LTC PROPERTIES INC
Form 10-Q
May 02, 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 March 31, 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 1-11314

LTC PROPERTIES, INC.

(Exact name of Registrant as specified in its charter)

Maryland	71-0720518
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

2829 Townsgate Road, Suite 350

Westlake Village, California 91361

(Address of principal executive offices, including zip code)

(805) 981-8655

(Registrant's telephone number, including area code)

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer a non-accelerated filer, or a smaller reporting company. See 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

The number of shares of common stock outstanding on April 26, 2016 was 37,915,120.

Table of Contents

LTC PROPERTIES, INC.

FORM 10-Q

March 31, 2016

INDEX

LTC PROPERTIES, INC.

CONSOLIDATED BALANCE SHEETS

(amounts in thousands, except per share)

	March 31, 2016 (unaudited)	December 31, 2015 (audited)
ASSETS		
Investments:		
Land	$ 108,867	$ 106,841
Buildings and improvements	1,120,889	1,091,845
Accumulated depreciation and amortization	(259,237)	(251,265)
Real property investments, net	970,519	947,421
Mortgage loans receivable, net of loan loss reserve: 2016—$2,246; 2015—$2,190	223,053	217,529
Real estate investments, net	1,193,572	1,164,950
Investments in unconsolidated joint ventures	24,042	24,042
Investments, net	1,217,614	1,188,992
Other assets:		
Cash and cash equivalents	24,280	12,942
Debt issue costs related to bank borrowing	2,605	2,865
Interest receivable	5,815	4,536
Straight-line rent receivable, net of allowance for doubtful accounts: 2016—$861; 2015—$833	45,492	42,685
Prepaid expenses and other assets	21,020	21,443
Notes receivable	2,024	1,961
Total assets	$ 1,318,850	$ 1,275,424
LIABILITIES		
Bank borrowings	$ 161,000	$ 120,500
Senior unsecured notes, net of debt issue costs: 2016—$1,044; 2015—$1,095	447,256	451,372
Accrued interest	2,852	3,974
Accrued incentives and earn-outs	12,572	12,722
Accrued expenses and other liabilities	22,480	27,654
Total liabilities	646,160	616,222
EQUITY		
Stockholders' equity:		
Common stock: $0.01 par value; 60,000 shares authorized; shares issued and outstanding:		
2016—37,915; 2015—37,548	379	375
Capital in excess of par value	772,677	758,676
Cumulative net income	948,186	928,328
Accumulated other comprehensive income	18	47
Cumulative distributions	(1,048,570)	(1,028,224)

Total equity	672,690	659,202
Total liabilities and equity	$ 1,318,850	$ 1,275,424

See accompanying notes.

Table of Contents

LTC PROPERTIES, INC.

CONSOLIDATED STATEMENTS OF INCOME

(amounts in thousands, except per share, unaudited)

	Three Months Ended March 31, 2016	2015
Revenues:		
Rental income	$ 31,880	$ 26,678
Interest income from mortgage loans	6,578	4,607
Interest and other income	146	195
Total revenues	38,604	31,480
Expenses:		
Interest expense	6,000	3,766
Depreciation and amortization	8,561	6,779
General and administrative expenses	4,457	3,499
Total expenses	19,018	14,044
Operating income	19,586	17,436
Income from unconsolidated joint ventures	272	116
Net income	19,858	17,552
Income allocated to participating securities	(101)	(123)
Income allocated to preferred stockholders	—	(818)
Net income available to common stockholders	$ 19,757	$ 16,611
Earnings per common share:		
Basic	$ 0.53	$ 0.47
Diluted	$ 0.53	$ 0.47
Weighted average shares used to calculate earnings per common share:		
Basic	37,446	35,277
Diluted	37,459	37,292
Dividends declared and paid per common share	$ 0.54	$ 0.51

See accompanying notes.

Table of Contents

LTC PROPERTIES, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in thousands, unaudited)

	March 31,	
	2016	2015
Net income	$ 19,858	$ 17,552
Reclassification adjustment (Note 6)	(28)	(9)
Comprehensive income	$ 19,830	$ 17,543

See accompanying notes.

Table of Contents

LTC PROPERTIES, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in thousands, unaudited)

	Three Months Ended March 31, 2016	2015
OPERATING ACTIVITIES:		
Net income	$ 19,858	$ 17,552
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	8,561	6,779
Stock-based compensation expense	990	982
Income from unconsolidated joint ventures	(272)	(116)
Income distributions from unconsolidated joint ventures	268	—
Straight-line rental income	(2,835)	(2,275)
Amortization of lease incentive	518	352
Provision for doubtful accounts	84	3
Non-cash interest related to contingent liabilities	149	55
Other non-cash items, net	291	215
Increase in interest receivable	(1,279)	(570)
Decrease in accrued interest payable	(1,122)	(1,084)
Net change in other assets and liabilities	(5,606)	(4,029)
Net cash provided by operating activities	19,605	17,864
INVESTING ACTIVITIES:		
Investment in real estate properties	(16,000)	(13,031)
Investment in real estate developments	(13,439)	(5,041)
Investment in real estate capital improvements	(3,253)	(4,928)
Capitalized interest	(686)	(147)
Proceeds from sale of real estate, net	1,750	—
Investment in real estate mortgage loans receivable	(6,599)	(11,358)
Principal payments received on mortgage loans receivable	1,015	2,786
Investments in unconsolidated joint ventures	—	(20,143)
Payment of working capital reserve	(299)	—
Advances under notes receivable	(93)	(892)
Principal payments received on notes receivable	30	—
Net cash used in investing activities	(37,574)	(52,754)
FINANCING ACTIVITIES:		
Bank borrowings	40,500	36,500
Principal payments on senior unsecured notes	(4,167)	(4,167)
Proceeds from issuance of common stock, net	14,637	—
Distributions paid to stockholders	(20,347)	(18,934)
Other	(1,316)	(329)
Net cash provided by financing activities	29,307	13,070
Increase (decrease) in cash and cash equivalents	11,338	(21,820)
Cash and cash equivalents, beginning of period	12,942	25,237

Cash and cash equivalents, end of period	$ 24,280	$ 3,417
Supplemental disclosure of cash flow information:		
Interest paid	$ 6,807	$ 4,774
Mortgage loan receivable applied against purchase price to acquire real estate (Note 2)	$ —	$ 10,600

See accompanying notes.

LTC PROPERTIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

(Unaudited)

1.General

LTC Properties, Inc., a health care real estate investment trust (or REIT), was incorporated on May 12, 1992 in the State of Maryland and commenced operations on August 25, 1992. We invest primarily in senior housing and health care properties through acquisitions, development, mortgage loans and other investments. We conduct and manage our business as one operating segment, rather than multiple operating segments, for internal reporting and internal decision making purposes. Our primary objectives are to create, sustain and enhance stockholder equity value and provide current income for distribution to stockholders through real estate investments in senior housing and health care properties managed by experienced operators. Our primary senior housing and health care property classifications include skilled nursing centers (or SNF), assisted living communities (or ALF), independent living communities (or ILF), memory care communities (or MC) and combinations thereof. To meet these objectives, we attempt to invest in properties that provide opportunity for additional value and current returns to our stockholders and diversify our investment portfolio by geographic location, operator, property classification and form of investment.

We have prepared consolidated financial statements included herein without audit and in the opinion of management have included all adjustments necessary for a fair presentation of the consolidated financial statements pursuant to the rules and regulations of the Securities and Exchange Commission (or SEC). Certain information and note disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles (or GAAP) have been condensed or omitted pursuant to rules and regulations governing the presentation of interim financial statements. The accompanying consolidated financial statements include the accounts of our company and its wholly-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation. The results of operations for the three months ended March 31, 2016 and 2015 are not necessarily indicative of the results for a full year.

No provision has been made for federal or state income taxes. Our company qualifies as a REIT under Sections 856 through 860 of the Internal Revenue Code of 1986, as amended. As such, we generally are not taxed on income that is distributed to our stockholders.

New Accounting Pronouncements.

In February 2015, FASB issued ASU No. 2015-02 (or ASU 2015-02), Consolidation (Topic 810): Amendments to the Consolidation Analysis. ASU 2015-02 amends the consolidation guidance for variable interest entities and voting interest entities, among other items, by eliminating the consolidation model previously applied to limited partnerships, emphasizing the risk of loss when determining a controlling financial interest and reducing the frequency of the application of related-party guidance when determining a controlling financial interest. ASU 2015-02 is effective for periods beginning after December 15, 2015, for public companies. Early adoption is permitted, including adoption in an interim period. The adoption of this ASU did not have a material impact on our consolidated financial statements.

In February 2016, the FASB issued Accounting Standards Update (or ASU) No. 2016-02 (or ASU 2016-02), Leases (Topic 842). ASU 2016-02 modifies existing guidance for off-balance sheet treatment of a lessees' operating leases by requiring lessees to recognize lease assets and lease liabilities. Under ASU 2016-02, lessor accounting is largely unchanged. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early adoption is permitted. We are currently evaluating the effects of this ASU on our consolidated financial statements.

Table of Contents

LTC PROPERTIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

(Unaudited)

In March 2016, FASB issued ASU No. 2016-07 (or ASU 2016-07), Investments – Equity Method and Joint Ventures (Topic 323): Simplifying the Transition to the Equity Method of Accounting. ASU 2016-07 eliminates retroactive adjustment of an investment upon an investment qualifying for the equity method of accounting and requires that the equity method investor to adopt the equity method of accounting as of the date the investment becomes qualified for equity method accounting. ASU 2016-07 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2016. Early adoption is permitted. We are currently evaluating the effects of this ASU on our consolidated financial statements.

In March 2016, FASB issued ASU No. 2016-09 (or ASU 2016-09), Compensation – Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting. ASU 2016-09 addresses several aspects of the accounting for share-based payment award transactions, including: (a) income tax consequences; (b) classification of awards as either equity or liabilities; and (c) classification on the statement of cash flows. ASU 2016-09 is effective for public companies for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. Early adoption is permitted. We are currently evaluating the effects of this ASU on our consolidated financial statements.

2.Real Estate Investments

Assisted living communities, independent living communities, memory care communities and combinations thereof are included in the assisted living property classification (or collectively ALF). Range of care communities (or ROC) property classification consists of properties providing skilled nursing and any combination of assisted living, independent living and/or memory care services.

Any reference to the number of properties, number of units, number of beds, and yield on investments in real estate are unaudited and outside the scope of our independent registered public accounting firm's review of our consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board.

Owned Properties. The following table summarizes our investments in owned properties at March 31, 2016 (dollar amounts in thousands):

Type of Property	Gross Investments	Percentage of Investments		Number of Properties(1)	Number of SNF Beds	Number of ALF Units	Average Investment per Bed/Unit
Assisted Living	$ 582,362	47.4	%	96	—	5,205	$ 111.89
Skilled Nursing	540,240	43.9	%	71	8,781	—	$ 61.52
Range of Care	43,907	3.6	%	7	634	274	$ 48.36
Under Development(2)	43,761	3.6	%	—	—	—	—
Other(3)	19,486	1.5	%	2	118	—	—
Totals	$ 1,229,756	100.0	%	176	9,533	5,479	

(1) We own properties in 28 states that are leased to 29 different operators.

(2) Represents six development projects consisting of four MC communities with a total of 254 units, a 108-unit independent living community and an 89-unit combination ALF and MC community.

(3) Includes one school, three parcels of land held-for-use, and one behavioral health care hospital. The behavioral health care hospital has two skilled nursing beds and 116 medical hospital beds which represents a $78.39 investment per bed.

Table of Contents

LTC PROPERTIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

(Unaudited)

Owned properties are leased pursuant to non-cancelable operating leases generally with an initial term of 10 to 15 years. Each lease is a triple net lease which requires the lessee to pay all taxes, insurance, maintenance and repairs, capital and non-capital expenditures and other costs necessary in the operations of the facilities. Many of the leases contain renewal options. The leases provide for fixed minimum base rent during the initial and renewal periods. The majority of our leases contain provisions for specified annual increases over the rents of the prior year that are generally computed in one of four ways depending on specific provisions of each lease:

(i) a specified percentage increase over the prior year’s rent, generally between 2.0% and 3.0%;
(ii) a calculation based on the Consumer Price Index;
(iii) as a percentage of facility net patient revenues in excess of base amounts; or
(iv) specific dollar increases.

Acquisitions and Development: The following table summarizes our investment for the three months ended March 31, 2016 (dollar amounts in thousands):

Type of Property	Purchase Price	Transaction Costs(1)	Total Acquisition Costs	Number of Properties	Number of Beds/Units
Skilled Nursing(2)	$ 16,000	$ 40	$ 16,040	1	126

(1) Represents cost associated with our acquisition; however, depending on the accounting treatment of our acquisitions, transaction costs may be capitalized to the properties’ basis and, for our land purchases with forward development commitments, transaction costs are capitalized as part of construction in progress. Additionally, transaction costs in the table above may differ from the acquisition costs included in the general and administrative expenses line item in our consolidated statements of income ($90) due to the timing and recognition of costs associated with pending, completed and terminated transactions.

(2) We acquired a newly constructed 126-bed skilled nursing center in Texas. The property was added to an existing master lease agreement at an incremental rate of 8.5%.

Subsequent to March 31, 2016, we purchased two memory care communities in Kansas totaling 120 units for an aggregate purchase price of $25,000,000. Simultaneously with the acquisition, the properties were added to an existing master lease agreement at an initial cash yield of 8.0%. Also, we agreed to pay up to $550,000 and $750,000 for lease inducement and capital improvements, respectively.

Additionally, we acquired a 60-unit memory care community in Kentucky for $14,250,000 and agreed to provide a contingent lease incentive of up to $300,000 upon satisfaction of certain coverage thresholds. The property was added to an existing master lease agreement at an initial incremental yield of 8.0%.

A summary of our funding for development and improvement projects for the three months ended March 31, 2016 and 2015 is as follows (in thousands):

	Three months ended March 31, 2016		Three months ended March 31, 2015	
	Development	Expansion, Renovation and Improvements	Development	Expansion, Renovation and Improvements
Assisted Living Communities	$ 13,439	$ 1,135	$ 3,278	$ 3,093
Skilled Nursing Centers	—	2,118	1,763	1,835
	$ 13,439	$ 3,253	$ 5,041	$ 4,928

9

Table of Contents

LTC PROPERTIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

(Unaudited)

The following table summarizes the development project completed during the three months ended March 31, 2016 and total amounts funded under the development project (dollar amounts in thousands):

Type of Project	Number of Properties	Type of Property	Number of Beds/Units	State	Total Funding
Development	1	ALF	66	Illinois	$ 11,808

Our construction in progress (or CIP) activity during the three months ended March 31, 2016 for our development, redevelopment, renovation, and expansion projects is as follows (dollar amounts in thousands):

Type of Property	CIP Balance at 12/31/2015	Funded(1)	Capitalized Interest	Conversions out of CIP	CIP Balance at 3/31/2016
Skilled nursing	$ 1,252	$ 2,117	$ —	$ (13)	$ 3,356
Assisted living	30,713	13,409	686	(10,352)	34,456
Total	$ 31,965	$ 15,526	$ 686	$ (10,365)	$ 37,812

(1) Excludes $1,165 of funding directly capitalized into building.

During the three months ended March 31, 2016, we sold a 48-unit assisted living community located in Florida for $1,750,000 which was previously written down to its estimated sale price in the fourth quarter of 2015.

Mortgage Loans. The following table summarizes our investments in mortgage loans secured by first mortgages at March 31, 2016 (dollar amounts in thousands):

Type of Property	Gross Investments	Percentage of Investments	Number of Loans	Number of Properties(1)	Number of SNF Beds(2)	ALF Units(2)	Investment per Bed/Unit
Skilled Nursing	$ 210,423	93.4 %	13	28	3,676	—	$ 57.24
Assisted Living	13,667	6.1 %	3	8	—	270	$ 50.62
Other(3)	1,209	0.5 %	1	—	—	—	—
Totals	$ 225,299	100.0 %	17	36	3,676	270	

(1) We have investments in properties located in eight states that include mortgages to 11 different operators.

(2) See Item 2. Properties for discussion of bed/unit count.

(3) Includes a parcel of land secured under a short-term mortgage loan.

At March 31, 2016, the mortgage loans had interest rates ranging from 7.3% to 13.9% and maturities ranging from 2016 to 2045. In addition, some loans contain certain guarantees, provide for certain facility fees and generally have 20-year to 30-year amortization schedules. The majority of the mortgage loans provide for annual increases in the interest rate based upon a specified increase of 10 to 25 basis points.

During the three months ended March 31, 2016 and 2015, we received $513,000 and $2,285,000, respectively, plus accrued interest related to the payoff of three mortgage loans secured by two skilled nursing centers and a range of care community. During the three months ended March 31, 2016 and 2015, we received $502,000 and $501,000, respectively, in regularly scheduled principal payments.

Table of Contents

LTC PROPERTIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

(Unaudited)

A summary of our mortgage loan funding for the three months ended March 31, 2016 and 2015 is as follows (in thousands):

	Three months ended March 31,	
	2016 Funding	2015 Funding
Skilled Nursing Centers	$ 6,599	$ 11,358

Subsequent to March 31, 2016, we originated a $12,250,000 mortgage loan secured by a first lien mortgage encumbering two skilled nursing centers in Michigan totaling 216 beds. We funded $7,750,000 at closing, with a commitment to fund $4,500,000 for approved capital improvement projects. The loan has an initial term of 4 years and bears interest at 9.41%.

During the quarter ended March 31, 2015, we purchased and equipped a 106-bed skilled nursing center in Wisconsin for a total of $13,946,000 by exercising our purchase option under a $10,600,000 mortgage and construction loan. The property was added to an existing master lease at a lease rate equivalent to the interest rate in effect on the loan at the time the purchase option was exercised. Additionally, we paid the lessee a $1,054,000 lease inducement which will be amortized as a yield adjustment over the life of the lease term.

3.Investment in Unconsolidated Joint Ventures

During 2015, we made a preferred equity investment in an entity (the JV) that owns four properties providing independent, assisted living and memory care services. These properties are located in Arizona. At closing, we provided an initial preferred capital contribution of $20,143,000 and have committed to provide an additional preferred capital contribution of $5,507,000 for a total preferred capital contribution of $25,650,000. As the preferred member of the JV, we are entitled to receive a 15% preferred return, a portion of which is paid in cash and a portion of which is deferred if the cash flow of the JV is insufficient to pay all of the accrued preferred return. The unpaid accrued preferred return will be accrued to the extent of the common member's capital account balance in the underlying JV (as determined in accordance with GAAP). As of March 31, 2016, the common member's capital account was $0. Therefore, in accordance with GAAP, we did not accrue the deferred portion of the preferred return during the quarter ended March 31, 2016. We continue to evaluate our claim on the estimated net assets of the underlying joint venture quarterly. Any unpaid accrued preferred return, whether recorded or unrecorded by us, is due and payable upon redemption.

The JV is intended to be self-financing and other than our preferred capital contributions, we are not required to provide any direct support and we are not entitled to share in the JV's earnings or losses. As a result, we believe our maximum exposure to loss due to our investment in the JV would be limited to our preferred capital contributions plus any unpaid accrued preferred return. We have concluded that the JV meets the accounting criteria to be considered as a variable interest entity (or VIE). However, because we do not control the entity, nor do we have any role in the day-to-day management, we are not the primary beneficiary of the JV. Therefore, we account for our JV investment using the equity method. During the three months ended March 31, 2016, we recognized $272,000 in income from our preferred equity investment in the JV. Additionally, during the three months ended March 31, 2016, we received $268,000 from our preferred equity investment in the JV.

Also, during 2015, we originated a $2,900,000 mezzanine loan to develop a 99-unit combination ALF, MC and ILF community. The loan matures on November 1, 2020 and bears interest at 10% for the

LTC PROPERTIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

(Unaudited)

first two years escalating to 12% until November 1, 2018 and, 15% thereafter. Interest is deferred for a period ending on the earlier of February 1, 2017 or the effective date of the certificate of occupancy. During this period, the borrower is not required to pay any interest; however, the unpaid deferred interest accrues to the loan principal balance. In addition to the interest payments, the borrower is required to make cash flow participation payments. We have evaluated this acquisition, development and construction (or ADC) arrangement and determined that the characteristics are similar to a jointly-owned investment or partnership, and accordingly, the investment is accounted for as an unconsolidated joint venture under the equity method of accounting instead of loan accounting.

4.Notes Receivable

Notes receivable consists of various loans and line of credit agreements. The following table summarizes our notes receivable activities for the three months ended March 31, 2016 and 2015 (dollar amounts in thousands):

	Three months ended March 31,	
	2016	2015
Advances under notes receivable	$ 93	$ 892
Principal payments received under notes receivable	(30)	-
Net increase in notes receivable	$ 63	$ 892

At March 31, 2016, we had six loans and line of credit agreements with on-going commitments totaling $2,600,000 and weighted average interest rate of 10.0%. As of March 31, 2016, we have remaining commitments of $2,224,000 under these commitments.

5.Debt Obligations

The following table sets forth information regarding debt obligations by component as of March 31, 2016 and December 31, 2015 (dollar amounts in thousands):

		At March 31, 2016		At December 31, 2015	
Debt Obligations	Applicable Interest Rate(1)	Outstanding Balance	Available for Borrowing	Outstanding Balance	Available for Borrowing

Bank borrowings(2)	2.13%	$ 161,000	$ 439,000	$ 120,500	$ 479,500
Senior unsecured notes, net of debt issue costs	4.63%	447,256	37,500	451,372	33,333
Total	3.97%	$ 608,256		$ 571,872	

(1) Represents weighted average of interest rate as of March 31, 2016.

(2) Subsequent to March 31, 2016, we borrowed an additional $37,000 under our unsecured revolving line of credit. Accordingly, we have $198,000 outstanding under our unsecured revolving line of credit with $402,000 available for borrowing.

Bank Borrowings. We have an Unsecured Credit Agreement that provides for a revolving line of credit up to $600,000,000. The Unsecured Credit Agreement matures on October 14, 2018 and provides for a one-year extension option at our discretion, subject to customary conditions. Based on our leverage at March 31, 2016, the facility provides for interest annually at LIBOR plus 150 basis points and an unused commitment fee of 35 basis points. During the three months ended March 31, 2016 and 2015 we borrowed $40,500,000 and $36,500,000, respectively, under our Unsecured Credit Agreement. At March 31, 2016, we were in compliance with all covenants.

LTC PROPERTIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

(Unaudited)

Subsequent to March 31, 2016, we borrowed an additional $37,000 under our unsecured revolving line of credit. Accordingly, we have $198,000 outstanding under our unsecured revolving line of credit with $402,000 available for borrowing.

Senior Unsecured Notes. During each of the three months ended March 31, 2016 and 2015, we paid $4,167,000 in regular scheduled principal payments. Subsequent to March 31, 2016, we locked rate under our Prudential shelf agreement on $37,500,000 senior unsecured notes with an annual fixed rate of 4.15% and anticipate selling the notes to Prudential on or around May 20, 2016. These notes have periodic scheduled principal repayments with a 12-year final maturity.

6.Equity

Equity activity was as follows (in thousands):

	Total Equity
Balance at December 31, 2015	$ 659,202
Net income	19,858
Proceeds from common stock offering, net of fees and costs	14,327
Vesting of stock option and restricted common stock	990
Reclassification adjustment	(28)
Common stock dividends	(20,347)
Other	(1,312)
Balance at March 31, 2016	$ 672,690

Preferred Stock. As of January 1, 2015, we had 2,000,000 shares of our 8.5% Series C Cumulative Convertible Preferred Stock (or Series C preferred stock) outstanding. Our Series C preferred stock was convertible into 2,000,000 shares of our common stock at $19.25 per share and dividends were payable quarterly. During 2015, the sole holder of our Series C Preferred stock elected to convert all of its preferred shares into 2,000,000 shares of common stock. Accordingly, we had no preferred stock outstanding as of March 31, 2016.

Common Stock. During 2015, we entered into equity distribution agreements to issue and sell, from time to time, up to $200,000,000 in aggregate offering price of our common shares. Sales of common shares are made by means of ordinary brokers' transactions, which may include block trades, or transactions that are deemed to be "at the market" offerings. During the three months ended March 31, 2016, we sold 332,619 shares of common stock for $14,637,000 in net proceeds under our equity distribution agreements. In conjunction with the sale of common stock, we reclassified $310,000 of accumulated costs associated with the equity distribution agreements to additional paid in capital. At March 31, 2016, we had $185,102,000 available under these agreements. Also, during the three months ended March 31, 2016 and 2015, we acquired 30,910 shares and 4,609 shares respectively, of common stock held by employees who tendered owned shares to satisfy tax withholding obligations.

Available Shelf Registrations. We had an automatic shelf registration statement which was filed in 2013 and provided us with the capacity to publicly offer up to $800,000,000 in common stock, preferred stock, warrants, debt, depositary shares, or units. At December 31, 2015, we had availability of $575,100,000 under our effective shelf registration.

In advance of the three-year expiration of the automatic shelf registration statement we filed in 2013, we filed a new automatic shelf registration statement with the SEC on January 29, 2016 to provide

Table of Contents

LTC PROPERTIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

(Unaudited)

us with additional capacity to publicly offer an indeterminate amount of common stock, preferred stock, warrants, debt, depositary shares, or units. We may from time to time raise capital under the automatic registration statement we filed in 2016 (until its expiration on January 29, 2019) in amounts, at prices, and on terms to be announced when and if the securities are offered. The specifics of any future offerings, along with the use of proceeds of any securities offered, will be described in detail in a prospectus supplement, or other offering materials, at the time of the offering.

Distributions. We declared and paid the following cash dividends (in thousands):

	Three Months Ended			
	March 31, 2016		March 31, 2015	
	Declared	Paid	Declared	Paid
Preferred Stock Series C	$ —	$ —	$ 818	$ 818
Common Stock	20,347 (1)	20,347 (1)	18,116 (2)	18,116 (2)
Total	$ 20,347	$ 20,347	$ 18,934	