

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM S-8

REGISTRATION STATEMENT Under The Securities Act of 1933

LTC PROPERTIES, INC.

(Exact name of registrant as specified in its charter)

MARYLAND(State or other jurisdiction
of incorporation or organization)

2829 Townsgate Road, Suite 350
Westlake Village, California
 (Address of principal executive offices)

71-0720518(I.R.S. Employer
Identification No.)**91361**

(Zip Code)

THE 2015 EQUITY PARTICIPATION PLAN OF LTC PROPERTIES, INC.

(Full title of the Plan)

WENDY L. SIMPSON

Chief Executive Officer and President

LTC Properties, Inc.

2829 Townsgate Road, Suite 350

Westlake Village, CA 91361

(Name and address of agent for service)

(805) 981-8655

(Telephone number, including area code, of agent for service)

Copies to:**CHARLES R. MORAN**

Ballard Spahr LLP

300 E. Lombard Street, 18th Floor

Baltimore, MD 21202

(410) 528-5600

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

Large accelerated filer ☒Accelerated filer ☐Non-accelerated filer ☐ (Do not check if a smaller reporting company)Smaller reporting company ☐**Calculation of Registration Fee**

Title of Each Class of Securities to be Registered	Amount of Shares to be Registered (1)	Proposed Maximum Offering Price Per Share (2)	Proposed Maximum Aggregate Offering Price (2)	Amount of Registration Fee
Common Stock \$0.01 par value	1,400,000	\$ 41.60	\$ 58,240,000	\$ 6,767.49

(1) This Registration Statement shall also cover any additional shares of LTC Properties, Inc.'s common stock, \$0.01 par value ("Common Stock"), which become issuable under The 2015 Equity Participation Plan by reason of any stock dividend, stock split, recapitalization or other similar transaction effected without the Registrant's receipt of consideration which results in an increase in the number of the outstanding shares of Common Stock.

(2) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(h)(1) registered hereunder based on the average high and low selling prices per share of Common Stock on June 15, 2015 as reported on the New York Stock Exchange, which was \$41.60.

PART I

Not required to be filed with this Registration Statement.

Item 2. Registrant Information and Employee Plan Annual Information.

Not required to be filed with this Registration Statement.

PART II

Item 3. Incorporation of Documents by Reference.

The following documents filed with the Securities and Exchange Commission (the “Commission”) by LTC Properties, Inc., a Maryland corporation (the “Company” and the “Registrant”), are incorporated as of their respective dates in this Registration Statement by reference:

- (a) The Annual Report of the Company on Form 10-K for its fiscal year ended December 31, 2014;
- (b) The Quarterly Report of the Company on Form 10-Q for the fiscal quarter ended March 31, 2015;
- (c) All other reports filed by the Company pursuant to Sections 13(a) and 15(d) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”) (other than information contained in Current Reports on Form 8-K that is deemed furnished not filed), since the end of the fiscal year covered by the annual report referred to in (a) above; and
- (d) The description of the Company’s Common Stock contained in its registration statement on Form S-3 (Registration No. 333-190048) filed with the Commission on July 19, 2013, including any amendment or report filed for the purpose of updating that description.

All documents filed by the Company pursuant to Sections 13(a), 13(c), 14 and 15(d) of the Exchange Act after the date of this Registration Statement and prior to the filing of a post-effective amendment which indicates that all securities offered have been sold or which deregisters all securities then remaining unsold, are incorporated by reference in this Registration Statement and are a part hereof from the date of filing such documents. Unless expressly incorporated into this Registration Statement, a report furnished on Form 8-K prior or subsequent to the date hereof shall not be incorporated by reference into this Registration Statement. Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this Registration Statement to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Registration Statement.

Item 4. Description of Securities.

Not applicable.

Item 5. Interests of Named Experts and Counsel.

Not applicable.

Item 6. Indemnification of Directors and Officers.

The Company’s Articles of Restatement (the “Charter”) provide that, to the fullest extent permitted under the Maryland General Corporation Law, no director or officer of the Company shall have any liability to the Company or its stockholders for monetary damages for any breach of any duty owed by such director or officer of the Company or any of its stockholders. The Maryland General Corporation Law provides that a corporation’s charter may include a provision which restricts or limits the liability of directors or officers to the corporation or its stockholders for money damages except: (1) to the extent that it is proved that the person actually received an improper benefit or profit in money, property or services, or (2) to the extent that a judgment or other final adjudication adverse to the person is entered in a proceeding based on a finding in the proceeding that the person’s action, or failure to act, was the result of active and deliberate dishonesty and was material to the cause of action adjudicated in the proceeding.

The Charter provides that the Company shall indemnify its currently acting and its former directors to the fullest extent permitted by the Maryland General Corporation Law, and that the Company shall have the power to indemnify by express provision in its Bylaws, by agreement, or by majority vote of either its stockholders or disinterested directors, its present and former officers. The Maryland General Corporation Law provides that a corporation may indemnify any director made a party to any proceeding by reason of service in that capacity unless it is established that: (1) the act or omission of the director was material to the matter giving rise to the proceeding and (a) was committed in bad faith or (b) was the result of active and deliberate dishonesty, or (2) the director actually received an improper personal benefit in money, property or services, or (3) in the case of any criminal proceeding, the director had reasonable cause to believe that the act or omission was unlawful. The statute permits Maryland corporations to indemnify their officers, employees or agents to the same extent as directors and to such further extent as is consistent with the law. The Company’s Bylaws provide that officers of the Company shall be entitled to such indemnification by the Company on account of matters resulting in their capacities as officers to the same extent provided with respect to directors by the Charter, except to the extent that the Board of Directors may otherwise prospectively determine in any situation.

In addition to the circumstances in which the Maryland General Corporation Law permits a corporation to indemnify its directors and officers, the Maryland General Corporation Law requires a corporation to indemnify its directors and officers in the circumstances described in the following sentence, unless limited by the charter of the corporation. A director who has been successful, on the merits or otherwise, in defense of any proceeding or in the defense of any claim, issue, or matter in the proceeding, to which he is made a party by reason of his service as a director, shall be indemnified against reasonable expenses incurred by him in connection with the proceeding, claim, issue, or matter in which the director has been successful. The Charter does not alter this requirement.

The Company currently maintains Directors and Officers liability insurance.

Item 7. Exemption from Registration Claimed.

Not applicable.

Item 8. Exhibits.

- 4.1 LTC Properties, Inc. Articles of Restatement (incorporated by reference to Exhibit 3.2 to LTC Properties Inc.'s Current Report on Form 8-K filed September 14, 2012).
- 4.2 Bylaws of LTC Properties, Inc., as restated June 2, 2015 (incorporated by reference to Exhibit 3.2 to LTC Properties, Inc.'s Current Report on Form 8-K filed June 5, 2015).
- 4.3 The 2015 Equity Participation Plan of LTC Properties, Inc.
- 4.4 Specimen Common Stock Certificate (incorporated by reference to Exhibit 4.11 to Registrant's Form S-3 filed June 18, 2007).
- 5.1 Opinion of Ballard Spahr LLP.
- 23.1 Consent of Ernst & Young LLP, Independent Auditors.
- 23.2 Consent of Ballard Spahr LLP (included as part of Exhibit 5.1).
- 24.1 Power of Attorney (included on signature page hereto).

Item 9. Undertakings

The undersigned registrant hereby undertakes:

- (1) To file, during any period in which offers or sales are being made, a post-effective amendment to this Registration Statement:
 - (a) To include any prospectus required by Section 10(a)(3) of the Securities Act of 1933, as amended (the "Securities Act");
 - (b) To reflect in the prospectus any facts or events arising after the effective date of this Registration Statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the Registration Statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20% change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement;
 - (c) To include any material information with respect to the plan of distribution not previously disclosed in the Registration Statement or any material change to such information in the Registration Statement;

provided, however, that paragraphs (1)(a) and (1)(b) shall not apply if the information required to be included in a post-effective amendment by those paragraphs is contained in periodic reports filed with or furnished to the Commission by the registrant pursuant to Section 13 or Section 15(d) of the Exchange Act that are incorporated by reference in this Registration Statement.

- (2) That, for the purpose of determining any liability under the Securities Act, each such post-effective amendment shall be deemed to be a new Registration Statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.
- (3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

The undersigned registrant hereby undertakes that, for purposes of determining any liability under the Securities Act, each filing of the Registrant's annual report pursuant to Section 13(a) or Section 15(d) of the Exchange Act (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Exchange Act) that is incorporated by reference in this Registration Statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

SIGNATURES

Pursuant to the requirements of the Securities Act, the Company certifies that it has reasonable grounds to believe that it meets the requirements for filing on Form S-8 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Westlake Village, State of California, on the 19th day of June, 2015.

LTC PROPERTIES, INC.

/s/ WENDY L. SIMPSON

Wendy L. Simpson
Chief Executive Officer and President

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Wendy L. Simpson and Pamela Shelley-Kessler, and each of them, as his or her true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him or her and in his or her

name, place and stead, in any and all capacities, to sign any or all amendments (including post-effective amendments) to this Registration Statement, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the foregoing, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming that said attorneys-in-fact and agents, or their substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act, this Registration Statement has been signed below by the following persons in the capacities and on the date indicated.

Signature	Title	Date
<u>/s/ Wendy L. Simpson</u> Wendy L. Simpson	Chief Executive Officer, President and Director (Principal Executive Officer)	June 19, 2015
<u>/s/ Pamela Kessler</u> Pamela Kessler	Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	June 19, 2015
<u>/s/ Boyd Hendrickson</u> Boyd Hendrickson	Director	June 19, 2015
<u>/s/ James J. Pieczynski</u> James J. Pieczynski	Director	June 19, 2015
<u>/s/ Devra Shapiro</u> Devra Shapiro	Director	June 19, 2015
<u>/s/ Timothy J. Triche</u> Timothy J. Triche	Director	June 19, 2015

INDEX TO EXHIBITS

EXHIBIT

- 4.1 LTC Properties, Inc. Articles of Restatement (incorporated by reference to Exhibit 3.2 to LTC Properties Inc.'s Current Report on Form 8-K (File No. 1-11314) filed September 14, 2012).
- 4.2 Bylaws of LTC Properties, Inc., as restated June 2, 2015 (incorporated by reference to Exhibit 3.2 to LTC Properties, Inc.'s Current Report on Form 8-K filed June 5, 2015).
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- 5.1 Opinion of Ballard Spahr LLP.
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- 24.1 Power of Attorney (included on signature page hereto).

LTC PROPERTIES, INC.

THE 2015 EQUITY PARTICIPATION PLAN

OF

LTC PROPERTIES, INC.

LTC Properties, Inc., a Maryland corporation (“Company”), originally adopted The 2008 Equity Participation Plan of LTC Properties, Inc. (“the 2008 Plan”), effective June 10, 2008, for the benefit of its eligible employees, consultants and directors. The Company now desires to adopt a new plan, The 2015 Equity Participation Plan of LTC Properties, Inc. (the “Plan”). The Company has terminated the 2008 Plan, contingent with the adoption of this Plan. All outstanding awards granted under the 2008 Plan shall remain subject to the terms of the 2008 Plan.

The purposes of the Plan are as follows:

- (1) To provide an additional incentive for Independent Directors, key Employees and consultants to further the growth, development and financial success of the Company by personally benefiting through the ownership of Company stock and/or rights which recognize such growth, development and financial success;
- (2) To enable the Company to obtain and retain the services of Independent Directors, key Employees and consultants considered essential to the long range success of the Company by offering them an opportunity to own stock in the Company and/or rights which will impact the growth, development and financial success of the Company; and
- (3) To encourage participants to contribute materially to the growth of the Company, thereby benefiting the Company’s stockholders, and align the economic interests of the participants with those of the stockholders.

ARTICLE I.

DEFINITIONS

Wherever the following terms are used in the Plan they shall have the meanings specified below, unless the context clearly indicates otherwise.

“*Administrator*” shall mean the party that conducts the general administration of the Plan as provided in Article XII. With reference to the administration of the Plan with respect to Awards granted to Independent Directors, the term “Administrator” shall refer to the Board. With reference to the administration of the Plan with respect to any other Award, the term “Administrator” shall refer to the Committee, unless the Board has assumed the authority for administration of the Plan generally as provided in Section 12.2.

1

“*Award*” shall mean an Option, Restricted Stock, Restricted Stock Unit, a Performance Award, Dividend Equivalents, Deferred Stock, Stock Payment or a Stock Appreciation Right, which may be awarded or granted under the Plan (collectively, “Awards”).

“*Award Agreement*” shall mean a written agreement executed by an authorized director or officer of the Company and the Holder which contains such terms and conditions with respect to an Award as the Administrator or Committee shall determine, consistent with the Plan.

“*Award Limit*” shall mean two hundred thousand (200,000) shares of Common Stock, as adjusted pursuant to Section 13.3 of the Plan.

“*Base-Line Value*” shall mean the base value assigned to each Restricted Stock Unit by the Administrator, in his discretion, as of the date of grant and set forth in the Award Agreement.

“*Board*” shall mean the Board of Directors of the Company.

“*Cause*” unless otherwise defined in an individual’s employment agreement (or, as applicable, independent directorship agreement or consultancy agreement) shall mean a Separation From Service if, and only if, it is based upon (i) conviction of a felony; or (ii) material disloyalty to the Company or its Subsidiaries such as embezzlement, misappropriation of corporate assets; or (iii) breach of an employment (or other similar consultancy or directorship) agreement not to engage in business for another enterprise of the type engaged in by the Company or its Subsidiaries, except where expressly permitted under such agreement; or (iv) the engaging in unethical or illegal behavior which is of a public nature, brings the Company or its Subsidiaries into disrepute, and results in material damage to the Company or its Subsidiaries; or (v) a material breach of an employment (or other similar consultancy or directorship) agreement which causes material and demonstrable harm to the Company or its Subsidiaries.

“*Change in Control*” shall mean, unless otherwise defined in an Award Agreement, a change in ownership or control of the Company effected through any of the following transactions:

- (a) any person or related group of persons (other than the Company or a person that directly or indirectly controls, is controlled by, or is under common control with, the Company) directly or indirectly acquires beneficial ownership (within the meaning of Rule 13d-3 under the Exchange Act) of securities of the Company representing thirty percent (30%) or more of the total combined voting power of the Company’s then outstanding securities; or
- (b) the stockholders of the Company approve a merger or consolidation of the Company with any other corporation (or other entity), other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than sixty six and

2

two-thirds percent (66-2/3%) of the combined voting power of the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation; *provided, however*, that a merger or consolidation effected to implement a recapitalization of the Company (or similar transaction) in which no person, directly or indirectly, becomes the beneficial owner of securities representing thirty percent (30%) or more of the combined voting power of the Company's then outstanding securities shall not constitute a Change in Control; or

(c) the stockholders of the Company approve a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets, or

(d) a majority of members of the Board of Directors of the Company cease to be Continuing Directors.

"Code" shall mean the Internal Revenue Code of 1986, as amended.

"Committee" shall mean the Compensation Committee of the Board, or another committee or subcommittee of the Board, appointed as provided in Section 12.1.

"Common Stock" shall mean the common stock of the Company, par value \$.01 per share.

"Company" shall mean LTC Properties, Inc., a Maryland corporation.

"Continuing Directors" means, as of any date of determination, any member of the Board of Directors who (i) was a member of such Board of Directors on the date the Plan was approved, or (ii) was nominated for election or elected to such Board of Directors with the approval of a majority of the Continuing Directors who were members of such Board of Directors at the time of such nomination or election.

"Corporate Transaction" shall mean any of the following stockholder-approved transactions to which the Company is a party:

(a) a merger, consolidation or acquisition in which the Company is not the surviving entity, except for a transaction the principal purpose of which is to change the state in which the Company is incorporated, form a holding company or effect a similar reorganization as to form whereupon the Plan and all Awards are assumed by the successor entity;

(b) the sale, transfer, exchange or other disposition of all or substantially all of the assets of the Company, in complete liquidation or dissolution of the Company in a transaction not covered by the exceptions to clause (a), above; or

(c) any reverse merger in which the Company is the surviving entity but in which securities possessing more than thirty percent (30%) of the total combined voting power of the Company's outstanding securities are transferred or issued to a person or persons different from those who held such securities immediately prior to such merger.

3

"Coupled Stock Appreciation Right" shall mean an Award granted under Section 10.2 of the Plan.

"Covered Employee" shall mean either a "Covered Employee" within the meaning of Section 162(m) of the Code or an individual who the Committee has identified as a potential Covered Employee within the meaning of Section 162(m) of the Code.

"CSAR" shall mean a Coupled Stock Appreciation Right.

"Deferred Stock" shall mean Common Stock awarded under Section 9.5 of the Plan.

"Director" shall mean a member of the Board.

"Dividend Equivalent" shall mean a right to receive the equivalent value (in cash or Common Stock) of dividends paid on Common Stock, awarded under Section 9.3 of the Plan.

"Employee" shall mean any officer or other employee (as defined in accordance with Section 3401(c) of the Code) of the Company, or of any corporation which is a Subsidiary.

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

"Fair Market Value" of a Restricted Stock Unit or share of Common Stock as of a given date shall be (i) the closing price of a share of Common Stock on the principal exchange on which shares of Common Stock are then trading, if any (or as reported on any composite index which includes such principal exchange), on the date of grant, or if shares were not traded on the date of grant, then on the next preceding date on which a trade occurred, or (ii) if Common Stock is not traded on an exchange but is quoted on NASDAQ or a successor quotation system, the mean between the closing representative bid and asked prices for the Common Stock on the date of grant as reported by NASDAQ or such successor quotation system; or (iii) if Common Stock is not publicly traded on an exchange and not quoted on NASDAQ or a successor quotation system, the Fair Market Value of a share of Common Stock as established by the Administrator acting in good faith through the reasonable application of a reasonable valuation method.

"Good Reason" shall have the meaning defined in an individual's employment agreement (or as applicable, independent directorship agreement or consultancy agreement). If an individual is not subject to an employment agreement (or as applicable, an independent directorship agreement or consultancy agreement) or such agreement does not define "Good Reason," then a Separation From Service for Good Reason shall not exist for such individual.

"Grantee" shall mean an Employee, Independent Director or consultant granted an Award under the Plan.

"Holder" shall mean a person who has been granted or awarded an Award.

"Incentive Stock Option" shall mean an Option that is designated as an Incentive Stock Option by the Committee to the extent such Option complies with the applicable provisions of Section 422 of the Code.

4

“Independent Director” shall mean a member of the Board who is not an Employee.

“Independent Stock Appreciation Right” shall mean an Award granted under Section 10.3 of the Plan.

“ISAR” shall mean an Independent Stock Appreciation Right.

“Non-Qualified Stock Option” shall mean an Option that is not designated as an Incentive Stock Option by the Committee, or an Option that is designated as an Incentive Stock Option to the extent such Option does not comply with the provisions of Section 422 of the Code.

“Option” shall mean an Award granted under Article IV of the Plan. An Option granted under the Plan shall, as determined by the Committee, be either a Non-Qualified Stock Option or an Incentive Stock Option; *provided, however*, that Options granted to Independent Directors and consultants shall be Non-Qualified Stock Options.

“Optionee” shall mean an Employee, consultant or Independent Director granted an Option under the Plan.

“Performance Award” shall mean a cash bonus, stock bonus or other performance or incentive award that is paid in cash, Common Stock or a combination of both, awarded under Section 9.2 of the Plan.

“Performance Based Compensation Award” shall mean an Award designated by the Committee that is intended to qualify as “Performance-Based Compensation” under Section 162(m) of the Code.

“Performance Criteria” shall mean the following business criteria with respect to the Company or any Subsidiary: (a) net income; (b) performance of investments; (c) cash flow; (d) earnings per share; (e) return on equity; (f) return on invested capital or assets; (g) total shareholder return; (h) cost reductions or savings; (i) funds from operations; (j) adjusted funds from operations; (k) funds available for distribution; (l) appreciation in the fair market value of the Company common stock; (m) earnings before any one or more of the following items: interest, taxes, depreciation or amortization; (n) new investments; and (o) credit metrics. In addition, to the degree consistent with the Code, the Performance Criteria may be calculated without regard to extraordinary, unusual and/or non-recurring items.

“Performance Goals” shall mean the one or more goals for the performance period established by the Committee. The Committee shall establish the Performance Goals for Performance Based Compensation Awards within the first ninety (90) days of the performance period (or if longer, within the maximum period allowed pursuant to Section 162(m) of the Code) based upon the Performance Criteria.

“Performance Year” shall mean the Company’s fiscal year.

“Plan” shall mean The 2015 Equity Participation Plan of LTC Properties, Inc., as set forth herein and as amended from time to time.

5

“Restricted Stock” shall mean Common Stock awarded under Article VII of the Plan.

“Restricted Stockholder” shall mean an Employee, Independent Director or consultant granted an Award of Restricted Stock under Article VII of the Plan.

“Restricted Stock Unit” means an incentive unit granted under Article VIII. Each Restricted Stock Unit will be deemed to be the equivalent of one share of Common Stock of the Company.

“Rule 16b-3” shall mean Rule 16b-3 under the Exchange Act, amended from time to time.

“Securities Act” shall mean the Securities Act of 1933, as amended.

“Separation From Service” shall mean (i) with respect to an Employee, the termination of his or her employment with the Company and all Subsidiaries that constitutes a “separation from service” within the meaning of Treasury Regulation Section 1.409A-1(h)(1); (ii) with respect to a consultant of the Company or any Subsidiary, the expiration of his or her contract or contracts under which services are performed that constitutes a “separation from service” within the meaning of Treasury Regulation Section 1.409A-1(h)(2); or (iii) with respect to an Independent Director, the date on which such Independent Director ceases to be a member of the Board for any reason.

“Stock Appreciation Right” shall mean an Award granted under Article X of the Plan.

“Stock Payment” shall mean an Award granted under Section 9.4 of the Plan.

“Subsidiary” shall mean any corporation in an unbroken chain of corporations beginning with the Company if each of the corporations other than the last corporation in the unbroken chain then owns stock possessing fifty percent (50%) or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

ARTICLE II.

SHARES SUBJECT TO PLAN AND OTHER LIMITATIONS

2.1 Aggregate Limit on Shares Subject to Plan and Individual Award Limits.

(a) The shares of stock subject to Awards shall be Common Stock. The aggregate number of such shares which may be issued upon exercise of Options or in connection with any other Awards under this Plan shall not exceed one million four hundred thousand (1,400,000).

(b) The Administrator may not grant to any individual in any calendar year Stock Options, Restricted Stock, Restricted Stock Units, Independent Stock Appreciation Rights, Performance Awards, Stock Payments and Deferred Stock representing in the aggregate a number of shares in excess of the Award Limit. For this purpose, a

Performance Award payable in cash shall represent a number of shares equal to the amount of such cash divided by the Fair Market Value of a share of Common Stock on the date the Performance Award is granted. The Administrator may not grant to any individual in any calendar year Divided Equivalents in excess of the aggregate number of Stock Appreciation Rights, Deferred Stock Awards and Performance Awards payable in shares of Common Stock granted to such individual in such calendar year. The Administrator may not grant to any individual in any calendar year Coupled Stock Appreciation Rights in excess of the Options granted to such individual in such calendar year.

ARTICLE III.

GRANTING OF AWARDS

3.1 **Award Agreement.** Each Award shall be evidenced by a written Award Agreement. Award Agreements evidencing Incentive Stock Options shall contain such terms and conditions as may be necessary to meet the applicable provisions of Section 422 of the Code.

3.2 **Consideration.** In consideration of the granting of an Award under the Plan, the Holder shall agree, in the Award Agreement, to remain in the employ of (or to consult for or to serve as an Independent Director of, as applicable) the Company or any Subsidiary for a period of at least one (1) year (or such shorter period as may be fixed in the Award Agreement, an applicable employment agreement, or by action of the Administrator following grant of the Award) after the Award is granted (or, in the case of an Independent Director, until the next annual meeting of stockholders of the Company). The Committee may waive this requirement in the event of a Change in Control.

3.3 **At-Will Employment.** Nothing in the Plan or in any Award Agreement hereunder shall confer upon any Holder any right to continue in the employ of, or as a consultant for, the Company or any Subsidiary, or as a Director of the Company, or shall interfere with or restrict in any way the rights of the Company and any Subsidiary, which are hereby expressly reserved, to discharge any Holder at any time for any reason whatsoever, with or without Cause and with or without notice, except to the extent expressly provided otherwise in a written employment agreement between the Holder and the Company or any Subsidiary.

3.4 **Repricing.** The Committee may modify the purchase price or the exercise price of any outstanding Award, provided that if the modification results in a repricing, shareholder approval shall be required before the repricing is effective.

ARTICLE IV.

GRANTING OF OPTIONS TO EMPLOYEES, CONSULTANTS AND INDEPENDENT DIRECTORS

4.1 **Eligibility.** Any Employee or consultant selected by the Committee pursuant to Section 4.4(a)(i) shall be eligible to be granted Options. Each Independent Director of the Company shall be eligible to be granted Options at the times and in the manner set forth in Sections 4.5 and 4.6. An Option shall give the Optionee the right to purchase shares of Common Stock under the terms and conditions set forth in the Award Agreement applicable to the Option.

7

4.2 **Disqualification for Stock Ownership.** No person may be granted an Incentive Stock Option under the Plan if such person, at the time the Incentive Stock Option is granted, owns stock possessing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or any then existing Subsidiary or parent corporation (within the meaning of Section 422 of the Code) unless such Incentive Stock Option conforms to the applicable provisions of Section 422 of the Code.

4.3 **Qualification of Incentive Stock Options.** No Incentive Stock Option shall be granted to any person who is not an Employee.

4.4 **Granting of Options to Employees and Consultants.**

(a) The Committee shall from time to time, in its absolute discretion, and subject to applicable limitations of the Plan:

(i) Determine which Employees are key Employees and select from among the key Employees or consultants (including Employees or consultants who have previously received Awards under the Plan) such of them as in its opinion should be granted Options;

(ii) Subject to the Award Limit, determine the number of shares to be subject to such Options granted to the selected key Employees or consultants;

(iii) Subject to Section 4.3, determine whether such Options are to be Incentive Stock Options or Non-Qualified Stock Options; and

(iv) Determine the terms and conditions of such Options, consistent with the Plan.

(b) Upon the selection of a key Employee or consultant to be granted an Option, the Committee shall instruct the Secretary of the Company to issue the Option and may impose such conditions on the grant of the Option as it deems appropriate.

(c) Any Incentive Stock Option granted under the Plan may be modified by the Committee, with the consent of the Optionee, to disqualify such Option from treatment as an "incentive stock option" under Section 422 of the Code, provided that no such modification may result in the imposition on the Optionee of a twenty percent (20%) tax pursuant to Section 409A(a)(1)(B) of the Code.

4.5 **Granting of Options to Independent Directors.** The Board shall from time to time, in its absolute discretion, and subject to applicable limitations of the Plan determine (i) which Independent Directors, if any, should, in its opinion, be granted Non-Qualified Stock Options, (ii) subject to the Award Limit, determine the number of number of shares to be subject to such Options, and (iii) the terms and conditions of such Options, consistent with the Plan.

8

4.6 **Options in Lieu of Cash Compensation.** Options may be granted under the Plan to Employees and consultants in lieu of cash bonuses which would otherwise be payable to such Employees and consultants and to Independent Directors in lieu of directors' fees which would otherwise be payable to such Independent Directors, pursuant

to such policies which may be adopted by the Administrator from time to time.

ARTICLE V.

TERMS OF OPTIONS

5.1 Option Price. The price per share of the shares subject to each Option granted to Employees and consultants shall be set by the Committee; *provided, however,* that such price shall not be less than the par value of a share of Common Stock, unless otherwise permitted by applicable state law, and shall not be less than one hundred percent (100%) of the Fair Market Value of a share of Common Stock on the date the Option is granted; and provided further that in the case of Incentive Stock Options granted to an individual then owning (within the meaning of Section 424(d) of the Code) more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or any Subsidiary or parent corporation thereof (within the meaning of Section 422 of the Code), such price shall not be less than one hundred and ten percent (110%) of the Fair Market Value of a share of Common Stock on the date the Option is granted.

5.2 Option Term. The term of an Option granted to an Employee or consultant shall be set by the Committee in its discretion; *provided, however,* that the term shall not be more than ten (10) years from the date the Option is granted, or five (5) years from such date if the Option is an Incentive Stock Option granted to an individual then owning (directly and through application of the attribution rules of Section 424(d) of the Code) more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or any Subsidiary or parent corporation thereof (within the meaning of Section 422 of the Code). Except as limited by requirements of Section 422 of the Code and regulations and rulings thereunder applicable to Incentive Stock Options, the Committee may extend the term of any outstanding Option in connection with any Separation From Service or amend any other term or condition of such Option relating to such a Separation From Service. Notwithstanding the foregoing, the Committee may not extend the term of any outstanding Option beyond the earlier of (1) the original expiration date of the Option and (2) the ten-year anniversary of the grant date of the Option.

5.3 Option Vesting.

(a) The period during which the right to exercise, in whole or in part, an Option granted to an Employee or a consultant vests in the Optionee shall be set by the Committee in its sole and absolute discretion and the Committee may determine that an Option may not be exercised in whole or in part for a specified period after it is granted;

9

provided, however, that, unless the Committee otherwise provides in the terms of the Award Agreement or otherwise, no Option shall be exercisable by any Optionee who is then subject to Section 16 of the Exchange Act within the period ending six (6) months and one (1) day after the date the Option is granted. At any time after grant of an Option, the Committee may, in its sole and absolute discretion and subject to whatever terms and conditions it selects, accelerate the period during which an Option granted to an Employee or consultant vests.

(b) No portion of an Option granted to an Employee or consultant which is unexercisable at Separation From Service shall thereafter become exercisable, except as may be otherwise provided by the Committee either in the Award Agreement or employment agreement or by action of the Committee following the grant of the Option.

(c) To the extent that the aggregate Fair Market Value of Common Stock with respect to which “incentive stock options” (within the meaning of Section 422 of the Code, but without regard to Section 422(d) of the Code) are exercisable for the first time by an Optionee during any calendar year (under the Plan and all other incentive stock option plans of the Company and any parent or subsidiary corporation (within the meaning of Section 422 of the Code) of the Company) exceeds one hundred thousand dollars (\$100,000), such Options shall be treated as Non-Qualified Options to the extent required by Section 422 of the Code. The rule set forth in the preceding sentence shall be applied by taking Options into account in the order in which they were granted. For purposes of this Section 5.3(c), the Fair Market Value of stock shall be determined as of the time the Option with respect to such Common Stock is granted.

(d) Unless otherwise provided in an Award Agreement or employment agreement, in the event of an Optionee’s Separation From Service without Cause or for Good Reason during the twelve (12) month period following a Change in Control, Options shall become fully vested as of the date of the Separation from Service, or because of the Optionee’s death or disability.

ARTICLE VI.

EXERCISE OF OPTIONS

6.1 Partial Exercise. An exercisable Option may be exercised in whole or in part. However, an Option shall not be exercisable with respect to fractional shares and the Administrator may require that, by the terms of the Option, a partial exercise be with respect to a minimum number of shares.

6.2 Manner of Exercise. All or a portion of an exercisable Option shall be deemed exercised upon delivery of all of the following to the Secretary of the Company or his/her office:

(a) A written notice complying with the applicable rules established by the Administrator stating that the Option, or a portion thereof, is exercised. The notice shall be signed by the Optionee or other person then entitled to exercise the Option or such portion of the Option;

10

(b) Such representations and documents as the Administrator, in its absolute discretion, deems necessary or advisable to effect compliance with all applicable provisions of the Securities Act and any other federal or state securities laws or regulations. The Administrator may, in its absolute discretion, also take whatever additional actions it deems appropriate to effect such compliance including, without limitation, (i) placing legends on share certificates or, if shares are uncertificated, noting such legends on the book entry account for the shares, and (ii) issuing stop-transfer notices to agents and registrars;

(c) In the event that the Option shall be exercised pursuant to Section 13.1 by any person or persons (other than the Optionee), who have been transferred an Option pursuant to Section 13.1, appropriate proof of the right of such person or persons to exercise the Option; and

(d) Full cash payment to the Secretary of the Company for the shares with respect to which the Option, or portion thereof, is exercised. However, the Administrator, may in its discretion (i) allow payment, in whole or in part, through the delivery of shares of Common Stock owned by the Optionee, duly endorsed for

transfer to the Company with a Fair Market Value on the date of delivery equal to the aggregate exercise price of the Option or exercised portion thereof; (ii) allow payment, in whole or in part, through the surrender of shares of Common Stock then issuable upon exercise of the Option having a Fair Market Value on the date of Option exercise equal to the excess of the aggregate exercise price of the Option or exercised portion thereof over the Option price of the Option or exercised portion thereof; (iii) allow payment, in whole or in part, in accordance with a cashless exercise program under which, if so instructed by the Optionee, shares of Common Stock may be issued directly to the Optionee's broker or dealer who in turn will sell the shares and pay the Option price in cash to the Company from the sale proceeds; or (iv) allow payment through any combination of the consideration provided in the foregoing clauses (i), (ii), and (iii).

6.3 Conditions to Issuance of Stock Certificates. The Company shall not be required to issue shares of Common Stock, either in certificated or uncertificated form, purchased upon the exercise of any Option or portion thereof prior to the fulfillment of all of the following conditions:

(a) The admission of such shares to listing on all stock exchanges on which such class of stock is then listed;

(b) The completion of any registration or other qualification of such shares under any state or federal law, or under the rulings or regulations of the Securities and Exchange Commission or any other governmental regulatory body which the Administrator shall, in its absolute discretion, deem necessary or advisable;

11

(c) The obtaining of any approval or other clearance from any state or federal governmental agency which the Administrator shall, in its absolute discretion, determine to be necessary or advisable;

(d) The lapse of such reasonable period of time following the exercise of the Option as the Administrator may establish from time to time for reasons of administrative convenience; and

(e) The receipt by the Company of full payment for such shares, including payment of any applicable tax withholdings, which in the discretion of the Administrator may be in the form of consideration used by the Optionee to pay for such shares under Section 6.2(d).

6.4 Rights as Stockholders. Optionees shall not be, nor have any of the rights or privileges of, stockholders of the Company in respect of any shares purchasable upon the exercise of any part of an Option unless and until such shares, in certificated or uncertificated form, have been issued by the Company to such Optionees.

6.5 Ownership and Transfer Restrictions. The Administrator, in its absolute discretion, may impose such restrictions on the ownership and transferability of the shares purchasable upon the exercise of an Option as it deems appropriate. Any such restriction shall be set forth in the respective Award Agreement and may be referred to on any certificates evidencing such shares or, if the Restricted Stock is uncertificated, may be noted on the restricted book entry account for such shares and referred to on any notices or written statements that may be delivered to the Holders of such shares. The Committee may require the Employee to give the Company prompt notice of any disposition of shares of Common Stock acquired by exercise of an Incentive Stock Option within (i) two (2) years from the date of granting (including the date the Option is modified, extended or renewed for purposes of Section 424(h) of the Code) such Option to such Employee or (ii) one (1) year after the transfer of such shares to such Employee. The Administrator may direct that any certificates evidencing, or any notices or written statements regarding, shares acquired by exercise of any such Option refer to such requirement to give prompt notice of disposition.

6.6 Additional Limitations on Exercise of Options. Optionees may be required to comply with any timing or other restrictions with respect to the settlement or exercise of an Option, including a window-period limitation, as may be imposed in the discretion of the Administrator.

ARTICLE VII.

AWARD OF RESTRICTED STOCK

7.1 Eligibility. Subject to the Award Limit, shares of Restricted Stock may be awarded to any Employee or consultant selected by the Committee pursuant to Section 7.2 or any Independent Director who the Board determines should receive such an Award.

12

7.2 Award of Restricted Stock.

(a) The Administrator may from time to time, in its absolute discretion:

(i) Determine which Employees are key Employees and select from among the key Employees, Independent Directors or consultants (including Employees, Independent Directors or consultants who have previously received other Awards under the Plan) such of them as in its opinion should be awarded Restricted Stock; and

(ii) Determine the purchase price, if any, and other terms and conditions applicable to such Restricted Stock, consistent with the Plan.

(b) The Administrator shall establish the purchase price, if any, and form of payment for Restricted Stock.

(c) Upon the selection of a key Employee, Independent Director or consultant to be awarded Restricted Stock, the Administrator shall instruct the Secretary of the Company to issue such Restricted Stock and may impose such conditions on the issuance of such Restricted Stock as it deems appropriate.

7.3 Rights as Stockholders. Subject to Section 7.4, upon delivery of the shares of Restricted Stock to the escrow holder pursuant to Section 7.6, the Restricted Stockholder shall have, unless otherwise provided by the Administrator, all the rights of a stockholder with respect to said shares, subject to the restrictions in his/her Award Agreement, including the right to receive all dividends and other distributions paid or made with respect to the shares; *provided, however*, that in the discretion of the Committee and as set forth in the Award Agreement, any extraordinary distributions with respect to the Common Stock shall be subject to the restrictions set forth in Section 7.4 or such other restrictions as may be determined by the Committee.

7.4 Restriction. All shares of Restricted Stock issued under the Plan (including any shares received by Holders thereof with respect to shares of Restricted Stock as a result of stock dividends, stock splits or any other form of recapitalization) shall, in the terms of each individual Award Agreement, be subject to such terms, conditions and restrictions as the Administrator shall provide, which restrictions may include, without limitation, forfeiture of such shares in the event of Separation From Service prior to

completion of a term of service and restrictions concerning voting rights and transferability, Company performance and individual performance and satisfaction of one or more Performance Criteria; *provided, however*, that, by action taken after the Restricted Stock is issued, the Administrator may, on such terms and conditions as it may determine to be appropriate, remove any or all of the restrictions imposed by the terms of the Award Agreement. Restricted Stock may not be sold or encumbered until all restrictions are terminated or expire. If no consideration was paid by the Restricted Stockholder upon issuance, a Restricted Stockholder's rights in unvested Restricted Stock shall lapse upon Separation From Service prior to the termination or expiration of all restrictions; *provided, however*, unless otherwise provided in an Award Agreement or employment agreement, in the event of a Restricted Stockholder's Separation From Service without Cause or for Good Reason during the twelve (12) month period following a Change in Control, Restricted Stock shall become fully vested as of the date of the Separation from Service or because of the Restricted Stockholder's death or disability.

13

7.5 **Repurchase of Restricted Stock.** The Administrator shall provide in the terms of each individual Award Agreement that the Company shall have the right to repurchase from the Restricted Stockholder the Restricted Stock then subject to restrictions under the Award Agreement immediately upon a Separation From Service prior to the termination or expiration of all restrictions, at a cash price per share equal to the price paid by the Restricted Stockholder for such Restricted Stock.

7.6 **Escrow.** Unless otherwise determined by the Administrator, the Secretary of the Company or such other escrow holder as the Administrator may appoint shall retain physical custody of any certificates representing Restricted Stock or, if such Restricted Stock is uncertificated, shall cause such uncertificated shares of Restricted Stock to be held by the Company's transfer agent in a restricted book entry account, in each case until all of the restrictions imposed under the Award Agreement with respect to such shares of Restricted Stock terminate, expire or have been removed.

7.7 **Legend / Notice.** In order to enforce the restrictions imposed upon shares of Restricted Stock hereunder, the Administrator, for all shares of Restricted Stock that are still subject to restrictions under Award Agreements, shall cause a legend or legends that make appropriate reference to the conditions imposed thereby to be placed on any certificates representing such shares, or, if such shares are in uncertificated form, shall cause the Company's transfer agent to note such legend or legends on the restricted book entry account for such shares and to issue such notices or written statements containing information on the conditions imposed under the Award Agreements to the Holders of such shares as may be required by law, the Company's charter and bylaws or otherwise deemed appropriate by the Company.

7.8 **Section 83(b) Election.** If a Restricted Stockholder makes an election under Section 83(b) of the Code, or any successor section thereto, to be taxed with respect to the Restricted Stock as of the date of transfer of the Restricted Stock rather than as of the date or dates upon which the Restricted Stockholder would otherwise be taxable under Section 83(a) of the Code, the Restricted Stockholder shall deliver a copy of such election to the Company immediately after filing such election with the Internal Revenue Service.

7.9 **Restricted Stock in Lieu of Cash Compensation.** Restricted Stock may be awarded under the Plan to Employees and consultants in lieu of cash bonuses which would otherwise be payable to such Employees and consultants and to Independent Directors in lieu of directors' fees which would otherwise be payable to such Independent Directors, pursuant to such policies which may be adopted by the Administrator from time to time.

14

ARTICLE VIII.

RESTRICTED STOCK UNITS

8.1 **Grant of Restricted Stock Units.** Restricted Stock Units may be granted to any key Employee or consultant selected by the Committee or any Independent Director selected by the Board. Restricted Stock Units shall be subject to such terms and conditions not inconsistent with the Plan as the Administrator shall impose and shall be evidenced by an Award Agreement.

8.2 **Awards of Restricted Stock Units.**

(a) The Administrator may from time to time, in its absolute discretion:

(i) Determine which Employees are key Employees and select from among the key Employees, Independent Directors or consultants (including Employees, Independent Directors or consultants who have previously received other Awards under the Plan) such of them as in its opinion should be awarded Restricted Stock Units; and

(ii) Determine the purchase price, if any, and other terms and conditions applicable to such Restricted Stock Units, consistent with the Plan.

8.3 **Payment and Limitations on Exercise.**

(a) Payment of Restricted Stock Units shall be made in Common Stock (based on its Fair Market Value as of the date of payment). Payment shall be made subject to satisfaction of all provisions of Section 6.3 above pertaining to Options.

(b) Grantees of Restricted Stock Units may be required to comply with any timing or other restrictions, including a window-period limitation, as may be imposed in the discretion of the Administrator.

8.4 **Vesting.** Unless otherwise provided in an Award Agreement or employment agreement, in the event of a Holder's Separation From Service without Cause or for Good Reason during the twelve (12) month period following a Change in Control, Restricted Stock Units shall become fully vested as of the date of the Separation from Service or upon Holder's death or disability.

8.6 **No Rights as a Stockholder.** Unless otherwise determined by the Administrator, a Holder of Restricted Stock Units shall possess no incidents of ownership with respect to the Common Stock represented by such Restricted Stock Units, unless and until such stock is transferred to the holder pursuant to the terms of this Plan and the applicable Award Agreement.

8.7 **Dividend Equivalents.** Subject to Section 9.3, the Administrator, in its sole discretion, may provide that Dividend Equivalents shall be earned by a Holder of Restricted Stock Units based on dividends declared on the Common Stock, to be credited as of dividend payment dates during the period between the date an Award of Restricted Stock Units is granted to a Holder and the maturity date of such Award.

15

ARTICLE IX.

PERFORMANCE AWARDS, DIVIDEND EQUIVALENTS, DEFERRED STOCK, STOCK PAYMENTS

9.1 **Eligibility.** Subject to the Award Limit, one or more Performance Awards, Dividend Equivalents, Awards of Deferred Stock, Awards of Restricted Stock Units and/or Stock Payments may be granted to any Employee who the Committee determines is a key Employee, any consultant who the Committee determines should receive such an Award or any Independent Director who the Board determines should receive such an Award.

9.2 **Performance Awards.** Any key Employee or consultant selected by the Committee or any Independent Director selected by the Board may be granted one or more Performance Awards. A Performance Award represents the right to receive a payment subject to satisfaction of any one or more of the Performance Criteria or other specific performance criteria determined appropriate by the Administrator on a specified date or dates or over any period or periods determined by the Administrator. In making such determinations, the Administrator shall consider (among such other factors as it deems relevant in light of the specific type of Award) the contributions, responsibilities and other compensation of the particular key Employee, Independent Director or consultant.

9.3 **Dividend Equivalents.** Any key Employee or consultant selected by the Committee or any Independent Director selected by the Board may be granted Dividend Equivalents. A Dividend Equivalent represents the right to receive payments in the amount of the dividend on a share of Common Stock. Dividend Equivalents shall be credited as of dividend payment dates, during the period between the date a Stock Appreciation Right, Deferred Stock or Performance Award is granted, and the date such Stock Appreciation Right, Deferred Stock or Performance Award is exercised, vests or expires, as determined by the Administrator. Such Dividend Equivalents shall be converted to cash or additional shares of Common Stock by such formula and at such time and subject to such limitations as may be determined by the Administrator, provided that in no event may the payment of such cash or additional shares of Common Stock be contingent upon a Holder's exercise of an Option or Stock Appreciation Right.

9.4 **Stock Payments.** Any key Employee or consultant selected by the Committee or any Independent Director selected by the Board may receive Stock Payments in the manner determined from time to time by the Administrator. A Stock Payment represents the right to receive one share of Common Stock. The number of shares shall be determined by the Administrator and may be based upon the Performance Criteria or other specific performance criteria determined appropriate by the Administrator, determined on the date such Stock Payment is made or on any date thereafter.

16

9.5 **Deferred Stock.** Any key Employee or consultant selected by the Committee or any Independent Director selected by the Board may be granted an Award of Deferred Stock in the manner determined from time to time by the Administrator. Deferred Stock represents the right to receive one share of Common Stock in the future. The number of shares of Deferred Stock shall be determined by the Administrator and may be linked to the satisfaction of Performance Criteria or other specific performance criteria determined to be appropriate by the Administrator, in each case on a specified date or dates or over any period or periods determined by the Administrator. Common Stock underlying a Deferred Stock Award will not be issued until the Deferred Stock Award has vested, pursuant to a vesting schedule or satisfaction of Performance Criteria or other specific performance criteria set by the Administrator. Unless otherwise provided by the Administrator, a Holder of Deferred Stock shall have no rights as a Company stockholder with respect to such Deferred Stock until such time as the Award has vested and the Common Stock underlying the Award has been issued.

9.6 **Term.** The term of a Performance Award, Dividend Equivalent, Deferred Stock and/or Stock Payment shall be set by the performance period.

9.7 **Exercise or Purchase Price.** The Administrator may establish the exercise or purchase price, if any, of a Performance Award, shares of Deferred Stock, or shares received as a Stock Payment.

9.8 **Exercise Upon Separation From Service.** A Performance Award, Dividend Equivalent, Deferred Stock and/or Stock Payment is exercisable or payable only while the Holder is an Employee, Independent Director or consultant; *provided, however*, that the Administrator in its sole and absolute discretion may provide that the Performance Award, Dividend Equivalent, Award of Deferred Stock and/or Stock Payment may be exercised or paid subsequent to a Separation From Service without Cause or for Good Reason following a Change in Control.

9.9 **Payment on Exercise.** Payment of the amount determined under Section 9.2 or 9.3 above shall be in cash, in Common Stock or a combination of both, as determined by the Administrator. To the extent any payment under this Article VIII is effected in Common Stock, it shall be made subject to satisfaction of all provisions of Section 6.3.

9.10 **Performance Award, Dividend Equivalent, Deferred Stock and/or Stock Payment in Lieu of Cash Compensation.** Performance Awards, Dividend Equivalents, Deferred Stock and/or Stock Payments may be awarded under the Plan to Employees and consultants in lieu of cash bonuses which would otherwise be payable to such Employees and consultants and to Independent Directors in lieu of directors' fees which would otherwise be payable to such Independent Directors, pursuant to such policies which may be adopted by the Administrator from time to time.

9.11 **Section 409A Compliance.** The Common Stock or cash payment distributable to a Holder pursuant to a Performance Award, Dividend Equivalent, Deferred Stock and/or Stock Payment shall be distributed to the Holder no later than two and one half (2½) months following the end of the calendar year in which the Award vests or on a specified date or schedule or other distribution event permitted under Section 409A of the Code, in each case as set forth in the applicable Award Agreement.

17

ARTICLE X.

STOCK APPRECIATION RIGHTS

10.1 **Grant of Stock Appreciation Rights.** A Stock Appreciation Right entitles the Holder to a payment equal to the excess of the Fair Market Value of the number of shares of Common Stock underlying the Stock Appreciation Right as of the date the Award is exercised over such Fair Market Value as of the date the Award is granted. A Stock Appreciation Right may be granted to any key Employee or consultant selected by the Committee or any Independent Director selected by the Board. A Stock Appreciation Right may be granted (i) in connection and simultaneously with the grant of an Option or (ii) independent of an Option. A Stock Appreciation Right shall be subject to such terms and conditions not inconsistent with the Plan as the Administrator shall impose and shall be evidenced by an Award Agreement.

10.2 **Coupled Stock Appreciation Rights.**

- (a) A CSAR is a Stock Appreciation Right that is related to a particular Option and is exercisable only when and to the extent the related Option is exercisable.
- (b) A CSAR may be granted to the Grantee for no more than the number of shares subject to the simultaneously granted Option to which it is coupled.
- (c) A CSAR shall entitle the Grantee (or other person entitled to exercise the Option pursuant to the Plan) to surrender to the Company unexercised a portion of the Option to which the CSAR relates (to the extent then exercisable pursuant to its terms) and to receive from the Company in exchange therefore an amount determined by multiplying the difference obtained by subtracting the exercise price of the CSAR from the Fair Market Value of a share of Common Stock on the date of exercise of the CSAR by the number of shares of Common Stock with respect to which the CSAR shall have been exercised, subject to any limitations the Administrator may impose.

10.3 Independent Stock Appreciation Rights.

- (a) An Independent Stock Appreciation Right (ISAR) is a Stock Appreciation Right that is unrelated to any Option. ISARs shall have terms set by the Administrator and shall cover such number of shares of Common Stock as the Administrator may determine; *provided, however*, that the term of an ISAR shall not be more than ten (10) years from the date the ISAR is granted. An ISAR is exercisable only while the Grantee is an Employee, Independent Director or consultant; provided that the Administrator may determine that the ISAR may be exercised subsequent to Separation From Service without Cause or for Good Reason, or upon a Separation From Service without Cause or for Good Reason during the twelve (12) month period following a Change in Control, or because of the Grantee's retirement, death or disability, or otherwise, and provided

18

further, that unless otherwise provided in the Award Agreement or employment agreement, ISARs shall become fully vested as of the date of a Separation From Service without Cause or for Good Reason during the twelve (12) month period following a Change in Control. Notwithstanding the foregoing, the Administrator may not extend the term of any outstanding ISAR beyond the earlier of (1) the original expiration date of the ISAR and (2) the ten-year anniversary of the grant date of the ISAR.

- (b) An ISAR shall entitle the Grantee (or other person entitled to exercise the ISAR pursuant to the Plan) to exercise all or a specified portion of the ISAR (to the extent then exercisable pursuant to its terms) and to receive from the Company an amount determined by multiplying the difference obtained by subtracting the exercise price per share of the ISAR from the Fair Market Value of a share of Common Stock on the date of exercise of the ISAR by the number of shares of Common Stock with respect to which the ISAR shall have been exercised, subject to any limitations the Administrator may impose.

10.4 Payment and Limitations on Exercise.

- (a) Payment of the amount determined under Sections 9.2(c) and 9.3(b) above shall be in cash, in Common Stock (based on its Fair Market Value as of the date the Stock Appreciation Right is exercised) or a combination of both, as determined by the Administrator. To the extent such payment is effected in Common Stock it shall be made subject to satisfaction of all provisions of Section 6.3 above pertaining to Options.
- (b) Grantees of Stock Appreciation Rights may be required to comply with any timing or other restrictions with respect to the settlement or exercise of a Stock Appreciation Right, including a window-period limitation, as may be imposed in the discretion of the Administrator.

ARTICLE XI.

SECTION 162(M) PERFORMANCE BASED COMPENSATION

11.1 General Requirements. To the extent that a Performance Award, a Stock Payment or an Award of Restricted Stock, Restricted Stock Units or Deferred Stock is intended to qualify as Performance Based Compensation Award, such Award must (1) be granted by the Committee; (2) be earned based on the achievement over a performance period established by the Committee of objective performance goals as are established by the Committee no later than ninety (90) days after the commencement of the performance period and not after twenty five percent (25%) of the performance period has elapsed; and (3) be paid only after the Committee has certified, after the completion of the performance period, that the Performance Goals have been met. To the extent that an Award of Options or Stock Appreciation Rights is intended to qualify as "performance-based compensation" for purposes of Section 162(m) of the Code, such Award must be granted by the Committee.

19

11.2 Performance Goals. The objective Performance Goals shall be stated as specific amounts of, or specific changes in, one or more of the Performance Criteria. The objective Performance Goals need not be the same for different performance periods and for any performance period may be stated: (a) on an absolute basis or relative to the performance of other companies or of a specified index or indices, or be based on any combination of the foregoing and (b) separately for one or more of the Holders, collectively for the entire group of Holders, or in any combination of the two.

11.3 Certification of Performance. As soon as practical following the availability of performance results for the completed performance period, the Committee shall determine whether, and to what extent, the Performance Goals have been satisfied.

11.4 Attainment of Performance Goals. The Committee certifies that the Performance Goals for a performance period were satisfied, the Awards shall be granted. To the extent that an Award is designated as a Performance Based Compensation Award, if the Committee certifies that the Performance Goals for a Covered Employee for a performance period have not been satisfied then the Covered Employee shall not receive an the Performance Based Compensation Award for the performance period

11.5 Adjustment to Performance Goals. The Committee is specifically authorized at any time during the first ninety (90) days of the performance period, or at any time thereafter in its sole and absolute discretion, to adjust or modify the calculation of a Performance Goal for such performance period to prevent the dilution or enlargement of the rights of Participants (a) in the event of, or in anticipation of, any unusual or extraordinary corporate item, transaction, event or development; (b) in recognition of, or in anticipation of, any other unusual or nonrecurring events affecting the Company, or the financial statements of the Company, or in response to, or in anticipation of changes in applicable law, regulations, accounting principles, or business conditions; and (c) in view of the Committee's assessment of the business strategy of the Company, performance of comparable organizations, economic and business conditions, and any other circumstances deemed relevant. However, to the extent the exercise of such authority after the first ninety (90) days of the performance period would cause any Award granted for the performance period to fail to qualify as "Performance Based Compensation" under Section 162(m) of the Code, then only (a) Awards to Participants who are not Covered Employees and (b) Awards which are not performance based shall be adjusted.

11.6 Committee Requirements. Determinations by the Committee as to the establishment of Performance Goals, the amount potentially payable in respect of, the level of actual achievement of the specified Performance Goals relating to any Performance Award, a Stock Payment or an Award of Restricted Stock or Deferred Stock intended to qualify as Performance Based Compensation, and the amount of any such final Award shall be recorded in writing. Specifically, the Committee shall certify in writing, in a manner conforming to applicable regulations under Section 162(m) of the Code, prior to settlement of each such Award that the performance objectives relating to the such Award and other material terms of such Award upon which settlement of the Award was conditioned have been satisfied. To the extent that an Award is designated as a Performance Based Compensation Award, the Committee shall have no discretion to increase the amount of any Award to a Covered Employee, but may reduce the amount of or totally eliminate an Award to a Covered Employee if it determines, in its sole and absolute discretion, that such a reduction or elimination is appropriate.

ARTICLE XII.

ADMINISTRATION

12.1 Compensation Committee. The Compensation Committee (or another committee or a subcommittee of the Board assuming the functions of the Committee under the Plan) shall consist solely of two or more Independent Directors appointed by and holding office at the pleasure of the Board, each of whom is both a “non-employee director” as defined by Rule 16b-3 and an “outside director” for purposes of Section 162(m) of the Code. Appointment of Committee members shall be effective upon acceptance of appointment. Committee members may resign at any time by delivering written notice to the Board. Vacancies in the Committee may be filled by the Board.

12.2 Duties and Powers of Committee. It shall be the duty of the Committee to conduct the general administration of the Plan in accordance with its provisions. The Committee shall have the power to interpret the Plan and the Award Agreements, and to adopt such rules for the administration, interpretation, and application of the Plan as are consistent therewith and to interpret, amend or revoke any such rules. Notwithstanding the foregoing, the full Board, acting by a majority of its members in office, shall conduct the general administration of the Plan with respect to Awards granted to Independent Directors. In its absolute discretion, the Board may at any time and from time to time exercise any and all rights and duties of the Committee under the Plan, except with respect to matters which under Rule 16b-3, Section 162(m) or other applicable law (including stock exchange rules), are required to be determined in the sole discretion of the Committee.

12.3 Compensation; Professional Assistance; Good Faith Actions. Members of the Committee shall receive such compensation for their services as may be determined by the Board. All expenses and liabilities which members of the Committee incur in connection with the administration of the Plan shall be borne by the Company. The Committee may, with the approval of the Board, employ attorneys, consultants, accountants, appraisers, brokers, or other persons. The Committee, the Company and the Company’s officers and Directors shall be entitled to rely upon the advice, opinions or valuations of any such persons. All actions taken and all interpretations and determinations made by the Committee or the Board in good faith shall be final and binding upon all Holders, the Company and all other interested persons. No members of the Committee or Board shall be personally liable for any action, determination or interpretation made in good faith with respect to the Plan or Awards, and all members of the Committee and the Board shall be fully protected by the Company in respect of any such action, determination or interpretation.

ARTICLE XIII.

MISCELLANEOUS PROVISIONS

13.1 Not Transferable. No Award under the Plan may be sold, pledged, assigned or transferred in any manner other than by will or the laws of descent and distribution, unless and until such Award has been exercised, or the shares underlying such Award have been issued, and all restrictions applicable to such shares have lapsed. No Option, Restricted Stock, Restricted Stock Unit, Deferred Stock, Performance Award, Stock Appreciation Right, Dividend Equivalent or Stock Payment or interest or right therein shall be liable for the debts, contracts or engagements of the Holder or his/her successors in interest or shall be subject to disposition by transfer, alienation, anticipation, pledge, encumbrance, assignment or any other means whether such disposition be voluntary or involuntary or by operation of law by judgment, levy, attachment, garnishment or any other legal or equitable proceedings (including bankruptcy), and any attempted disposition thereof shall be null and void and of no effect, except to the extent that such disposition is permitted by the preceding sentence.

During the lifetime of the Holder, only he may exercise an Option or other Award (or any portion thereof) granted to him/her under the Plan. After the death of the Holder, any exercisable portion of an Option or other Award may, prior to the time when such portion becomes unexercisable under the Plan or the applicable Award Agreement, be exercised by his/her personal representative or by any person empowered to do so under the deceased Holder’s will or under the then applicable laws of descent and distribution.

13.2 Amendment, Suspension or Termination of the Plan. Except as otherwise provided in this Section 13.2, the Plan may be wholly or partially amended or otherwise modified, suspended or terminated at any time or from time to time by the Board. However, without approval of the Company’s stockholders given within twelve (12) months before or after the action by the Board, no action of the Board may, except as provided in Section 13.3, increase the limits imposed in Section 2.1 on the maximum number of shares which may be issued under the Plan. No amendment, suspension or termination of the Plan shall, without the consent of the Holder materially impair any rights or obligations under any Award theretofore granted or awarded, unless the Award itself otherwise expressly so provides. No Awards may be granted or awarded during any period of suspension or after termination of the Plan, and in no event may any Incentive Stock Option be granted under the Plan after the first to occur of the following events:

- (a) The expiration of ten (10) years from the date the Plan is adopted by the Board; or
- (b) The expiration of ten (10) years from the date the Plan is approved by the Company’s stockholders under Section 13.4.

13.3 Changes in Common Stock or Assets of the Company, Acquisition or Liquidation of the Company, Change in Control and Other Corporate Events.

- (a) Subject to Section 13.3(d), in the event that the Administrator determines that any dividend or other distribution (whether in the form of cash, Common Stock, other securities, or other property), recapitalization, reclassification, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase, liquidation, dissolution, or sale, transfer, exchange or other disposition of all or substantially all of the assets of the Company

(including, but not limited to, a Corporate Transaction), or exchange of Common Stock or other securities of the Company, issuance of warrants or other rights to purchase Common Stock or other securities of the Company, or other similar corporate transaction or event, in the Administrator's opinion, affects the Common Stock such that an adjustment is determined by the Administrator to be appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan or with respect to an Award, then the Administrator shall, in such manner as it may deem equitable, adjust any or all of:

- (i) the number and kind of shares of Common Stock (or other securities or property) with respect to which Awards may be granted or awarded (including, but not limited to, adjustments of the limitations in Section 2.1 on the maximum number and kind of shares which may be issued and adjustments of the Award Limit),
- (ii) the number and kind of shares of Common Stock (or other securities or property) subject to outstanding Options, Performance Awards, Stock Appreciation Rights, Restricted Stock Units, Dividend Equivalents, or Stock Payments, and in the number and kind of shares of outstanding Restricted Stock or Deferred Stock, and
- (iii) the grant or exercise price with respect to any Award.

(b) Subject to Sections 13.3(b)(vii) and 13.3(d), in the event of any Corporate Transaction or other transaction or event described in Section 13.3(a) or any unusual or nonrecurring transactions or events affecting the Company, any affiliate of the Company, or the financial statements of the Company or any affiliate, or of changes in applicable laws, regulations, or accounting principles, the Administrator, in its sole and absolute discretion, and on such terms and conditions as it deems appropriate, either by the terms of the Award or by action taken prior to the occurrence of such transaction or event, is hereby authorized to take any one or more of the following actions whenever the Administrator determines that such action is appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan or with respect to any Award under the Plan, to facilitate such transactions or events or to give effect to such changes in laws, regulations or principles:

- (i) To provide for either the purchase of any such Award for an amount of cash equal to the amount that could have been attained upon the exercise of such Award or realization of the Holder's rights had such Award been currently exercisable or payable or fully vested or the replacement of such Award with other rights or property selected by the Administrator in its sole discretion;

23

- (ii) To provide that the Award cannot vest, be exercised or become payable after such event;
- (iii) To provide that such Award shall be exercisable as to all shares covered thereby, notwithstanding anything to the contrary in (i) Articles V, VII, VIII or IX or (ii) the provisions of such Award;
- (iv) To provide that such Award be assumed by the successor or survivor corporation, or a parent or subsidiary thereof, or shall be substituted for by similar options, rights or Awards covering the stock of the successor or survivor corporation, or a parent or subsidiary thereof, with appropriate adjustments as to the number and kind of shares and prices;
- (v) To make adjustments in the number and type of shares of Common Stock (or other securities or property) subject to outstanding Awards, and in the number and kind of outstanding Restricted Stock or Deferred Stock and/or in the terms and conditions of (including the grant or exercise price), and the criteria included in, outstanding Awards and Awards which may be granted in the future;
- (vi) To provide that, for a specified period of time prior to such event, the restrictions imposed under an Award Agreement upon some or all shares of Restricted Stock or Deferred Stock may be terminated, and, in the case of Restricted Stock, some or all shares of such Restricted Stock may cease to be subject to repurchase under Section 7.5 or forfeiture under Section 7.4 after such event; and
- (vii) None of the foregoing discretionary actions taken under this Section 13.3(b) shall be permitted with respect to Options granted under Section 4.5 to Independent Directors to the extent that such discretion would be inconsistent with the applicable exemptive conditions of Rule 16b-3. In the event of a Change in Control or a Corporate Transaction, to the extent that the Board does not have the ability under Rule 16b-3 to take or to refrain from taking the discretionary actions set forth in Section 13.3(b)(iii) above, each Option granted to an Independent Director shall be exercisable as to all shares covered thereby upon such Change in Control or during the five (5) days immediately preceding the consummation of such Corporate Transaction and subject to such consummation, notwithstanding anything to the contrary in Section 5.4 or the vesting schedule of such Options. In the event of a Corporate Transaction, to the extent that the Board does not have the ability under Rule 16b-3 to take or to refrain from taking the discretionary actions set forth in Section 13.3(b)(ii) above, no Option granted to an Independent Director may be exercised following such Corporate Transaction unless such Option is, in connection with such Corporate Transaction, either assumed by the successor or survivor corporation (or parent or subsidiary thereof) or replaced with a comparable right with respect to shares of the capital stock of the successor or survivor corporation (or parent or subsidiary thereof).

24

(c) Subject to Section 13.3(d) and 13.8, the Administrator may, in its discretion, include such further provisions and limitations in any Award, agreement, certificate or book entry account, as it may deem equitable and in the best interests of the Company.

(d) No adjustment or action described in this Section 13.3 or in any other provision of the Plan shall be authorized to the extent that such adjustment or action would cause the Plan to violate Section 422(b)(1) of the Code or would result in the imposition on any Holder of a twenty percent (20%) tax pursuant to Section 409A(a)(1)(B) of the Code. Furthermore, no such adjustment or action shall be authorized to the extent such adjustment or action would result in short-swing profits liability under Section 16 or violate the exemptive conditions of Rule 16b-3 unless the Administrator determines that the Award is not to comply with such exemptive conditions. The number of shares of Common Stock subject to any Award shall always be rounded to the next whole number.

13.4 Approval of Plan by Stockholders. The Plan will be submitted for the approval of the Company's stockholders and shall be effective on the date of approval. Awards may be granted or awarded prior to such stockholder approval; *provided* that such Awards shall not be exercisable nor shall such Awards vest prior to the time when the Plan is approved by the stockholders; and *provided further*, that if such approval is not obtained, all Awards previously granted or awarded under the Plan shall thereupon be canceled and become null and void.

13.5 Tax Withholding. The Company shall be entitled to require payment in cash or deduction from other compensation payable to each Holder of any sums required by federal, state or local tax law to be withheld with respect to the issuance, vesting, exercise or payment of any Award. The Administrator may in its discretion and in

satisfaction of the foregoing requirement allow such Holder to elect to have the Company withhold shares of Common Stock otherwise issuable under such Award (or allow the return of shares of Common Stock) having a Fair Market Value equal to the sums required to be withheld.

13.6 Forfeiture Provisions. Pursuant to its general authority to determine the terms and conditions applicable to Awards under the Plan, the Administrator shall have the right (to the extent consistent with the applicable exemptive conditions of Rule 16b-3) to provide, in the terms of Awards made under the Plan, or to require a Holder to agree by separate written instrument, that (i) any proceeds, gains or other economic benefit actually or constructively received by the Holder upon any receipt or exercise of the Award, or upon the receipt or resale of any Common Stock underlying the Award, must be paid to the Company, and (ii) the Award shall terminate and any unexercised portion of the Award (whether or not vested) shall be forfeited, if (a) a Separation From Service occurs prior to a specified date, or within a specified time period following receipt or exercise of the Award, or (b) the Holder at any time, or during a specified time period, engages in any activity in competition with the Company, or which is inimical, contrary or harmful to the interests of the Company, as further defined by the Committee (or the Board, as applicable) or the Holder incurs a Separation From Service for Cause.

25

13.7 Limitations Applicable to Section 16 Persons and Performance-Based Compensation. Notwithstanding any other provision of the Plan, the Plan, and any Award granted or awarded to any individual who is then subject to Section 16 of the Exchange Act, shall be subject to any additional limitations set forth in any applicable exemptive rule under Section 16 of the Exchange Act (including any amendment to Rule 16b-3 of the Exchange Act) that are requirements for the application of such exemptive rule. To the extent permitted by applicable law, the Plan and Awards granted or awarded hereunder shall be deemed amended to the extent necessary to conform to such applicable exemptive rule.

13.8 Effect of Plan Upon Options and Compensation Plans. The adoption of the Plan shall not affect any other compensation or incentive plans in effect for the Company or any Subsidiary. Nothing in the Plan shall be construed to limit the right of the Company (i) to establish any other forms of incentives or compensation for Employees, Independent Directors or consultants of the Company or any Subsidiary or (ii) to grant or assume options or other rights or Awards otherwise than under the Plan in connection with any proper corporate purpose including but not by way of limitation, the grant or assumption of options in connection with the acquisition by purchase, lease, merger, consolidation or otherwise, of the business, stock or assets of any corporation, partnership, limited liability company, firm or association.

13.9 Compliance with Laws. The Plan, the granting and vesting of Awards under the Plan and the issuance and delivery of shares of Common Stock and the payment of money under the Plan or under Awards granted or awarded hereunder are subject to compliance with all applicable federal and state laws, rules and regulations (including but not limited to state and federal securities law and federal margin requirements) and to such approvals by any listing, regulatory or governmental authority as may, in the opinion of counsel for the Company, be necessary or advisable in connection therewith. Any securities delivered under the Plan shall be subject to such restrictions, and the person acquiring such securities shall, if requested by the Company, provide such assurances and representations to the Company as the Company may deem necessary or desirable to assure compliance with all applicable legal requirements. To the extent permitted by applicable law, the Plan and Awards granted or awarded hereunder shall be deemed amended to the extent necessary to conform to such laws, rules and regulations.

13.10 Clawback. In the event that:

(a) a mandatory restatement of the Company's financial results occurs and is released to the public at a time when the Company's securities are traded on any United States securities exchange (a "Restatement"), and

(b) the Restatement is attributable to misconduct or wrongdoing by a Holder, and

26

(c) such Holder has received payment or benefits under this Plan (whether cash or non-cash) within three (3) years preceding the date of the issuance and release of such Restatement, and

(d) the amount of such payment or benefits under this Plan has been calculated and awarded pursuant to a specific financial formula, and

(e) such payment or benefits would have been diminished based on the restated financial results had the financial formula pursuant to which the payment or benefits for which the Award has been calculated (the "Formula") been applied to the restated financial restates (the amount of such diminution, is the "Clawback Amount"),

then, upon written demand from the Company setting forth the basis for such demand, the Holder shall remit to the Company the Clawback Amount less the amount of any taxes paid or payable by Holder in respect of such bonus or share grant. Provided, however, that if and to the extent that (i) the Restatement results in the Company increasing expenses or reducing income, revenues or another component of the Formula during the measurement period during which the applicable bonus or share grant was calculated, but also results in (ii) the Company increasing or shifting such income, revenues or expenses into a different fiscal period, such that the net effect of the Restatement is effectively neutral to the Company over the applicable time periods, then no Clawback Amount shall be due from the Holder.

To the extent that, subsequent to the approval of the Plan by the Company's stockholders, any governmental or regulatory agency issues guidance or requirements that require amendment or modification of this provision to remain or become compliant with those provisions, the Committee, without additional stockholder approval, may so amend this provision.

13.12 Titles. Titles are provided herein for convenience only and are not to serve as a basis for interpretation or construction of the Plan.

13.13 Governing Law. The Plan and any agreements hereunder shall be administered, interpreted and enforced under the internal laws of the State of Maryland without regard to conflicts of laws thereof.

27



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June 19, 2015

LTC Properties, Inc.
 2829 Townsgate Road, Suite 350
 Westlake Village, California 91361

Re: LTC Properties, Inc., a Maryland corporation (the "Company") — Registration Statement on Form S-8 pertaining to One Million Four Hundred Thousand (1,400,000) Shares (the "Shares") of common stock, par value \$0.01 per share ("Common Stock"), pursuant to The 2015 Equity Participation Plan of LTC Properties, Inc. (the "Plan")

Ladies and Gentlemen:

We have acted as counsel to the Company in connection with the registration of the Shares under the Securities Act of 1933, as amended (the "Act"), by the Company on a registration statement on Form S-8 filed, or to be filed, with the Securities and Exchange Commission (the "Commission") on or about the date hereof, and any amendments thereto, if any are to be filed with the Commission subsequent to the date hereof (the "Registration Statement"). You have requested our opinion with respect to the matters set forth below.

In our capacity as counsel to the Company and for the purposes of this opinion, we have examined originals, or copies certified or otherwise identified to our satisfaction, of the following documents (collectively, the "Documents"):

- i. the corporate charter of the Company (the "Charter") represented by Articles of Incorporation filed with the State Department of Assessments and Taxation of Maryland (the "Department") on May 12, 1992, Articles of Amendment and Restatement filed with the Department on August 3, 1992, Articles Supplementary filed with the Department on March 7, 1997, Articles of Amendment filed with the Department on June 26, 1997, Articles Supplementary filed with the Department on December 17, 1997, Articles Supplementary filed with the Department on September 2, 1998, Articles Supplementary filed with the Department on May 11, 2000, Articles Supplementary filed with the Department on June 24, 2003, Articles Supplementary filed with the Department on September 16, 2003; Articles Supplementary filed with the Department on February 19, 2004; Articles Supplementary filed with the Department on April 1, 2004; Articles Supplementary filed with the Department on April 1, 2004; Articles of Amendment filed with the Department on June 24, 2004; Articles Supplementary filed with the Department on July 16, 2004; Certificate of Correction filed with the Department on August 3, 2004; Articles of Restatement filed with the Department on August 4, 2009; Articles of Amendment filed with the Department on September 13, 2012; Articles Supplementary filed with the Department on September 13, 2012; and Articles of Restatement filed with the Department on September 13, 2012;
- ii. the Bylaws of the Company as adopted on May 15, 1992, ratified on or as of May 19, 1992, amended on or as of October 17, 1995, September 1, 1998, May 2, 2000 and August 28, 2003, amended and restated on or as of August 3, 2009, amended on or as of February 10, 2015, and restated on or as of June 2, 2015, and in full force and effect on the date hereof (the "Bylaws");

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- iii. the minutes of the organizational action of the Board of Directors of the Company, dated as of May 19, 1992 (the "Organizational Minutes");
- iv. resolutions adopted by the Board of Directors of the Company on March 16, 2015 (the "Directors' Resolutions");
- v. the Plan;
- vi. the Registration Statement;
- vii. a status certificate of the Department, dated as of a recent date, to the effect that the Company is duly incorporated and existing under the laws of the State of Maryland and is duly authorized to transact business in the State of Maryland;
- viii. a certificate of Wendy L. Simpson, Chief Executive Officer and President of the Company and Pamela Shelley-Kessler, Executive Vice President, Chief Financial Officer, and Corporate Secretary of the Company, dated of even date herewith (the "Officers' Certificate"), to the effect that, among other things, the copies of the Charter, the Bylaws, the Organizational Minutes, the Directors' Resolutions and the Plan are true, correct and complete, have not been rescinded or modified and are in full force and effect as of the date hereof; and
- ix. such other documents and matters as we have deemed necessary and appropriate to render the opinions set forth in this letter, subject to the limitations, assumptions, and qualifications noted below.

In reaching the opinions set forth below, we have assumed the following:

- a. each person executing any of the Documents on behalf of any party (other than the Company) is duly authorized to do so;
- b. each natural person executing any of the Documents is legally competent to do so;

- c. any of the Documents submitted to us as originals are authentic; any of the Documents submitted to us as certified, facsimile or photostatic copies conform to the original document; all signatures on all of the Documents are genuine; all public records reviewed or relied upon by us or on our behalf are true and complete; all statements and information contained in the Documents are true and complete; there has been no modification of, or amendment to, any of the Documents, and there has been no waiver of any provision of any of the Documents by action or omission of the parties or otherwise;
- d. upon each issuance of any of the Shares, the total number of shares of Common Stock of the Company issued and outstanding, after giving effect to such issuance of Shares, will not exceed the total number of shares of Common Stock of the Company that the Company is authorized to issue under its Charter; and
- e. none of the Shares will be issued and sold to an Interested Stockholder of the Company or an Affiliate thereof, all as defined in Subtitle 6 of Title 3 of the Maryland General Corporation Law (the "MGCL"), in violation of Section 3-602 of the MGCL.

Based on our review of the foregoing and subject to the assumptions and qualifications set forth herein, it is our opinion that, as of the date of this letter:

1. The Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of the State of Maryland.
2. The Shares have been generally authorized and reserved for issuance pursuant to the Plan and if, as and when the Shares are issued either as stock awards or upon the exercise of options, or in respect of stock appreciation rights, restricted stock units, dividend equivalent rights or other equity-based awards, in each case pursuant to due authorization by the Board of Directors, or a properly appointed committee thereof to which the Board of Directors has delegated the requisite power and authority, in exchange for the consideration therefor, all in accordance with, and subject to, the terms and conditions of the Plan and the stock awards, options, stock appreciation rights, restricted stock units, dividend equivalent rights or other equity-based awards relating to such Shares, such Shares will be duly authorized, validly issued, fully paid and non-assessable.

The foregoing opinion is limited to the corporate laws of the State of Maryland, and we do not express any opinion herein concerning any other law. We express no opinion as to the applicability or effect of any federal or state securities laws, including the securities laws of the State of Maryland, or as to federal or state laws regarding fraudulent transfers. To the extent that any matter as to which our opinion is expressed herein would be governed by any jurisdiction other than the State of Maryland, we do not express any opinion on such matter.

This opinion letter is issued as of the date hereof and is necessarily limited to laws now in effect and facts and circumstances presently existing and brought to our attention. We assume no obligation to supplement this opinion letter if any applicable laws change after the date hereof, or if we become aware of any facts or circumstances that now exist or that occur or arise in the future and may change the opinions expressed herein after the date hereof.

We consent to your filing this opinion as an exhibit to the Registration Statement and further consent to the filing of this opinion as an exhibit to the applications to securities commissioners for the various states of the United States for registration of the Shares. In giving this consent, we do not admit that we are within the category of persons whose consent is required by Section 7 of the Act.

Very truly yours,

/s/ Ballard Spahr LLP

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statement on Form S-8 pertaining to the 2015 Equity Participation Plan of LTC Properties, Inc. of our reports dated February 26, 2015, with respect to the consolidated financial statements and schedules of LTC Properties, Inc., and the effectiveness of internal control over financial reporting of LTC Properties, Inc., included in its Annual Report (Form 10-K) for the year ended December 31, 2014, filed with the Securities and Exchange Commission.

/s/ Ernst & Young LLP

Los Angeles, California
June 19, 2015
