
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20459

FORM 8-K

**CURRENT REPORT PURSUANT TO SECTION 13 OR 15(D)
OF THE SECURITIES EXCHANGE ACT OF 1934**

Date of report: **February 22, 2017**
(Date of earliest event reported)

LTC PROPERTIES, INC.

(Exact name of Registrant as specified in its charter)

Maryland
(State or other jurisdiction of
incorporation or organization)

1-11314
(Commission file number)

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

2829 Townsgate Road, Suite 350
Westlake Village, CA 91361
(Address of principal executive offices)

(805) 981-8655
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 2.02. — Results of Operations and Financial Condition

On February 22, 2017, LTC Properties, Inc. announced the operating results for the three and twelve months ended December 31, 2016. The text of the press release and the supplemental information package are furnished herewith as Exhibits 99.1 and 99.2, respectively, and are specifically incorporated by reference herein.

The information in this Form 8-K and the related information in the exhibits attached hereto shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liabilities of that section and shall not be incorporated by reference into any filing of LTC under the Securities Act of 1933, as amended, or the Exchange Act, regardless of any general incorporation language in such filing, except as shall be expressly set forth by specific reference in any such filing.

Item 9.01. — Financial Statements and Exhibits

- 99.1 Press Release issued February 22, 2017.
- 99.2 LTC Properties, Inc. Supplemental Information Package for the period ending December 31, 2016.

SIGNATURE

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, hereunto duly authorized.

LTC PROPERTIES, INC.

Dated: February 22, 2017

By: /s/ WENDY L. SIMPSON
Wendy L. Simpson
Chairman, CEO & President

**FOR IMMEDIATE RELEASE**

For more information contact:
 Wendy L. Simpson
 Pam Kessler
 (805) 981-8655

**LTC REPORTS 2016 FOURTH QUARTER RESULTS
 AND ANNOUNCES NEW INVESTMENTS**

WESTLAKE VILLAGE, CALIFORNIA, February 22, 2017— LTC Properties, Inc. (NYSE: LTC), a real estate investment trust that primarily invests in seniors housing and health care properties, today announced operating results for its fourth quarter ended December 31, 2016.

Net income available to common stockholders was \$20.6 million, or \$0.53 per diluted share, for the 2016 fourth quarter, compared with \$17.8 million, or \$0.48 per diluted share, for the same period in 2015. The increase in net income available to common stockholders was primarily due to higher revenues from investing activities, and the net reduction in impairment charges, partially offset by higher interest expense resulting from the sale of senior unsecured notes in 2016, gain on sale recognized in 2015, as well as additional general and administrative expenditures related to increased investment activities.

Funds from Operations ("FFO") increased 10.2% to \$30.7 million for the 2016 fourth quarter, up from \$27.8 million for the comparable 2015 period. FFO per diluted common share was \$0.78 and \$0.74 for the quarters ended December 31, 2016 and 2015, respectively, which represents a 5.4% per share increase. The increase in FFO was primarily due to higher investing activities, partially offset by higher interest expense resulting from the sale of senior unsecured notes in 2016, as well as additional general and administrative expenditures related to increased investment activities.

LTC completed the following transactions during the fourth quarter of 2016:

- Purchased a parcel of land in Illinois for \$1.6 million and entered into a development commitment to construct a 66-unit memory care community. The commitment totals \$14.5 million, including the land purchase;
- Completed construction and opened a 108-unit independent living community in Kansas;
- Purchased a \$12.5 million mezzanine loan on a portfolio of 64 skilled nursing centers. The mezzanine loan has a five-year term and a rate of LIBOR plus 11.75%; and
- Entered into a \$3.4 million mezzanine loan commitment for the development of a 127-unit senior living community in Florida, which will provide a combination of independent, assisted and memory care services. The mezzanine loan has a seven-year term and a 15% return, a portion of which is paid in cash, subject to minimum payment requirements, and the remaining unpaid portion is deferred and subsequently paid to us at times set forth in the loan agreement.

Subsequent to December 31, 2016, LTC completed the following:

- Amended its shelf agreement with Prudential Investment Management, Inc. ("Prudential") to increase the shelf commitments to \$337.5 million, of which \$36.7 million is currently available;

-
- Sold 15-year senior unsecured notes in the aggregate amount of \$100.0 million to a group of institutional investors, which included Prudential, in a private placement transaction. The notes bear interest at an annual fixed rate of 4.5%, have scheduled principal payments and mature on February 16, 2032. The proceeds were used to repay the outstanding balance of the unsecured line of credit;
 - Sold 312,881 shares of its common stock for \$14.6 million in net proceeds under its equity distribution agreement; and
 - Entered into a contingent agreement to sell a property in Texas, and as a result, recorded a \$0.8 million impairment charge during the fourth quarter of 2016. The property's net book value, after recording the impairment, is \$1.2 million and it generated revenue of approximately \$0.2 million in 2016.

Conference Call Information

LTC will conduct a conference call on Thursday, February 23, 2017, at 8:00 a.m. Pacific Time (11:00 a.m. Eastern Time), to provide commentary on its performance and operating results for the quarter ended December 31, 2016. The conference call is accessible by telephone and the internet. Telephone access will be available by dialing 877-510-2862 (domestically) or 412-902-4134 (internationally). To participate in the webcast, go to LTC's website at www.LTCreit.com 15 minutes before the call to download the necessary software.

An audio replay of the conference call will be available from February 23 through March 9, 2017 and may be accessed by dialing 877-344-7529 (domestically) or 412-317-0088 (internationally) and entering conference number 10099552. Additionally, an audio archive will be available on LTC's website on the "Presentations" page of the "Investor Information" section, which is under the "Investors" tab. LTC's earnings release and supplemental information package for the current period will be available on its website on the "Press Releases" and "Presentations" pages, respectively, of the "Investor Information" section which is under the "Investors" tab.

About LTC

LTC is a self-administered real estate investment trust that primarily invests in seniors housing and health care properties primarily through sale-leaseback transactions, mortgage financing and structured finance solutions including mezzanine lending. At December 31, 2016, LTC had 219 investments located in 30 states comprising 112 assisted living communities, 92 skilled nursing centers, 7 range of care communities, 1 behavioral health care hospital, 3 parcels of land under development and 4 parcels of land held-for-use. Assisted living communities, independent living communities, memory care communities and combinations thereof are included in the assisted living property type. Range of care communities consist of properties providing skilled nursing and any combination of assisted living, independent living and/or memory care services. For more information on LTC Properties, Inc., visit the Company's website at www.LTCreit.com.

Forward Looking Statements

This press release includes statements that are not purely historical and are “forward looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, including statements regarding the Company’s expectations, beliefs, intentions or strategies regarding the future. All statements other than historical facts contained in this press release are forward looking statements. These forward looking statements involve a number of risks and uncertainties. Please see LTC’s most recent Annual Report on Form 10-K, its subsequent Quarterly Reports on Form 10-Q, and its other publicly available filings with the Securities and Exchange Commission for a discussion of these and other risks and uncertainties. All forward looking statements included in this press release are based on information available to the Company on the date hereof, and LTC assumes no obligation to update such forward looking statements. Although the Company’s management believes that the assumptions and expectations reflected in such forward looking statements are reasonable, no assurance can be given that such expectations will prove to have been correct. The actual results achieved by the Company may differ materially from any forward looking statements due to the risks and uncertainties of such statements.

(financial tables follow)

LTC PROPERTIES, INC. CONSOLIDATED STATEMENTS OF INCOME (amounts in thousands, except per share amounts)

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2016	2015	2016	2015
	(unaudited)		(audited)	
Revenues:				
Rental income	\$ 34,822	\$ 30,755	\$ 133,527	\$ 113,080
Interest income from mortgage loans	6,974	6,342	27,321	22,119
Interest and other income	345	296	735	1,004
Total revenues	42,141	37,393	161,583	136,203
Expenses:				
Interest expense	6,856	5,581	26,442	17,497
Depreciation and amortization	9,309	8,310	35,932	29,431
Impairment on real estate for sale	766	2,250	766	2,250
Provision for doubtful accounts	212	156	457	619
Transaction costs	83	112	179	744
General and administrative expenses	4,548	3,892	17,412	14,986
Total expenses	21,774	20,301	81,188	65,527
Operating income	20,367	17,092	80,395	70,676
Income from unconsolidated joint ventures	299	276	1,138	1,819
Gain on sale of real estate, net	—	586	3,582	586
Net income	20,666	17,954	85,115	73,081
Income allocated to participating securities	(89)	(114)	(385)	(484)
Income allocated to preferred stockholders	—	—	—	(2,454)
Net income available to common stockholders	\$ 20,577	\$ 17,840	\$ 84,730	\$ 70,143
Earnings per common share:				
Basic	\$ 0.53	\$ 0.49	\$ 2.21	\$ 1.97
Diluted	\$ 0.53	\$ 0.48	\$ 2.21	\$ 1.94
Weighted average shares used to calculate earnings per common share:				
Basic	39,065	36,433	38,388	35,590
Diluted	39,260	37,358	38,597	37,329
Dividends declared and paid per common share	\$ 0.57	\$ 0.54	\$ 2.19	\$ 2.07

Supplemental Reporting Measures

FFO, adjusted FFO (“AFFO”), and Funds Available for Distribution (“FAD”) are supplemental measures of a real estate investment trust’s (“REIT”) financial performance that are not defined by U.S. generally accepted accounting principles (“GAAP”). Investors, analysts and the Company use FFO, AFFO and FAD as supplemental measures of operating performance. The Company believes FFO, AFFO and FAD are helpful in evaluating the operating performance of a REIT. Real estate values historically rise and fall with market conditions, but cost accounting for real estate assets in accordance with GAAP assumes that the value of real estate assets diminishes predictably over time. We believe that by excluding the effect of historical cost depreciation, which may be of limited relevance in evaluating current performance, FFO, AFFO and FAD facilitate like comparisons of operating performance between periods. Additionally the Company believes that normalized FFO, normalized AFFO and normalized FAD provide useful information because they allow investors, analysts and our management to compare the Company’s operating performance on a consistent basis without having to account for differences caused by unanticipated items.

FFO, as defined by the National Association of Real Estate Investment Trusts (“NAREIT”), means net income available to common stockholders (computed in accordance with GAAP) excluding gains or losses on the sale of real estate and impairment write-downs of depreciable real estate, plus real estate depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures. Normalized FFO represents FFO adjusted for certain items detailed in the reconciliations. The Company’s computation of FFO may not be comparable to FFO reported by other REITs that do not define the term in accordance with the current NAREIT definition or have a different interpretation of the current NAREIT definition from that of the Company; therefore, caution should be exercised when comparing our Company’s FFO to that of other REITs.

We define AFFO as FFO excluding the effects of straight-line rent, amortization of lease inducement, effective interest income and deferred income from unconsolidated joint ventures. GAAP requires rental revenues related to non-contingent leases that contain specified rental increases over the life of the lease to be recognized evenly over the life of the lease. This method results in rental income in the early years of a lease that is higher than actual cash received, creating a straight-line rent receivable asset included in our consolidated balance sheet. At some point during the lease, depending on its terms, cash rent payments exceed the straight-line rent which results in the straight-line rent receivable asset decreasing to zero over the remainder of the lease term. Effective interest method, as required by GAAP, is a technique for calculating the actual interest rate for the term of a mortgage loan based on the initial origination value. Similar to the accounting methodology of straight-line rent, the actual interest rate is higher than the stated interest rate in the early years of the mortgage loan thus creating an effective interest receivable asset included in the interest receivable line item in our consolidated balance sheet and reduces down to zero when, at some point during the mortgage loan, the stated interest rate is higher than the actual interest rate. By excluding the non-cash portion of rental income, interest income from mortgage loans and income from unconsolidated joint ventures, investors, analysts and our management can compare AFFO between periods. Normalized AFFO represents AFFO adjusted for certain items detailed in the reconciliations.

We define FAD as AFFO excluding the effects of non-cash compensation charges, capitalized interest and non-cash interest charges. FAD is useful in analyzing the portion of cash flow that is available for distribution to stockholders. Investors, analysts and the Company utilize FAD as an indicator of common dividend potential. The FAD payout ratio, which represents annual distributions to common shareholders expressed as a percentage of FAD, facilitates the comparison of dividend coverage between REITs. Normalized FAD represents FAD adjusted for certain items detailed in the reconciliations.

While the Company uses FFO, Normalized FFO, AFFO, Normalized AFFO, FAD and Normalized FAD as supplemental performance measures of our cash flow generated by operations and cash available for distribution to stockholders, such measures are not representative of cash generated from operating activities in accordance with GAAP, and are not necessarily indicative of cash available to fund cash needs and should not be considered an alternative to net income available to common stockholders.

Reconciliation of FFO, AFFO and FAD

The following table reconciles GAAP net income available to common stockholders to each of NAREIT FFO attributable to common stockholders and normalized FFO attributable to common stockholders, as well as normalized AFFO and normalized FAD (*unaudited, amounts in thousands, except per share amounts*):

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2016	2015	2016	2015
GAAP net income available to common stockholders	\$ 20,577	\$ 17,840	\$ 84,730	\$ 70,143
Add: Depreciation and amortization	9,309	8,310	35,932	29,431
Add: Impairment on real estate for sale	766	2,250	766	2,250
Less: Gain on sale of real estate, net	—	(586)	(3,582)	(586)
NAREIT FFO attributable to common stockholders	30,652	27,814	117,846	101,238
Add: Non-recurring one-time items	—	—	—	937(1)
Normalized FFO attributable to common stockholders	30,652	27,814	117,846	102,175
Less: Non-cash rental income	(4,777)	(2,559)	(11,532)	(8,456)
Less: Effective interest income from mortgage loans	(1,349)	(1,232)	(5,256)	(3,912)
Less: Deferred income from unconsolidated joint ventures	—	—	—	(1,000)
Normalized adjusted FFO (AFFO)	24,526	24,023	101,058	88,807
Add: Non-cash compensation charges	1,131	913	4,280	4,006
Add: Non-cash interest related to earn-out liabilities	146	204	684	409
Less: Capitalized interest	(215)	(346)	(1,408)	(827)
Normalized funds available for distribution (FAD)	\$ 25,588	\$ 24,794	\$ 104,614	\$ 92,395

(1) Represents \$537 of acquisition costs related to the 10-property senior housing portfolio acquired and a \$400 provision for loan loss reserve related to additional loan proceeds funded under an existing mortgage loan.

NAREIT Basic FFO attributable to common stockholders per share	\$ 0.78	\$ 0.76	\$ 3.07	\$ 2.84
NAREIT Diluted FFO attributable to common stockholders per share	\$ 0.78	\$ 0.74	\$ 3.06	\$ 2.77
NAREIT Diluted FFO attributable to common stockholders	\$ 30,741	\$ 27,928	\$ 118,231	\$ 104,176
Weighted average shares used to calculate NAREIT diluted FFO per share attributable to common stockholders	39,260	37,577	38,597	37,563
Diluted normalized FFO attributable to common stockholders	\$ 30,741	\$ 27,928	\$ 118,231	\$ 105,113
Weighted average shares used to calculate diluted normalized FFO per share attributable to common stockholders	39,260	37,577	38,597	37,563
Diluted normalized AFFO	\$ 24,615	\$ 24,137	\$ 101,443	\$ 91,745
Weighted average shares used to calculate diluted normalized AFFO per share	39,260	37,577	38,597	37,563

Diluted normalized FAD	\$ 25,667	\$ 24,908	\$ 104,999	\$ 95,333
Weighted average shares used to calculate diluted normalized FAD per share	39,260	37,577	38,597	37,563

LTC PROPERTIES, INC.
CONSOLIDATED BALANCE SHEETS
(amounts in thousands, except per share)

	December 31, 2016	December 31, 2015
ASSETS		
Investments:		
Land	\$ 116,096	\$ 106,841
Buildings and improvements	1,185,467	1,091,845
Accumulated depreciation and amortization	(275,861)	(251,265)
Real property investments, net	1,025,702	947,421
Mortgage loans receivable, net of loan loss reserve: 2016—\$2,315; 2015—\$2,190	229,801	217,529
Real estate investments, net	1,255,503	1,164,950
Notes receivable, net of loan loss reserve: 2016—\$166; 2015—\$0	16,427	1,961
Investments in unconsolidated joint ventures	25,221	24,042
Investments, net	1,297,151	1,190,953
Other assets:		
Cash and cash equivalents	7,991	12,942
Debt issue costs related to bank borrowings	1,847	2,865
Interest receivable	9,683	4,536
Straight-line rent receivable, net of allowance for doubtful accounts: 2016—\$960; 2015—\$833	55,276	42,685
Prepaid expenses and other assets	22,948	21,443
Total assets	\$ 1,394,896	\$ 1,275,424
LIABILITIES		
Bank borrowings	\$ 107,100	\$ 120,500
Senior unsecured notes, net of debt issue costs: 2016—\$1,009; 2015—\$1,095	502,291	451,372
Accrued interest	4,675	3,974
Accrued incentives and earn-outs	12,229	12,722
Accrued expenses and other liabilities	28,553	27,654
Total liabilities	654,848	616,222
EQUITY		
Stockholders' equity:		
Common stock: \$0.01 par value; 60,000 shares authorized; shares issued and outstanding: 2016—39,221; 2015—37,548	392	375
Capital in excess of par value	839,005	758,676
Cumulative net income	1,013,443	928,328
Accumulated other comprehensive income	—	47
Cumulative distributions	(1,112,792)	(1,028,224)
Total equity	740,048	659,202
Total liabilities and equity	\$ 1,394,896	\$ 1,275,424



Supplemental Operating and Financial Data

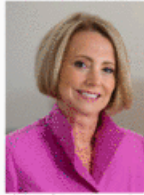
December 31, 2016 (Unaudited)

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Leadership



Wendy Simpson
Chairman, Chief Executive
Officer and President



Pam Kessler
Executive Vice President,
CFO and Secretary



Clint Malin
Executive Vice President and
Chief Investment Officer



Brent Chappell
Senior Vice President,
Investment and
Portfolio Management



Cece Chikhale
Senior Vice President,
Controller and Treasurer



Doug Korey
Senior Vice President of
Business Development



Peter Lyew
Vice President and
Director of Taxes

Board of Directors

Wendy Simpson
Chairman

Boyd Hendrickson
Lead Independent Director

James Pieczynski
Nominating & Corporate
Governance Committee
Chairman

Devra Shapiro
Audit Committee
Chairman

Timothy Triche, MD
Compensation Committee
Chairman

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Analyst Coverage



BMO Capital Markets Corp John Kim
Canaccord Genuity Paul Morgan
Cantor Fitzgerald Joseph France
Crowell, Weedon, & Co D.A. Davidson
J.J. B. Hilliard, W.L. Lyons, Inc John Roberts
JMP Securities, LLC Peter Martin

KeyBanc Capital Markets, Inc Jordan Sadler
Mitsubishi – MUFG Karin Ford
Mizuho Securities USA Inc Rich Anderson
RBC Capital Markets Corporation Mike Carroll
Stifel, Nicolaus & Company, Inc Chad Vanacore
Wells Fargo Securities, LLC Todd Stender

Any opinions, estimates, or forecasts regarding LTC's performance made by the analysts listed above do not represent the opinions, estimates, and forecasts of LTC or its management.



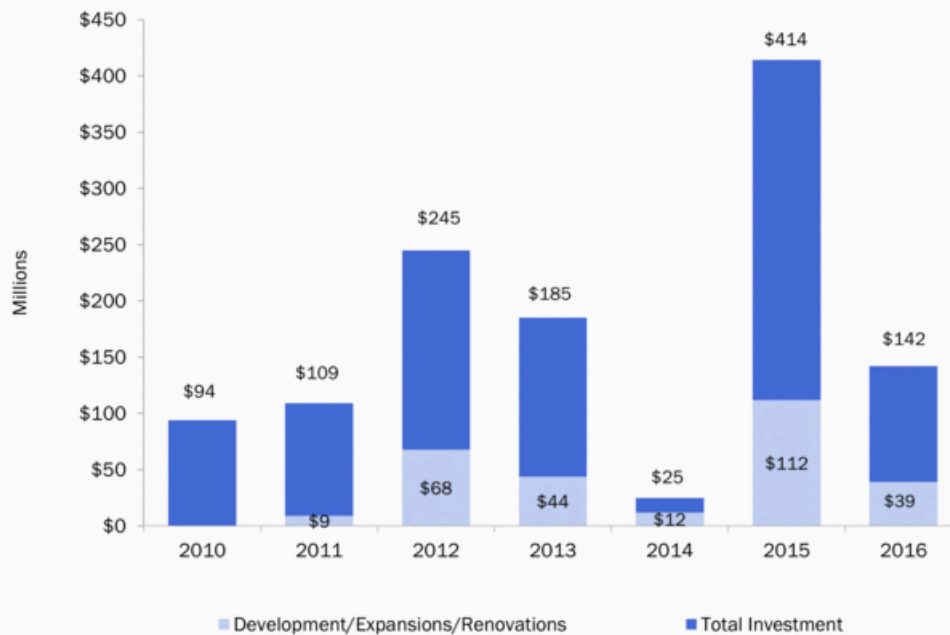
Thrive at Prince Creek
Murrells Inlet, SC

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Execution of Growth Strategy



\$1.2 Billion in Total Investments Underwritten



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Portfolio Overview

(dollar amounts in thousands)

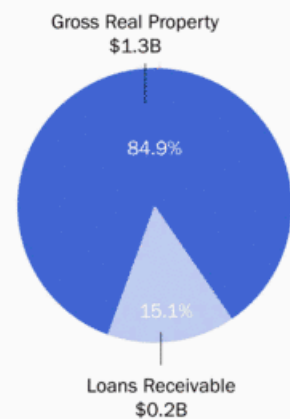


Type of Property	# of Properties	Gross Investments	% of Investments	Trailing Twelve Months Ended December 31, 2016		
				Rental Income ⁽¹⁾	Interest Income ⁽¹⁾	% of Revenues
Skilled Nursing	92	\$ 753,328	49.2%	\$ 61,429	\$ 25,430	54.6%
Assisted Living	112	711,645	46.4%	64,380	1,171	41.2%
Range of Care	7	43,140	2.8%	5,774	-	3.6%
Under Development ⁽²⁾	-	14,142	0.9%	-	-	-
Other ⁽³⁾	1	11,424	0.7%	865	111	0.6%
Total	212	\$ 1,533,679	100.0%	\$ 132,448	\$ 26,712	100.0%

(1) Includes contractual rental income and interest income from mortgage loans and excludes rental income from properties sold and interest income from loans that paid off during the twelve months ended December 31, 2016.

(2) Includes three development projects consisting of two memory care communities with a total of 132 units and a skilled nursing center with 143 beds.

(3) Includes one behavioral health care hospital and four parcels of land.



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Real Estate Activities – Acquisitions

(dollar amounts in thousands)



Acquisitions

		# of	Property				Date of	Initial	Purchase	Additional
	Date	Properties	Type	# Beds/Units	Location	Operator	Construction	Cash Yield	Price	Commitment ⁽¹⁾
2015	2/6	1	UDP ⁽²⁾	56 units	Corpus Christi, TX	Thrive Senior Living	2015-2016	8.75%	\$ 7,195	\$ 5,329
	2/19	1	SNF	106 beds	Slinger, WI	Fundamental	2014	10.30%	13,946	-
	2/20	1	UDP ⁽²⁾	89 units	Murrells Inlet, SC	Thrive Senior Living	2015-2016	8.75%	2,490	14,045
	5/26	1	UDP ⁽²⁾	66 units	Tinley Park, IL	Anthem Memory Care	2015-2016	9.25%	702	11,185
	5/29	1	UDP ⁽²⁾	108 units	Wichita, KS	Oxford Senior Living	2015-2016	7.43%	624	13,876
	8/17	10	ALF	891 units	WI and IL	Senior Lifestyle	1991-2009	6.50%	142,000	500
	9/23	1	UDP ⁽²⁾	66 units	Murrieta, CA	Anthem Memory Care	2015-2016	9.00%	2,022	10,584
	9/30	1	MC	60 units	Jacksonville, FL	Clarity Pointe	2015	8.00%	14,250	-
	10/19	1	UDP ⁽³⁾	66 units	Glenview, IL	Anthem Memory Care	2015-2017	9.00%	2,800	11,969
	10/28	1	OTH	118 beds	Las Vegas, NV	Fundamental	1990/1994	8.50%	9,250	3,000
	11/30	2	SNF	254 beds	Fort Worth & Weatherford, TX	Senior Care Centers	1998/1996	8.25%	23,000	500
		<u>21</u>		<u>1,402 units/478 beds</u>					<u>\$ 218,279</u>	<u>\$ 70,988</u>
2016	2/1	1	SNF	126 beds	Mansfield, TX	Fundamental	2015	8.50%	\$ 16,000	\$ -
	4/21	1	MC	60 units	Louisville, KY	Clarity Pointe	2016	8.00%	14,250	-
	4/29	2	MC	120 units	Wichita & Overland Park, KS	Anthem Memory Care	2011/2013	8.00%	25,000	750
	6/14	1	ALF/MC	70 units	Athens, GA	Thrive Senior Living	2016	8.00%	14,300	-
	9/30	1	UDP ⁽³⁾⁽⁴⁾	143 beds	Union, KY	Carespring	2016-2018	8.50%	5,300	19,025
	10/28	1	UDP ⁽³⁾	66 units	Oak Lawn, IL	Anthem Memory Care	2016-2018	9.00%	1,591	12,878
		<u>7</u>		<u>316 units/269 beds</u>					<u>\$ 76,441</u>	<u>\$ 32,653</u>

- (1) Commitments may include capital improvement or development allowances for approved projects but excludes incentive payments and contingent payments. For a comprehensive list of our commitments, see our Annual Report on Form 10-K.
 (2) Construction completed in 2016.
 (3) See page 9 for development activities.
 (4) Represents purchase of land and initial improvements.

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Real Estate Activities – Loan Originations and Joint Ventures

(dollar amounts in thousands)



Loan Originations

Date	# of Properties	Property Type	# Beds/ Units	Location	Loan Type	Maturity Date	Operator	Origination	Funded to Date	2016 YTD Revenue ⁽¹⁾	Stated Interest Rate	
2015	1/30	1	SNF	157 beds	Grand Blanc, MI	Mortgage	Jan-45	Prestige Healthcare	\$ 15,000 ⁽²⁾	\$ 9,872	\$ 1,183	9.4%
	6/29	15	SNF	2,058 beds	Various cities in MI	Mortgage	Oct-43	Prestige Healthcare	40,000	40,000	4,934	9.4%
	10/30	2	SNF	273 beds	Farmington & Howell, MI	Mortgage	Oct-45	Prestige Healthcare	20,000	15,565	1,750	9.4%
		<u>18</u>		<u>2,488 beds</u>					<u>\$ 75,000</u>	<u>\$ 65,437</u>	<u>\$ 7,867</u>	
2016	4/29	2	SNF	216 beds	East Lansing, MI	Mortgage	Apr-20	Prestige Healthcare	\$ 12,250 ⁽³⁾	\$ 7,765	\$ 497	9.4%
	8/31	2	SNF	146 beds	Albany & Florence, OR	Mezzanine	Sep-21	Regency Pacific	1,400 ⁽⁴⁾	1,200	61	15.0%
	12/22	64	SNF	7,786 beds	Various states	Mezzanine	Nov-21	Genesis	12,500 ⁽⁵⁾	12,500	-	LIBOR +11.75%
		<u>68</u>		<u>8,148 beds</u>					<u>\$ 26,150</u>	<u>\$ 21,465</u>	<u>\$ 558</u>	

- (1) Represents year-to-date mortgage GAAP interest income.
 (2) Initially, we originated \$11,000 which includes a \$1,500 construction loan. In 2016, we increased the construction loan amount to \$5,500. See page 10 for funding activities.
 (3) Represents the origination of a 4-year mortgage loan for \$12,250, funding \$7,750 at closing with the remaining commitment of \$4,500 available for approved capital improvement projects. Additionally, we committed \$8,000 to be funded upon the properties achieving certain predetermined coverage thresholds.
 (4) Represents a mezzanine loan secured by a second mortgage on two skilled nursing centers in Oregon.
 (5) Represents a mezzanine loan on a portfolio of 64 skilled nursing centers located in eight states.

Joint Ventures

Commitment Year	Location	# of Projects	Property Type	Return	# Beds/ Units	Investment Commitment	Investment to Date	Remaining Investment Commitment
2015	Peoria & Yuma, AZ	4	ALF/MC/ILF	15.00% ⁽¹⁾	585 units	\$ 25,650	\$ 21,913	\$ 3,737
2015	Ocala, FL	1	UDP-ALF/IL/MC	15.00% ⁽²⁾	99 units	2,900	2,900	-
2016	Fort Myers, FL	1	UDP-ALF/MC	15.00% ⁽³⁾	127 units	3,400	-	3,400
					<u>811 units</u>	<u>\$ 31,950</u>	<u>\$ 24,813</u>	<u>\$ 7,137</u>

- (1) Currently, 5% is paid in cash and 10% is deferred.
 (2) Interest during construction was accrued. Subsequent to December 31, 2016, certificate of occupancy and licensure were issued. Commencing February 1, 2017, 10% is paid in cash and 5% is deferred.
 (3) Conditions of funding have not been satisfied. Once funded, 10% will be paid in cash and 5% will be deferred.

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Real Estate Activities – De Novo Development

(dollar amounts in thousands)



Estimated Rent/Interest Inception Date	Commitment Year	Location	# of Projects	Property Type	Approximate Initial Cash Yield	# Beds/Units	Investment Commitment ⁽¹⁾	4Q16 Funding	Total Capitalized Interest/Other	Total Project Basis	Remaining Commitment ⁽²⁾
4Q17	2015	Glenview, IL	1	MC	9.00%	66 units	\$ 15,814	\$ 1,354	\$ 241	\$ 5,986	\$ 10,069
1Q18	2016	Oak Lawn, IL	1	MC	9.00%	66 units	14,469	2,236	16	2,252	12,233
4Q18	2016	Union, KY	1	SNF	8.50%	143 beds	24,325	354	62	5,904	18,483
Total			3		8.78%	132 units/143beds	\$ 54,608	\$ 3,944	\$ 319	\$ 14,142	\$ 40,785

(1) Includes purchase of land and initial improvement funding, if applicable, and development commitment.

(2) Remaining Commitment is calculated as follows: "Investment Commitment" less "Total Project Basis" plus "Total Capitalized Interest/Other".

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Real Estate Activities – Expansions & Renovations

(dollar amounts in thousands)



Owned

Estimated Rent/Interest Inception Date	Commitment Year	Project Type	Location	# of Projects	Property Type	Approximate Initial Cash Yield	Investment Commitment	4Q16 Funding	Total Funded to Date	Remaining Commitment
- ⁽¹⁾	2015	Renovation	Las Vegas, NV	1	OTH	8.50%	\$ 3,000	\$ -	\$ -	\$ 3,000
- ⁽²⁾	2016	Renovation	Chesapeake, VA	1	SNF	9.00%	1,500	326	326	1,174
Total				2			\$ 4,500	\$ 326	\$ 326	\$ 4,174

Mortgage Loans

Estimated Rent/Interest Inception Date	Commitment Year	Project Type	Location	# of Projects	Property Type	Approximate Initial Cash Yield	Investment Commitment	4Q16 Funding	Total Funded to Date	Remaining Commitment
- ⁽³⁾	2015	Expansion	Richmond, MI	1	SNF	9.41%	\$ 10,000	\$ 1,215	\$ 3,881	\$ 6,119
- ⁽³⁾	2015	Expansion	Rochester Hills, MI	1	SNF	9.41%	10,000	35	506	9,494
- ⁽⁴⁾	2015	Renovation	Farmington & Howell, MI	2	SNF	9.41%	5,000	307	565	4,435
- ⁽⁴⁾	2016	Expansion	Grand Blanc, MI	1	SNF	9.41%	5,500 ⁽⁵⁾	-	372	5,128
- ⁽⁴⁾	2016	Renovation	East Lansing, MI	2	SNF	9.41%	4,500	15	15	4,485
Total				7			\$ 35,000	\$ 1,572	\$ 5,339	\$ 29,661

(1) Rent increases at each six month anniversary on amounts funded during that period.

(2) Rent increases upon each funding.

(3) Commitments are part of the total loan commitment secured by 15 properties in Michigan operated by Prestige Healthcare. Interest payment increases upon each funding.

(4) Interest payment increases upon each funding.

(5) Increased investment from \$1,500 to \$5,500 during 2Q16.



Medilodge of Richmond Expansion Rendering
Richmond, MI

Page 10

Real Estate Activities – Lease-Up

(dollar amounts in thousands)



Lease-Up

Date Opened ⁽¹⁾	Occupancy at 12/31/16	Commitment Year	Project Type	Location	# of Projects	Property Type	Approximate Initial Cash Yield	# Beds/Units	Total Commitment
Feb-15	74%	2013	Development	Westminster, CO	1	MC	9.25%	60 units	\$ 10,703
Sep-15	52%	2015	Acquisition ⁽²⁾	Jacksonville, FL	1	MC	8.00%	60 units	14,250
Feb-16	26%	2014	Development	Burr Ridge, IL	1	MC	9.30%	66 units	12,248
Apr-16	67%	2016	Acquisition ⁽²⁾	Louisville, KY	1	MC	8.00%	60 units	14,250
May-16	36%	2015	Development	Corpus Christi, TX	1	MC	8.75%	56 units	12,524
May-16	60%	2016	Acquisition ⁽²⁾	Athens, GA	1	ALF/MC	8.00%	70 units	14,300
Jul-16	15%	2015	Development	Tinley Park, IL	1	MC	9.25%	66 units	11,887
Aug-16	23%	2015	Development	Murrieta, CA	1	MC	9.00%	66 units	12,606
Sep-16	22%	2015	Development	Murrells Inlet, SC	1	ALF/MC	8.75%	89 units	16,535
Nov-16	13%	2015	Development	Wichita, KS	1	ILF	7.43%	108 units	14,500
					10			701 units	\$ 133,803

(1) Represents date of Certificate of Occupancy.

(2) Property was newly constructed and purchased following issuance of final certificate of occupancy and licensure.

Lease-Up History

Property	Location	Property Type	Project Type	# Beds/Units	Date Opened	Date Stabilized	# of months to Stabilized Occupancy
Hillside Heights Rehabilitation Suites	Amarillo, TX	SNF	Redevelopment	120 beds	Jul 2013	Aug 2013	1
Highline Place	Littleton, CO	MC	Development	60 units	Jul 2013	Sep 2013	2
The Oxford Grand	Wichita, KS	ALF/MC	Development	77 units	Oct 2013	Sep 2014	11
Willowbrook Place	Littleton, CO	MC	Development	60 units	Aug 2014	Dec 2015	16
Mustang Creek Estates	Frisco, TX	ALF/MC	Development	80 units	Oct 2014	Dec 2015	14
Chelsea Place	Aurora, CO	MC	Development	48 units	Dec 2014	Mar 2016	15
Pavilion at Glacier Valley	Slinger, WI	SNF	Redevelopment	106 beds	Feb 2014	Feb 2016	24
Coldspring Transitional Care Center	Cold Spring, KY	SNF	Development	143 beds	Nov 2014	Jun 2016	19

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Portfolio Metrics



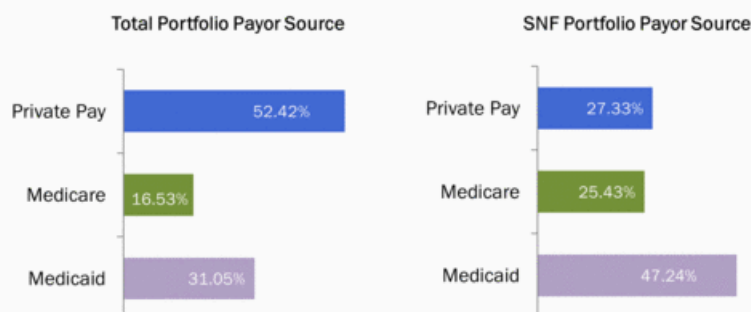
Same Property Portfolio Statistics ⁽¹⁾

	Occupancy		Normalized EBITDARM Coverage		Normalized EBITDAR Coverage	
	3Q16	2Q16	3Q16	2Q16	3Q16	2Q16
Owned Properties						
Assisted Living	85.5%	85.3%	1.50	1.54	1.27	1.32
Skilled Nursing	78.5%	78.8%	2.05	2.04	1.49	1.48
Range of Care	78.7%	85.0%	1.67	1.70	1.23	1.25

(1) Information is for the trailing twelve months through September 30, 2016 and June 30, 2016 and is from property level operator financial statements which are unaudited and have not been independently verified by us.

Stabilized Property Portfolio

TTM Ended September 30, 2016



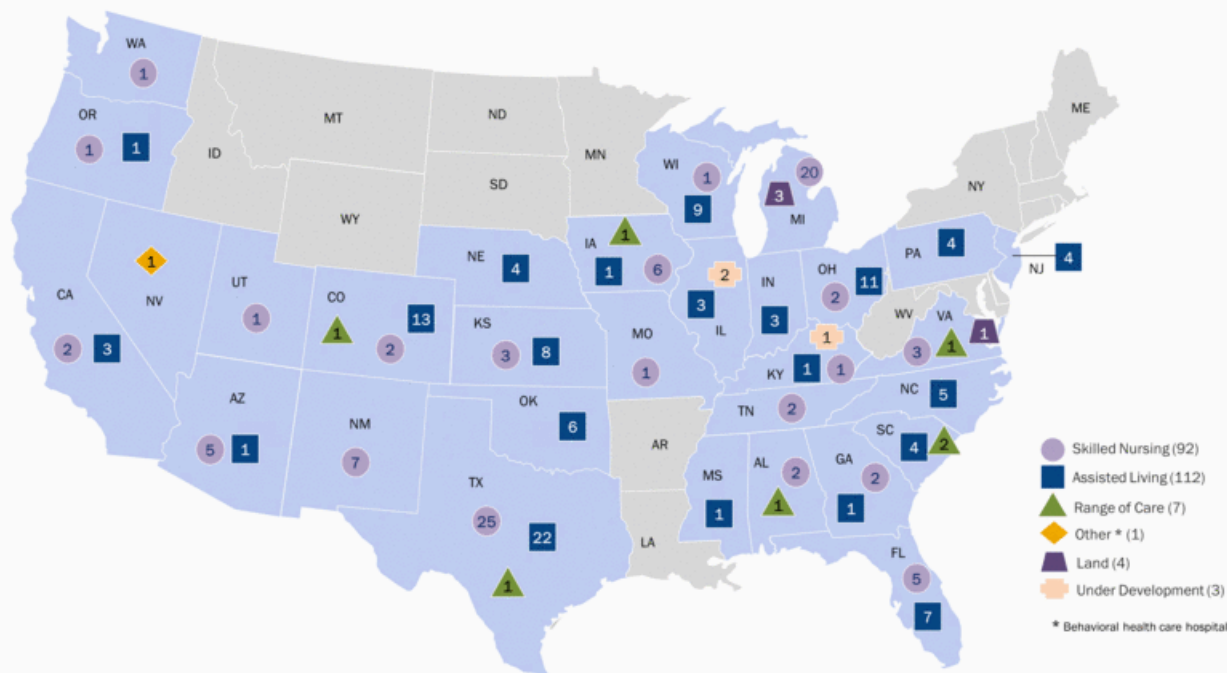
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Portfolio Diversification – Geography

(as of December 31, 2016)



212 Properties | 3 Development Projects | 4 Land Parcels | 30 States | 31 Operators



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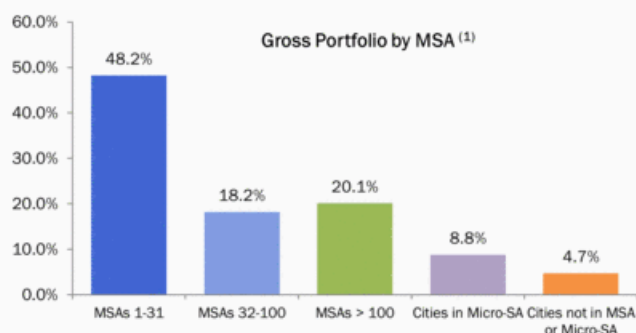
Portfolio Diversification – Geography

(as of December 31, 2016, dollar amounts in thousands)



State ⁽¹⁾	# of Props	SNF	%	ALF	%	ROC	%	UDP	%	OTH ⁽²⁾	%	Gross Investment	%
Texas	48	\$ 216,370	28.7%	\$ 55,949	7.9%	\$ 2,228	5.2%	\$ -	-	\$ -	-	\$ 274,547	17.9%
Michigan	20	214,142	28.4%	-	-	-	-	-	-	943	8.3%	215,085	14.0%
Wisconsin	10	13,946	1.9%	112,187	15.8%	-	-	-	-	-	-	126,133	8.3%
Colorado	16	6,037	0.8%	106,879	15.0%	2,007	4.7%	-	-	-	-	114,923	7.5%
Ohio	13	54,000	7.2%	45,300	6.4%	-	-	-	-	-	-	99,300	6.5%
Florida	12	35,362	4.7%	39,247	5.5%	-	-	-	-	-	-	74,609	4.9%
Kansas	11	14,112	1.9%	56,457	7.9%	-	-	-	-	-	-	70,569	4.6%
Illinois	3	-	-	54,995	7.7%	-	-	8,238	58.3%	-	-	63,233	4.1%
California	5	22,130	2.9%	40,759	5.7%	-	-	-	-	-	-	62,889	4.1%
New Jersey	4	-	-	62,042	8.7%	-	-	-	-	-	-	62,042	4.0%
All Others	70	177,229	23.5%	137,830	19.4%	38,905	90.1%	5,904	41.7%	10,481	91.7%	370,349	24.1%
Total	212	\$ 753,328	100.0%	\$ 711,645	100.0%	\$ 43,140	100.0%	\$ 14,142	100.0%	\$ 11,424	100.0%	\$ 1,533,679	100.0%

(1) Due to master leases with properties in multiple states, revenue by state is not available.
 (2) Includes one behavioral health care hospital and four parcels of land.



(1) The MSA rank by population as of July 1, 2015, as estimated by the United States Census Bureau.

Approximately 66% of our properties are in the Top 100 MSAs

MSAs 1 - 31	• Population 20.2M - 2.1M
MSAs 32 - 100	• Population 2.1M - 0.5M
MSAs > 100	• Population 0.5M - 55K
Cities in a Micro-SA	• Population 218K - 14K
Cities not in MSA	• Population less than 100K

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Portfolio Diversification – Operators

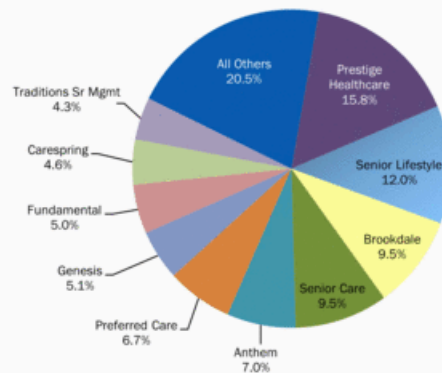
(as of December 31, 2016, dollar amounts in thousands)



Operators	# of Properties	Annual Income ⁽¹⁾	%	Gross Investment	%
Prestige Healthcare	22	\$ 26,256	15.8%	\$ 227,274	14.8%
Senior Lifestyle Corporation	27	19,908	12.0%	201,862	13.2%
Brookdale Senior Living	37	15,801	9.5%	126,991	8.3%
Senior Care Centers	11	15,756	9.5%	138,109	9.0%
Anthem Memory Care	9	11,673	7.0%	111,620	7.3%
Preferred Care	27	11,177	6.7%	85,765	5.6%
Genesis Healthcare	8	8,434	5.1%	54,864	3.6%
Fundamental	7	8,306	5.0%	74,652	4.9%
Carespring Health Care Management	3	7,635	4.6%	83,450	5.4%
Traditions Senior Management	5	7,167	4.3%	64,609	4.2%
All Others	56	34,327	20.5%	364,483	23.7%
	212	\$ 166,440	100.0%	\$ 1,533,679	100.0%

(1) Includes annualized GAAP rent for leased properties and interest income from mortgage loans excluding rental income from properties sold and interest income from loans that paid off during the twelve months ended December 31, 2016.

Annual Income by Operator



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Portfolio Diversification - Top Ten Operator Profiles

(as of December 31, 2016)



Privately Held

SNF/ALF/ILF
Other Rehab

68 Properties

7 States



Privately Held

ALF/ILF/MC/SNF
Short Term Stays

177 Properties

28 States



NYSE: BKD

ALF/ILF/MC
Continuing Care

Approx 1,077 Properties

47 States



Privately Held

SNF/ALF/ILF/MC
Transitional Care & Rehab

108 Properties

2 States



Privately Held

SNF/ALF/ILF
Specialty Care

111 Properties

12 States



Privately Held

SNF/MC
Hospitals & Other Rehab

79 Properties

9 States



Privately Held

Exclusively MC

10 Properties

4 States



Privately Held

SNF/ALF/ILF
Transitional Care

11 Properties

2 States



NYSE: GEN

SNF/ALF
Senior Living

Approx 500 Properties

34 States



Privately Held

SNF/ALF/ILF

24 Properties

5 States

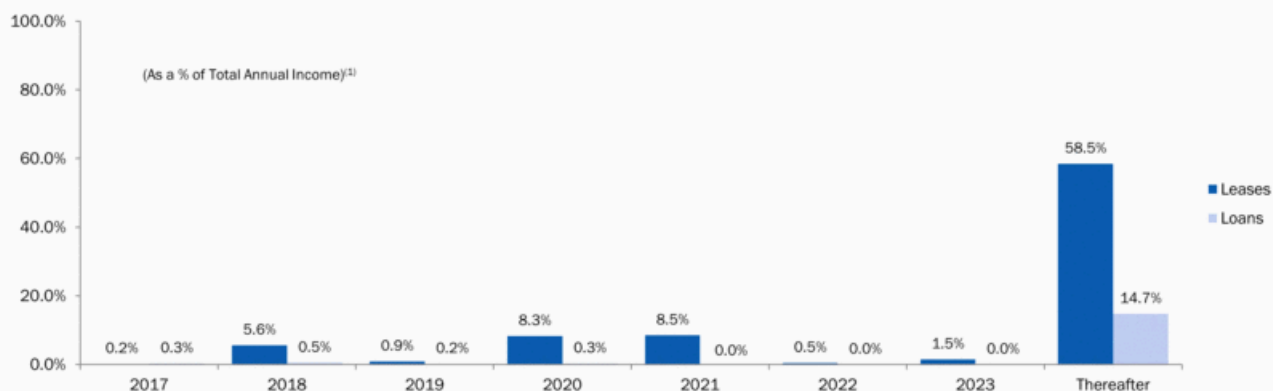
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Portfolio Maturity

(as of December 31, 2016, dollar amounts in thousands)



Year	Rental Income ⁽¹⁾	% of Total	Interest Income ⁽¹⁾	% of Total	Annual Income ⁽¹⁾	% of Total
2017	\$ 359	0.3%	\$ 488	1.8%	\$ 847	0.5%
2018	9,297	6.7%	827	3.1%	10,124	6.1%
2019	1,571	1.0%	376	1.4%	1,947	1.1%
2020	13,826	9.9%	497	1.9%	14,323	8.6%
2021	14,091	10.1%	-	-	14,091	8.5%
2022	771	0.6%	-	-	771	0.5%
2023	2,539	1.8%	-	-	2,539	1.5%
Thereafter	97,274	69.6%	24,524	91.8%	121,798	73.2%
Total	\$ 139,728	100.0%	\$ 26,712	100.0%	\$ 166,440	100.0%



(1) Includes annualized GAAP rent for leased properties and interest income from mortgage loans excluding rental income from properties sold and interest income from loans that paid off during the twelve months ended December 31, 2016.

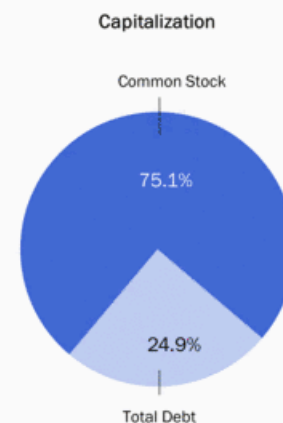
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Enterprise Value

(amounts in thousands, except per share amounts and number of shares)



	At December 31, 2016	Capitalization
Debt		
Bank borrowings - weighted average rate 2.2% ⁽¹⁾	\$ 107,100	
Senior unsecured notes - weighted average rate 4.5% ⁽²⁾	502,291	
Total debt - weighted average rate 4.1%	609,391	24.9%
Equity		
	No. of shares	12/31/16 Closing Price
Common stock	39,221,370	\$ 46.98 ⁽³⁾
		1,842,620
Total Market Value		\$ 2,452,011
		100%
Less: Cash and cash equivalents		(7,991)
Enterprise Value		\$ 2,444,020
Debt to Enterprise Value		24.9%
Debt to Annualized Normalized EBITDA ⁽⁴⁾		4.1x



- (1) Total commitment under our unsecured revolving line of credit is \$600,000 which matures in October 2018, with a one-year extension option.
- (2) Represents outstanding balance of \$503,300, net of debt issue costs of \$1,009. Rate includes amortization of debt issue cost.
- (3) Closing price of our common stock as reported by the NYSE on December 31, 2016.
- (4) See page 23 for reconciliation of annualized normalized EBITDA.



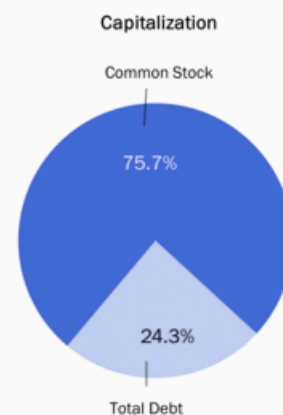
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Proforma Enterprise Value⁽¹⁾

(amounts in thousands, except per share amounts and number of shares)



		At December 31, 2016	Capitalization
Debt			
Bank borrowings - weighted average rate		\$ -	
Senior unsecured notes - weighted average rate 4.5% ⁽²⁾		598,124	
Total debt - weighted average rate 4.5%		598,124	24.3%
Equity			
	No. of shares	12/31/16 Closing Price	
Common stock	39,585,320 ⁽¹⁾	\$ 46.98 ⁽³⁾	1,859,718
			75.7%
Total Market Value		\$ 2,457,842	100%
Less: Cash and cash equivalents		(8,043)	
Enterprise Value		\$ 2,449,799	
Debt to Enterprise Value			24.4%
Debt to Annualized Normalized EBITDA ⁽⁴⁾			4.0x



- (1) Proforma includes the sale of \$100,000 of senior unsecured notes at a 4.5% rate, scheduled debt principal payments, repayment of borrowings under our line of credit, the sale of 312,881 shares of common stock under our equity distribution agreement, and 51,069 shares relating to restricted common stock grant and vesting.
- (2) Represents outstanding balance of \$599,133, net of debt issue costs of \$1,009. Rate includes amortization of debt issue cost.
- (3) Closing price of our common stock as reported by the NYSE on December 31, 2016.
- (4) See page 23 for reconciliation of annualized normalized EBITDA.

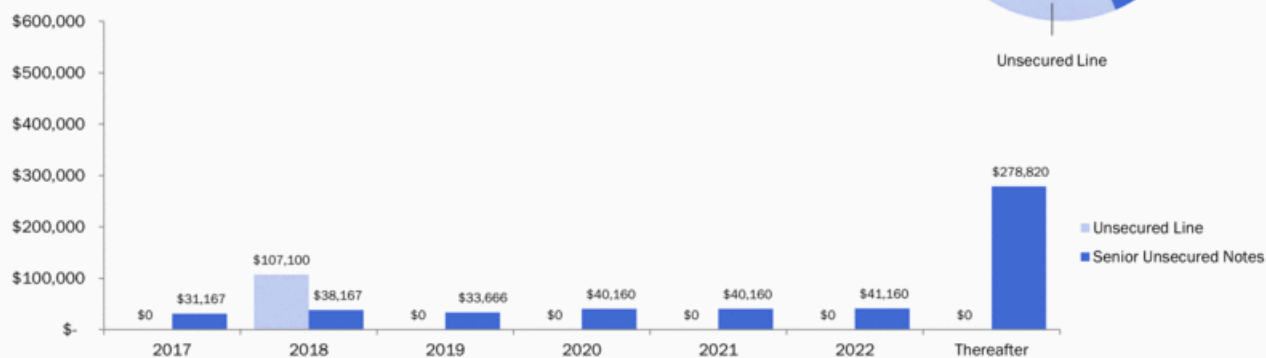
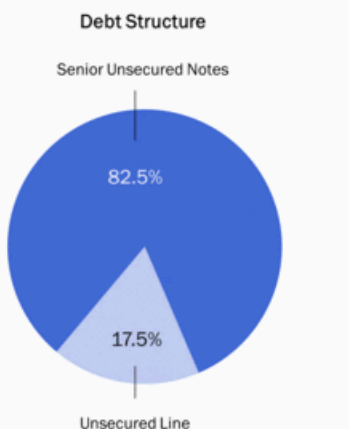
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Debt Maturity

(as of December 31, 2016, dollar amounts in thousands)



Year	Unsecured Line of Credit ⁽¹⁾	Senior Unsecured Notes ⁽²⁾	Total	% of Total
2017	\$ -	\$ 31,167	\$ 31,167	5.1%
2018	107,100	38,167	145,267	23.8%
2019	-	33,666	33,666	5.5%
2020	-	40,160	40,160	6.6%
2021	-	40,160	40,160	6.6%
2022	-	41,160	41,160	6.7%
Thereafter	-	278,820	278,820	45.7%
Total	\$ 107,100	\$ 503,300	\$ 610,400 ⁽³⁾	100.0%



- (1) Total commitment under our unsecured revolving line of credit is \$600,000 which matures in October 2018, with a one-year extension option.
- (2) Reflects scheduled principal payments.
- (3) Excludes debt issue costs which are included in the senior unsecured notes balance shown on page 18.

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Proforma Debt Maturity⁽¹⁾

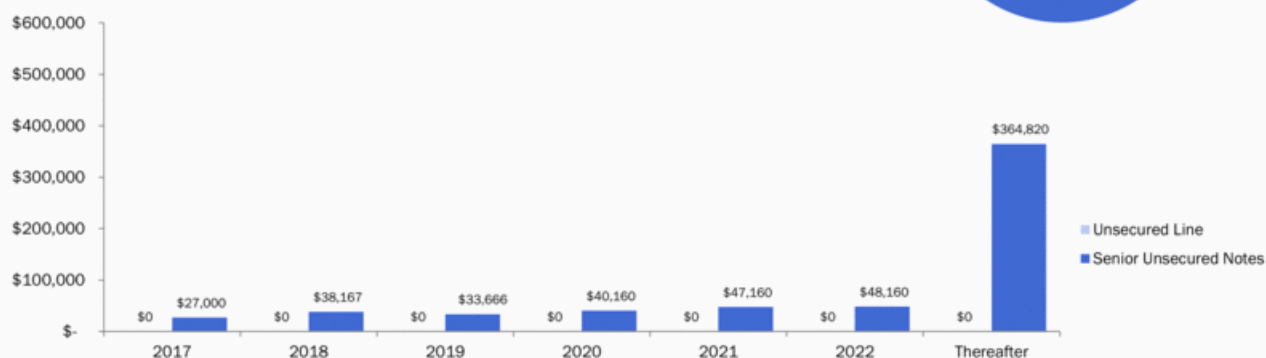
(as of December 31, 2016, dollar amounts in thousands)



Year	Unsecured Line of Credit ⁽²⁾	Senior Unsecured Notes ⁽³⁾	Total	% of Total
2017	\$ -	\$ 27,000	\$ 27,000	4.5%
2018	-	38,167	38,167	6.4%
2019	-	33,666	33,666	5.6%
2020	-	40,160	40,160	6.7%
2021	-	47,160	47,160	7.9%
2022	-	48,160	48,160	8.0%
Thereafter	-	364,820	364,820	60.9%
Total	\$ -	\$ 599,133	\$ 599,133 ⁽⁴⁾	100.0%

Debt Structure

Senior Unsecured Notes



(1) Proforma includes the sale of \$100,000 of senior unsecured notes at a 4.5% rate, scheduled debt principal payments and repayment of borrowings under our line of credit.

(2) Total commitment under our unsecured revolving line of credit is \$600,000 which matures in October 2018, with a one-year extension option.

(3) Reflects scheduled principal payments.

(4) Excludes debt issue costs which are included in the senior unsecured notes balance shown on page 19.

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Financial Data Summary

(dollar amounts in thousands)



Balance Sheet, Leverage Ratios and Coverage Ratios

	4Q16 Proforma ⁽¹⁾	12/31/16	12/31/15	12/31/14	12/31/13
Balance Sheet					
Gross real estate assets	\$1,533,679	\$1,533,679	\$1,418,405	\$1,117,167	\$1,104,732
Net real estate assets	1,255,503	1,255,503	1,164,950	892,179	884,361
Gross asset value	1,673,290	1,673,238	1,528,879	1,189,758	1,150,676
Total debt ⁽²⁾	598,124	609,391	571,872	280,584	277,730
Total liabilities	643,581	654,848	616,222	304,649	297,867
Preferred stock	-	-	-	38,500	38,500
Total equity	751,367	740,048	659,202	660,121	632,438
Leverage Ratios					
Debt to gross asset value	35.7%	36.4%	37.4%	23.6%	24.1%
Debt to total enterprise value	24.4%	24.9%	26.2%	15.4%	18.0%
Coverage Ratios					
Debt to annualized normalized EBITDA	4.0x	4.1x	4.3x	2.3x	2.9x
Annualized normalized EBITDA / interest incurred	4.9x	5.3x	5.7x	7.6x	7.9x
Annualized normalized EBITDA / fixed charges	4.9x	5.3x	5.7x	6.3x	6.2x

(1) Proforma includes the sale of \$100,000 of senior unsecured notes at a 4.5% rate, scheduled debt principal payments, repayment of borrowings under our line of credit, the sale of 312,881 shares of common stock under our equity distribution agreement, and 51,069 shares relating to restricted common stock grant and vesting.

(2) Represents outstanding balance of gross bank borrowings and senior unsecured notes, net of debt issue costs.

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Financial Data Summary

(dollar amounts in thousands)



Reconciliation of Annualized Normalized EBITDA and Fixed Charges

	4Q16 Proforma ⁽¹⁾	4Q16	4Q15	4Q14	4Q13
Net income	\$ 82,764	\$ 84,962	\$ 76,808	\$ 84,000	\$ 58,600
Less: Gain on sale of real estate, net	-	-	(586) ⁽²⁾	(3,819) ⁽⁴⁾	-
Add: Impairment on real estate for sale	766 ⁽²⁾	766 ⁽²⁾	2,250 ⁽³⁾	-	-
Add: Interest expense	29,622	27,424	22,324	14,732	11,408
Add: Depreciation and amortization	37,236	37,236	33,240	26,376	24,948
Adjusted EBITDA	150,388	150,388	134,036	121,289	94,956
Add back/(deduct):					
Non-recurring one-time items	-	-	-	-	1,980 ⁽⁵⁾
Normalized EBITDA	\$ 150,388	\$ 150,388	\$ 134,036	\$ 121,289	\$ 96,936
Interest expense:	\$ 29,622	\$ 27,424	\$ 22,324	\$ 14,732	\$ 11,408
Add: Capitalized interest	860	860	1,384	1,160	856
Interest incurred	\$ 30,482	\$ 28,284	\$ 23,708	\$ 15,892	\$ 12,264
Interest incurred	\$ 30,482	\$ 28,284	\$ 23,708	\$ 15,892	\$ 12,264
Preferred stock dividend	-	-	-	3,276	3,276
Fixed Charges	\$ 30,482	\$ 28,284	\$ 23,708	\$ 19,168	\$ 15,540

(1) Proforma includes the sale of \$100,000 of senior unsecured notes at a 4.5% rate, scheduled debt principal payments and repayment of borrowings under our line of credit.

(2) Subsequent to December 31, 2016, we entered into a contingent purchase and sale agreement to sell an 85-unit ROC community in Texas for \$1,200. Accordingly, we recorded an impairment charge of \$766 to write the property down to its estimated sale price at December 31, 2016. Impairment on real estate for sale was not annualized.

(3) In 1Q16, we sold a 48-unit assisted living community and recorded an impairment charge of \$2,250 to write the property down to the sale price. Gain on sale of real estate and impairment on real estate for sale were not annualized.

(4) Gain on sale of real estate was not annualized.

(5) Represents a \$1,244 provision for loan loss reserve on a \$124,387 mortgage loan origination, and an \$869 non-cash write-off of straight-line rent offset by revenue from the Sunwest bankruptcy settlement distribution of \$133. Non-recurring one-time items were not annualized.

Non-Cash Revenue Components

	4Q16	1Q17 ⁽¹⁾	2Q17 ⁽¹⁾	3Q17 ⁽¹⁾	4Q17 ⁽¹⁾
Straight-line rent	\$ 5,276	\$ 2,868	\$ 2,283	\$ 1,943	\$ 1,667
Amort of lease inducement	(499)	(522)	(522)	(522)	(522)
Effective Interest	1,349	1,387	1,390	1,381	1,383
Net	\$ 6,126	\$ 3,733	\$ 3,151	\$ 2,802	\$ 2,528

(1) For leases and loans in place at December 31, 2016, assuming no renewals, modification or replacement, and no new investments are added to our portfolio.

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Income Statement Data

(amounts in thousands, except per share amounts)



Coldspring of Campbell County
Cold Spring, KY

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2016	2015	2016	2015
	(unaudited)		(audited)	
Revenues				
Rental income	\$ 34,822	\$ 30,755	\$ 133,527	\$ 113,080
Interest income from mortgage loans	6,974	6,342	27,321	22,119
Interest and other income	345	296	735	1,004
Total revenues	42,141	37,393	161,583	136,203
Expenses				
Interest expense	6,856	5,581	26,442	17,497
Depreciation and amortization	9,309	8,310	35,932	29,431
Impairment on real estate for sale	766	2,250	766	2,250
Provisions for doubtful accounts	212	156	457	619
Transaction costs	83	112	179	744
General and administrative expenses	4,548	3,892	17,412	14,986
Total expenses	21,774	20,301	81,188	65,527
Operating Income	20,367	17,092	80,395	70,676
Income from unconsolidated joint ventures	299	276	1,138	1,819
Gain on sale of real estate, net	-	586	3,582	586
Net Income	20,666	17,954	85,115	73,081
Income allocated to participating securities	(89)	(114)	(385)	(484)
Income allocated to preferred stockholders	-	-	-	(2,454)
Net income available to common stockholders	\$ 20,577	\$ 17,840	\$ 84,730	\$ 70,143
Earnings per common share:				
Basic	\$0.53	\$0.49	\$2.21	\$1.97
Diluted	\$0.53	\$0.48	\$2.21	\$1.94
Weighted average shares used to calculate earnings per common share:				
Basic	39,065	36,433	38,388	35,590
Diluted	39,260	37,358	38,597	37,329
Dividends declared and paid per common share	\$0.57	\$0.54	\$2.19	\$2.07

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Consolidated Balance Sheets

(amounts in thousands, except per share amounts)



	December 31, 2016 (audited)	December 31, 2015 (audited)		December 31, 2016 (audited)	December 31, 2015 (audited)
ASSETS			LIABILITIES		
Investments:					
Land	\$ 116,096	\$ 106,841	Bank borrowings	\$ 107,100	\$ 120,500
Buildings and improvements	1,185,467	1,091,845	Senior unsecured notes, net of debt issue costs: 2016 - \$1,009; 2015 - \$1,095	502,291	451,372
Accumulated depreciation and amortization	(275,861)	(251,265)	Accrued interest	4,675	3,974
Real property investments, net	1,025,702	947,421	Accrued incentives and earn-outs	12,229	12,722
Mortgage loans receivable, net of loan loss reserve: 2016 - \$2,315; 2015 - \$2,190	229,801	217,529	Accrued expenses and other liabilities	28,553	27,654
Real estate investments, net	1,255,503	1,164,950	Total liabilities	654,848	616,222
Notes receivable, net of loan loss reserve: 2016 - \$166; 2015 - \$0	16,427	1,961			
Investments in unconsolidated joint ventures	25,221	24,042	EQUITY		
Investments, net	1,297,151	1,190,953			
Other assets:			Stockholders' equity:		
Cash and cash equivalents	7,991	12,942	Common stock ⁽¹⁾	392	375
Debt issue costs related to bank borrowings	1,847	2,865	Capital in excess of par value	839,005	758,676
Interest receivable	9,683	4,536	Cumulative net income	1,013,443	928,328
Straight-line rent receivable, net of allowance for doubtful accounts: 2016 - \$960; 2015 - \$833	55,276	42,685	Accumulated other comprehensive income	-	47
Prepaid expenses and other assets	22,948	21,443	Cumulative distributions	(1,112,792)	(1,028,224)
			Total equity	740,048	659,202
Total assets	\$ 1,394,896	\$ 1,275,424	Total liabilities and equity	\$ 1,394,896	\$ 1,275,424

(1) Common stock \$0.01 par value; 60,000 shares authorized; shares issued and outstanding: 2016 - 39,221; 2015 - 37,548

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Funds from Operations

(unaudited, amounts in thousands, except per share amounts)



Reconciliation of FFO, AFFO, and FAD

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2016	2015	2016	2015
GAAP net income available to common stockholders	\$ 20,577	\$ 17,840	\$ 84,730	\$ 70,143
Add: Depreciation and amortization	9,309	8,310	35,932	29,431
Add: Impairment on real estate for sale	766	2,250	766	2,250
Less: Gain on sale of real estate, net	-	(586)	(3,582)	(586)
NAREIT FFO attributable to common stockholders	30,652	27,814	117,846	101,238
Add: Non-recurring one-time items	-	-	-	937 ⁽¹⁾
Normalized FFO attributable to common stockholders	30,652	27,814	117,846	102,175
Less: Non-cash rental income	(4,777)	(2,559)	(11,532)	(8,456)
Less: Effective interest income from mortgage loans	(1,349)	(1,232)	(5,256)	(3,912)
Less: Deferred income from unconsolidated joint ventures	-	-	-	(1,000)
Normalized adjusted FFO (AFFO)	24,526	24,023	101,058	88,807
Add: Non-cash compensation charges	1,131	913	4,280	4,006
Add: Non-cash interest related to earn-out liabilities	146	204	684	409
Less: Capitalized interest	(215)	(346)	(1,408)	(827)
Normalized funds available for distribution (FAD)	\$ 25,588	\$ 24,794	\$ 104,614	\$ 92,395
NAREIT Diluted FFO attributable to common stockholders per share	\$0.78	\$0.74	\$3.06	\$2.77

(1) Represents a \$537 of acquisition costs related to the 10-property senior housing portfolio acquired and a \$400 provision for loan loss reserve related to additional loan proceeds funded under an existing mortgage loan.

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Funds from Operations

(unaudited, amounts in thousands, except per share amounts)



Reconciliation of FFO Per Share

For the three months ended December 31,

Normalized FFO/AFFO/FAD attributable to common stockholders

Effect of dilutive securities:

Participating securities
Series C cumulative preferred

Diluted normalized FFO/AFFO/FAD assuming conversion

	FFO		AFFO		FAD	
	2016	2015	2016	2015	2016	2015
Normalized FFO/AFFO/FAD attributable to common stockholders	\$ 30,652	\$ 27,814	\$ 24,526	\$ 24,023	\$ 25,588	\$ 24,794
Effect of dilutive securities:						
Participating securities	89	114	89	114	89	114
Series C cumulative preferred	-	-	-	-	-	-
Diluted normalized FFO/AFFO/FAD assuming conversion	\$ 30,741	\$ 27,928	\$ 24,615	\$ 24,137	\$ 25,677	\$ 24,908
Shares for basic FFO/AFFO/FAD per share	39,065	36,433	39,065	36,433	39,065	36,433
Effect of dilutive securities:						
Stock options	11	12	11	12	11	12
Performance based stock units (MSU)	27	-	27	-	27	-
Participating securities	157	219	157	219	157	219
Series C cumulative preferred	-	913	-	913	-	913
Shares for diluted normalized FFO/AFFO/FAD per share	39,260	37,577	39,260	37,577	39,260	37,577

For the twelve months ended December 31,

Normalized FFO/AFFO/FAD attributable to common stockholders

Effect of dilutive securities:

Participating securities
Series C cumulative preferred

Diluted normalized FFO/AFFO/FAD assuming conversion

	FFO		AFFO		FAD	
	2016	2015	2016	2015	2016	2015
Normalized FFO/AFFO/FAD attributable to common stockholders	\$ 117,846	\$ 102,175	\$ 101,058	\$ 88,807	\$ 104,614	\$ 92,395
Effect of dilutive securities:						
Participating securities	385	484	385	484	385	484
Series C cumulative preferred	-	2,454	-	2,454	-	2,454
Diluted normalized FFO/AFFO/FAD assuming conversion	\$ 118,231	\$ 105,113	\$ 101,443	\$ 91,745	\$ 104,999	\$ 95,333
Shares for basic FFO/AFFO/FAD per share	38,388	35,590	38,388	35,590	38,388	35,590
Effect of dilutive securities:						
Stock options	13	13	13	13	13	13
Performance based stock units (MSU)	27	-	27	-	27	-
Participating securities	169	234	169	234	169	234
Series C cumulative preferred	-	1,726	-	1,726	-	1,726
Shares for diluted normalized FFO/AFFO/FAD per share	38,597	37,563	38,597	37,563	38,597	37,563

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Glossary



Adjusted Funds From Operations ("AFFO"): FFO excluding the effects of straight-line rent, amortization of lease inducement, effective interest income and deferred income from unconsolidated joint ventures.

Assisted Living Properties ("ALF"): The ALF portfolio consists of assisted living, independent living, and/or memory care properties. (See Independent Living and Memory Care) Assisted living properties are seniors housing properties serving elderly persons who require assistance with activities of daily living, but do not require the constant supervision skilled nursing properties provide. Services are usually available 24 hours a day and include personal supervision and assistance with eating, bathing, grooming and administering medication. The facilities provide a combination of housing, supportive services, personalized assistance and health care designed to respond to individual needs.

Contractual Lease Rent: Rental revenue as defined by the lease agreement between us and the operator for the lease year.

EBITDA: Earnings before interest, taxes, depreciation and amortization.

Funds Available for Distribution ("FAD"): AFFO excluding the effects of non-cash compensation charges, capitalized interest and non-cash interest charges.

Funds From Operations ("FFO"): As defined by the National Association of Real Estate Investment Trusts ("NAREIT"), net income available to common stockholders (computed in accordance with U.S. GAAP) excluding gains or losses on the sale of real estate and impairment write-downs of depreciable real estate plus real estate depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures.

GAAP Lease Yield: GAAP rent divided by the sum of the purchase price and transaction costs.

GAAP Rent: Total rent we will receive as a fixed amount over the initial term of the lease and recognized evenly over that term. GAAP rent recorded in the early years of a lease is higher than the cash rent received and during the later years of the lease, the cash rent received is higher than GAAP rent recognized. GAAP rent is commonly referred to as straight-line rental income.

Gross Asset Value: The carrying amount of total assets after adding back accumulated depreciation and loan loss reserves, as reported in the company's consolidated financial statements.

Gross Investment: Original price paid for an asset plus capital improvements funded by LTC, without any depreciation deductions. Gross Investment is commonly referred to as undepreciated book value.

Independent Living Properties ("ILF"): Seniors housing properties offering a sense of community and numerous levels of service, such as laundry, housekeeping, dining options/meal plans, exercise and wellness programs, transportation, social, cultural and recreational activities, on-site security and emergency response programs. Many offer on-site conveniences like beauty/barber shops, fitness facilities, game rooms, libraries and activity centers. ILFs are also known as retirement communities or seniors apartments.

Interest Income: Represents interest income from mortgage loans.

Licensed Beds/Units: The number of beds and/or units that an operator is authorized to operate at seniors housing and long-term care properties. Licensed beds and/or units may differ from the number of beds and/or units in service at any given time.

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Memory Care Properties ("MC"): Seniors housing properties offering specialized options for seniors with Alzheimer's disease and other forms of dementia. These facilities offer dedicated care and specialized programming for various conditions relating to memory loss in a secured environment that is typically smaller in scale and more residential in nature than traditional assisted living facilities. These facilities have staff available 24 hours a day to respond to the unique needs of their residents.

Metropolitan Statistical Areas ("MSA"): Based on the U.S. Census Bureau, MSA is a geographic entity defined by the Office of Management and Budget (OMB) for use by Federal statistical agencies in collecting, tabulating, and publishing Federal statistics. A metro area contains a core urban area of 50,000 or more population.

Mezzanine: In 2015 the Company strategically decided to allocate a portion of its capital deployment toward mezzanine loans to grow relationships with operating companies that have not typically utilized sale leaseback financing as a component of their capital structure. Mezzanine financing sits between senior debt and common equity in the capital structure, and typically is used to finance development projects or value-add opportunities on existing operational properties. We seek market-based, risk-adjusted rates of return typically between 12-18% with the loan term typically between four to eight years. Security for mezzanine loans can include all or a portion of the following credit enhancements; secured second mortgage, pledge of equity interests and personal/corporate guarantees. Mezzanine loans can be recorded for GAAP purposes as either a loan or joint venture depending upon specifics of the loan terms and related credit enhancements.

Micropolitan Statistical Areas ("Micro-SA"): Based on the U.S. Census Bureau, Micro-SA is a geographic entity defined by the Office of Management and Budget (OMB) for use by Federal statistical agencies in collecting, tabulating, and publishing Federal statistics. A micro area contains an urban core of at least 10,000 (but less than 50,000) population.

Mortgage Loan: Mortgage financing is provided on properties based on our established investment underwriting criteria and secured by a first mortgage. Subject to underwriting, additional credit enhancements may be required including, but not limited to, personal/corporate guarantees and debt service reserves. When possible, LTC attempts to negotiate a purchase option to acquire the property at a future time and lease the property back to the borrower.

Net Real Estate Assets: Gross real estate investment less accumulated depreciation. Net Real Estate Asset is commonly referred to as Net Book Value ("NBV").

Non-cash Rental Income: Straight-line rental income and amortization of lease inducement.

Non-cash Compensation Charges: Vesting expense relating to stock options and restricted stock.

Normalized AFFO: AFFO adjusted for non-recurring, infrequent or unusual items.

Normalized EBITDAR Coverage: The trailing twelve month's earnings from the operator financial statements adjusted for non-recurring, infrequent, or unusual items and before interest, taxes, depreciation, amortization, and rent divided by the operator's contractual lease rent. Management fees are imputed at 5% of revenues.

Normalized EBITDARM Coverage: The trailing twelve month's earnings from the operator financial statements adjusted for non-recurring, infrequent, or unusual items and before interest, taxes, depreciation, amortization, rent, and management fees divided by the operator's contractual lease rent.

Normalized FAD: FAD adjusted for non-recurring, infrequent or unusual items.

Normalized FFO: FFO adjusted for non-recurring, infrequent or unusual items.

Occupancy: The weighted average percentage of all beds and/or units that are occupied at a given time. The calculation uses the trailing twelve months and is based on licensed beds and/or units which may differ from the number of beds and/or units in service at any given time.

Operator Financial Statements: Property level operator financial statements which are unaudited and have not been independently verified by us.

Payor Source: LTC revenue by operator underlying payor source for the period presented. LTC is not a Medicaid or a Medicare recipient. Statistics represent LTC's rental revenues times operators' underlying payor source revenue percentage. Underlying payor source revenue percentage is calculated from property level operator financial statements which are unaudited and have not been independently verified by us.

Private Pay: Private pay includes private insurance, HMO, VA, and other payors.

Purchase Price: Represents the fair value price of an asset that is exchanged in an orderly transaction between market participants at the measurement date. An orderly transaction is a transaction that assumes exposure to the market for a period prior to the measurement date to allow for marketing activities that are usual and customary for transactions involving such assets; it is not a forced transaction (for example, a forced liquidation or distress sale).

Range of Care ("ROC"): Range of care properties consist of properties providing skilled nursing and any combination of assisted living, independent living and/or memory care services.

Rental Income: Represents GAAP rent net of amortized lease inducement cost.

Same Property Portfolio ("SPP"): Same property statistics allow for the comparative evaluation of performance across a consistent population of LTC's leased property portfolio. Our SPP is comprised of stabilized properties owned and operated throughout the duration of the quarter-over-quarter comparison periods presented (excluding assets sold and assets held-for-sale). Accordingly, a leased property must be owned and stabilized for a minimum of 15 months if it is an acquired property, or 27 months if it is a development project, to be included in our SSP.

Skilled Nursing Properties ("SNF"): Seniors housing properties providing restorative, rehabilitative and nursing care for people not requiring the more extensive and sophisticated treatment available at acute care hospitals. Many SNFs provide ancillary services that include occupational, speech, physical, respiratory and IV therapies, as well as sub-acute care services which are paid either by the patient, the patient's family, private health insurance, or through the federal Medicare or state Medicaid programs.

Stabilized: Properties are generally considered stabilized upon the earlier of achieving certain occupancy thresholds (e.g. 80% for SNFs and 90% for ALFs) and, as applicable, 12 months from the date of acquisition or, in the event of a de novo development, redevelopment, major renovations or addition, 24 months from the date the property is first placed in or returned to service.

Under Development Properties ("UDP"): Development projects to construct seniors housing properties.



Company

Founded in 1992, LTC Properties, Inc. ("LTC") is a self-administered real estate investment trust that primarily invests in seniors housing and health care properties through facility lease transactions, mortgage loans, and other investments. Our primary objectives are to create, sustain and enhance stockholder equity value and provide current income for distribution to stockholders through real estate investments in seniors housing and health care properties managed by experienced operators. Our primary seniors housing and health care property types include skilled nursing centers (or SNF), assisted living communities (or ALF), independent living communities (or ILF), memory care communities (or MC), and combinations thereof. To meet these objectives, we attempt to invest in properties that provide opportunity for additional value and current returns to our stockholders and diversify our investment portfolio by geographic location, operator, property type and form of investment. For more information on LTC, visit the Company's website at www.LTCreit.com.

Forward-Looking Statements

This supplemental information contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, adopted pursuant to the Private Securities Litigation Reform Act of 1995. Statements that are not purely historical may be forward-looking. You can identify some of the forward-looking statements by their use of forward-looking words, such as "believes," "expects," "may," "will," "should," "seeks," "approximately," "intends," "plans," "estimates" or "anticipates," or the negative of those words or similar words. Forward-looking statements involve inherent risks and uncertainties regarding events, conditions and financial trends that may affect our future plans of operation, business strategy, results of operations and financial position. A number of important factors could cause actual results to differ materially from those included within or contemplated by such forward-looking statements, including, but not limited to, the status of the economy, the status of capital markets (including prevailing interest rates), and our access to capital; the income and returns available from investments in health care related real estate, the ability of our borrowers and lessees to meet their obligations to us, our reliance on a few major operators; competition faced by our borrowers and lessees within the health care industry, regulation of the health care industry by federal, state and local governments, changes in Medicare and Medicaid reimbursement amounts (including due to federal and state budget constraints), compliance with and changes to regulations and payment policies within the health care industry, debt that we may incur and changes in financing terms, our ability to continue to qualify as a real estate investment trust, the relative illiquidity of our real estate investments, potential limitations on our remedies when mortgage loans default, and risks and liabilities in connection with properties owned through limited liability companies and partnerships. For a discussion of these and other factors that could cause actual results to differ from those contemplated in the forward-looking statements, please see the discussion under "Risk Factors" and other information contained in our Annual Report on Form 10-K for the fiscal year ended December 31, 2016 and in our publicly available filings with the Securities and Exchange Commission. We do not undertake any responsibility to update or revise any of these factors or to announce publicly any revisions to forward-looking statements, whether as a result of new information, future events or otherwise.

Non-GAAP Information

This supplemental information contains certain non-GAAP information including adjusted EBITDA, normalized EBITDA, FFO, normalized FFO, normalized AFFO, normalized FAD, normalized interest coverage ratio, and normalized fixed charges coverage ratio. A reconciliation of this non-GAAP information is provided on pages 23, 26, and 27 of this supplemental information, and additional information is available under the "Non-GAAP Financial Measures" subsection under the "Selected Financial Data" section of our website at www.LTCreit.com.