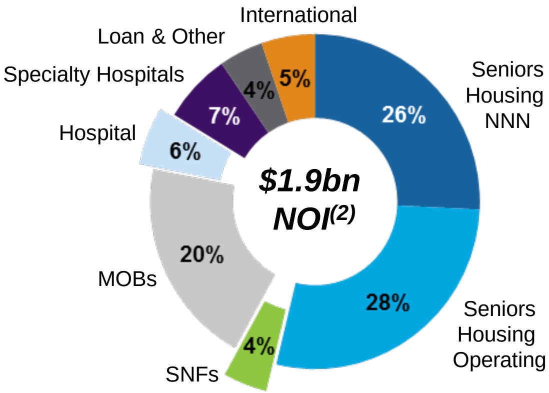
Transaction Rationale and Investor Benefits

Benefits to Ventas	*Benefits to Care Capital Properties*
☑ Increased strategic focus at PF Ventas ☑ Improved portfolio quality ☑ Greater NOI contribution from private pay assets and leading operators ☑ Maintain scale, diversification and strong balance sheet ☑ Superior dividend growth	☑ Dedicated and experienced management team to implement and execute growth strategy ☑ CCP will have all the tools to pursue external growth and redevelopment ☑ Provides investors with a pure-play opportunity in post-acute / SNF assets ☑ Large, diversified NNN portfolio ☑ 41 diverse customers(1)

Increased focus at the two distinct companies expected to provide strategic and operational benefits

(1) At time of spin-off.

Diversified Enterprise with Scale & Growth Potential

	Ventas (Pre-Ardent & CCP Spin-Off)	PF Ventas (Post-Ardent & CCP Spin-Off)
Asset Mix [1]		
2015 FFO [3]	$1.6bn	$1.3bn
Net Debt / EBITDA	5.9x	6.1x [4]

Source: Company filings.

(1) Excludes Canadian SHOP assets from SHOP (included in international).

(2) Q4 2014 annualized pro forma for January acquisitions.

(3) Per Ventas guidance issued February 13, 2015.

(4) As of September 30, 2015.

Pre Announcement Considerations

Before first filing of Form 10

Tax

- Analysis of taxable vs. tax free transaction
  - Impact at shareholder level; no corporate impact

Accounting / Audit

- PwC was brought in to assist
- Properties and trial balances to be contributed
- Basis for consolidation
- KMPG audited the carve out financials – 3 year look back with interim quarter on comparative basis
- Audited financial statements comprised a combination of carved out **entities** under common control
- Significance assessments needed to be reconsidered and testing for additional audits were required

Legal

- Owe fiduciary duties to RemainCo, but successful launch of SpinCo also helps RemainCo shareholders
- Regulatory matters – timing and location of required filings
- Multi-facility master leases – ability to bifurcate
- Entity formation and structure, including jurisdiction, CCP name and stock ticker
- Existing Ventas debt and management contracts – change of control provisions
- Executive team matters
  - Equity award compensation
  - How much of team required to be announced

Post Announcement Considerations

From first filing of Form 10 to spin-off date (Mid April – August)

Tax

- Financing Arrangements
  - Debt paid off with the proceeds received by CCP must be "old" and "cold" debt
- Transition Issues
  - Step plan
  - REIT testing
  - Fixed asset records/tax depreciation rules

Accounting / Audit

- Update Form 10 for new information
  - SEC Comment Letters (2 Rounds)
  - Changes in property counts – update financials and allocations
- In total:
  - 4 versions of the Form 10 were filed
  - 2 SEC comment letter reviews were submitted and answered to the SEC
- Audit each new filing
- Interim review of Q1 '15 10Q, which included the comparative period in the prior year
- Audit each 3-14 audit required –reassessment of prior acquisitions using the SpinCo denominator
  - Required working with multiple accounting firms on each side

Legal

- Assignment of lease, loan and related documents (e.g. guarantees, letters of credit, UCC financing statements)
- Ground lease consents
- Formation of SPE landlords
- Governance provisions
- Negotiation of intercompany agreements
- Board and executive team

Post Announcement Considerations *(cont'd)*

From first filing of Form 10 to spin-off date (Mid April – August)

Final Asset Mix

- 355 assets in 56 legal entities throughout the Ventas 1,500 legal entity structure
- Located in 37 states
- Multiple facets of asset analysis and resulting implications
- Transfer of assets/entities into CCP structure occurred a week prior to spin-off

Financing

Key Cons.

- SNF operating environment
- Maintain Ventas's credit rating while establishing strong credit rating for CCP
- CCP's ability to make acquisitions
- Optimal use of proceeds at Ventas (i.e., interest expense savings, maturity management)

Leverage

- Ventas: 6.1x net debt/adj. pro forma EBITDA(1)
- CCP: 4.8x net debt/adj. pro forma EBITDA(1)

Watchouts

- Debt profile maturity
- Debt and mortgage breakage costs
- Funding prior to spin-off with no Ventas guarantee

Other

- IT Responsibilities
- Accounting for Equity Awards (pre and post-spin)
- Lease considerations
- CCP considerations during this phase
  - Staffing (at what roles and what levels)
  - Training
  - Overall preparation of becoming a stand-alone company (Board, policies, etc.)
- Ventas considerations during this phase
  - Negotiating the transition services agreement "TSA"
  - Staffing/backfilling support during the TSA period
  - Determination of when to report discontinued operations for properties spun off

(1) As of September 30, 2015.

Post Spin–off Considerations

Post spin-off date

Tax

- Calculation of basis allocation
- Computation/allocation of earnings and profits
- Request for Canadian tax-free treatment
- TRS election

Accounting

- Spin occurred mid-month
  - Allocations to properly reflect the opening balance as of 8/17
- TSA was for a period of up to 1 year from spin date
- Transitioning responsibilities and training the CCP staff as the company designed and staffed the accounting function
- CCP's 2Q Form 10-Q due 45 days after spin-off
- Calculating comparable results for future comparisons

Legal

- Treatment of equity awards for Ventas and CCP employees
- Tenant and other counterparty notifications
- Recording of deeds and tax assessor inquiries
- Sharing resources post spin-off
  - Office space
  - IT environment
  - Employee benefit plans

Lessons Learned

Conclusions

Benefits to Ventas	Benefits to Care Capital Properties
☑ Increased strategic focus at PF Ventas	☑ Dedicated and experienced management team to implement and execute growth strategy
☑ Improved portfolio quality	☑ CCP will have all the tools to pursue external growth and redevelopment
☑ Greater NOI contribution from private pay assets and leading operators	☑ Provides investors with a pure-play opportunity in post-acute / SNF assets
☑ Maintain scale, diversification and strong balance sheet	☑ Large, diversified NNN portfolio
☑ Superior dividend growth	☑ 41 diverse customers(1)

Increased focus at the two distinct companies provided strategic and operational benefits

(1) At time of spin-off.