UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES AND EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2014
OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission file number: 1-11314

LTC PROPERTIES, INC.
(Exact name of Registrant as specified in its charter)

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

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

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

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common stock, $.01 Par Value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: **NONE**

Indicate by checkmark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by checkmark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

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. (Check one):

Large accelerated filer ☒	Accelerated filer ☐	Non-accelerated filer ☐ (Do not check if a smaller reporting company)	Smaller reporting company ☐

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

The aggregate market value of voting and non-voting common equity held by non-affiliates of the Registrant was approximately $1,336,340,000 as of June 30, 2014 (the last business day of the Registrant's most recently completed second fiscal quarter).

The number of shares of common stock outstanding as of February 19, 2015 was 35,540,762.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's definitive proxy statement relating to its 2015 Annual Meeting of Stockholders are incorporated by reference into Part III of this Annual Report on Form 10-K where indicated.

CAUTIONARY STATEMENT

This annual report 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 (including our ability to re-lease properties upon expiration of a lease term); 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 (including as a result of the Patient Protection and Affordable Care Act of 2010 and the Health Care and Education Reconciliation Act of 2010); 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" contained in this annual report and in other information contained in this annual report and 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.

LTC Properties, Inc

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PART I

Item 1. BUSINESS

General

LTC Properties, Inc., a health care real estate investment trust (or REIT), was incorporated on May 12, 1992 in the State of Maryland and commenced operations on August 25, 1992. We invest primarily in senior housing and long term care properties through acquisitions, development, mortgage loans and other investments. We conduct and manage our business as one operating segment, rather than multiple operating segments, for internal reporting and internal decision making purposes. Our primary objectives are to create, sustain and enhance stockholder equity value and provide current income for distribution to stockholders through real estate investments in senior housing and long term care properties managed by experienced operators. Our primary senior housing and long term healthcare property types include skilled nursing properties (or SNF), assisted living properties (or ALF), independent living properties (or ILF), memory care properties (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.

Skilled nursing facilities provide restorative, rehabilitative and nursing care for people not requiring the more extensive and sophisticated treatment available at acute care hospitals. Many skilled nursing facilities 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.

Assisted living facilities serve elderly persons who require assistance with activities of daily living, but do not require the constant supervision skilled nursing facilities 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.

Independent living facilities, also known as retirement communities or senior apartments, offer 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.

Memory care facilities offer specialized options for seniors with Alzheimer's disease and other forms of dementia. Purpose built, free-standing memory care facilities offer an attractive alternative for private-pay residents affected by memory loss in comparison to other accommodations that typically have been provided within a secured unit of an assisted living or skilled nursing facility. 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. Residents require a higher level of care and more assistance with activities of daily living than in assisted living facilities. Therefore, these facilities have staff available 24 hours a day to respond to the unique needs of their residents.

We were organized to qualify, and intend to continue to qualify, as a REIT. So long as we qualify, with limited exceptions, we may deduct distributions, both preferred dividends and common dividends, to our stockholders from our taxable income. We have made distributions, and intend to continue to make distributions to our stockholders, in order to eliminate any federal tax liability.

Portfolio

Our real estate investment in senior housing and long term care properties is managed and conducted as a single operating segment for internal reporting and for internal decision-making purposes. ALF, ILF, MC, and combinations thereof are included in the ALF property type. Range of care properties (or ROC) property type consists of properties providing skilled nursing and any combination of assisted living, independent living and/or memory care services. Other properties (or Other) property type consists of a school and land held-for-use. In addition to the information below, see *Item 2. Properties* for more information about our portfolio.

The following table summarizes our real estate investment portfolio as of December 31, 2014 *(dollar amounts in thousands)*:

			Twelve Months Ended December 31, 2014				Number of	
Type of Property	Gross Investments	Percentage of Investments	Rental Income[1]	Interest Income[2]	Percentage of Revenues	Number of Properties[3]	SNF Beds[4]	ALF Units[4]
Skilled Nursing	$ 633,052	56.7 %	$ 52,259	$ 14,595	59.4 %	97	12,057	—
Assisted Living	415,520	37.2 %	37,847	985	34.5 %	92	—	4,446
Range of Care	46,217	4.1 %	5,332	282	5.0 %	8	733	348
Under Development[5]	11,495	1.0 %	—	—	— %	—	—	—
Other[6]	10,883	1.0 %	1,294	—	1.1 %	1	—	—
Totals	$ 1,117,167	100.0 %	$ 96,732	$ 15,862	100.0 %	198	12,790	4,794

(1) Excludes rental income from properties sold during 2014.

(2) Excludes interest income from mortgage loans paid off during 2014.

(3) We have investments in 29 states leased or mortgaged to 37 different operators.

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

(5) Includes two MC developments with a total of 126 units.

(6) Includes a school and five parcels of land held- for-use.

As of December 31, 2014 we had $892.2 million in carrying value of net real estate investment, consisting of $726.5 million or 81.4% invested in owned and leased properties and $165.7 million or 18.6% invested in mortgage loans secured by first mortgages.

Owned Properties. The following table summarizes our investment in owned properties at December 31, 2014 *(dollar amounts in thousands)*:

				Number of		Investment
Type of Property	Gross Investments	Percentage of Investments	Number of Properties[1]	SNF Beds[2]	ALF Units[2]	per Bed/Unit
Skilled Nursing	$ 482,036	50.8 %	68	8,407	—	$ 57.34
Assisted Living	401,517	42.3 %	84	—	4,176	$ 96.15
Range of Care	43,907	4.6 %	7	634	274	$ 48.36
Under Development[3]	11,495	1.2 %	—	—	—	—
Other[4]	10,883	1.1 %	1	—	—	—
Totals	$ 949,838	100.0 %	160	9,041	4,450	

(1) We have investments in 26 states leased to 30 different operators.

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

(3) Includes two MC developments with a total of 126 units.

(4) Includes a school and five parcels of land held- for-use.

Owned properties are leased pursuant to non-cancelable operating leases generally with an initial term of 10 to 15 years. Many of the leases contain renewal options. The leases provide for fixed minimum base rent during the initial and renewal periods. The majority of our leases contain provisions for specified annual increases over the rents of the prior year and that increase is generally computed in one of four ways depending on specific provisions of each lease:

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

Each lease is a triple net lease which requires the lessee to pay all taxes, insurance, maintenance and repairs, capital and non-capital expenditures and other costs necessary in the operations of the facilities. Generally our leases provide for one or more of the following: security deposits, property tax impounds, and credit enhancements such as corporate or personal guarantees or letters of credit. In addition, our leases are typically structured as master leases and multiple master leases with one operator are generally cross defaulted. The following table summarizes our top ten operators for 2014 and percentage of rental revenue for those operators for 2014 and 2013:

	Percent of Rental Revenue	
Lessee	**2014**	**2013**
Brookdale Senior Living Communities, Inc.	14.9 %	11.2 %
Senior Care Centers, LLC	12.7 %	12.0 %
Preferred Care, Inc.	10.3 %	10.1 %
Traditions Senior Management, Inc.	7.0 %	5.6 %
Juniper Communities, LLC	6.9 %	6.8 %
Extendicare, Inc. and Enlivant	6.5 %	11.2 %
Carespring Healthcare Management, LLC	6.0 %	5.5 %
Sunrise Senior Living	4.8 %	4.7 %
Skilled Healthcare Group, Inc.	4.7 %	4.6 %
Fundamental Long Term Care Company	4.0 %	3.4 %

Mortgage Loans. As part of our strategy of making long term investments in properties used in the provision of long term health care services, we provide mortgage financing on such properties based on our established investment underwriting criteria. We have also provided construction loans that by their terms converted into purchase/lease transactions or permanent financing mortgage loans upon completion of construction. The following table summarizes our investments in mortgage loans secured by first mortgages at December 31, 2014 *(dollar amounts in thousands)*:

Type of Property	Gross Investments	Percentage of Investments	Number of Loans	Number of Properties[(1)]	Number of SNF Beds[(2)]	ALF Units[(2)]	Average Investment per Bed/Unit
Skilled Nursing	$ 151,016	90.3 %	15	29	3,650	—	$ 41.37
Assisted Living	14,003	8.3 %	3	8	—	270	$ 51.86
Range of Care	2,310	1.4 %	1	1	99	74	$ 13.35
Totals	$ 167,329	100.0 %	19	38	3,749	344	

(1) We have investments in 9 states that include mortgages to 12 different operators.

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

In general, the mortgage loans may not be prepaid except in the event of the sale of the collateral property to a third party that is not affiliated with the borrower, although partial prepayments (including the prepayment premium) are often permitted where a mortgage loan is secured by more than one property upon a sale of one or more, but not all, of the collateral properties to a third party which is not an affiliate of the borrower. The terms of the mortgage loans generally impose a premium upon prepayment of the loans depending upon the period in which the prepayment occurs, whether such prepayment was permitted or required, and certain other conditions such as upon the sale of the property under a pre-existing purchase option, destruction or condemnation, or other circumstances as approved by us. On certain loans, such prepayment amount is based upon a percentage of the then outstanding balance of the loan, usually declining ratably each year. For other loans, the prepayment premium is based on a yield maintenance formula. A mortgage loan secured by 15 skilled nursing properties in Michigan had a one-time option between November 2015 and October 2025 to prepay up to 50% of the then outstanding loan balance without penalty. However, subsequent to December 31, 2014, the borrower forfeited the prepayment option in conjunction with a modification of the loan in exchange for our commitment of $20.0 million to fund the redevelopment of two of the properties securing the loan. In addition to a lien on the mortgaged property, the loans are generally secured by certain non-real estate assets of the properties and contain certain other security provisions in the form of letters of credit, pledged collateral accounts, security deposits, cross- default and cross-collateralization features and certain guarantees. See *Item 8. FINANCIAL STATEMENTS—Note 6. Real Estate Investments* for further description.

Investment and Other Policies

Objectives and Policies. Our investment policy is to invest primarily in income-producing senior housing and long term care properties. Over the past three years (2012 through 2014), we acquired skilled nursing, assisted living, independent living, memory care properties and combinations thereof, plus 13 parcels of land for a total of approximately $197.4 million. Also over the past three years, we completed the development, re-development and expansion of eight assisted living properties and three skilled nursing properties for an aggregate investment of $87.3 million, excluding acquisition of parcels of land. Additionally, we invested approximately $146.5 million in mortgage loans over the past three years. We believe our liquidity and various sources of available capital are sufficient to fund operations and development commitments, meet debt service obligations (both principal and interest), make dividend distributions and finance future investments should we determine such future investments are financially feasible. The timing, source and amount of cash flows provided by financing activities and used in investing activities are sensitive to the capital markets environment, especially to changes in interest rates. We continuously evaluate the availability of cost-effective capital and believe we have sufficient liquidity for additional capital investments in 2015.

Our primary marketing and business development strategy is to increase the awareness of our presence and build relationships in the seniors housing and care industry by supporting targeted industry trade organizations, attending industry specific conferences and events patronized by senior living providers, and seeking out speaking engagements at industry related events. We believe this targeted marketing effort has increased deal flow and continues to provide opportunities for new investments in 2015. Since competition from investors as well as other capital providers for large transactions consisting of fully-marketed, multi-property portfolios generally result in valuations above our targeted investment criteria, our marketing and business development efforts focus on sourcing relationships with regionally based operating companies to execute on single property transactions (for acquisition, mortgage financing or development), or smaller multi-property portfolios that are not broadly marketed by third-party intermediaries which complement our historic investment execution and are priced at yields that are accretive to our stockholders.

Historically our investments have consisted of:

- fee ownership of senior housing and long term care properties that are leased to providers;
- mortgage loans secured by senior housing and long term care properties; or
- participation in such investments indirectly through investments in real estate partnerships or other entities that themselves make direct investments in such loans or properties.

In evaluating potential investments, we consider factors such as:

- type of property;
- the location;
- construction quality, condition and design of the property;
- the property's current and anticipated cash flow and its adequacy to meet operational needs and lease obligations or debt service obligations;
- the experience, reputation and solvency of the licensee providing services;
- the payor mix of private, Medicare and Medicaid patients;
- the growth, tax and regulatory environments of the communities in which the properties are located;
- the occupancy and demand for similar properties in the area surrounding the property; and
- the Medicaid reimbursement policies and plans of the state in which the property is located.

Prior to every investment, we conduct a property site review to assess the general physical condition of the property and the potential of additional services. In addition, we review the environmental reports, site surveys and financial statements of the property before the investment is made.

We believe skilled nursing facilities are the lowest cost provider for certain levels of acuity; therefore, such facilities play a vital role in our nation's health care delivery system. Our investments include direct ownership, development and mortgages secured by skilled nursing properties. We prefer to invest in a property that has a significant market presence in its community and where state certificate of need and/or licensing procedures limit the entry of competing properties.

We believe that assisted living, independent living and memory care facilities are an important sector in the long term care market and our investments include direct ownership, development and mortgages secured by assisted living, independent living and/or memory care properties. We have attempted to diversify our portfolio both geographically and across product levels.

Borrowing Policies. We may incur additional indebtedness when, in the opinion of our Board of Directors, it is advisable. We may incur such indebtedness to make investments in additional senior housing and long term care properties or to meet the distribution requirements imposed upon REITs under the Internal Revenue Code of 1986, as amended. For other short-term purposes, we may, from time to time, negotiate lines of credit, or arrange for other short-term borrowings from banks or otherwise. We may also arrange for long-term borrowings through public or private offerings or from institutional investors.

In addition, we may incur mortgage indebtedness on real estate which we have acquired through purchase, foreclosure or otherwise. We may also obtain mortgage financing for unleveraged or underleveraged properties in which we have invested or may refinance properties acquired on a leveraged basis.

Competition

In the health care industry, we compete for real property investments with health care providers, other health care related REITs, real estate partnerships, banks, private equity funds, venture capital funds and other investors. Many of our competitors are significantly larger and have greater financial resources and lower cost of capital than we have available to us. Our ability to compete successfully for real property investments will be determined by numerous factors, including our ability to identify suitable acquisition targets, our ability to negotiate acceptable terms for any such acquisition and the availability and our cost of capital.

The lessees and borrowers of our properties compete on a local, regional and, in some instances, national basis with other health care providers. The ability of the lessee or borrower to compete successfully for patients or residents at our properties depends upon several factors, including the levels of care and services provided by the lessees or borrowers, the reputation of the providers, physician referral patterns, physical appearances of the properties, family preferences, financial condition of the operator and other competitive systems of health care delivery within the community, population and demographics.

Government Regulation

The health care industry is heavily regulated by the government. Our borrowers and lessees who operate health care facilities are subject to extensive regulation by federal, state and local governments. These laws and regulations are subject to frequent and substantial changes resulting from legislation, adoption of rules and regulations, and administrative and judicial interpretations of existing law. These changes may have a dramatic effect on the definition of permissible or impermissible activities, the relative costs associated with doing business and the amount of reimbursement by both government and other third-party payors. These changes may be applied retroactively. The ultimate timing or effect of these changes cannot be predicted. The failure of any borrower of funds from us or lessee of any of our properties to comply with such laws, requirements and regulations could result in sanctions or remedies such as denials of payment for new Medicare and Medicaid admissions, civil monetary penalties, state oversight and loss of Medicare and Medicaid participation or licensure. Such action could affect our borrower's or lessee's ability to operate its facility or facilities and could adversely affect such borrower's or lessee's ability to make debt or lease payments to us.

The properties owned by us and the manner in which they are operated are affected by changes in the reimbursement, licensing and certification policies of federal, state and local governments. Properties may also be affected by changes in accreditation standards or procedures of accrediting agencies. In addition, expansion (including the addition of new beds or services or acquisition of medical equipment) and occasionally the discontinuation of services of health care facilities are, in some states, subjected to state and regulatory approval through "certificate of need" laws and regulations.

The ability of our borrowers and lessees to generate revenue and profit determines the underlying value of that property to us. Revenues of our borrowers and lessees of skilled nursing properties are generally derived from payments for patient care. Sources of such payments for skilled nursing facilities include the federal Medicare program, state Medicaid programs, private insurance carriers, managed care organizations, preferred provider arrangements, and self-insured employers, as well as the patients themselves.

A significant portion of the revenue of our skilled nursing property borrowers and lessees is derived from governmentally-funded reimbursement programs, such as Medicare and Medicaid. Because of significant health care costs paid by such government programs, both federal and state governments have adopted and continue to consider various health care reform proposals to control health care costs. In many instances, revenues from Medicaid programs are insufficient to cover the actual costs incurred in providing care to Medicaid patients. Moreover, the Kaiser Commission on Medicaid and the Uninsured stated in October 2014 that 34 states reported enacting new Medicaid rate restrictions for at least one provider type in fiscal year 2014, while 33 states plan rate restrictions for fiscal year 2015. In fiscal year 2014, 34 states reported one or more rate restrictions across provider types and 46 states reported one or more rate increases. For fiscal year 2015, 33 states have planned at least one provider rate restriction while 45 states are planning at least one rate increase. On the other hand, the Kaiser Commission notes that due to improving state finances, more states are enhancing rates than restricting rates overall in 2014 and 2015. With regard to nursing home rates in particular, 39 states increased rates in fiscal year 2014 and 40 plan rate increases for fiscal year 2015, compared to nursing home rate restrictions being adopted in 12 states in fiscal year 2014 and 10 states in fiscal year 2015. In addition, many states have been making changes to their long term care delivery systems that emphasize home and community-based long term care services, in some cases coupled with cost controls for institutional providers. According to the Kaiser Commission, 42 states in fiscal year 2014 and 47 states in fiscal year 2015 took action to expand the number of individuals serviced in home and community-based service programs. The federal government also has adopted various policies to promote community-based alternatives to institutional services. As states and the federal government continue to respond to budget pressures, future reduction in Medicaid payments for skilled nursing facility services could have an adverse effect on the financial condition of our borrowers and lessees which could, in turn, adversely impact the timing or level of their payments to us.

Over the years there also have been fundamental changes in the Medicare program that resulted in reduced levels of payment for a substantial portion of health care services, including skilled nursing facility services. CMS annually updates Medicare skilled nursing facility prospective payment system rates and other policies. On August 5, 2014, CMS published its final Medicare skilled nursing facility payment rate update for fiscal year 2015, which began on October 1, 2014. CMS estimates that the final rule will increase aggregate Medicare skilled nursing facility payments by $750 million, or 2%, compared to fiscal year 2014 levels. Specifically, under the final rule, Medicare rates are updated to reflect a 2.5% market basket increase that is reduced by a 0.5 percentage point "multifactor productivity adjustment" mandated by the Affordable Care Act. There can be no assurance that any future reductions in Medicare skilled nursing facility payment rates or other policy changes would not have an adverse effect on the financial condition of our borrowers and lessees which could, in turn, adversely impact the timing or level of their payments to us.

Moreover, health care facilities continue to experience pressures from private payors attempting to control health care costs, and reimbursement from private payors has in many cases effectively been reduced to levels approaching those of government payors. Governmental and public concern regarding health care costs may result in significant reductions in payment to health care facilities, and there can be no assurance that future payment rates for either governmental or private payors will be sufficient to cover cost increases in providing services to patients. Any changes in reimbursement policies which reduce reimbursement to levels that are insufficient to cover the cost of providing patient care could adversely affect revenues of our skilled nursing property borrowers and lessees and to a much lesser extent our assisted living property borrowers and lessees and thereby adversely affect those borrowers' and lessees' abilities to make their debt or lease payments to us. Failure of the borrowers or lessees to make their debt or lease payments would have a direct and material adverse impact on us.

Various federal and state laws govern financial and other arrangements between health care providers that participate in, receive payments from, or make or receive referrals for work in connection with government funded health care programs, including Medicare and Medicaid. These laws, known as the fraud and abuse laws, include the federal anti-kickback statute, which prohibits, among other things, knowingly and willfully soliciting, receiving, offering or paying any remuneration directly or indirectly in return for, or to induce, the referral, or arrange for the referral, of an individual to a person for the furnishing of an item or service for which payment may be made under federal health care programs. In addition, the federal physician self-referral law, commonly known as the Stark Law, prohibits physicians and certain other types of practitioners from making referrals for certain designated health services paid in whole or in part by Medicare and Medicaid to entities with which the practitioner or a member of the practitioner's immediate family has a financial relationship, unless the financial relationship fits within an applicable exception to the Stark Law. The Stark Law also prohibits the entity receiving the referral from seeking payment under the Medicare program for services rendered pursuant to a prohibited referral. If an entity is paid for services rendered pursuant to a prohibited referral, it may incur civil penalties of up to $15,000 per prohibited claim and may be excluded from participating in the Medicare and Medicaid programs. Many states have enacted similar fraud and abuse laws which are not necessarily limited to items and services for which payment is made by federal health care programs. Violations of these laws may result in fines, imprisonment, denial of payment for services, and exclusion from federal and/or other state-funded programs. Other federal and state laws authorize the imposition of penalties, including criminal and civil fines and exclusion from participation in federal health care programs for submitting false claims, improper billing and other offenses. Federal and state government agencies have continued rigorous enforcement of criminal and civil fraud and abuse laws in the health care arena. Our borrowers and lessees are subject to many of these laws, and some of them could in the future become the subject of a governmental enforcement action.

Health Care Reform and Other Legislative Developments

Congress and the state legislatures regularly consider, and in some cases adopt, legislation impacting health care providers, including long term care providers. For instance, the Balanced Budget Act of 1997 enacted significant changes to the Medicare and Medicaid programs designed to modernize payment and health care delivery systems while achieving substantial budgetary savings. Among other things, the law established the Medicare prospective payment system for skilled nursing facility services to replace the cost-based reimbursement system, which resulted in significant reductions in Medicare payments to skilled nursing facilities. Over the years, Congress adopted legislation to somewhat mitigate the impact of the new payment system, including a temporary payment add-on for high-acuity patients, which subsequently expired, and a temporary payment add-on for residents with AIDS that still is in effect through fiscal year 2015. Other legislation enacted by Congress in recent years has reduced certain Medicare skilled nursing facility bad debt payments, strengthened Medicaid asset transfer restrictions for persons seeking to qualify for Medicaid long term care coverage, reduced Medicaid provider taxes that are used by many states to finance state health programs, and given states greater flexibility to expand access to home and community-based services.

In March 2010, the President signed into law the Patient Protection and Affordable Care Act, which subsequently was amended by the Health Care and Education and Reconciliation Act of 2010 (collectively referred to as the "Affordable Care Act"). The Affordable Care Act is designed to expand access to affordable health insurance, contain health care costs, and institute a variety of health policy reforms. The provisions of the sweeping law may affect us directly, as well as impact our lessees and borrowers. While certain provisions, such as expanding the insured population, may positively impact the revenues of our lessees and borrowers, other provisions, particularly those intended to reduce federal health care spending, could have a negative impact on our lessees and borrowers. Among other things, the Affordable Care Act: reduces Medicare skilled nursing facility reimbursement by a so-called "productivity adjustment" based on economy-wide productivity gains; requires the development of a value-based purchasing program for Medicare skilled nursing facility services; establishes a national voluntary pilot program to bundle Medicare payments for hospital and post-acute services that could lead to changes in the delivery of post-acute services; and provides incentives to state Medicaid programs to promote community-based care as an alternative to institutional long term care services. The Affordable Care Act also includes provisions intended to expand public disclosure about nursing home ownership and operations, institute mandatory compliance and quality assurance programs, increase penalties for noncompliance, and expand fraud and abuse enforcement and penalty provisions that could impact our operators. In addition, the Affordable Care Act impacts both us and our lessees and borrowers as employers, including new requirements related to the health insurance we offer to our respective employees. Many aspects of the Affordable Care Act are being implemented through new regulations and subregulatory guidance. We cannot predict at this time what effect, if any, the various provisions of the Affordable Care Act will have on our lessees and borrowers or our business when fully implemented. There can be no assurances, however, that the Affordable Care Act will not adversely impact the operations, cash flows or financial condition of our lessees and borrowers, which subsequently could materially adversely impact our revenue and operations.

Under the terms of the Budget Control Act of 2011, as modified by the American Taxpayer Relief Act, President Obama issued a sequestration order on March 1, 2013 that mandates a 2% cut to Medicare payments to providers and health plans. The cuts generally apply to Medicare fee-for-service claims with dates-of-service or dates-of-discharge on or after April 1, 2013. As amended by subsequent legislation, the Medicare sequestration cuts are currently scheduled to be applied through fiscal year 2024, although Congress and the Administration could enact legislation to end or modify sequestration at any time, including through alternative budget legislation that includes alternative Medicare or Medicaid savings. There can be no assurances that enacted or future budget control mechanisms will not have an adverse impact on the financial condition of our borrowers and lessees, which subsequently could materially adversely impact our company.

On April 1, 2014, President Obama signed into law the Protecting Access to Medicare Act of 2014. Among other things, the law requires the Secretary of the Department of Health and Human Services to develop a skilled nursing facility “value-based purchasing program,” which will tie Medicare payments to skilled nursing facilities to their performance on certain new readmissions measures, applicable to services furnished beginning October 1, 2018. Furthermore, on October 6, 2014, President Obama signed the Improving Medicare Post-Acute Care Transformation Act of 2014, which requires the collection of standardized post-acute care assessment data, which eventually could be used as the basis for developing changes to Medicare post-acute care reimbursement policy. Additional reforms affecting the payment for and availability of health care services have been proposed at the state level and adopted by certain states. Increasingly state Medicaid programs are providing coverage through managed care programs under contracts with private health plans, which is intended to decrease state Medicaid costs. Congress and state legislatures can be expected to continue to review and assess alternative health care delivery systems and payment methodologies, including potential changes in Medicare and Medicaid payment policy for skilled nursing facility services and other types of post-acute care. Changes in the law, new interpretations of existing laws, or changes in payment methodologies may have a dramatic effect on the definition of permissible or impermissible activities, the relative costs associated with doing business and the amount of reimbursement by the government and other third party payors.

Environmental Matters

Under various federal, state and local environmental laws, ordinances and regulations, an owner of real property or a secured lender (such as us) may be liable for the costs of removal or remediation of hazardous or toxic substances at, under or disposed of in connection with such property, as well as other potential costs relating to hazardous or toxic substances (including government fines and damages for injuries to persons and adjacent property). Such laws often impose such liability without regard to whether the owner or secured lender knew of, or was responsible for, the presence or disposal of such substances and may be imposed on the owner or secured lender in connection with the activities of an operator of the property. The cost of any required remediation, removal, fines or personal or property damages and the owner’s or secured lender’s liability therefore could exceed the value of the property, and/or the assets of the owner or secured lender. In addition, the presence of such substances, or the failure to properly dispose of or remediate such substances, may adversely affect the owner’s ability to sell or rent such property or to borrow using such property as collateral which, in turn, would reduce our revenues.

Although the mortgage loans that we provide and leases covering our properties require the borrower and the lessee to indemnify us for certain environmental liabilities, the scope of such obligations may be limited and we cannot assure that any such borrower or lessee would be able to fulfill its indemnification obligations.

Insurance

It is our current policy, and we intend to continue this policy, that all borrowers of funds from us and lessees of any of our properties secure adequate comprehensive property and general and professional liability insurance that covers us as well as the borrower and/or lessee. Even though that is our policy, certain borrowers and lessees have been unable to obtain general and professional liability insurance in the specific amounts required by our leases or mortgages because the cost of such insurance and some insurers have stopped offering such insurance for long term care facilities. Additionally, in the past, insurance companies have filed for bankruptcy protection leaving certain of our borrowers and/or lessees without coverage for periods that were believed to be covered prior to such bankruptcies. The unavailability and associated exposure as well as increased cost of such insurance could have a material adverse effect on the lessees and borrowers, including their ability to make lease or mortgage payments. Although we contend that as a non-possessory landlord we are not generally responsible for what takes place on real estate we do not possess, claims including general and professional liability claims, may still be asserted against us which may result in costs and exposure for which insurance is not available. Certain risks may be uninsurable, not economically insurable or insurance may not be available and there can be no assurance that we, a borrower or lessee will have adequate funds to cover all contingencies. If an uninsured loss or a loss in excess of insured limits occurs with respect to one or more of our properties, we could be subject to an adverse claim including claims for general or professional liability, could lose the capital that we have invested in the properties, as well as the anticipated future revenue for the properties and, in the case of debt which is with recourse to us, we would remain obligated for any mortgage debt or other financial obligations related to the properties. Certain losses, such as losses due to floods or seismic activity if insurance is available, may be insured subject to certain limitations including large deductibles or co-payments and policy limits.

Employees

At December 31, 2014, we employed 19 people. Our employees are not members of any labor union, and we consider our relations with our employees to be excellent.

Taxation of our Company

We have elected to be taxed as a REIT under Sections 856 through 860 of the Internal Revenue Code (or the Code). We believe that we have been organized and have operated in such a manner as to qualify for taxation as a REIT under the Code commencing with our taxable year ending December 31, 1992. We intend to continue to operate in such a manner, but there is no assurance that we have operated or will continue to operate in a manner so as to qualify or remain qualified.

If we continue to qualify for taxation as a REIT, we generally will not be subject to federal corporate income taxes on our net income that is currently distributed to our stockholders. This treatment substantially eliminates the “double taxation” (once at the corporate level when earned and once at stockholder level when distributed) that generally results from investment in a non-REIT corporation.

However, we will be subject to federal income tax as follows:

First, we will be taxed at regular corporate rates on any undistributed taxable income, including undistributed net capital gains.

Second, under certain circumstances, we may be subject to the alternative minimum tax, if our dividend distributions are less than our alternative minimum taxable income.

Third, if we have (i) net income from the sale or other disposition of foreclosure property which is held primarily for sale to customers in the ordinary course of business or (ii) other non-qualifying income from foreclosure property, we may elect to be subject to tax at the highest corporate rate on such income, if necessary to maintain our REIT status.

Fourth, if we have net income from “prohibited transactions” (as defined below), such income will be subject to a 100% tax.

Fifth, if we fail to satisfy the 75% gross income test or the 95% gross income test (as discussed below), but nonetheless maintain our qualification as a REIT because certain other requirements have been met, we will be subject to a 100% tax on an amount equal to (a) the gross income attributable to the greater of the amount by which we fail the 75% or 95% test multiplied by (b) a fraction intended to reflect our profitability.

Sixth, if we fail to distribute during each calendar year at least the sum of (i) 85% of our ordinary income for such year, (ii) 95% of our REIT capital gain net income for such year, and (iii) any undistributed taxable income from prior periods, we will be subject to a 4% excise tax on the excess of such required distribution over the amounts actually distributed.

Seventh, if we acquire an asset which meets the definition of a built-in gain asset from a corporation which is or has been a C corporation (i.e., generally a corporation subject to full corporate-level tax) in certain transactions in which the basis of the built-in gain asset in our hands is determined by reference to the basis of the asset in the hands of the C corporation, and if we subsequently recognize gain on the disposition of such asset during the ten-year period, called the recognition period, beginning on the date on which we acquired the asset, then, to the extent of the built-in gain (i.e., the excess of (a) the fair market value of such asset over (b) our adjusted basis in such asset, both determined as of the beginning of the recognition period), such gain will be subject to tax at the highest regular corporate tax rate, pursuant to IRS regulations.

Eighth, if we have taxable REIT subsidiaries and they are required to be reported on a consolidated basis, we would be subject to corporate tax on the taxable income of the taxable REIT subsidiaries. In addition, we will also be subject to a tax of 100% on the amount of any rents from real property, deductions or excess interest paid to us by any of our taxable REIT subsidiaries that would be reduced through reapportionment under certain federal income tax principles in order to more clearly reflect income for the taxable REIT subsidiary.

Ninth, if we fail to satisfy any of the REIT asset tests, as described below, by more than a de minimus amount, due to reasonable cause and we nonetheless maintain our REIT qualification because of specified cure provisions, we will be required to pay a tax equal to the greater of $50,000 or the highest corporate tax rate multiplied by the net income generated by the non-qualifying assets that caused us to fail such test.

Tenth, if we fail to satisfy any provision of the Code that would result in our failure to qualify as a REIT (other than a violation of the REIT gross income tests or certain violations of the asset tests described below) and the violation is due to reasonable cause, we may retain our REIT qualification but we will be required to pay a penalty of $50,000 for each such failure.

Finally, if we own a residual interest in a real estate mortgage investment conduit (or REMIC), we will be taxed at the highest corporate rate on the portion of any excess inclusion income that we derive from the REMIC residual interests equal to the percentage of our shares that is held in record name by “disqualified organization.” A “disqualified organization” includes the United States, any state or political subdivision thereof, any foreign government or international organization, any agency or instrumentality of any of the foregoing, any rural electrical or telephone cooperative and any tax- exempt organization (other than a farmer’s cooperative described in Section 521 of the Code) that is exempt from income taxation and from the unrelated business taxable income provisions of the Code. However, to the extent that we own a REMIC residual interest through a taxable REIT subsidiary, we will not be subject to this tax.

Requirements for Qualification. The Code defines a REIT as a corporation, trust or association:

(1) which is managed by one or more trustees or directors;

(2) the beneficial ownership of which is evidenced by transferable shares, or by transferable certificates of beneficial interest;

(3) which would be taxable, but for Sections 856 through 860 of the Code, as a domestic corporation;

(4) which is neither a financial institution nor an insurance company subject to certain provisions of the Code;

(5) the beneficial ownership of which is held by 100 or more persons;

(6) during the last half of each taxable year not more than 50% in value of the outstanding stock of which is owned, actually or constructively, by five or fewer individuals (including specified entities);

(7)which meets certain other tests, described below, regarding the amount of its distributions and the nature of its income and assets;

(8)that elects to be a REIT, or has made such election for a previous year, and satisfies the applicable filing and administrative requirements to maintain qualifications as a REIT; and

(9) that adopts a calendar year accounting period.

The Code provides that conditions (1) to (4), inclusive, must be met during the entire taxable year and that condition (5) must be met during at least 335 days of a taxable year of 12 months, or during a proportionate part of a taxable year of less than 12 months. Conditions (5) and (6) do not apply until after the first taxable year for which an election is made to be taxed as a REIT. For purposes of condition (6), pension funds and certain other entities are treated as individuals, subject to a "look- through" exception.

Pursuant to the Code and applicable Treasury Regulations, in order to be able to elect to be taxed as a REIT, we must maintain certain records and request certain information from our stockholders designed to disclose the actual ownership of our stock. Based on publicly available information, we believe we have satisfied the share ownership requirements set forth in conditions (5) and (6). In addition, Sections 9.2 and 9.3 of our Charter provide for restrictions regarding the transfer and ownership of shares. These restrictions are intended to assist us in continuing to satisfy the share ownership requirements described in conditions (5) and (6). These restrictions, however, may not ensure that we will, in all cases, be able to satisfy the share ownership requirements described in conditions (5) and (6).

We have complied with, and will continue to comply with, regulatory rules to send annual letters to certain of our stockholders requesting information regarding the actual ownership of our stock. If despite sending the annual letters, we do not know, or after exercising reasonable diligence would not have known, whether we failed to satisfy the ownership requirement set forth in condition (6) above, we will be treated as having satisfied such condition. If we fail to comply with these regulatory rules, we will be subject to a monetary penalty. If our failure to comply was due to intentional disregard of the requirement, the penalty would be increased. However, if our failure to comply was due to reasonable cause and not willful neglect, no penalty would be imposed.

Income Tests. There presently are two gross income requirements that we must satisfy to qualify as a REIT:

- *First,* at least 75% of our gross income (excluding gross income from "prohibited transactions," as defined below) for each taxable year must be derived directly or indirectly from investments relating to real property or mortgages on real property, including rents from real property, or from certain types of temporary investment income.
- *Second,* at least 95% of our gross income for each taxable year must be directly or indirectly derived from income that qualifies under the 75% test, and from dividends (including dividends from taxable REIT subsidiaries), interest and gain from the sale or other disposition of stock or securities.

Cancellation of indebtedness income generated by us is not taken into account in applying the 75% and 95% income tests discussed above. A "prohibited transaction" is a sale or other disposition of property (other than foreclosure property) held for sale to customers in the ordinary course of business. Any gain realized from a prohibited transaction is subject to a 100% penalty tax.

Rents received by us will qualify as "rents from real property" for purposes of satisfying the gross income tests for a REIT only if several conditions are met:

- The amount of rent must not be based in whole or in part on the income or profits of any person, although rents generally will not be excluded merely because they are based on a fixed percentage or percentages of receipts or sales.
- Rents received from a tenant will not qualify as rents from real property if the REIT, or an owner of 10% or more of the REIT, also directly or constructively owns 10% or more of the tenant, unless the tenant is our

taxable REIT subsidiary and certain other requirements are met with respect to the real property being rented.

- If rent attributable to personal property leased in connection with a lease of real property is greater than 15% of the total rent received under the lease, then the portion of rent attributable to the personal property will not qualify as rents from real property.
- We generally must not furnish or render services to tenants, other than through a taxable REIT subsidiary or an “independent contractor” from whom we derive no income, except that we may directly provide services that are “usually or customarily rendered” in the geographic area in which the property is located in connection with the rental of real property for occupancy only, or are not otherwise “rendered to the occupant for his convenience.”

For taxable years beginning after August 5, 1997, a REIT has been permitted to render a de minimus amount of impermissible services to tenants and still treat amounts received with respect to that property as rents from real property. The amount received or accrued by the REIT during the taxable year for the impermissible services with respect to a property may not exceed 1% of all amounts received or accrued by the REIT directly or indirectly from the property. If the amount received or accrued by the REIT during the taxable year for impermissible services with respect to a property exceeds 1% of the total amounts received or accrued with respect to such property, then none of the rents received or accrued from such property shall be treated as rents from real property. The amount received for any service or management operation for this purpose shall be deemed to be not less than 150% of the direct cost of the REIT in furnishing or rendering the service or providing the management or operation. Furthermore, impermissible services may be furnished to tenants by a taxable REIT subsidiary subject to certain conditions, and we may still treat rents received with respect to the property as rent from real property.

The term “interest” generally does not include any amount if the determination of the amount depends in whole or in part on the income or profits of any person, although an amount generally will not be excluded from the term “interest” solely by reason of being based on a fixed percentage of receipts or sales.

If we fail to satisfy one or both of the 75% or 95% gross income tests for any taxable year, we may nevertheless qualify as a REIT for the year if we are eligible for relief. These relief provisions will be generally available if our failure to meet the tests was due to reasonable cause and not due to willful neglect and following the identification of the failure to satisfy one or both income tests, a description of each item of gross income is filed in accordance with IRS regulations.

It is not now possible to determine the circumstances under which we may be entitled to the benefit of these relief provisions. If these relief provisions apply, a 100% tax is imposed on an amount equal to (a) the gross income attributable to the greater of the amount by which we failed the 75% or 95% test, multiplied by (b) a fraction intended to reflect our profitability.

Asset Tests. At the close of each quarter of our taxable year, we must also satisfy several tests relating to the nature and diversification of our assets. At least 75% of the value of our total assets must be represented by real estate assets, cash, cash items (including receivables arising in the ordinary course of our operations), and government securities and qualified temporary investments. Although the remaining 25% of our assets generally may be invested without restriction, we are prohibited from owning securities representing more than 10% of either the vote or value of the outstanding securities of any issuer other than a qualified REIT subsidiary, another REIT or a taxable REIT subsidiary (the “10% vote and value test”). Further, no more than 25% of our total assets may be represented by securities of one or more taxable REIT subsidiaries (for tax years beginning prior to July 30, 2008, 20% of the total value of our assets) and no more than 5% of the value of our total assets may be represented by securities of any non-governmental issuer other than a qualified REIT subsidiary, another REIT or a taxable REIT subsidiary (or TRS). Each of the 10% vote and value test and the 25% and 5% asset tests must be satisfied at the end of any quarter. There are special rules which provide relief if the value related tests are not satisfied due to changes in the value of the assets of a REIT.

Investments in Taxable REIT Subsidiaries. For taxable years beginning after December 1, 2000, REITs may own more than 10% of the voting and value of securities in a TRS. A TRS is a corporation other than a REIT in which a REIT directly or indirectly holds stock, and that has made a joint election with the REIT to be treated as a TRS. A TRS also includes any corporation other than a REIT with respect to which a TRS owns securities possessing more that 35% of the total voting power or value of the outstanding securities of such corporation. Other than some activities relating to lodging and health care facilities, a TRS may generally engage in any business, including the provision of customary or non-customary services to tenants of its parent REIT. A TRS is subject to income tax as a regular C corporation. In addition, a TRS may be prevented from deducting interest on debt funded directly or indirectly by its parent REIT if certain tests regarding the TRS's debt to equity ratio and interest expense are not satisfied. A REIT's ownership of a TRS will not be subject to the 10% or 5% asset tests described above, and its operations will be subject to the provisions described above. At this time, we do not have any taxable REIT subsidiaries.

REMIC. A regular or residual interest in a REMIC will be treated as a real estate asset for purposes of the REIT asset tests, and income derived with respect to such interest will be treated as interest on an obligation secured by a mortgage on real property, assuming that at least 95% of the assets of the REMIC are real estate assets. If less than 95% of the assets of the REMIC are real estate assets, only a proportionate share of the assets of and income derived from the REMIC will be treated as qualifying under the REIT asset and income tests. All of our historical REMIC certificates were secured by real estate assets, therefore we believe that our historic REMIC interests fully qualified for purposes of the REIT income and asset tests.

Ownership of Interests in Partnerships, Limited Liability Companies and Qualified REIT Subsidiaries. We own interests in various partnerships and limited liabilities companies. In the case of a REIT which is a partner in a partnership, or a member in a limited liability company treated as a partnership for federal income tax purposes, Treasury Regulations provide that the REIT will be deemed to own its proportionate share of the assets of the partnership or limited liability company, based on its interest in partnership capital, subject to special rules relating to the 10% REIT asset test described above. Also, the REIT will be deemed to be entitled to its proportionate share of income of that entity. The assets and items of gross income of the partnership or limited liability company retain the same character in the hands of the REIT for purposes of Section 856 of the Code, including satisfying the gross income tests and the asset tests. Thus, our proportionate share of the assets and items of income of partnerships and limited liability companies taxed as partnerships, in which we are, directly or indirectly through other partnerships or limited liability companies taxed as partnerships, a partner or member, are treated as our assets and items of income for purposes of applying the REIT qualification requirements described in this Annual Report on Form 10-K (including the income and asset tests previously described).

We also own interests in a number of subsidiaries which are intended to be treated as qualified REIT subsidiaries. The Code provides that such subsidiaries will be ignored for federal income tax purposes and that all assets, liabilities and items of income, deduction and credit of such subsidiaries will be treated as assets, liabilities and such items of our company. If any partnership or qualified real estate investment trust subsidiary in which we own an interest were treated as a regular corporation (and not as a partnership or qualified real estate investment trust subsidiary) for federal income tax purposes, we would likely fail to satisfy the REIT asset test prohibiting a REIT from owning greater than 10% of the voting power of the stock or value of securities of any issuer, as described above, and would therefore fail to qualify as a REIT. We believe that each of the partnerships and subsidiaries in which we own an interest will be treated for tax purposes as a partnership or qualified REIT subsidiary, respectively, although no assurance can be given that the IRS will not successfully challenge the status of any such entity.

Annual Distribution Requirements. In order to qualify as a REIT, we are required to distribute dividends (other than capital gain dividends) to our stockholders annually in an amount at least equal to:

(1) the sum of:

(a) 90% of our "real estate investment trust taxable income" (computed without regard to the dividends paid deduction and our net capital gain); and

(b) 90% of the net income, if any (after tax), from foreclosure property; minus

(2) the excess of certain items of non-cash income over 5% of our real estate investment trust taxable income.

In addition, if we dispose of any asset we acquired from a corporation which is or has been a C corporation in a transaction in which our basis in the asset is determined by reference to the basis of the asset in the hands of that C corporation, within the ten-year period following our acquisition of such asset, we would be required to distribute at least

90% of the after-tax gain, if any, we recognized on the disposition of the asset, to the extent that gain does not exceed the excess of (a) the fair market value of the asset on the date we acquired the asset over (b) our adjusted basis in the asset on the date we acquired the asset.

We must pay these annual distributions (1) in the taxable year to which they relate or (2) in the following year if (i) we pay these distributions during January to stockholders of record in either October, November, or December of the prior year or (ii) we elect to declare the dividend before the due date of the tax return (including extensions) and pay on or before the first regular dividend payment date after such declaration.

Amounts distributed must not be preferential; that is, every stockholder of the class of stock with respect to which a distribution is made must be treated the same as every other stockholder of that class, and no class of stock may be treated otherwise than in accordance with its dividend rights as a class.

To the extent that we do not distribute all of our net long term capital gain or distribute at least 90% but less than 100%, of our "real estate investment trust taxable income," as adjusted, we will be subject to tax on such amounts at regular corporate tax rates. Furthermore, if we should fail to distribute during each calendar year (or, in the case of distributions with declaration and record dates in the last three months of the calendar year, by the end of the following January) at least the sum of:

(1) 85% of our real estate investment trust ordinary income for such year,

(2) 95% of our real estate investment trust capital gain net income for such year, and

(3) 100% of taxable income from prior periods less 100% of distributions from prior periods

We would be subject to a 4% excise tax on the excess of such required distributions over the amounts actually distributed. Any real estate investment trust taxable income and net capital gain on which this excise tax is imposed for any year is treated as an amount distributed during that year for purposes of calculating such tax.

We intend to make timely distributions sufficient to satisfy these annual distribution requirements and to avoid the imposition of the 4% excise tax.

Failure to Qualify. If we fail to qualify for taxation as a REIT in any taxable year, and certain relief provisions do not apply, we will be subject to tax (including any applicable alternative minimum tax) on our taxable income at regular corporate rates. Distributions to stockholders in any year in which we fail to qualify as a REIT will not be deductible by us, nor will any distributions be required to be made. Unless entitled to relief under specific statutory provisions, we will also be disqualified from re-electing our REIT status for the four taxable years following the year during which qualification was lost. It is not possible to state whether we would be entitled to the statutory relief in all circumstances. Failure to qualify as a REIT for even one year could substantially reduce distributions to stockholders and could result in our incurring substantial indebtedness (to the extent borrowings are feasible) or liquidating substantial investments in order to pay the resulting taxes.

State and local taxation. We may be subject to state or local taxation in various state or local jurisdictions, including those in which we transact business or reside. The state and local tax treatment of our Company may not conform to the federal income tax consequences discussed above.

Investor Information

We make available to the public free of charge through our internet website our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, as soon as reasonably practicable after we electronically file such reports with, or furnish such reports to, the Securities and Exchange Commission (or SEC). Our internet website address is *www.LTCreit.com.* We are not including the information contained on our website as part of, or incorporating it by reference into, this Annual Report on Form 10-K.

Posted on our website *www.LTCreit.com* under the "Corporate Governance" section under the "Investors" heading are our Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee Charters, our Corporate Governance Policies, and Code of Business Conduct and Ethics governing our directors, officers and employees. Within the time period required by the SEC and the New York Stock Exchange (or NYSE), we will post on our website any amendment to the Code of Business Conduct and Ethics and any waiver applicable to our Principal Executive Officer, Principal Financial Officer, Principal Accounting Officer or Directors. In addition, our website under the heading "SEC Filings" includes information concerning purchases and sales of our equity securities by our executive officers and directors.

You may read and copy materials that we file with the SEC at the SEC's Public Reference Room at 100 F Street, N.E., Washington D.C. 20549. Information on the operation of the Public Reference Room is available by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site that contains reports, proxy statements and other information we file. The address of the SEC website is *www.sec.gov.*

You also may contact our Investor Relations Department at:

LTC Properties, Inc.
2829 Townsgate Road, Suite 350
Westlake Village, California 91361
Attn: Investor Relations
(805) 981-8655

Item 1A. RISK FACTORS

This section discusses risk factors that may affect our business, operations, and financial condition. If any of these risks, as well as other risks and uncertainties that we have not yet identified or that we currently think are not material, actually occur, we could be materially adversely affected and the value of our securities could decline. In addition, these risk factors contain "forward-looking statements" as discussed above under the heading "Cautionary Statement." The following information should be read in conjunction with Management's Discussion and Analysis, and the consolidated financial statements and related notes in this Annual Report on Form 10- K.

A Failure to Maintain or Increase our Dividend Could Reduce the Market Price of Our Stock. The ability to maintain or raise our common dividend is dependent, to a large part, on growth of funds available for distribution. This growth in turn depends upon increased revenues from additional investments and loans, rental increases and mortgage rate increases.

At Times, We May Have Limited Access to Capital Which Will Slow Our Growth. A REIT is required to make dividend distributions and retains little cash flow for growth. As a result, growth for a REIT is generally through the steady investment of new capital in real estate assets. There may be times when we will have limited access to capital from the equity and/or debt markets. During such periods, virtually all of our available capital would be required to meet existing commitments and to reduce existing debt. We may not be able, during such periods, to obtain additional equity and/or debt capital or dispose of assets on favorable terms, if at all, at the time we require additional capital to acquire health care properties on a competitive basis or meet our obligations. At December 31, 2014, we had $25.2 million of cash on hand and $400.0 million available under our unsecured revolving line of credit. Subsequent to December 31, 2014, we borrowed $18.0 million under our unsecured revolving line of credit. Accordingly, we have $18.0 million outstanding with $382.0 million available for borrowing. Also, we have $775.1 million available under our effective shelf registration to access the capital markets through the issuance of debt and/or equity securities. As a result, we believe our liquidity and various sources of available capital are sufficient to fund operations and development commitments, meet debt service obligations (both principal and interest), make dividend distributions and finance some future investments should we determine such future investments are financially feasible.

Income and Returns from Health Care Facilities Can be Volatile. The possibility that the health care properties in which we invest will not generate income sufficient to meet operating expenses, will generate income and capital appreciation, if any, at rates lower than those anticipated or will yield returns lower than those available through investments in comparable real estate or other investments are additional risks of investing in health care related real estate. Income from properties and yields from investments in such properties may be affected by many factors, including changes in governmental regulation (such as zoning laws and government payment), general or local economic conditions (such as fluctuations in interest rates and employment conditions), the available local supply of and demand for improved real estate, a reduction in rental income as the result of an inability to maintain occupancy levels, natural disasters (such as hurricanes, earthquakes and floods) or similar factors.

We Depend on Lease Income and Mortgage Payments from Real Property. Approximately 99.5% of our revenue for the year ended December 31, 2014, was derived from lease income and mortgage payments from real property. Our revenue would be adversely affected if a significant number of our borrowers or lessees were unable to meet their obligations to us or if we were unable to lease our properties or make mortgage loans on economically favorable terms. There can be no assurance that any lessee will exercise its option to renew its lease upon the expiration of the initial term. There can be no assurance that if such failure to renew were to occur, or if we did not re-lease a property to a current lessee, we could lease the property to others on favorable terms, at the same rent as the current rent, or on a timely basis.

We Rely on our Operators. Substantially all of our revenues and sources of cash flows from operations are derived from operating lease rentals and interest earned on outstanding loans receivable. Our investments in mortgage loans and owned properties represent our primary source of liquidity to fund distributions and are dependent upon the performance of the operators on their lease and loan obligations and the rates earned thereon. Our financial position and ability to make distributions may be adversely affected by financial difficulties experienced by any of our lessees or borrowers, including bankruptcies, inability to emerge from bankruptcy, insolvency or general downturn in business of any such operator, or in the event any such operator does not renew and/or extend its relationship with us or our borrowers when it expires.

Our Borrowers and Lessees Face Competition in the Health Care Industry. The long term care industry is highly competitive and we expect that it may become more competitive in the future. Our borrowers and lessees are competing with numerous other companies providing similar long term care services or alternatives such as home health agencies, hospices, life care at home, community-based service programs, retirement communities and convalescent centers. There can be no assurance that our borrowers and lessees will not encounter increased competition in the future which could limit their ability to attract residents or expand their businesses and therefore affect their ability to make their debt or lease payments to us.

The Health Care Industry is Heavily Regulated by the Government. Our borrowers and lessees who operate health care facilities are subject to extensive regulation by federal, state and local governments. These laws and regulations are subject to frequent and substantial changes resulting from legislation, adoption of rules and regulations, and administrative and judicial interpretations of existing law. These changes may have a dramatic effect on the definition of permissible or impermissible activities, the relative costs associated with doing business and the amount of reimbursement by both government and other third-party payors. These changes may be applied retroactively. The ultimate timing or effect of these changes cannot be predicted. The failure of any borrower of funds from us or lessee of any of our properties to comply with such laws, requirements and regulations could affect its ability to operate its facility or facilities and could adversely affect such borrower's or lessee's ability to make debt or lease payments to us.

In March 2010, the President signed into law the Patient Protection and Affordable Care Act, which subsequently was amended by the Health Care and Education and Reconciliation Act of 2010 (collectively referred to as the "Affordable Care Act"). The Affordable Care Act is designed to expand access to affordable health insurance, contain health care costs, and institute a variety of health policy reforms. The provisions of the sweeping law may affect us directly, as well as impact our lessees and borrowers. While certain provisions, such as expanding the insured population, may positively impact the revenues of our lessees and borrowers, other provisions, particularly those intended to reduce federal health care spending, could have a negative impact on our lessees and borrowers. Among other things, the Affordable Care Act: reduces Medicare skilled nursing facility reimbursement by a so-called "productivity adjustment" based on economy-wide productivity gains beginning in fiscal year 2012; requires the development of a value-based purchasing program for Medicare skilled nursing facility services; establishes a national voluntary pilot program to bundle Medicare payments for hospital and post-acute services that could lead to changes in the delivery of post-acute services; and provides incentives to state Medicaid programs to promote community-based care as an alternative to institutional long term care services. The Affordable Care Act also includes provisions intended to expand public disclosure about nursing home ownership and operations, institute mandatory compliance and quality assurance programs, increase penalties for noncompliance, and expand fraud and abuse enforcement and penalty provisions that could impact our operators. In addition, the Affordable

Care Act impacts both us and our lessees and borrowers as employers, including new requirements related to the health insurance we offer to our respective employees. Many aspects of the Affordable Care Act are being implemented through new regulations and subregulatory guidance. We cannot predict at this time what effect, if any, the various provisions of the Affordable Care Act will have on our lessees and borrowers or our business. There can be no assurances, however, that the Affordable Care Act will not adversely impact the operations, cash flows or financial condition of our lessees and borrowers, which subsequently could materially adversely impact our revenue and operations.

Additional reforms affecting the payment for and availability of health care services have been proposed at the state level and adopted by certain states. Congress and state legislatures can be expected to continue to review and assess alternative health care delivery systems and payment methodologies along with other cost-control measures. For instance, under the terms of the Budget Control Act of 2011, as modified by the American Taxpayer Relief Act, President Obama issued a sequestration order on March 1, 2013 that mandates a 2% cut to Medicare payments to providers and health plans. The cuts generally apply to Medicare fee-for-service claims with dates-of-service or dates-of-discharge on or after April 1, 2013. As amended by subsequent legislation, the Medicare sequestration cuts are currently scheduled to be applied through fiscal year 2024, although Congress and the Administration could enact alternative budget legislation at any time that would end or modify sequestration. These and other changes in the law, new interpretations of existing laws, or changes in payment methodologies may have a dramatic effect on the definition of permissible or impermissible activities, the relative costs associated with doing business and the amount of reimbursement by the government and other third party payors.

Federal and State Health Care Cost Containment Measures Including Reductions in Reimbursement From Third Party Payors Such as Medicare and Medicaid Could Adversely Affect Us and The Ability of Our Tenants to Make Payments to Us. The ability of our borrowers and lessees to generate revenue and profit determines the underlying value of that property to us. Revenues of our borrowers and skilled nursing property lessees are generally derived from payments for patient care. Sources of such payments include the federal Medicare program, state Medicaid programs, private insurance carriers, health care service plans, health maintenance organizations, preferred provider arrangements, self-insured employers, as well as the patients themselves.

The health care industry continues to face increased government and private payor pressure on health care providers to control costs. Certain of these initiatives have had the result of limiting Medicare and Medicaid reimbursement for nursing facility services. In particular, the establishment of a Medicare prospective payment system for skilled nursing facility services to replace the cost-based reimbursement system significantly reduced Medicare reimbursement to skilled nursing facility providers. While Congress subsequently took steps to mitigate the impact of the prospective payment system on skilled nursing facilities, other federal legislative and regulatory policies have been adopted and may continue to be proposed that would reduce Medicare and/or Medicaid payments to nursing facilities. Moreover, state budget pressures continue to result in adoption of Medicaid provider payment reductions in some states. No assurances can be given that any additional Medicare or Medicaid legislation or regulatory policies adopted by the federal government or the states would not reduce Medicare or Medicaid reimbursement to nursing facilities or result in additional costs for operators of nursing facilities.

Congress also has given states greater flexibility to expand access to home and community based services as an alternative to nursing facility services. These provisions could further increase state funding for home and community based services, while prompting states to cut funding for nursing facilities and homes for persons with disabilities. In light of continuing state Medicaid program reforms, budget cuts, and regulatory initiatives, no assurance can be given that the implementation of such regulations and reforms will not have a material adverse effect on the financial condition or results of operations of our lessees and/or borrowers which, in turn, could affect their ability to meet their contractual obligations to us.

We Could Incur More Debt. We operate with a policy of incurring debt when, in the opinion of our Board of Directors, it is advisable. We may incur additional debt by borrowing under our unsecured revolving line of credit or the uncommitted private shelf agreement, mortgaging properties we own and/or issuing debt securities in a public offering or in a private transaction. Accordingly, we could become more highly leveraged. The degree of leverage could have important consequences to stockholders, including affecting our ability to obtain, in the future, additional financing for working capital, capital expenditures, acquisitions, development or other general corporate purposes and making us more vulnerable to a downturn in business or the economy generally.

We Could Fail to Collect Amounts Due Under Our Straight-line Rent Receivable Asset. Straight-line accounting requires us to calculate the total rent we will receive as a fixed amount over the life of the lease and recognize that revenue evenly over that life. In a situation where a lease calls for fixed rental increases during the life of the lease, rental income recorded in the early years of a lease is higher than the actual cash rent received which creates an asset on the consolidated balance sheet called straight-line rent receivable. At some point during the lease, depending on the rent levels and terms, this reverses and the cash rent payments received during the later years of the lease are higher than the rental income recognized which reduces the straight-line rent receivable balance to zero by the end of the lease. We periodically assess the collectability of the straight-line rent receivable. If during our assessment we determined that we were unlikely to collect a portion or the entire straight-line rent receivable asset, we may provide a reserve against the previously recognized straight-line rent receivable asset for a portion or up to its full value that we estimate may not be recoverable.

Our Assets May be Subject to Impairment Charges. We periodically but not less than quarterly evaluate our real estate investments and other assets for impairment indicators. The judgment regarding the existence of impairment indicators is based on factors such as market conditions, operator performance and legal structure. If we determine that a significant impairment has occurred, we would be required to make an adjustment to the net carrying value of the asset which could have a material adverse affect on our results of operations and a non-cash impact on funds from operations in the period in which the write-off occurs.

A Failure to Reinvest Cash Available to Us Could Adversely Affect Our Future Revenues and Our Ability to Increase Dividends to Stockholders; There is Considerable Competition in Our Market for Attractive Investments. From time to time, we will have cash available from (1) proceeds of sales of shares of securities, (2) proceeds from new debt issuances, (3) principal payments on our mortgages and other investments, (4) sale of properties, and (5) funds from operations. We may reinvest this cash in health care investments and in accordance with our investment policies, repay outstanding debt or invest in qualified short term or long term investments. We compete for real estate investments with a broad variety of potential investors. The competition for attractive investments negatively affects our ability to make timely investments on acceptable terms. Delays in acquiring properties or making loans will negatively impact revenues and perhaps our ability to increase distributions to our stockholders.

Our Failure to Qualify as a REIT Would Have Serious Adverse Consequences to Our Stockholders. We intend to operate so as to qualify as a REIT under the Code. We believe that we have been organized and have operated in a manner which would allow us to qualify as a REIT under the Code beginning with our taxable year ended December 31, 1992. However, it is possible that we have been organized or have operated in a manner which would not allow us to qualify as a REIT, or that our future operations could cause us to fail to qualify. Qualification as a REIT requires us to satisfy numerous requirements (some on an annual and quarterly basis) established under highly technical and complex Code provisions for which there are only limited judicial and administrative interpretations, and involves the determination of various factual matters and circumstances not entirely within our control. For example, in order to qualify as a REIT, at least 95% of our gross income in any year must be derived from qualifying sources, and we must pay dividends to stockholders aggregating annually at least 90% (95% for taxable years ending prior to January 1, 2001) of our REIT taxable income (determined without regard to the dividends paid deduction and by excluding capital gains). Legislation, new regulations, administrative interpretations or court decisions could significantly change the tax laws with respect to qualification as a REIT or the federal income tax consequences of such qualification.

If we fail to qualify as a REIT in any taxable year, we will be subject to federal income tax (including any applicable alternative minimum tax) on our taxable income at regular corporate rates. Unless we are entitled to relief under statutory provisions, we would be disqualified from treatment as a REIT for the four taxable years following the year during which we lost qualification. If we lose our REIT status, our net earnings available for investment or distribution to stockholders would be significantly reduced for each of the years involved. In addition, we would no longer be required to make distributions to stockholders.

Provisions in Our Articles of Incorporation May Limit Ownership of Shares of Our Capital Stock. In order for us to qualify as a REIT, no more than 50% in value of the outstanding shares of our stock may be beneficially owned, directly or indirectly, by five or fewer individuals at any time during the last half of each taxable year. To ensure qualification under this test, our Articles of Incorporation provide that, subject to exceptions, no person may beneficially own more than 9.8% of outstanding shares of any class or series of our stock, including our common stock. Our Board of Directors may exempt a person from the 9.8% ownership limit upon such conditions as the Board of Directors may direct. However, our Board of Directors may not grant an exemption from the 9.8% ownership limit if it would result in the termination of our status as a REIT. Shares of capital stock in excess of the 9.8% ownership limitation that lack an applicable exemption may lose rights to dividends and voting, and may be subject to redemption. As a result of the limitations on ownership set forth in our Articles of Incorporation, acquisition of any shares of capital stock that would result in our disqualification as a REIT may be limited or void. The 9.8% ownership limitation also may have the effect of delaying, deferring, or preventing a change in control of us, including an extraordinary transaction (such as a merger, tender offer or sale of all or substantially all of our assets) that might provide a premium price for holders of our capital stock.

Our Real Estate Investments are Relatively Illiquid. Real estate investments are relatively illiquid and, therefore, tend to limit our ability to vary our portfolio promptly in response to changes in economic or other conditions. All of our properties are “special purpose” properties that cannot be readily converted to general residential, retail or office use. Health care facilities that participate in Medicare or Medicaid must meet extensive program requirements, including physical plant and operational requirements, which are revised from time to time. Such requirements may include a duty to admit Medicare and Medicaid patients, limiting the ability of the facility to increase its private pay census beyond certain limits. Medicare and Medicaid facilities are regularly inspected to determine compliance, and may be excluded from the programs—in some cases without a prior hearing—for failure to meet program requirements. Transfers of operations of nursing homes and other health care-related facilities are subject to regulatory approvals not required for transfers of other types of commercial operations and other types of real estate. Thus, if the operation of any of our properties becomes unprofitable due to competition, age of improvements or other factors such that our lessee or borrower becomes unable to meet its obligations on the lease or mortgage loan, the liquidation value of the property may be substantially less than the net book value or the amount owing on any related mortgage loan, than would be the case if the property were readily adaptable to other uses. The receipt of liquidation proceeds or the replacement of an operator that has defaulted on its lease or loan could be delayed by the approval process of any federal, state or local agency necessary for the transfer of the property or the replacement of the operator with a new operator licensed to manage the facility. In addition, certain significant expenditures associated with real estate investment, such as real estate taxes and maintenance costs, are generally not reduced when circumstances cause a reduction in income from the investment. Should such events occur, our income and cash flows from operations would be adversely affected.

Our Remedies May Be Limited When Mortgage Loans Default. To the extent we invest in mortgage loans, such mortgage loans may or may not be recourse obligations of the borrower and generally will not be insured or guaranteed by governmental agencies or otherwise. In the event of a default under such obligations, we may have to foreclose on the property underlying the mortgage or protect our interest by acquiring title to a property and thereafter make substantial improvements or repairs in order to maximize the property’s investment potential. Borrowers may contest enforcement of foreclosure or other remedies, seek bankruptcy protection against such enforcement and/or bring claims for lender liability in response to actions to enforce mortgage obligations. If a borrower seeks bankruptcy protection, the Bankruptcy Court may impose an automatic stay that would preclude us from enforcing foreclosure or other remedies against the borrower. Declines in the value of the property may prevent us from realizing an amount equal to our mortgage loan upon foreclosure.

We are Subject to Risks and Liabilities in Connection with Properties Owned Through Limited Liability Companies and Partnerships. In prior years, we had ownership interests in limited liability companies and partnerships. We may make additional investments through these ventures in the future. Partnership or limited liability company investments may involve risks such as the following:

- our partners or co-members might become bankrupt (in which event we and any other remaining general partners or members would generally remain liable for the liabilities of the partnership or limited liability company);
- our partners or co-members might at any time have economic or other business interests or goals which are inconsistent with our business interests or goals;
- our partners or co-members may be in a position to take action contrary to our instructions, requests, policies or objectives, including our policy with respect to maintaining our qualification as a REIT; and

- agreements governing limited liability companies and partnerships often contain restrictions on the transfer of a member's or partner's interest or "buy-sell" or other provisions which may result in a purchase or sale of the interest at a disadvantageous time or on disadvantageous terms.

We will, however, generally seek to maintain sufficient control of our partnerships and limited liability companies to permit us to achieve our business objectives. Our organizational documents do not limit the amount of available funds that we may invest in partnerships or limited liability companies. The occurrence of one or more of the events described above could have a direct and adverse impact on us.

Risks Associated with Property Development that Can Render a Project Less Profitable or Not Profitable, and, Under Certain Circumstances, Prevent Completion of Development Activities Undertaken. Our business includes development of senior housing and long term care properties. We currently have six parcels of land under development. Ground up development presents additional risk, including but not limited to the following:

- a development opportunity may be abandoned after expending significant resources resulting in the loss of deposits or failure to recover expenses already incurred;
- the development and construction costs of a project may exceed original estimates due to increased interest rates and higher materials, transportation, labor, leasing or other costs, which could make completion of the development project less profitable;
- construction and/or permanent financing may not be available on favorable terms or at all;
- the project may not be completed on schedule, which can result in increases in construction costs and debt service expenses as a result of a variety of factors that are beyond our control, including natural disasters, labor conditions, material shortages, regulatory hurdles, civil unrest and acts of war; and
- occupancy rates and rents at a newly completed property may not meet expected levels and could be insufficient to make the property profitable.

These risks could result in substantial unanticipated delays or expenses and, under certain circumstances, could prevent completion of development activities once undertaken, any of which could have a material adverse effect on our business, results of operations and financial condition.

Item 1B. UNRESOLVED STAFF COMMENTS

None.

Item 2. PROPERTIES

Here and throughout this Form 10-K wherever we provide details of our properties' bed/unit count, the number of beds/units applies to skilled nursing, assisted living, independent living and memory care properties only. This number is based upon unit/bed counts shown on operating licenses provided to us by lessees/borrowers or units/beds as stipulated by lease/mortgage documents. We have found during the years that these numbers often differ, usually not materially, from units/beds in operation at any point in time. The differences are caused by such things as operators converting a patient/resident room for alternative uses, such as offices or storage, or converting a multi-patient room/unit into a single patient room/unit. We monitor our properties on a routine basis through site visits and reviews of current licenses. In an instance where such change would cause a de-licensing of beds or in our opinion impact the value of the property, we would take action against the lessee/borrower to preserve the value of the property/collateral.

Owned Properties. The following table sets forth certain information regarding our owned properties as of December 31, 2014 (*dollars amounts in thousands*):

Location	No. of SNFs	No. of ALFs	No. of ROCs	No. of UDPs	No. of Others	No. of Beds/Units	Encumbrances	Remaining Lease Term[1]	Gross Investment
Alabama	2	—	1	—	—	459	$ —	82	$ 18,622
Arizona	5	—	—	—	—	907	—	56	36,091
California	2	2	—	—	—	508	—	71	48,719
Colorado	2	12	1	— (2)	—	920	—	98	109,859
Florida	5	8	—	—	—	961	—	77	71,011
Georgia	2	—	—	—	—	257	—	112	4,860
Illinois	—	—	—	— (3)	—	—	—	—	2,076
Indiana	—	3	—	—	—	140	—	40	9,856
Iowa	6	1	1	—	—	579	—	71	17,422
Kansas	3	5	—	—	—	461	—	92	31,256
Kentucky	1	—	—	—	—	143	—	151	21,716
Michigan	—	—	—	—	— (4)	—	—	—	1,613
Mississippi	—	1	—	—	—	62	—	20	9,430
Nebraska	—	4	—	—	—	157	—	—	9,332
New Jersey	—	4	—	—	1	205	—	133	70,667
New Mexico	7	—	—	—	—	843	—	66	50,622
N. Carolina	—	5	—	—	—	210	—	72	13,096
Ohio	2	11	—	—	—	772	—	96	98,647
Oklahoma	—	6	—	—	—	219	—	72	12,315
Oregon	1	1	—	—	—	135	—	12	6,828
Pennsylvania	—	3	—	—	—	199	—	63	18,040
S. Carolina	—	3	2	—	—	339	—	73	19,800
Tennessee	2	—	—	—	—	141	—	108	5,236
Texas	24	15	1	—	—	4,251	—	105	225,647
Virginia	3	—	1	—	—	500	—	101	29,052
Washington	1	—	—	—	—	123	—	19	8,025
TOTAL	68	84	7	—	1	13,491	$ —	90	$ 949,838

(1) Weighted average remaining months in lease term as of December 31, 2014.

(2) Includes a MC developments with 60 units.

(3) Includes a MC development with 66 units.

(4) Includes five parcels of land held-for-use.

The following table sets forth certain information regarding our lease expirations for our owned properties as of December 31, 2014 (*dollars amounts in thousands*):

Year	No. of SNFs	No. of ALFs	No. of ROCs	No. of Others	No. of Beds/Units	No. of Operators	Annualized Rental Income(1)	% of Annualized Rental Income Expiring
2015	—	—	—	—	—	—	—	— %
2016	4	4	—	—	675	4	3,097	3.0 %
2017	1	—	—	1	60	2	1,653	1.6 %
2018	4	9	1	—	1,296	5	10,665	10.4 %
2019	3	—	—	—	613	1	1,596	1.5 %
2020	1	35	—	—	1,639	2	13,631	13.2 %
2021	30	4	4	—	4,232	4	18,365	17.8 %
2022	1	—	—	—	121	1	626	0.6 %
2023	8	1	1	—	1,163	3	9,345	9.1 %
2024	2	12	1	—	1,034	5	7,996	7.8 %
Thereafter	14	18	—	—	2,622	5	36,028	35.0 %
TOTAL	68	83 (2)	7	1	13,455	30 (3)	$ 103,002	100.0 %

(1)Annualized rental income is the total rent, excluding amortization of lease inducement, over the life of the lease recognized evenly over that lease term as of December 31, 2014 and was adjusted for the re-leasing of 20 assisted living properties formerly co-leased by affiliates of Extendicare, Inc. and Enlivant which is effective January 1, 2015. See *Item 8. FINANCIAL STATEMENTS—NOTE 3. Major Operators* for further discussion of the transactions relating to the properties formerly co-leased to affiliates of Extendicare, Inc. and Enlivant.

(2)Excludes a closed assisted living property. See *Item 8. FINANCIAL STATEMENTS—NOTE 3. Major Operators* for further discussion of the transactions relating to this property formerly co-leased to affiliates of Extendicare, Inc. and Enlivant.

(3)We have a total of 30 operators. Two of our operators are parties to multiple leases with dissimilar expirations; therefore, the sum of the number of operators by maturity does not equal our total number of operators.

Mortgage Loans. The following table sets forth certain information regarding our mortgage loans as of December 31, 2014 (*dollars amounts in thousands*):

Location	No. of SNFs	No. of ALFs	No. of ROCs	No. of Beds/ Units	Interest Rate	Average Months to Maturity	Original Face Amount of Mortgage Loans	Gross Investment	Current Annual Debt Service(1)
Arizona	—	1	—	100	7.00%	55	$ 3,027	$ 3,016	$ 242
California	—	—	1	173	11.63%	3	4,700	2,311	583
Michigan	15	—	—	2,058	9.53%	346	124,387	127,725	12,079
Missouri	2	—	—	190	10.88%-11.35%	37	3,000	3,051	657
Pennsylvania	—	1	—	70	7.11%	24	5,100	5,100	367
Texas	9	6	—	1,208	10.40%-13.70%	36	22,715	13,892	2,869
Utah	1	—	—	84	10.75%	59	1,400	1,237	171
Washington	1	—	—	104	13.75%	22	1,700	397	237
Wisconsin	1	—	—	106	10.08%	95	10,600	10,600	1,083
TOTAL	29	8	1	4,093		276	$ 176,629	$ 167,329	$ 18,288

(1) Includes principal and interest payments.

Item 3. LEGAL PROCEEDINGS

We are and may become from time to time a party to various claims and lawsuits arising in the ordinary course of our business, which in our opinion are not singularly or in the aggregate anticipated to be material to our results of operations or financial condition. Claims and lawsuits may include matters involving general or professional liability asserted against the lessees or borrowers of our properties, which we believe under applicable legal principles are not our responsibility as a non-possessory landlord or mortgage holder. We believe that these matters are the responsibility of our lessees and borrowers pursuant to general legal principles and pursuant to insurance and indemnification provisions in the applicable leases or mortgages. We intend to continue to vigorously defend such claims and lawsuits.

Item 4. MINE SAFETY DISCLOSURES

Not applicable

PART II

Item 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

Our common stock is listed on the NYSE under the symbol "LTC". Set forth below are the high and low reported sale prices for our common stock as reported on the NYSE for each of the periods indicated.

	2014		2013	
	High	Low	High	Low
First quarter	$ 39.31	$ 34.77	$ 40.80	$ 35.58
Second quarter	$ 41.07	$ 36.46	$ 48.69	$ 36.12
Third quarter	$ 41.25	$ 36.77	$ 41.84	$ 34.30
Fourth quarter	$ 44.49	$ 36.75	$ 40.68	$ 34.88

Holders of Record

As of December 31, 2014 we had approximately 262 stockholders of record of our common stock.

Dividend Information

We declared and paid total cash distributions on common stock as set forth below:

	Declared		Paid	
	2014	2013	2014	2013
First quarter	$ 0.510	$ 0.465	$ 0.510	$ 0.465
Second quarter	$ 0.510	$ 0.465	$ 0.510	$ 0.465
Third quarter	$ 0.510	$ 0.465	$ 0.510	$ 0.465
Fourth quarter	$ 0.510	$ 0.510	$ 0.510	$ 0.510
	$ 2.040	$ 1.905	$ 2.040	$ 1.905

We intend to distribute to our stockholders an amount at least sufficient to satisfy the distribution requirements of a REIT. Cash flows from operating activities available for distribution to stockholders will be derived primarily from interest and rental payments from our real estate investments. All distributions will be made subject to approval of our Board of Directors and will depend on our earnings, our financial condition and such other factors as our Board of Directors deem relevant. In order to qualify for the beneficial tax treatment accorded to REITs by Sections 856 through 860 of the Internal Revenue Code, we are required to make distributions to holders of our shares equal to at least 90% of our REIT taxable income. (See "Annual Distribution Requirements".)

Issuer Purchases of Equity Securities

The number of shares of our Common Stock purchased and the average prices paid per share for each month in the quarter ended December 31, 2014 are as follows:

Period	Total Number of Shares Purchased[(1)]	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plan[(2)]	Maximum Number of Shares that May Yet Be Purchased Under the Plan
October 1 - October 31, 2014	—	$ —	—	—
November 1 - November 30, 2014	—	$ —	—	—
December 1 - December 31, 2014	5,124	$ 41.28	—	—
Total	5,124		—	

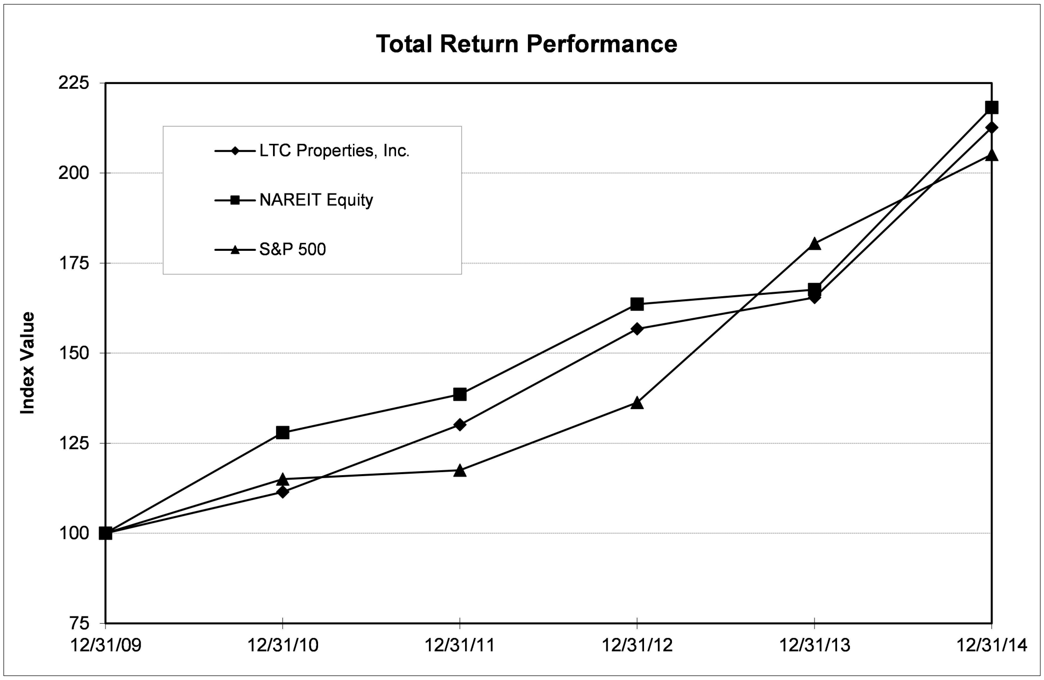
(1)During the three months ended December 31, 2014, we acquired shares of common stock held by employees who tendered owned shares to satisfy tax withholding obligations.

(2) No shares were purchased as part of publicly announced plans or programs.

Stock Performance Graph

The National Association of Real Estate Investment Trusts (or NAREIT), an organization representing U.S. REITs and publicly traded real estate companies, classifies a company with 75% or more of assets directly or indirectly in the equity ownership of real estate as an equity REIT. In 2013, our equity ownership of real estate assets was more than 75%.

This graph compares the cumulative total stockholder return on our common stock from December 31, 2009 to December 31, 2014 with the cumulative stockholder total return of (1) the Standard & Poor's 500 Stock Index and (2) the NAREIT Equity REIT Index. The comparison assumes $100 was invested on December 31, 2009 in our common stock and in each of the foregoing indices and assumes the reinvestment of dividends.



	Period Ending					
Index	**12/31/09**	**12/31/10**	**12/31/11**	**12/31/12**	**12/31/13**	**12/31/14**
LTC Properties, Inc.	100.00	111.45	130.15	156.72	165.44	212.64
NAREIT Equity	100.00	127.96	138.57	163.60	167.63	218.16
S&P 500	100.00	115.06	117.49	136.30	180.44	205.14

The stock performance depicted in the above graph is not necessarily indicative of future performance.

The stock performance graph shall not be deemed incorporated by reference into any filing by us under the Securities Act of 1933 or the Securities Exchange Act of 1934 except to the extent that we specifically incorporate such information by reference, and shall not otherwise be deemed filed under such Acts.

Item 6. SELECTED FINANCIAL DATA

The following table of selected financial information should be read in conjunction with our financial statements and related notes thereto included elsewhere in this Annual Report on Form 10-K.

	2014	2013	2012	2011	2010
	(In thousands, except per share amounts)				
Operating information:					
Total revenues	$ 118,961	$ 104,974	$ 92,482	$ 83,618	$ 72,740
Income from continuing operations	73,399	55,405	50,306	48,620	44,851
Income allocated to non-controlling interests(1)	—	—	37	191	191
Income allocated to participating securities	481	383	377	342	230
Income allocated to preferred stockholders(2)	3,273	3,273	3,273	9,078	16,045
Net income available to common stockholders	69,645	54,159	47,640	39,832	29,587
Per share information:					
Net income per common share from continuing operations available to common stockholders:					
Basic	$ 2.01	$ 1.56	$ 1.54	$ 1.34	$ 1.16
Diluted	$ 1.99	$ 1.56	$ 1.54	$ 1.33	$ 1.16
Net income per common share available to common stockholders:					
Basic	$ 2.01	$ 1.64	$ 1.58	$ 1.36	$ 1.21
Diluted	$ 1.99	$ 1.63	$ 1.57	$ 1.36	$ 1.21
Common stock distributions declared	$ 2.04	$ 1.91	$ 1.79	$ 1.68	$ 1.58
Common stock distributions paid	$ 2.04	$ 1.91	$ 1.79	$ 1.68	$ 1.58
Balance sheet information:					
Total assets	$ 965,819	$ 931,410	$ 789,592	$ 647,097	$ 561,264
Total debt(3)	281,633	278,835	303,935 (4)	159,200 (4)	91,430

(1)During 2012, our limited partners exercised their rights to convert all of their 112,588 partnership units. As a result, we subsequently terminated the limited partnership.

(2) Income allocated to preferred stockholders includes the following *(dollar amounts in thousands)*:

	2014	2013	2012	2011	2010
Preferred stock dividends	$ 3,273	$ 3,273	$ 3,273	$ 5,512	$ 13,662
Preferred stock redemption charge	—	—	—	3,566	2,383
Total income allocated to preferred stockholders	$ 3,273	$ 3,273	$ 3,273	$ 9,078	$ 16,045

(3) Includes bank borrowings, senior unsecured notes, mortgage loans payable and bonds payable.

(4) Increase primarily due to the sale of senior unsecured term notes.

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Executive Overview

Business

We are a self-administered health care real estate investment trust (or REIT) that invests primarily in senior housing and long term care properties through acquisitions, development, mortgage loans and other investments. We conduct and manage our business as one operating segment, rather than multiple operating segments, for internal reporting and internal decision making purposes. In 2014, senior housing and long term care properties, which include skilled nursing properties (or SNF), assisted living properties (or ALF), independent living properties (or ILF), memory care properties (or MC) and combinations thereof comprised approximately 99.0% of our investment portfolio. The following table summarizes our real estate investment portfolio as of December 31, 2014 *(dollar amounts in thousands):*

			Twelve Months Ended December 31, 2014				Number of	
Type of Property	Gross Investments	Percentage of Investments	Rental Income(1)	Interest Income(2)	Percentage of Revenues	Number of Properties(3)	SNF Beds(4)	ALF Units(4)
Skilled Nursing	$ 633,052	56.7 %	$ 52,259	$ 14,595	59.4 %	97	12,057	—
Assisted Living	415,520	37.2 %	37,847	985	34.5 %	92	—	4,446
Range of Care	46,217	4.1 %	5,332	282	5.0 %	8	733	348
Under Development(5)	11,495	1.0 %	—	—	— %	—	—	—
Other(6)	10,883	1.0 %	1,294	—	1.1 %	1	—	—
Totals	$ 1,117,167	100.0 %	$ 96,732	$ 15,862	100.0 %	198	12,790	4,794

(1) Excludes rental income from properties sold during 2014.

(2) Excludes interest income from mortgage loans paid off during 2014.

(3) We have investments in 29 states leased or mortgaged to 37 different operators.

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

(5) Includes two MC developments with a total of 126 units.

(6) Includes one school and five parcels of land held- for-use.

As of December 31, 2014 we had $892.2 million in carrying value of net real estate investment, consisting of $726.5 million or 81.4% invested in owned and leased properties and $165.7 million or 18.6% invested in mortgage loans secured by first mortgages.

For the year ended December 31, 2014, rental income and interest income from mortgage loans represented 85.6% and 13.9%, respectively, of total gross revenues. In most instances, our lease structure contains fixed or estimable annual rental escalations, which are generally recognized on a straight-line basis over the minimum lease period. Certain leases have annual rental escalations that are contingent upon changes in the Consumer Price Index and/or changes in the gross operating revenues of the property. This revenue is not recognized until the appropriate contingencies have been resolved. For the years ended December 31, 2014, we recognized $3.0 million in straight-line rental income and recorded $30,000 of straight-line rent receivable reserve. Our lease with affiliates of Extendicare, Inc. (or Extendicare) and Enlivant covering 37 assisted living properties expired on December 31, 2014. Effective January 1, 2015, we re-leased 20 of the 37 properties by adding 13 properties to an existing master lease and entering into a new master lease for seven of the properties. See *Investing Activities* below for further discussion of the transactions relating to the properties formerly co-leased to affiliates of Extendicare and Enlivant. For the remaining leases in place at December 31, 2014, including the new leases effective January 1, 2015 for the 20 properties formerly co-leased by Extendicare and Enlivant, and assuming no modification or replacement of existing leases and no new leased investments are added to our portfolio, we currently expect that straight-line rental income will increase from $3.0 million in 2014 to $6.9 million for projected annual 2015 primarily due to the new leases effective January 1, 2015 for the 20 properties, as previously discussed, and completed development projects. Conversely, our cash rental income is projected to decrease from $99.7 million in 2014 to $98.1 million for projected annual 2015 primarily due to the sale of 16 properties to Enlivant partially offset by completed development projects. During the year ended December 31, 2014, we received

$99.7 million of cash rental revenue and recorded $0.8 million of lease inducement. At December 31, 2014, the straight-line rent receivable balance, net of reserves, on the consolidated balance sheet was $32.7 million.

Many of our existing leases contain renewal options that, if exercised, could result in the amount of rent payable upon renewal being greater or less than that currently being paid. For the year ended December 31, 2014, we materially amended two existing master leases and entered into one new master lease. One existing master lease was amended for the sole purpose of adding a newly acquired 48-unit assisted living property and incorporating the related economics (see *Key Transactions* below for further information regarding the acquisition). Another existing master lease was amended and restated to facilitate its combination with an existing individual lease, extend the lease term by approximately 10 years, and re-set the rent resulting in a 29% increase in the aggregate rent payable under the previous leases. Finally, we transitioned four non-stabilized, underperforming assisted living properties to a new lessee and entered into a new master lease for a term of two years at rent representing a decrease of approximately 61% from that rent payable under the prior master lease (which decrease may be partially mitigated by percentage rent derived from increased revenues at the properties). At the expiration of the 2-year term, the rent for these properties will be adjusted to their then current market rates.

Our primary objectives are to create, sustain and enhance stockholder equity value and provide current income for distribution to stockholders through real estate investments in senior housing and long term care properties managed by experienced operators. 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. We opportunistically consider investments in health care facilities in related businesses where the business model is similar to our existing model and the opportunity provides an attractive expected return. Consistent with this strategy, we pursue, from time to time, opportunities for potential acquisitions and investments, with due diligence and negotiations often at different stages of development at any particular time.

- With respect to skilled nursing properties, we attempt to invest in properties that do not have to rely on a high percentage of private-pay patients. We prefer to invest in a property that has significant market presence in its community and where state certificate of need and/or licensing procedures limit the entry of competing properties.

- For assisted living and independent living investments we have attempted to diversify our portfolio both geographically and across product levels.

- Memory care facilities offer specialized options for seniors with Alzheimer’s disease and other forms of dementia. Purpose built, free-standing memory care facilities offer an attractive alternative for private-pay residents affected by memory loss in comparison to other accommodations that typically have been provided within a secured unit of an assisted living or skilled nursing facility. 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. Residents require a higher level of care and more assistance with activities of daily living than in assisted living facilities. Therefore, these facilities have staff available 24 hours a day to respond to the unique needs of their residents.

Substantially all of our revenues and sources of cash flows from operations are derived from operating lease rentals and interest earned on outstanding loans receivable. Our investments in owned properties and mortgage loans represent our primary source of liquidity to fund distributions and are dependent upon the performance of the operators on their lease and loan obligations and the rates earned thereon. To the extent that the operators experience operating difficulties and are unable to generate sufficient cash to make payments to us, there could be a material adverse impact on our consolidated results of operations, liquidity and/or financial condition. To mitigate this risk, we monitor our investments through a variety of methods determined by the type of health care facility and operator. Our monitoring process includes periodic review of financial statements for each facility, periodic review of operator credit, scheduled property inspections and review of covenant compliance.

In addition to our monitoring and research efforts, we also structure our investments to help mitigate payment risk. Some operating leases and loans are credit enhanced by guaranties and/or letters of credit. In addition, operating leases are typically structured as master leases and loans are generally cross-defaulted and cross-collateralized with other loans, operating leases or agreements between us and the operator and its affiliates.

Depending upon the availability and cost of external capital, we anticipate making additional investments in health care related properties. New investments are generally funded from cash on hand, temporary borrowings under our unsecured revolving line of credit and internally generated cash flows. Our investments generate internal cash from rent and interest receipts and principal payments on mortgage loans receivable. Permanent financing for future investments, which replaces funds drawn under our unsecured revolving line of credit, is expected to be provided through a combination of public and private offerings of debt and equity securities and secured and unsecured debt financing. The timing, source and amount of cash flows provided by financing activities and used in investing activities are sensitive to the capital markets environment, especially to changes in interest rates. Changes in the capital markets' environment may impact the availability of cost-effective capital.

We believe our business model has enabled and will continue to enable us to maintain the integrity of our property investments, including in response to financial difficulties that may be experienced by operators. Traditionally, we have taken a conservative approach to managing our business, choosing to maintain liquidity and exercise patience until favorable investment opportunities arise.

At December 31, 2014, we had $25.2 million of cash on hand and $400.0 million available under our unsecured revolving line of credit. Subsequent to December 31, 2014, we borrowed $18.0 million under our unsecured revolving line of credit. Accordingly, we have $18.0 million outstanding with $382.0 million available for borrowing. Also, we have $775.1 million available under our effective shelf registration to access the capital markets through the issuance of debt and/or equity securities. As a result, we believe our liquidity and various sources of available capital are sufficient to fund operations and development commitments, meet debt service obligations (both principal and interest), make dividend distributions and finance some future investments should we determine such future investments are financially feasible.

Key Transactions

Extendicare, Inc. and Enlivant. Our master lease with affiliates of Extendicare, Inc. (or Extendicare) and Enlivant (formerly known as Assisted Living Concepts, Inc.) covering 37 assisted living properties with a total of 1,429 units expired on December 31, 2014. For the year ended December 31, 2014, this portfolio generated approximately $11.0 million or 9.3% of our combined rental revenue and interest income from mortgage loans. During the fourth quarter of 2014, we entered into three agreements relating to the 37 assisted living properties as follows:

- We sold 16 properties, consisting of 615 units located in Washington, Oregon, Idaho and Arizona to an affiliate of Enlivant for a sales price of $26.5 million. Accordingly, we recognized a gain on sale of $3.8 million. We also gave Enlivant consent to close a property located in Oregon. We are currently exploring sale and lease options for this property which has a net book value of $0.9 million.

- We added 13 properties with 500 units in Indiana, Iowa, Ohio, Nebraska and New Jersey to an existing master lease with an affiliate of Senior Lifestyle Management (or Senior Lifestyle). Beginning January 1, 2015, the initial term of the amended and restated master lease will be 15 years and rent will increase by $5.1 million over the current annual rent, increasing by 2.6% annually thereafter.

- We re-leased seven properties with 278 units in Texas to Veritas InCare (or Veritas) under a new 10-year master lease. Beginning January 1, 2015, the initial rent will be $1.5 million increasing 2.5% annually.

Extendicare and Enlivant paid rent in accordance with the terms of the current master leases through December 31, 2014. The initial cash yield on the 20 properties re-leased to Senior Lifestyle and Veritas is comparable to the cash yield in 2014 under the expiring master leases with Extendicare and Enlivant. Additionally, the new and amended master leases will provide us with the potential for additional rent attributable to participation in revenue growth at the properties over a predetermined base amount.

Owned Properties. During 2014, we acquired a 48-unit assisted living property located in Colorado for $9.8 million and recorded $0.1 million in transaction costs. The property was added to an existing master lease at an incremental initial cash yield of 6.5% and we provided the lessee with contingent earn-out payments as a lease inducement. The contingent earn-out payments require us to pay two earn-out payments totaling up to $4.0 million upon the property achieving a sustainable stipulated rent coverage ratio. We estimated the fair value of the contingent earn-out payments using a discounted cash flow analysis and recorded the estimated fair value of $3.2 million as a lease inducement which is amortized as a yield adjustment over the life of the lease and a contingent earn-out liability which is accreted to the settlement amount as of the estimated payment date. See *Investing Activities* below for further discussion on the accounting treatment of the contingent earn-out liability.

During 2014, we purchased a vacant parcel of land in Illinois for $1.4 million under a development pipeline agreement whereby we have the opportunity to finance any senior housing development project or acquisition originated by an operator. The land was added to an existing master lease and we entered into development commitments in an amount not to exceed $12.2 million, including the land purchase, to fund the construction of a 66-unit memory care property.

Also, in 2014, we completed the development of three assisted living properties with a total of 188 units and a 143-bed skilled nursing property for a total cost of $45.0 million. Additionally, we completed the expansion and renovation of three existing assisted living properties with a total of 195 units for an aggregate cost of $11.5 million.

During 2014, we sold two assisted living properties located in Florida and Georgia with a total of 133 units, a school located in Minnesota, and a closed skilled nursing property for a combined sales price of $8.1 million, resulting in net sales proceeds of $7.9 million and net gain on sale of $1.1 million.

Mortgage Loans. During 2014, we originated a $3.0 million mortgage loan secured by a 100-unit independent living property in Arizona. The loan is for a term of five years and bears interest at 7.0%, escalating 0.25% annually. Additionally, we funded $3.0 million which represents the final funding on a $10.6 million mortgage and construction loan secured by an existing skilled nursing property and a newly constructed 106-bed replacement skilled nursing property. Upon completion of construction, the residents were relocated from the old skilled nursing property to the new replacement skilled nursing property and the old skilled nursing property was closed. The old skilled nursing property was sold by the borrower and released as collateral. Subsequent to December 31, 2014, we purchased and equipped the replacement property for a total of $13.9 million by exercising our right under the agreement. The property was added to an existing master lease at a lease rate equivalent to the interest rate in effect on the loan at the time of purchase. Additionally, we paid the lessee a $1.1 million lease inducement which will be amortized as a yield adjustment over the life of the lease term.

Bank Borrowings. During 2014, we amended our unsecured revolving line of credit increasing the commitment to $400.0 million with the opportunity to increase the credit amount up to a total of $600.0 million. The amended unsecured revolving line of credit decreased our drawn pricing by 25 basis points and the maturity was extended to October 14, 2018. Additionally, the amendment provides for a one-year extension.

Senior Unsecured Notes. During 2014, we sold $30.0 million aggregate principal amount of 4.5% senior unsecured notes due July 31, 2026 to affiliates and managed accounts of Prudential Investment Management, Inc. The notes mature in 12 years with interest-only payments in the first eight years and annual principal amortization thereafter. We used a portion of the proceeds to pay down our unsecured revolving line of credit.

Equity. During 2014, we sold 600,000 shares of common stock at a price of $41.50 per share in a direct placement to certain institutional investors. The net proceeds of $24.6 million were used to pay down amounts outstanding under our unsecured revolving line of credit, to fund our current development commitments and for general corporate purposes.

Key Performance Indicators, Trends and Uncertainties

We utilize several key performance indicators to evaluate the various aspects of our business. These indicators are discussed below and relate to concentration risk and credit strength. Management uses these key performance indicators to facilitate internal and external comparisons to our historical operating results in making operating decisions and for budget planning purposes.

Concentration Risk. We evaluate by gross investment our concentration risk in terms of asset mix, investment mix, operator mix and geographic mix. Concentration risk is valuable to understand what portion of our investments could be at risk if certain sectors were to experience downturns. Asset mix measures the portion of our investments that are real property or mortgage loans. In order to qualify as an equity REIT, at least 75 percent of our total assets must be represented by real estate assets, cash, cash items and government securities. Investment mix measures the portion of our investments that relate to our various property types. Operator mix measures the portion of our investments that relate to our top five operators. Geographic mix measures the portion of our investment that relate to our top five states.

The following table reflects our recent historical trends of concentration risk *(gross investment, in thousands)*:

	Period Ended				
	12/31/2014	9/30/2014	6/30/2014	3/31/2014	12/31/2013
Asset mix:					
Real property	$ 949,838	$ 966,012	$ 956,516	$ 951,491	$ 937,617
Loans receivable	167,329	173,051	169,766	169,163	167,115
Investment mix:					
Skilled nursing properties[1]	$ 633,052	$ 632,547	$ 629,228	$ 625,831	$ 621,791
Assisted living properties[1]	415,520	442,538	435,406	431,567	420,385
Range of care properties	46,217	46,293	46,367	46,439	46,509
Under development[1]	11,495	6,802	4,848	3,210	2,440
Other[2]	10,883	10,883	10,433	13,607	13,607
Operator mix:					
Prestige Healthcare	$ 141,527	$ 139,702	$ 138,437	$ 137,739	$ 137,739
Brookdale Communities[3]	123,984	123,229	123,172	119,160	112,290
Senior Care Centers, LLC	115,039	114,539	114,539	114,539	114,539
Juniper Communities, LLC	87,088	87,088	87,088	87,088	87,088
Extendicare, Inc. & Enlivant[4]	48,977	88,034	88,034	88,034	88,034
Remaining operators	600,552	586,471	575,012	574,094	565,042
Geographic mix:					
Texas	$ 239,539	$ 239,926	$ 239,809	$ 239,158	$ 238,750
Michigan	129,338	127,513	126,247	125,550	125,550
Colorado	109,859	94,598	89,019	78,258	67,416
Ohio	98,647	98,647	98,647	98,647	98,647
Florida	71,011	77,665	77,555	82,046	82,079
Remaining states[4]	468,773	500,714	495,005	496,995	492,290

(1)During 2014, we completed the construction of a 60-unit memory care property, a 48-unit memory care property, a 143-bed skilled nursing property and a combination assisted living and memory care property with 80 units. Accordingly, these properties were reclassified from "Under development" to either "Skilled nursing property" or "Assisted living property," depending on the property type, for all periods presented.

(2) Includes a school and five parcels of land held- for-use.

(3)In July 2014, Brookdale Senior Living, Inc., parent company of Brookdale Senior Living Communities, Inc. (or Brookdale Communities) merged with Emeritus Corporation (or Emeritus). Prior to the merger, Emeritus operated two assisted living properties under a master lease. These properties were reclassified into Brookdale Communities for all periods presented.

(4)In December 2014, we sold 16 assisted living properties with a gross investment of $39,056 to an affiliate of Enlivant. These properties were located in Arizona, Idaho, Oregon and Washington. During 2014, we re-leased 20 assisted living properties, effective January 1, 2015, and closed an assisted living property formerly co-leased to affiliates of Extendicare, Inc. and Enlivant. See *Investing Activities* below for further discussion of the transactions relating to the properties formerly co-leased to affiliates of Extendicare, Inc. and Enlivant.

Credit Strength. We measure our credit strength both in terms of leverage ratios and coverage ratios. Our leverage ratios include debt to gross asset value and debt to market capitalization. The leverage ratios indicate how much of our consolidated balance sheet capitalization is related to long term obligations. Our coverage ratios include interest coverage ratio and fixed charge coverage ratio. The coverage ratios indicate our ability to service interest and fixed charges (interest plus preferred dividends). The coverage ratios are based on adjusted earnings before gain on sale of real estate, interest, taxes, depreciation and amortization (or Adjusted EBITDA). Leverage ratios and coverage ratios are widely used by investors, analysts and rating agencies in the valuation, comparison, rating and investment recommendations of companies. The following table reflects the recent historical trends for our credit strength measures:

Balance Sheet Metrics

	Year Ended	Quarter Ended				
	12/31/14	12/31/14	9/30/14	6/30/14	3/31/14	12/31/13
Debt to gross asset value	23.7 %	23.7 % (1)	25.5 %	25.1 %	25.2 % (5)	24.2 %
Debt & preferred stock to gross asset value	26.9 %	26.9 % (1)	28.7 %	28.4 %	28.5 % (5)	27.6 %
Debt to market capitalization ratio	15.2 %	15.2 % (2)	18.6 % (4)	17.4 %	17.9 %	18.0 %
Debt & preferred stock to market capitalization ratio	17.3 %	17.3 % (2)	21.0 % (4)	19.7 %	20.2 %	20.5 %
Interest coverage ratio[6]	7.3 x	6.9 x (3)	7.3 x	7.5 x	7.6 x	7.7 x
Fixed charge coverage ratio[6]	6.0 x	5.7 x (3)	6.0 x	6.1 x	6.1 x	6.1 x

	Year Ended	Quarter Ended				
	12/31/14	12/31/14	9/30/14	6/30/14	3/31/14	12/31/13
Net income	$ 73,399	$ 21,000	$ 17,122	$ 18,273	$ 17,004	$ 14,650
Less: Gain on sale	(4,959)	(3,819)	—	(1,140)	—	—
Add: Interest expense	13,128	3,683	3,170	3,088	3,187	2,852
Add: Depreciation and amortization—continuing & discontinued operations	25,529	6,594	6,335	6,302	6,298	6,237
Total adjusted EBITDA	$ 107,097	$ 27,458	$ 26,627	$ 26,523	$ 26,489	$ 23,739
Interest expense	$ 13,128	$ 3,683	$ 3,170	$ 3,088	$ 3,187	$ 2,852
Add: Capitalized interest	1,506	290	474	435	307	214
Interest incurred	$ 14,634	$ 3,973	$ 3,644	$ 3,523	$ 3,494	$ 3,066
Interest coverage ratio	7.3 x	6.9 x	7.3 x	7.5 x	7.6 x	7.7 x
Interest incurred	$ 14,634	$ 3,973	$ 3,644	$ 3,523	$ 3,494	$ 3,066
Preferred stock dividends (excludes preferred stock redemption charge)	3,273	819	818	818	818	819
Total fixed charges	$ 17,907	$ 4,792	$ 4,462	$ 4,341	$ 4,312	$ 3,885
Fixed charge coverage ratio	6.0 x	5.7 x	6.0 x	6.1 x	6.1 x	6.1 x

(1) Decrease primarily due to debt pay down from proceeds from the sale of 16 properties to Enlivant and proceeds from the sale of 600,000 shares of common stock in a registered direct placement partially offset by a decrease in gross asset value related to the sale of properties.

(2) Decrease primarily due to the decrease in outstanding debt and the increase in market capitalization resulting from the sale of 600,000 shares of common stock in a registered direct placement and increase in stock price.

(3) Decrease primarily due to increase in interest expense resulting from the sale of senior unsecured notes and increased availability under our expanded unsecured revolving line of credit.

(4) Increase primarily due to sale of senior unsecured notes and decrease in market capitalization due to decrease in stock price.

(5) Increase primarily due to increased borrowings under our unsecured revolving line of credit partially offset by the increase in gross asset value from additional development and capital improvement funding.

In calculating our interest coverage and fixed charge coverage ratios above, we use Adjusted EBITDA, which is a financial measure not derived in accordance with U.S. generally accepted accounting principles (non-GAAP financial measure). Adjusted EBITDA is not an alternative to net income, operating income, income from continuing operations or cash flows from operating activities as calculated and presented in accordance with U.S. GAAP. You should not rely on Adjusted EBITDA as a substitute or any such U.S. GAAP financial measures or consider it in isolation, for the purpose of analyzing our financial performance, financial position or cash flows. Net income is the most directly comparable GAAP measure to Adjusted EBITDA.

We evaluate our key performance indicators in conjunction with current expectations to determine if historical trends are indicative of future results. Our expected results may not be achieved and actual results may differ materially from our expectations. This may be a result of various factors, including, but not limited to

- The status of the economy;
- The status of capital markets, including prevailing interest rates;
- Compliance with and changes to regulations and payment policies within the health care industry;
- Changes in financing terms;
- Competition within the health care and senior housing industries; and
- Changes in federal, state and local legislation.

Management regularly monitors the economic and other factors listed above. We develop strategic and tactical plans designed to improve performance and maximize our competitive position. Our ability to achieve our financial objectives is dependent upon our ability to effectively execute these plans and to appropriately respond to emerging economic and company-specific trends.

Operating Results

Year ended December 31, 2014 compared to year ended December 31, 2013 (in thousands)

	Years ended December 31, 2014	Years ended December 31, 2013	Difference
Revenues:			
Rental income	$ 101,849	$ 98,166	$ 3,683 (1)
Interest income from mortgage loans	16,553	6,298	10,255 (2)
Interest and other income	559	510	49
Total revenues	118,961	104,974	13,987
Expenses:			
Interest expense	13,128	11,364	1,764 (3)
Depreciation and amortization	25,529	24,389	1,140 (1)
Provision for doubtful accounts	32	2,180	(2,148)(4)
General and administrative expenses	11,832	11,636	196
Total expenses	50,521	49,569	952
Operating income	68,440	55,405	13,035
Gain on sale of real estate, net	4,959	—	4,959 (5)
Income from continuing operations	73,399	55,405	17,994
Discontinued operations:			
Income from discontinued operations	—	805	(805)(6)
Gain on sale of real estate, net	—	1,605	(1,605)(6)
Net income from discontinued operations	—	2,410	(2,410)
Net income	73,399	57,815	15,584
Income allocated to participating securities	(481)	(383)	(98)
Income allocated to preferred stockholders	(3,273)	(3,273)	—
Net income available to common stockholders	$ 69,645	$ 54,159	$ 15,486

(1) Increased due to acquisitions, developments and capital improvement investments.

(2) Increased primarily due to mortgage loan originations and capital improvement funding under certain mortgage loans partially offset by payoffs and normal amortization of mortgage loans.

(3) Increased primarily due to the sale of senior unsecured notes.

(4) During 2013, we recorded a one-time mortgage loan loss reserve related to a mortgage loan origination and wrote off $869 of straight-line rent receivable related to the transition of four assisted living properties to a new lessee.

(5) Represents the gain on sale of two assisted living properties and the gain on sale of 16 assisted living properties sold to an affiliate of Enlivant partially offset by the loss on sale of a school. See *Investing Activities* below for further discussion of the transactions relating to the properties formerly co-leased to affiliates of Extendicare, Inc. and Enlivant. During 2014, we adopted a new accounting principle which only requires the presentation of discontinued operations if a disposal represents a strategic shift in operations. The new accounting principle is applied prospectively to all disposals subsequent to the adoption. The 2014 disposals did not represent strategic shifts in our operations. As a result, we did not reclassify results of operations for these disposed properties.

(6) Represents the net gain on sale of seven skilled nursing properties and the corresponding net results of operations from those sold properties.

Year ended December 31, 2013 compared to year ended December 31, 2012 (in thousands)

	Years ended December 31, 2013	Years ended December 31, 2012	Difference
Revenues:			
Rental income	$ 98,166	$ 86,022	$ 12,144 (1)
Interest income from mortgage loans	6,298	5,496	802 (2)
Interest and other income	510	964	(454)(3)
Total revenues	104,974	92,482	12,492
Expenses:			
Interest expense	11,364	9,932	1,432 (4)
Depreciation and amortization	24,389	21,613	2,776 (5)
Provision (recovery) for doubtful accounts	2,180	(101)	2,281 (6)
General and administrative expenses	11,636	10,732	904 (7)
Total expenses	49,569	42,176	7,393
Income from continuing operations	55,405	50,306	5,099
Discontinued operations:			
Income from discontinued operations	805	1,005	(200)(8)
Gain on sale of real estate, net	1,605	16	1,589 (9)
Net income from discontinued operations	2,410	1,021	1,389
Net income	57,815	51,327	6,488
Income allocated to non-controlling interests	—	(37)	37 (10)
Net income attributable to LTC Properties, Inc.	57,815	51,290	6,525
Income allocated to participating securities	(383)	(377)	(6)
Income allocated to preferred stockholders	(3,273)	(3,273)	—
Net income available to common stockholders	$ 54,159	$ 47,640	$ 6,519

(1) Increased due to acquisitions, developments and capital improvement investments.

(2) Increased primarily due to mortgage loan originations and capital improvement funding under certain mortgage loans partially offset by normal amortization of existing mortgage loans.

(3) Decreased primarily due to the redemption of the Skilled Healthcare Group Senior Subordinated Notes and a lower bankruptcy settlement distribution from Sunwest in 2013 than in 2012.

(4) Increased primarily due to the sale of senior unsecured notes.

(5) Increased due to acquisitions, developments and capital improvement investments.

(6) During 2013, we recorded a one-time mortgage loan loss reserve related to a mortgage loan origination and wrote off $869 of straight-line rent receivable related to the transition of four assisted living properties to a new lessee.

(7) Increased primarily due to the one-time severance and accelerated restricted stock vesting charges related to the retirement of our former Senior Vice President, Marketing and Strategic Planning and higher salaries and benefits reflective of increased staffing levels.

(8) Includes the financial results from properties sold during 2013 and 2012.

(9) During 2013, we sold seven skilled nursing properties with a total of 277 beds for $11,001. During 2012, we sold a 140-bed skilled nursing property for $1,248.

(10) Decreased due to the conversion of all 112,588 limited partnership units during 2012.

Funds From Operations

Funds from Operations (or FFO) available to common stockholders, basic FFO available to common stockholders per share and diluted FFO available to common stockholders per share are supplemental measures of a REIT's financial performance that are not defined by U.S. GAAP. Real estate values historically rise and fall with market conditions, but cost accounting for real estate assets in accordance with U.S. 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 facilitates comparisons of operating performance between periods.

We use FFO as a supplemental performance measurement of our cash flow generated by operations. FFO does not represent cash generated from operating activities in accordance with U.S. GAAP, and is not necessarily indicative of cash available to fund cash needs and should not be considered an alternative to net income available to common stockholders.

We calculate and report FFO in accordance with the definition and interpretive guidelines issued by the National Association of Real Estate Investment Trusts (or NAREIT). FFO, as defined by NAREIT, means 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. Our calculation 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 that have a different interpretation of the current NAREIT definition from us; therefore, caution should be exercised when comparing our FFO to that of other REITs.

The following table reconciles net income available to common stockholders to FFO available to common stockholders (*unaudited, amounts in thousands, except per share amounts*):

	For the year ended December 31,		
	2014	2013	2012
Net income available to common stockholders	$ 69,645	$ 54,159	$ 47,640
Add: Depreciation and amortization (including continuing and discontinued operations)	25,529	24,706	22,153
Less: Gain on sale of real estate, net	(4,959)	(1,605)	(16)
FFO available to common stockholders[(1)]	$ 90,215	$ 77,260	$ 69,777
FFO available to common stockholders per share:			
Basic	$ 2.61	$ 2.33	$ 2.31
Diluted[(1)(2)]	$ 2.55	$ 2.29	$ 2.26
Weighted average shares used to calculate FFO per share:			
Basic	34,617	33,111	30,238
Diluted[(2)]	36,866	35,342	32,508

(1)For the years ended December 31, 2014 and 2013, FFO for diluted FFO per share includes income allocated to the participating securities and income allocated the preferred stockholders. For the year ended December 31, 2012, FFO for diluted FFO per share includes income allocated to the participating securities, income allocated the preferred stockholders and income allocated to non-controlling interests.

(2) For the years ended December 31, 2014 and 2013, weighted average shares for diluted FFO per share includes stock option common stock equivalents, participating securities and Series C Cumulative Convertible Preferred Stock. For the year ended December 31, 2012, weighted average shares for diluted FFO per share includes stock option common stock equivalents, participating securities, Series C Cumulative Convertible Preferred Stock and convertible non-controlling interests.

Critical Accounting Policies

Preparation of the consolidated financial statements in conformity with U.S. generally accepted accounting principles (U.S. GAAP) requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates. See *Item 8. FINANCIAL STATEMENTS—Note 2. Summary of Significant Accounting Policies* for a description of the significant accounting policies we followed in preparing the consolidated financial statements for all periods presented. We have identified the following significant accounting policies as critical accounting policies in that they require significant judgment and estimates and have the most impact on financial reporting.

Impairments. Impairment losses are recorded when events or changes in circumstances indicate the asset is impaired and the estimated undiscounted cash flows to be generated by the asset are less than its carrying amount. Management assesses the impairment of properties individually and impairment losses are calculated as the excess of the carrying amount over the fair value of assets to be held and used, and carrying amount over the fair value less cost to sell in instances where management has determined that we will dispose of the property. In determining fair value, we use current appraisals or other third party opinions of value and other estimates of fair value such as estimated discounted future cash flows.

Also, we evaluate the carrying values of mortgage loans receivable on an individual basis. Management periodically evaluates the realizability of future cash flows from the mortgage loan receivable when events or circumstances, such as the non-receipt of principal and interest payments and/or significant deterioration of the financial condition of the borrower, indicate that the carrying amount of the mortgage loan receivable may not be recoverable. An impairment charge is recognized in current period earnings and is calculated as the difference between the carrying amount of the mortgage loan receivable and the discounted cash flows expected to be received, or if foreclosure is probable, the fair value of the collateral securing the mortgage.

Owned Properties. We make estimates as part of our allocation of the purchase price of acquisitions to the various components of the acquisition based upon the fair value of each component. In determining fair value, we use current appraisals or other third party opinions of value. The most significant components of our allocations are typically the allocation of fair value to land and buildings and, for certain of our acquisitions, in-place leases and other intangible assets. In the case of the fair value of buildings and the allocation of value to land and other intangibles, the estimates of the values of these components will affect the amount of depreciation and amortization we record over the estimated useful life of the property acquired or the remaining lease term. In the case of the value of in-place leases, we make best estimates based on the evaluation of the specific characteristics of each tenant’s lease. Factors considered include estimates of carrying costs during hypothetical expected lease-up periods, market conditions and costs to execute similar leases. These assumptions affect the amount of future revenue that we will recognize over the remaining lease term for the acquired in-place leases. We evaluate each purchase transaction to determine whether the acquired assets meet the definition of a business. Transaction costs related to acquisitions that are not deemed to be businesses are included in the cost basis of the acquired assets, while transaction costs related to acquisitions that are deemed to be businesses are expensed as incurred.

Mortgage Loans Receivable. Mortgage loans receivable we originate are recorded on an amortized cost basis. Mortgage loans we acquire are recorded at fair value at the time of purchase net of any related premium or discount which is amortized as a yield adjustment to interest income over the life of the loan. We maintain a valuation allowance based upon the expected collectability of our mortgage loans receivable. Changes in the valuation allowance are included in current period earnings.

Revenue Recognition. Interest income on mortgage loans is recognized using the effective interest method. We follow a policy related to mortgage interest whereby we consider a loan to be non-performing after 60 days of non-payment of amounts due and do not recognize unpaid mortgage interest income from that loan until the past due amounts have been received.

Rental income from operating leases is generally recognized on a straight-line basis over the terms of the leases. Substantially all of our leases contain provisions for specified annual increases over the rents of the prior year and are generally computed in one of four methods depending on specific provisions of each lease as follows:

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

The FASB does not provide for the recognition of contingent revenue until all possible contingencies have been eliminated. We consider the operating history of the lessee and the general condition of the industry when evaluating whether all possible contingencies have been eliminated and have historically, and expect in the future, to not include contingent rents as income until received. We follow a policy related to rental income whereby we consider a lease to be non-performing after 60 days of non-payment of past due amounts and do not recognize unpaid rental income from that lease until the amounts have been received.

Rental revenues relating to non-contingent leases that contain specified rental increases over the life of the lease are recognized on the straight-line basis. Recognizing income on a straight-line basis requires us to calculate the total non-contingent rent containing specified rental increases over the life of the lease and to recognize the revenue evenly over that life. This method results in rental income in the early years of a lease being 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, the cash rent payments eventually exceed the straight-line rent which results in the straight-line rent receivable asset decreasing to zero over the remainder of the lease term. We assess the collectability of straight-line rent in accordance with the applicable accounting standards and our reserve policy. If the lessee becomes delinquent in rent owed under the terms of the lease, we may provide a reserve against the recognized straight-line rent receivable asset for a portion, up to its full value, that we estimate may not be recoverable.

Payments made to or on behalf of our lessees represent incentives that are deferred and amortized as a yield adjustment over the term of the lease on a straight-line basis. Net loan fee income and commitment fee income are amortized over the life of the related loan.

In May 2014, the FASB issued Accounting Standards Update No. 2014-09 (or ASU 2014-09), *Revenue from Contracts with Customers: Topic 606*. ASU 2014-09 provides for a single comprehensive principles based standard for the recognition of revenue across all industries through the application of the following five-step process:

Step 1: Identify the contract(s) with a customer.
Step 2: Identify the performance obligations in the contract.
Step 3: Determine the transaction price.
Step 4: Allocate the transaction price to the performance obligations in the contract.
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

ASU 2014-09 requires expanded disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. ASU 2014-09 is effective for annual reporting periods (including interim reporting periods within those periods) beginning after December 15, 2016. Early adoption is not permitted. We are evaluating the effects of this adoption on our consolidated financial statements.

Liquidity and Capital Resources

Operating Activities:

At December 31, 2014, our gross real estate investment portfolio (before accumulated depreciation and amortization) consisted of $949.8 million invested primarily in owned long term health care properties and mortgage loans of approximately $167.3 million (prior to deducting a $1.7 million reserve). Our portfolio consists of investments in 97 skilled nursing properties (or SNF), 92 assisted living properties (or ALF), eight range of care properties (or ROC), one school, two parcels of land under development and five parcels of land held-for-use. These properties are located in

29 states. Our ALF classification includes assisted living, independent living and memory care properties and our ROC classification consists of properties providing skilled nursing and any combination of assisted living, independent living and/or memory care services. For the year ended December 31, 2014, we had net cash provided by operating activities of $95.8 million.

For the year ended December 31, 2014 we recognized $3.0 million in straight-line rental income and $30,000 in straight-line rent receivable reserve. Our lease with affiliates of Extendicare, Inc. (or Extendicare) and Enlivant covering 37 assisted living properties expired on December 31, 2014. Effective January 1, 2015, we re-leased 20 of the 37 properties by adding 13 properties to an existing master lease and entering into a new master lease for seven of the properties. See *Investing Activities* below for further discussion of the transactions relating to the properties formerly co-leased to affiliates of Extendicare and Enlivant. For the remaining leases in place at December 31, 2014, including the new leases effective January 1, 2015 for 20 properties formerly co-leased by Extendicare and Enlivant, and assuming no modification or replacement of existing leases and no new leased investments are added to our portfolio, we currently expect that straight-line rental income will increase from $3.0 million in 2014 to $6.9 million for projected annual 2015 primarily due to the new leases effective January 1, 2015 for 20 properties, as previously discussed, and completed development projects. Conversely, our cash rental income is projected to decrease from $99.7 million in 2014 to $98.1 million for projected annual 2015 primarily due to the sale of 16 properties to Enlivant partially offset by completed development projects. During the year ended December 31, 2014, we received $99.7 million of cash rental revenue and recorded $0.8 million of amortized lease inducement. At December 31, 2014, the straight-line rent receivable balance, net of reserves, on the consolidated balance sheet was $32.7 million.

Investing Activities:

For the year ended December 31, 2014, we used $29.0 million of cash for investing activities. We acquired a 48-unit assisted living property located in Colorado for $9.8 million and recorded $0.1 million in transaction costs. The property was added to an existing master lease at an incremental initial cash yield of 6.5% and we provided the lessee with contingent earn-out payments as a lease inducement. The contingent earn-out payments require us to pay two earn-out payments totaling up to $4.0 million, payable in increments of $2.0 million upon the property achieving a sustainable stipulated rent coverage ratio. We estimated the fair value of the contingent payment using a discounted cash flow analysis. This fair value measurement is based on significant input not observable in the market and thus represents a Level 3 measurement. The estimated fair value of $3.2 million was recorded at the date of the acquisition and master lease amendment as a lease inducement which is amortized as a yield adjustment over the life of the lease and a contingent earn-out liability which is accreted to the estimated settlement amount as of the estimated payment date. The fair value of these contingent liabilities will be evaluated on a quarterly basis based on changes in estimates of future operating results and changes in market discount rates. During 2014, we recorded non-cash interest expense of $18,000 related to this contingent liabilities and the fair value of these contingent payments was $3.3 million at December 31, 2014.

During 2014, we purchased a parcel of land held-for-use in Michigan for $0.5 million. Additionally, we purchased a vacant parcel of land in Illinois for $1.4 million under a development pipeline agreement whereby we have the opportunity to finance any senior housing development project or acquisition originated by an operator. The land was added to an existing master lease and we entered into development commitments in an amount not to exceed $12.2 million, including the land purchase, to fund the construction of a 66-unit memory care property. See below for our total development, redevelopment, renovation and expansion project commitments.

Subsequent to December 31, 2014, we funded $7.2 million under a $12.2 million development commitment to purchase the land and existing improvements and then complete the related development of a 56-unit memory care property currently under construction in Texas. In conjunction with this commitment, we entered into a master lease agreement for an initial term of 15 years with three 5-year renewal options at an initial cash yield of 8.75% escalating annually thereafter by the lesser of (i) a calculation based on the Consumer Price Index or (ii) 2.25%. The master lease provides for our payment of a lease inducement of up to $1.6 million, which will be amortized as a yield adjustment over the lease term, with up to 25% of the fee to be disbursed shortly after closing and the balance following the issuance of a certificate of occupancy and receipt of any other regulatory approval required for the operation of the 56-unit memory care property. The master lease also provides us a right to provide similar financing for certain future development opportunities.

Also, subsequent to December 31, 2014, we elected to exercise our right to provide financing for one such opportunity, adding to the master lease a parcel of land purchased in South Carolina for $2.5 million coupled with our commitment to provide the operator with up to $16.4 million, including the land purchase, for the development of an 89-unit combination assisted living and memory care property. In conjunction with this new development commitment, the master lease provided for an additional $2.4 million of lease inducement, which will be amortized as a yield adjustment over the lease term, with up to 25% of the fee to be disbursed shortly after closing and the balance following the issuance of a certificate of occupancy and receipt of any other regulatory approval required for the operation of the 89-unit combination assisted living and memory care property.

During 2014, we sold two assisted living properties located in Florida and Georgia with a total of 133 units, a school located in Minnesota, and a closed skilled nursing property for a combined sales price of $8.1 million, resulting in net sales proceeds of $7.9 million and net gain on sale of $1.1 million.

Our master lease with affiliates of Extendicare and Enlivant (formerly known as Assisted Living Concepts, Inc.) covering 37 assisted living properties with a total of 1,429 units expired on December 31, 2014. For the year ended December 31, 2014, this portfolio generated approximately $11.0 million or 9.3% of our combined rental revenue and interest income from mortgage loans. During the fourth quarter of 2014, we entered into three agreements relating to the 37 assisted living properties as follows:

- We sold 16 properties, consisting of 615 units located in Washington, Oregon, Idaho and Arizona to an affiliate of Enlivant for a sales price of $26.5 million. Accordingly, we recognized a gain on sale of $3.8 million. We also gave Enlivant consent to close a property located in Oregon. We are currently exploring sale and lease options for this property which has a net book value of $0.9 million.

- We added 13 properties with 500 units in Indiana, Iowa, Ohio, Nebraska and New Jersey to an existing master lease with an affiliate of Senior Lifestyle Management (or Senior Lifestyle). Beginning January 1, 2015, the initial term of the amended and restated master lease will be 15 years and rent will increase by $5.1 million over the current annual rent, increasing by 2.6% annually thereafter.

- We re-leased seven properties with 278 units in Texas to Veritas InCare (or Veritas) under a new 10-year master lease. Beginning January 1, 2015, the initial rent will be $1.5 million increasing 2.5% annually.

Extendicare and Enlivant paid rent in accordance with the terms of the current master leases through December 31, 2014. The initial cash yield on the 20 properties re-leased to Senior Lifestyle and Veritas is comparable to the cash yield in 2014 under the expiring master leases with Extendicare and Enlivant. Additionally, the new and amended master leases will provide us with the potential for additional rent attributable to participation in revenue growth at the properties over a predetermined base amount.

During the twelve months ended December 31, 2014, we completed the following development and improvement projects *(dollar amounts in thousands)*:

Type of Project	Number of Properties	Type of Property	Number of Beds/Units	State	2014 Funding	Total Funding
Development	1	ALF	60	Colorado	$ 6,351	$ 9,689 (1)
Development	1	ALF	80	Texas	2,300	5,691 (2)
Development	1	SNF	143	Kentucky	10,579	20,904 (3)
Development	1	ALF	48	Colorado	7,257	8,744 (4)
Expansion/Renovation	1	ALF	72	Colorado	6,371	6,376
Expansion/Renovation	2	ALF	123	Colorado	5,091	5,095
Improvements	1	SNF	120	Florida	500	500
Improvements	2	SNF	235	New Mexico	319	1,746
	10		881		$ 38,768 (5)	$ 58,745 (5)

(1) Development of a memory care property completed in August 2014. The total funded amount includes acquired land of $1,200.

(2) Development of a memory care property completed in October 2014. The total funded amount includes acquired land of $1,000.

(3) Completed in October 2014 and total funded amount includes acquired land of $2,050.

(4) Development of a memory care property completed in December 2014. The total funded amount includes acquired land of $850.

(5) In 2014, we funded $500 to purchase Texas Medicaid bed rights for a 122-bed skilled nursing property under an existing lease. Additionally, during 2014, we funded the final commitment balance of $551 on a newly developed 77-unit assisted living property in Kansas which opened in 2013. Subsequent to December 31, 2014, we funded an additional $4,711 under these completed projects.

During the twelve months ended December 31, 2014, we received $2.2 million in regularly scheduled principal payments and received $7.0 million plus accrued interest related to the early payoff of two mortgage loans secured by three skilled nursing properties and one assisted living property. Subsequent to December 31, 2014, we received $2.3 million plus accrued interest for the payoff of a mortgage loan secured by one range of care property. During 2014, we originated a $3.0 million mortgage loan secured by a 100-unit independent living property in Arizona. The loan is for a term of five years and bears interest at 7.0%, escalating 0.25% annually.

We fully funded a $10.6 million mortgage and construction loan with final funding of $3.0 million in 2014. This mortgage and construction loan was secured by a skilled nursing property and a newly constructed 106-bed replacement skilled nursing property. Upon completion of the 106-bed replacement skilled nursing property, the residents of the old skilled nursing property were relocated to the new skilled nursing property and the old skilled nursing property was closed. During 2014, the old skilled nursing property was sold by the borrower and released as collateral. Subsequent to December 31, 2014, we purchased and equipped the replacement property for a total of $13.9 million by exercising our option under the agreement. The property was added to an existing master lease at a lease rate equivalent to the interest rate in effect on the loan at the time the purchase option was exercised. Additionally, we paid the lessee a $1.1 million lease inducement which will be amortized as a yield adjustment over the life of the lease term.

During 2013, we funded the initial amount of $124.4 million under a mortgage loan with a third-party operator, Prestige Healthcare (or Prestige), secured by 15 skilled nursing properties with a total of 2,058 beds in Michigan. The loan agreement provides for additional commitments of $12.0 million for capital and, under certain conditions and based on certain operating metrics and valuation thresholds achieved and sustained within the initial twelve years of the term, up to $40.0 million of additional proceeds, for a total loan commitment of up to $176.4 million. During 2014, we funded $3.4 million under the $12.0 million capital improvement commitment with $8.7 million remaining as of December 31, 2014. Subsequent to December 31, 2014, we funded an additional $0.8 million under the $12.0 million capital improvement commitment, with a corresponding reduction in the remaining commitment balance to $7.9 million.

In addition, this mortgage loan provided Prestige a one-time option to prepay up to 50% of the then outstanding loan balance without penalty. Subsequent to December 31, 2014, we amended this mortgage loan to provide up to an additional $20.0 million in loan proceeds for the redevelopment of two properties securing the loan (increasing the total capital improvement commitment to $32.0 million and the total loan commitment to $196.4 million) and agreed to convey, to Prestige, two parcels of land held-for-use adjacent to these properties to facilitate the projects. As partial consideration for the increased commitment and associated conveyance, the borrower forfeited their prepayment option. As a result of the forfeiture of the prepayment option, we expect to record $1.3 million of effective interest during 2015.

Additionally, in 2015, we originated an $11.0 million mortgage loan with Prestige concurrently funding $9.5 million with a commitment to fund the balance for approved capital improvement projects. The loan is secured by a 157-bed skilled nursing property in Michigan and bears interest at 9.41% for five years, escalating annually thereafter by 2.25%. The term is 30 years with interest-only payments. After the thirteenth month of the commencement date, the interest rate on newly advanced amounts on the mortgage and construction loan will equal the greater of (i) 7.25% plus the positive difference, if any, between the average yield on the U.S. Treasury 10-year note for the twenty days prior to funding or (ii) 9.0% with annual escalations of 2.25%. Additionally, we have the option to purchase the property under certain circumstances, including a change in regulatory environment.

During 2014, we received principal payments of $0.1 million and we advanced principal of $1.3 million under notes receivable. Subsequent to December 31, 2014, we advanced $0.5 million of principal under notes receivable. During 2014, we committed to fund four pre-development loans of $0.3 million each to facilitate the site selection and pre-construction costs for the future development of four memory care properties. The initial rate of each of these pre-development loans is 12%, increasing by 25 basis points per year. One of these pre-development loans matured due to the acquisition of the land and the outstanding balance of $0.3 million was reclassified to real estate under development during 2014. Also, during 2014, we committed to fund a $0.5 million working capital loan to an existing operator with interest at 6.5% maturing in December 2019. Subsequent to December 31, 2014, we committed to fund a working capital loan of $0.5 million to an existing operator with interest at 6.5% maturing in February 2019.

Financing Activities:

For the year ended December 31, 2014, we used $48.3 million of cash for financing activities. We paid off our multifamily tax-exempt revenue bonds that were secured by five assisted living properties in Washington including $0.6 million in regularly scheduled principal payments and the remaining outstanding balance of $1.4 million.

During 2014, we amended our Unsecured Credit Agreement increasing the commitment to $400.0 million with the opportunity to increase the credit amount up to a total of $600.0 million. Additionally, the drawn pricing was decreased by 25 basis points and the maturity of the facility was extended to October 14, 2018. The amendment also provides for a one-year extension option at our discretion, subject to customary conditions. Based on our leverage ratios at December 31, 2014, the amended facility provides for interest annually at LIBOR plus 115 basis points and the unused commitment fee was 25 basis points.

Financial covenants contained in the Unsecured Credit Agreement, which are measured quarterly, require us to maintain, among other things:

(i) a ratio of total indebtedness to total asset value not greater than 0.5 to 1.0;
(ii) a ratio of secured debt to total asset value not greater than 0.35 to 1.0;
(iii) a ratio of unsecured debt to the value of the unencumbered asset value not greater than 0.6 to 1.0; and
(iv) a ratio of EBITDA, as calculated in the Unsecured Credit Agreement, to fixed charges not less than 1.50 to 1.0.

During 2014, we borrowed $37.5 million and repaid $58.5 million under our unsecured revolving line of credits. At December 31, 2014, we had no outstanding borrowings under our Unsecured Credit Agreement and $400.0 million available for borrowing. Subsequent to December 31, 2014, we borrowed $18.0 million under our unsecured revolving line of credit. Accordingly, we have $18.0 million outstanding and $382.0 million available for borrowing. At December 31, 2014, we were in compliance with all covenants.

At December 31, 2014, we had $281.6 million outstanding under our senior unsecured notes with a weighted average interest rate of 4.81%. During 2014, we sold $30.0 million senior unsecured term notes to affiliates and managed accounts of Prudential Investment Management, Inc. under our Amended and Restated Note Purchase and Private Shelf agreement. These notes bear interest at 4.5% and will mature on July 31, 2026. We used the proceeds to pay down our unsecured revolving line of credit. As a result of the sale of $30.0 million senior unsecured term notes, our Amended and Restated Note Purchase and Private Shelf agreement has been exhausted with no more availability. Also, during 2014, we paid $4.2 million in regularly scheduled principal payments on our senior unsecured notes.

During 2014, we sold 600,000 shares of common stock at a price of $41.50 per share in a registered direct placement to certain institutional investors. The net proceeds of $24.6 million were used to pay down amounts outstanding under our unsecured line of credit, to fund current developments and for general corporate purposes.

We paid cash dividends on our 8.5% Series C Cumulative Convertible Preferred Stock totaling $3.3 million. Additionally, we declared and paid cash dividends on our common stock totaling $71.2 million. In January 2015, we declared a monthly cash dividend of $0.17 per share on our common stock for the months of January, February and March 2015 payable on January 30, February 27 and March 31, 2015, respectively, to stockholders of record on January 22, February 19 and March 23, 2015, respectively.

At December 31, 2014, we had a 2008 Equity Participation Plan, under which 600,000 shares of common stock have been reserved for awards, including nonqualified stock option grants and restricted stock grants to officers, employees, non-employee directors and consultants. The terms of the awards granted under the 2008 Equity Participation Plan are set by our compensation committee at its discretion. Dividends are payable on the restricted shares to the extent and on the same date as dividends are paid on all of our common stock. During 2014, we granted 95,000 shares of restricted common stock as follows:

No. of Shares	Price per Share	Vesting Period
59,000	$ 36.81	ratably over 3 years
3,000	$ 38.43	ratably over 3 years
15,000	$ 40.05	ratably over 3 years
10,500	$ 40.05	June 9, 2015
7,500	$ 41.34	November 12, 2015
95,000		

Subsequent to December 31, 2014, we cancelled 640 shares of restricted stock and granted 65,750 shares of restricted common stock at $44.45 per share. These shares vest ratably from the grant date over a three-year period.

During 2014, we issued 15,000 options to purchase common stock at an exercise price of $38.43 per share. These stock options vest ratably over a three-year period. The fair value of these options was estimated utilizing the Black-Scholes-Merton valuation model and assumptions as of the grant date. In determining the estimated fair value, the expected life assumption was three years, the volatility was 0.21, the risk free interest rate was 0.66% and the expected dividend yield was 5.31%. The fair value of the option granted was estimated to be $2.96. Also, during 2014, a total of 45,000 stock options were exercised at a total option value of $1.1 million and a total market value on the date of exercise of $1.8 million. At December 31, 2014, we have 43,334 stock options outstanding of which 28,334 of those stock options are exercisable.

Available Shelf Registration:

On July 19, 2013, we filed a Form S-3ASR “shelf” registration statement to replace our prior shelf registration statement. Our current shelf registration statement provides us with the capacity to offer up to $800.0 million in common stock, preferred stock, warrants, debt, depositary shares, or units. We may from time to time raise capital under our current shelf registration in amounts, at prices, and on terms to be announced when and if the securities are offered. The specifics of any future offerings, along with the use of proceeds of any securities offered, will be described in detail in a prospectus supplement, or other offering materials, at the time of the offering. At December 31, 2014, we had availability of $775.1 million under our effective shelf registration which expires on July 19, 2016.

Commitments:

We committed to provide up to $4.0 million of contingent payments, if certain operational thresholds are met, to an operator under an amended master lease agreement, as previously discussed in *Investing Activities*. The contingent payment was recorded at fair value of $3.2 million, which was estimated using a discounted cash flow analysis, and we will accrete the contingent liabilities to the estimated settlement amount as of the estimated payment date. The fair value of such contingent liability will be re-evaluated on a quarterly basis based on changes in estimates of future operating results and changes in market discount rates. During 2014, we recorded non-cash interest expense of $18,000 related to these contingent liabilities. At December 31, 2014, these earn-out liabilities had a fair value of $3.3 million.

The following table summarizes our investment commitments as of December 31, 2014 and amounts funded on our open development and improvement projects *(excludes capitalized interest, dollar amounts in thousands)*:

Type of Property	Investment Commitment	2014 Funding[2]	Commitment Funded	Remaining Commitment	Number of Properties	Number of Beds/Units
Skilled Nursing	$ 2,200	$ 1,156	$ 2,161	$ 39	2	141
Assisted Living[1]	27,751	8,831	11,268	16,483	26	1,194
Totals	$ 29,951	$ 9,987 (3)	$ 13,429	$ 16,522 (3)	28	1,335

(1)Includes the development of a 66-unit memory care property for a commitment of $12,248, as previously discussed, a 60-unit memory care property for a total commitment of $10,703 and the improvement of 24 assisted living properties for a total investment commitment of $4,800.

(2)Excludes funding for completed development and improvement projects discussed above and includes $1,400 of land acquired for the development of a 66-unit memory care property, as previously discussed, and the reclass of a pre-development loan with a balance of $304, as previously discussed in *Investing Activities*.

(3)Subsequent to December 31, 2014, we funded $731 under investment commitments. Accordingly, we have a remaining commitment of $15,791. Additionally, in January 2015, we amended an existing master lease with an operator to provide a commitment not to exceed $600 for the purpose of making capital improvements at a 196-skilled nursing property in Texas. Upon the capital improvement deadline of June 30, 2015 or final funding of the capital improvement commitment, the minimum rent will increase by the product of 9% and the total capital improvement funded.

Subsequent to December 31, 2014, we entered into a master lease agreement and committed to provide development commitments totaling $28.7 million. Under these development commitments, we purchased land and existing improvements for the purpose of completing a 56-unit memory care property currently under construction for $7.2 million and land for the purpose of building an 89-unit combination assisted living and memory care property for $2.5 million. The master lease also provides for the payment of two lease inducements of up to $4.0 million which will be amortized as a yield adjustment over the lease term. See *Investing Activities* above for further discussion of these transactions.

Under a mortgage loan with Prestige, we committed to provide additional loan proceeds of up to $40.0 million, under certain conditions and based on certain operating metrics and valuation thresholds achieved and sustained within the initial twelve years of the term. Since these conditions have not been met, no funding has been made under this $40.0 million additional loan commitment. We also committed to provide an additional $12.0 million for capital improvements under the Prestige mortgage loan. During 2014, we funded $3.4 million under this $12.0 million capital improvement commitment and had a remaining commitment to fund $8.7 million. Subsequent to December 31, 2014, we funded $0.8 million under this $12.0 million capital improvement commitment. Accordingly, we have a remaining commitment of $7.9 million.

Subsequent to December 31, 2014, we amended the Prestige mortgage loan to provide up to an additional $20.0 million in loan proceeds for the redevelopment of two of the properties securing the loan (increasing the total capital improvement commitment to $32.0 million) and agreed to convey to the borrower two parcels of land held-for-use adjacent to these properties to facilitate the projects. As partial consideration for the increased commitment and associated conveyance, the borrower forfeited the option to prepay up to 50% of the then outstanding loan balance. As a result of the forfeiture of the prepayment option, the Company expects to record $1.3 million of effective interest during 2015. Additionally, in 2015, we originated an $11.0 million mortgage loan with Prestige and concurrently funded $9.5 million under this loan; with a commitment to fund the balance for approved capital improvement projects. The loan is secured by a 157-bed skilled nursing property in Michigan. See *Investing Activities* above for further discussion of the mortgage loans with Prestige.

At December 31, 2014, we had eleven loans and line of credit agreements with commitments totaling $3.8 million and a remaining commitment balance of $2.3 million. The weighted average interest rate of these loan is 11.4%. During 2014, we received principal payments of $0.1 million and advanced principal of $1.3 million under these loan commitments. Subsequent to December 31, 2014, we advanced an additional $0.5 million of principal under these loan commitments and we committed to fund a working capital loan of $0.5 million to an existing operator with interest at 6.5% maturing in February 2019. Accordingly, we have twelve loans and line of credit agreements with commitments totaling $4.3 million and a remaining commitment balance of $2.3 million.

Contractual Obligations:

We monitor our contractual obligations and commitments detailed above to ensure funds are available to meet obligations when due. The following table represents our long-term contractual obligations (scheduled principal payments and amounts due at maturity) as of December 31, 2014, and excludes the effects of interest (*in thousands*):

	Total	2015	2016	2017	2018	2019	Thereafter
Bank borrowings	$ — (1)	$ —	$ —	$ —	$ —	$ —	$ —
Senior unsecured notes	281,633	29,166	26,667	26,167	28,167	25,666	145,800
	$ 281,633	$ 29,166	$ 26,667	$ 26,167	$ 28,167	$ 25,666	$ 145,800

(1)At December 31, 2014 we had $400,000 available for borrowing under our unsecured revolving line of credit. Subsequent to December 31, 2014, we borrowed $18,000. Accordingly, we had $18,000 outstanding and $382,000 available for borrowing.

Assuming no other borrowing under our unsecured revolving line of credit except for the $18.0 million borrowing subsequent December 31, 2014, and principal payments are paid as scheduled under our senior unsecured notes, the following table represents our projected interest expense, excluding capitalized interest, amortization of debt issue costs, bank fees and earn-out accretion, as of December 31, 2014 (*in thousands*):

	Total	2015	2016	2017	2018	2019	Thereafter
Bank borrowings	$ 4,775	$ 1,261	$ 1,265	$ 1,261	$ 988	$ —	$ —
Senior unsecured notes	69,505	12,529	11,302	10,107	8,902	7,674	18,991
	$ 74,280	$ 13,790	$ 12,567	$ 11,368	$ 9,890	$ 7,674	$ 18,991

Off-Balance Sheet Arrangements:

We had no off-balance sheet arrangements as of December 31, 2014.

Liquidity:

We have an Unsecured Credit Agreement in the amount of $400.0 million with the opportunity to increase the credit amount up to a total of $600.0 million. The Unsecured Credit Agreement provides a revolving line of credit with no scheduled maturities other than the maturity date of October 14, 2018. Based on our maximum total indebtedness to total asset value ratio at December 31, 2014 as calculated in the Unsecured Credit Agreement, our pricing under the Unsecured Credit Agreement is either Prime Rate plus 0.15% or LIBOR plus 1.15% depending on our borrowing election. At the time of borrowing, we may elect the 1, 2, 3 or 6 month LIBOR rate.

At December 31, 2014, we had $25.2 million of cash on hand and $400.0 million available unsecured revolving line of credit. Subsequent to December 31, 2014, we borrowed $18.0 million under our unsecured revolving line of credit. Accordingly, we have $18.0 million outstanding with $382.0 million available for borrowing. Also, we have $775.1 million available under our effective shelf registration to access the capital markets through the issuance of debt and/or equity securities. As a result, we believe our liquidity and various sources of available capital are sufficient to provide for payment of our current operating costs, debt obligations (both principal and interest), and capital commitments to our lessees and borrowers and to provide funds for distribution to the holders of our preferred stock and pay common dividends at least sufficient to maintain our REIT status. The timing, source and amount of cash flows provided by financing activities and used in investing activities are sensitive to the capital markets environment, especially to changes in interest rates.

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

You are cautioned that statements contained in this section are forward looking and should be read in conjunction with the disclosure under the heading "Cautionary Statements" and the "Risk Factors" set forth above.

We are exposed to market risks associated with changes in interest rates as they relate to our mortgage loans receivable and debt. Interest rate risk is sensitive to many factors, including governmental monetary and tax policies, domestic and international economic and political considerations and other factors that are beyond our control.

We do not utilize interest rate swaps, forward or option contracts or foreign currencies or commodities, or other types of derivative financial instruments nor do we engage in "off-balance sheet" transactions. The purpose of the following disclosure is to provide a framework to understand our sensitivity to hypothetical changes in interest rates as of December 31, 2014.

Our future earnings, cash flows and estimated fair values relating to financial instruments are dependent upon prevalent market rates of interest, such as LIBOR or term rates of U.S. Treasury Notes. Changes in interest rates generally impact the fair value, but not future earnings or cash flows, of mortgage loans receivable and fixed rate debt. Our mortgage loans receivable and debt, such as our senior unsecured notes, are primarily fixed-rate instruments. For variable rate debt, such as our revolving line of credit, changes in interest rates generally do not impact the fair value, but do affect future earnings and cash flows.

At December 31, 2014, the fair value of our mortgage loans receivable using an 8.6% discount rate was approximately $199.0 million. A 1% increase in such rates would decrease the estimated fair value of our mortgage loans by approximately $16.4 million while a 1% decrease in such rates would increase their estimated fair value by approximately $19.3 million. At December 31, 2014, the fair value of our senior unsecured notes using a 3.80% discount rate for those maturing before year 2020 and 4.55% discount rate for those maturing beyond year 2020 was approximately $283.9 million. A 1% increase in such rates would decrease the estimated fair value of our senior unsecured notes by approximately $12.3 million while a 1% decrease in such rates would increase their estimated fair value by approximately $13.2 million. These discount rates were measured based upon management's estimates of rates currently prevailing for comparable loans available to us and instruments of comparable maturities.

The estimated impact of changes in interest rates discussed above are determined by considering the impact of the hypothetical interest rates on our borrowing costs, lending rates and current U.S. Treasury rates from which our financial instruments may be priced. We do not believe that future market rate risks related to our financial instruments will be material to our financial position or results of operations. These analyses do not consider the effects of industry specific events, changes in the real estate markets, or other overall economic activities that could increase or decrease the fair value of our financial instruments. If such events or changes were to occur, we would consider taking actions to mitigate and/or reduce any negative exposure to such changes. However, due to the uncertainty of the specific actions that would be taken and their possible effects, the sensitivity analysis assumes no changes in our capital structure.

Item 8. FINANCIAL STATEMENTS

LTC Properties, Inc.
Index to Consolidated Financial Statements
and Financial Statement Schedules

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of LTC Properties, Inc.

We have audited the accompanying consolidated balance sheets of LTC Properties, Inc. (the "Company") as of December 31, 2014 and 2013, and the related consolidated statements of income, comprehensive income, equity, and cash flows for each of the three years in the period ended December 31, 2014. Our audits also included the financial statement schedules listed in the Index at Item 15. These financial statements and schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedules based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of LTC Properties, Inc. at December 31, 2014 and 2013, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2014, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedules, when considered in relation to the basic financial statements taken as a whole, present fairly in all material respects, the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), LTC Properties, Inc.'s internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework) and our report dated February 26, 2015 expressed an unqualified opinion thereon.

As discussed in *Note 2. Summary of Significant Accounting Policies* to the consolidated financial statements, the Company changed its presentation of discontinued operations as a result of the early adoption of FASB Accounting Standard Update No. 2014-08 effective January 1, 2014.

/s/ ERNST & YOUNG LLP

Los Angeles, California
February 26, 2015

LTC PROPERTIES, INC.

CONSOLIDATED BALANCE SHEETS

(In thousands, except per share amounts)

	December 31, 2014	December 31, 2013
ASSETS		
Real estate investments:		
Land	$ 80,024	$ 80,993
Buildings and improvements	869,814	856,624
Accumulated depreciation and amortization	(223,315)	(218,700)
Net operating real estate property	726,523	718,917
Mortgage loans receivable, net of loan loss reserve: 2014—$1,673; 2013—$1,671	165,656	165,444
Real estate investments, net	892,179	884,361
Other assets:		
Cash and cash equivalents	25,237	6,778
Debt issue costs, net	3,782	2,458
Interest receivable	597	702
Straight-line rent receivable, net of allowance for doubtful accounts: 2014—$731; 2013—$1,541	32,651	29,760
Prepaid expenses and other assets	9,931	6,756
Notes receivable	1,442	595
Total assets	$ 965,819	$ 931,410
LIABILITIES		
Bank borrowings	$ —	$ 21,000
Senior unsecured notes	281,633	255,800
Bonds payable	—	2,035
Accrued interest	3,556	3,424
Earn-out liabilities	3,258	—
Accrued expenses and other liabilities	17,251	16,713
Total liabilities	305,698	298,972
EQUITY		
Stockholders' equity:		
Preferred stock $0.01 par value; 15,000 shares authorized; shares issued and outstanding: 2014—2,000; 2013—2,000	38,500	38,500
Common stock: $0.01 par value; 60,000 shares authorized; shares issued and outstanding: 2014—35,480; 2013—34,746	355	347
Capital in excess of par value	717,396	688,654
Cumulative net income	855,247	781,848
Accumulated other comprehensive income	82	117
Cumulative distributions	(951,459)	(877,028)
Total equity	660,121	632,438
Total liabilities and equity	$ 965,819	$ 931,410

See accompanying notes.

LTC PROPERTIES, INC.

CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except per share amounts)

	Year Ended December 31, 2014	2013	2012
Revenues:			
Rental income	$ 101,849	$ 98,166	$ 86,022
Interest income from mortgage loans	16,553	6,298	5,496
Interest and other income	559	510	964
Total revenues	118,961	104,974	92,482
Expenses:			
Interest expense	13,128	11,364	9,932
Depreciation and amortization	25,529	24,389	21,613
Provision (recovery) for doubtful accounts	32	2,180	(101)
General and administrative expenses	11,832	11,636	10,732
Total expenses	50,521	49,569	42,176
Operating income	68,440	55,405	50,306
Gain on sale of real estate, net	4,959	—	—
Income from continuing operations	73,399	55,405	50,306
Discontinued operations:			
Income from discontinued operations	—	805	1,005
Gain on sale of assets, net	—	1,605	16
Net income from discontinued operations	—	2,410	1,021
Net income	73,399	57,815	51,327
Income allocated to non-controlling interests	—	—	(37)
Net income attributable to LTC Properties, Inc.	73,399	57,815	51,290
Income allocated to participating securities	(481)	(383)	(377)
Income allocated to preferred stockholders	(3,273)	(3,273)	(3,273)
Net income available to common stockholders	$ 69,645	$ 54,159	$ 47,640
Basic earnings per common share:			
Continuing operations	$ 2.01	$ 1.56	$ 1.54
Discontinued operations	$ —	$ 0.07	$ 0.03
Net income available to common stockholders	$ 2.01	$ 1.64	$ 1.58
Diluted earnings per common share:			
Continuing operations	$ 1.99	$ 1.56	$ 1.54
Discontinued operations	$ —	$ 0.07	$ 0.03
Net income available to common stockholders	$ 1.99	$ 1.63	$ 1.57
Weighted average shares used to calculate earnings per common share:			
Basic	34,617	33,111	30,238
Diluted	36,640	33,142	30,278

NOTE: Computations of per share amounts from continuing operations, discontinued operations and net income are made independently. Therefore, the sum of per share amounts from continuing operations and discontinued operations may not agree with the per share amounts from net income available to common stockholders.

See accompanying notes.

LTC PROPERTIES, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands, except per share amounts)

	Year Ended December 31,		
	2014	2013	2012
Net income	$ 73,399	$ 57,815	$ 51,327
Reclassification adjustment (Note 10)	(35)	(35)	(47)
Comprehensive income	73,364	57,780	51,280
Comprehensive income allocated to non-controlling interests	—	—	(37)
Comprehensive income attributable to LTC Properties, Inc.	$ 73,364	$ 57,780	$ 51,243

See accompanying notes.

LTC PROPERTIES, INC.
CONSOLIDATED STATEMENTS OF EQUITY
(In thousands)

	Shares										
	Preferred Stock	Common Stock	Preferred Stock	Common Stock	Capital in Excess of Par Value	Cumulative Net Income	Accumulated OCI	Cumulative Distributions	Total Stockholders' Equity	Non-controlling Interests	Total Equity
Balance—December 31, 2011	2,000	30,346	$38,500	$ 303	$507,343	$672,743	$ 199	$(752,340)	$ 466,748	$ 1,962	$468,710
Reclassification adjustment	—	—	—	—	—	—	(47)	—	(47)	—	(47)
Stock option exercises	—	85	—	1	1,925	—	—	—	1,926	—	1,926
Issue restricted stock	—	90	—	1	(1)	—	—	—	—	—	—
Net income	—	—	—	—	—	51,290	—	—	51,290	37	51,327
Vested stock options	—	—	—	—	10	—	—	—	10	—	10
Vested restricted stock	—	—	—	—	1,809	—	—	—	1,809	—	1,809
Non-controlling interests conversion	—	23	—	—	(850)	—	—	—	(850)	(1,914)	(2,764)
Non-controlling interests preferred return	—	—	—	—	—	—	—	—	—	(78)	(78)
Preferred stock dividends	—	—	—	—	—	—	—	(3,273)	(3,273)	—	(3,273)
Common stock cash distributions ($1.79 per share)	—	—	—	—	—	—	—	(54,512)	(54,512)	—	(54,512)
Balance—December 31, 2012	2,000	30,544	38,500	305	510,236	724,033	152	(810,125)	463,101	7	463,108
Reclassification adjustment	—	—	—	—	—	—	(35)	—	(35)	—	(35)
Issuance of common stock	—	4,152	—	42	175,556	—	—	—	175,598	—	175,598
Issue restricted stock	—	35	—	—	—	—	—	—	—	—	—
Net income	—	—	—	—	—	57,815	—	—	57,815	—	57,815
Vested restricted stock	—	—	—	—	2,591	—	—	—	2,591	—	2,591
Stock option exercises	—	22	—	—	523	—	—	—	523	—	523
Non-controlling interests preferred return	—	—	—	—	—	—	—	—	—	(7)	(7)
Preferred stock dividends	—	—	—	—	—	—	—	(3,272)	(3,272)	—	(3,272)
Common stock cash distributions ($1.91 per share)	—	—	—	—	—	—	—	(63,631)	(63,631)	—	(63,631)
Other	—	(7)	—	—	(252)	—	—	—	(252)	—	(252)
Balance—December 31, 2013	2,000	34,746	38,500	347	688,654	781,848	117	(877,028)	632,438	—	632,438
Reclassification adjustment	—	—	—	—	—	—	(35)	—	(35)	—	(35)
Issuance of common stock	—	600	—	6	24,638	—	—	—	24,644	—	24,644
Issue restricted stock	—	95	—	1	(1)	—	—	—	—	—	—
Net income	—	—	—	—	—	73,399	—	—	73,399	—	73,399
Vested restricted stock	—	—	—	—	3,241	—	—	—	3,241	—	3,241
Vested stock options	—	—	—	—	12	—	—	—	12	—	12
Stock option exercises	—	45	—	1	1,070	—	—	—	1,071	—	1,071
Non-controlling interests preferred return	—	—	—	—	—	—	—	—	—	—	—
Preferred stock dividends	—	—	—	—	—	—	—	(3,273)	(3,273)	—	(3,273)
Common stock cash distributions ($2.04 per share)	—	—	—	—	—	—	—	(71,158)	(71,158)	—	(71,158)
Other	—	(6)	—	—	(218)	—	—	—	(218)	—	(218)
Balance—December 31, 2014	2,000	35,480	$38,500	$ 355	$717,396	$855,247	$ 82	$(951,459)	$ 660,121	$ —	$660,121

See accompanying notes.

LTC PROPERTIES, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	Year Ended December 31,		
	2014	2013	2012
OPERATING ACTIVITIES:			
Net income	$ 73,399	$ 57,815	$ 51,327
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization—continuing and discontinued operations	25,529	24,706	22,153
Stock-based compensation expense	3,253	2,591	1,819
Gain on sale of assets, net	(4,959)	(1,605)	(16)
Straight-line rental income—continuing and discontinued operations	(3,002)	(3,955)	(3,264)
Provision (recovery) for doubtful accounts	32	2,180	(101)
Non-cash interest related to earn-out liabilities	18	256	439
Other non-cash items, net	1,653	1,441	1,460
Decrease in interest receivable	72	32	535
Increase in accrued interest payable	132	145	1,923
Net change in other assets and liabilities	(365)	3,519	545
Net cash provided by operating activities	95,762	87,125	76,820
INVESTING ACTIVITIES:			
Investment in real estate properties, net	(11,650)	(19,040)	(166,750)
Investment in real estate developments, net	(34,135)	(23,605)	(9,957)
Investment in real estate capital improvements, net	(13,967)	(6,992)	(1,132)
Capitalized interest	(1,506)	(932)	(130)
Proceeds from sale of real estate investments, net	33,593	11,001	1,271
Investment in real estate mortgages	(9,374)	(129,358)	(7,719)
Principal payments received on mortgage loans receivable	9,155	1,933	21,633
Proceeds from redemption of marketable securities	—	—	6,500
Advances under notes receivable	(1,263)	(1,004)	(2,930)
Principal payments received on notes receivable	113	3,110	569
Net cash used in investing activities	(29,034)	(164,887)	(158,645)
FINANCING ACTIVITIES:			
Bank borrowings	37,500	93,000	153,500
Repayment of bank borrowings	(58,500)	(187,500)	(94,000)
Proceeds from issuance of senior unsecured notes	30,000	70,000	85,800
Principal payments on senior unsecured notes	(4,167)	—	—
Principal payments on mortgage loan payable and bonds payable	(2,035)	(600)	(565)
Payment of earn-out liabilities	—	(7,000)	—
Proceeds from common stock offering	24,644	176,260	—
Stock option exercises	1,071	523	1,926
Distributions paid to stockholders	(74,431)	(66,904)	(57,785)
Redemption of non-controlling interests	—	—	(2,764)
Distributions paid to non-controlling interests	—	(7)	(78)
Financing costs paid	(2,132)	(171)	(1,426)
Other	(219)	(252)	—
Net cash (used in) provided by financing activities	(48,269)	77,349	84,608
Increase (decrease) in cash and cash equivalents	18,459	(413)	2,783
Cash and cash equivalents, beginning of year	6,778	7,191	4,408
Cash and cash equivalents, end of year	$ 25,237	$ 6,778	$ 7,191
Supplemental disclosure of cash flow information:			
Interest paid	$ 13,694	$ 11,398	$ 7,452
Non-cash investing and financing transactions:			
See *Note 4: Supplemental Cash Flow Information* for further discussion.			

See accompanying notes.

LTC PROPERTIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. The Company

LTC Properties, Inc. (or LTC), a Maryland corporation, commenced operations on August 25, 1992. LTC is a real estate investment trust (or REIT) that invests primarily in senior housing and long term care properties through property lease transactions, mortgage loans and other investments.

2. Summary of Significant Accounting Policies

Basis of Presentation. The accompanying consolidated financial statements include the accounts of LTC, our wholly-owned subsidiaries and our controlled partnership, prior to its liquidation in 2013. All intercompany investments, accounts and transactions have been eliminated. Control over the partnership was based on the provisions of the partnership agreement that provided us with a controlling financial interest in the partnership. Under the terms of the partnership agreement, we, as the general partner, were responsible for the management of the partnership's assets, business and affairs. Our rights and duties in management of the partnership included making all operating decisions, setting the capital budget, executing all contracts, making all employment decisions, and handling the purchase and disposition of assets, among others. We, as the general partner, were responsible for the ongoing, major, and central operations of the partnership and made all management decisions. In addition, we, as the general partner, assumed the risk for all operating losses, capital losses, and were entitled to substantially all capital gains (appreciation).

The Financial Accounting Standard Board (or FASB) created a framework for evaluating whether a general partner or a group of general partners controls a limited partnership or a managing member or a group of managing members controls a limited liability company and therefore should consolidate the entity. The guidance states that the presumption of general partner or managing member control would be overcome only when the limited partners or non-managing members have certain specific rights as described in the guidance. The limited partners had virtually no rights and were precluded from taking part in the operation, management or control of the partnership. The limited partners were also precluded from transferring their partnership interests without the expressed permission of the general partner. However, we could transfer our interest without consultation or permission of the limited partners. We consolidated the partnership in accordance with the guidance.

The FASB requires the classification of non-controlling interests as a component of consolidated equity in the consolidated balance sheet subject to the provisions of the rules governing classification and measurement of redeemable securities. The guidance requires consolidated net income to be reported at the amounts attributable to both the controlling and non- controlling interests. The calculation of earnings per share will be based on income amounts attributable to the controlling interest. Also, this guidance addresses accounting and reporting for a change in control of a subsidiary.

The FASB addresses when a company should include in its financial statements the assets, liabilities and activities of another entity. The guidance requires that we consolidate a "variable interest entity" if we are determined to be the primary beneficiary of the equity. The guidance also requires disclosure about "variable interest entities" that we are not required to consolidate but in which we have a significant variable interest. We believe that as of December 31, 2014, we do not have investments in any entities that meet the definition of a "variable interest entity."

Use of Estimates. Preparation of the consolidated financial statements in conformity with U.S. generally accepted accounting principles (or GAAP) requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Cash Equivalents. Cash equivalents consist of highly liquid investments with a maturity of three months or less when purchased and are stated at cost which approximates market.

Owned Properties. We make estimates as part of our allocation of the purchase price of acquisitions to the various components of the acquisition based upon the fair value of each component. In determining fair value, we use current appraisals or other third party opinions of value. The most significant components of our allocations are typically the allocation of fair value to land and buildings and, for certain of our acquisitions, in-place leases and other intangible assets. In the case of the fair value of buildings and the allocation of value to land and other intangibles, the estimates of the values of these components will affect the amount of depreciation and amortization we record over the estimated useful life of the property acquired or the remaining lease term. In the case of the value of in-place leases, we make best estimates based on the evaluation of the specific characteristics of each tenant's lease. Factors considered include estimates of carrying costs during hypothetical expected lease-up periods, market conditions and costs to execute similar leases. These assumptions affect the amount of future revenue that we will recognize over the remaining lease term for the acquired in-place leases. We evaluate each purchase transaction to determine whether the acquired assets meet the definition of a business. Transaction costs related to acquisitions that are not deemed to be businesses are included in the cost basis of the acquired assets, while transaction costs related to acquisitions that are deemed to be businesses are expensed as incurred.

We capitalize direct construction and development costs, including predevelopment costs, interest, property taxes, insurance and other costs directly related and essential to the acquisition, development or construction of a real estate asset. We capitalize construction and development costs while substantive activities are ongoing to prepare an asset for its intended use. We consider a construction project as substantially complete and held available for occupancy upon the issuance of the certificate of occupancy. Costs incurred after a project is substantially complete and ready for its intended use, or after development activities have ceased, are expensed as incurred. For redevelopment, renovation and expansion of existing operating properties, we capitalize the cost for the construction and improvement incurred in connection with the redevelopment, renovation and expansion. Costs previously capitalized related to abandoned acquisitions or developments are charged to earnings. Expenditures for repairs and maintenance are expensed as incurred.

Depreciation is computed principally by the straight-line method for financial reporting purposes over the estimated useful lives of the assets, which range from 3 to 5 years for computers, 5 to 15 years for furniture and equipment, 35 to 45 years for buildings, 10 to 20 years for building improvements and the respective lease term for acquired lease intangibles.

Mortgage Loans Receivable. Mortgage loans receivable we originate are recorded on an amortized cost basis. Mortgage loans we acquire are recorded at fair value at the time of purchase net of any related premium or discount which is amortized as a yield adjustment to interest income over the life of the loan.

Allowance for Doubtful Accounts. We maintain an allowance for doubtful accounts. The allowance for doubtful accounts is based upon the expected collectability of our receivables and is maintained at a level believed adequate to absorb potential losses in our receivables. In determining the allowance we perform a quarterly evaluation of all receivables. If this evaluation indicates that there is a greater risk of receivable charge-offs, additional allowances are recorded in current period earnings. During the fourth quarter of 2013, we wrote-off an $878,000 straight-line rent receivable balance related to the transition of four assisted living properties to a new lessee.

Impairments. Assets that are classified as held for use are periodically evaluated for impairment when events or changes in circumstances indicate that the asset may be impaired or the carrying amount of the asset may not be recoverable through future undiscounted cash flows. Management assesses the impairment of properties individually and impairment losses are calculated as the excess of the carrying amount over the estimated fair value of assets as of the measurement date. In determining fair value, we use current appraisals or other third party opinions of value and other estimates of fair value such as estimated discounted future cash flows.

Also, we evaluate the carrying values of mortgage loans receivable on an individual basis. Management periodically evaluates the realizability of future cash flows from the mortgage loan receivable when events or circumstances, such as the non-receipt of principal and interest payments and/or significant deterioration of the financial condition of the borrower, indicate that the carrying amount of the mortgage loan receivable may not be recoverable. An impairment charge is recognized in current period earnings and is calculated as the difference between the carrying amount of the mortgage loan receivable and the discounted cash flows expected to be received, or if foreclosure is probable, the fair value of the collateral securing the mortgage.

Fair Value of Financial Instruments. The FASB requires the disclosure of fair value information about financial instruments for which it is practicable to estimate that value. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. In that regard, the derived fair value estimates cannot be substantiated by comparison to independent markets and, in many cases, could not be realized in immediate settlement of the instrument. Accordingly, the aggregate fair market value amounts presented in the notes to these consolidated financial statements do not represent our underlying carrying value in financial instruments.

The FASB provides guidance for using fair value to measure assets and liabilities, the information used to measure fair value, and the effect of fair value measurements on earnings. The FASB emphasizes that fair value is a market- based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, the FASB establishes a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy). Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that we have the ability to access. Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs may include quoted prices for similar assets and liabilities in active markets, as well as inputs that are observable for the asset or liability (other than quoted prices).

The fair value guidance issued by the FASB excludes accounting pronouncements that address fair value measurements for purposes of lease classification or measurement. However, this scope exception does not apply to assets acquired and liabilities assumed in a business combination that are required to be measured at fair value, regardless of whether those assets and liabilities are related to leases.

In accordance with the accounting guidance regarding the fair value option for financial assets and financial liabilities, entities are permitted to choose to measure certain financial assets and liabilities at fair value, with the change in unrealized gains and losses on items for which the fair value option has been elected reported in earnings. We have not elected the fair value option for any of our financial assets or liabilities.

The FASB requires disclosures about fair value of financial instruments for interim reporting periods of publicly traded companies as well as in annual financial statements. See *Note 15. Fair Value Measurements* for the disclosure about fair value of our financial instruments.

Investments. Investments in marketable debt and equity securities are categorized as trading, available-for-sale or held-to-maturity. Available-for-sale securities are stated at fair value, with the unrealized gains and losses, reported in other comprehensive income until realized. Realized gains and losses and declines in value judged to be other-than-temporary on available-for-sale securities are included in net income. The cost of securities sold is based on the specific identification method. Interest and dividends on securities classified as available-for-sale are included in interest and other income. Our investment in marketable debt securities is classified as held-to- maturity because we have the positive intent and ability to hold the securities to maturity. Held-to-maturity securities are stated at amortized cost, adjusted for amortization of premiums and accretion of discounts to maturity.

ASC No. 320, *Investments—Debt and Equity Securities*, requires an entity to assess whether it intends to sell, or it is more likely than not that it will be required to sell, a debt security in an unrealized loss position before recovery of its amortized cost basis. If either of these criteria is met, the entire difference between fair value and amortized cost is recognized as impairment through earnings. For securities that do not meet the aforementioned criteria, the amount of impairment is split into two components as follows: 1) other-than-temporary impairment (or OTTI) related to other factors such as an entity's ability to make scheduled interest or principal payments on the debt securities, which is recognized in other comprehensive income and 2) OTTI related to credit loss, which must be recognized in the income statement. The credit loss is determined as the difference between the present value of the cash flows expected to be collected and the amortized cost basis.

Revenue Recognition. Interest income on mortgage loans is recognized using the effective interest method. We follow a policy related to mortgage interest whereby we consider a loan to be non-performing after 60 days of non- payment of amounts due and do not recognize unpaid mortgage interest income from that loan until the past due amounts have been received.

Rental income from operating leases is generally recognized on a straight-line basis over the terms of the leases. Substantially all of our leases contain provisions for specified annual increases over the rents of the prior year and are generally computed in one of four methods depending on specific provisions of each lease as follows:

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

The FASB does not provide for the recognition of contingent revenue until all possible contingencies have been eliminated. We consider the operating history of the lessee and the general condition of the industry when evaluating whether all possible contingencies have been eliminated and have historically, and expect in the future, to not include contingent rents as income until received. We follow a policy related to rental income whereby we consider a lease to be non- performing after 60 days of non-payment of past due amounts and do not recognize unpaid rental income from that lease until the amounts have been received.

Rental revenues relating to non-contingent leases that contain specified rental increases over the life of the lease are recognized on the straight-line basis. Recognizing income on a straight-line basis requires us to calculate the total non-contingent rent containing specified rental increases over the life of the lease and to recognize the revenue evenly over that life. This method results in rental income in the early years of a lease being 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, the cash rent payments eventually exceed the straight-line rent which results in the straight-line rent receivable asset decreasing to zero over the remainder of the lease term. We assess the collectability of straight-line rent in accordance with the applicable accounting standards and our reserve policy. If the lessee becomes delinquent in rent owed under the terms of the lease, we may provide a reserve against the recognized straight-line rent receivable asset for a portion, up to its full value, that we estimate may not be recoverable.

Payments made to or on behalf of our lessees represent incentives that are deferred and amortized as a yield adjustment over the term of the lease on a straight-line basis. Net loan fee income and commitment fee income are amortized over the life of the related loan.

In May 2014, the FASB issued Accounting Standards Update No. 2014-09 (or ASU 2014-09), *Revenue from Contracts with Customers: Topic 606*. ASU 2014-09 provides for a single comprehensive principles based standard for the recognition of revenue across all industries through the application of the following five-step process:

Step 1: Identify the contract(s) with a customer.
Step 2: Identify the performance obligations in the contract.
Step 3: Determine the transaction price.
Step 4: Allocate the transaction price to the performance obligations in the contract.
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

ASU 2014-09 requires expanded disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. ASU 2014-09 is effective for annual reporting periods (including interim reporting periods within those periods) beginning after December 15, 2016. Early adoption is not permitted. We are evaluating the effects of this adoption on our consolidated financial statements.

Federal Income Taxes. LTC qualifies as a REIT under the Internal Revenue Code of 1986, as amended, and as such, no provision for Federal income taxes has been made. A REIT is required to distribute at least 90% of its taxable income to its stockholders and a REIT may deduct dividends in computing taxable income. If a REIT distributes 100% of its taxable income and complies with other Internal Revenue Code requirements, it will generally not be subject to Federal income taxation.

For Federal tax purposes, depreciation is generally calculated using the straight-line method over a period of 27.5 years. Earnings and profits, which determine the taxability of distributions to stockholders, use the straight-line method over 40 years. Both Federal taxable income and earnings and profits differ from net income for financial statement purposes principally due to the treatment of certain interest income, rental income, other expense items, impairment charges and the depreciable lives and basis of assets. At December 31, 2014, the tax basis of our net depreciable assets exceeds our book basis by approximately $14,363,000 (*unaudited*), primarily due to an investment recorded as an acquisition for tax and a mortgage loan for GAAP.

The FASB clarified the accounting for income taxes by prescribing the minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. The guidance utilizes a two-step approach for evaluating tax positions. Recognition (step one) occurs when a company concludes that a tax position, based solely on its technical merits, is more likely than not to be sustained upon examination. Measurement (step two) is only addressed if step one has been satisfied (i.e., the position is more likely than not to be sustained). Under step two, the tax benefit is measured as the largest amount of benefit (determined on a cumulative probability basis) that is more likely than not to be realized upon ultimate settlement. We currently do not have any uncertain tax positions that would not be sustained on its technical merits on a more-likely than not basis.

We may from time to time be assessed interest or penalties by certain tax jurisdictions. In the event we have received an assessment for interest and/or penalties, it has been classified in our consolidated financial statements as General and administrative expenses.

Concentrations of Credit Risks. Financial instruments which potentially subject us to concentrations of credit risk consist primarily of cash and cash equivalents, mortgage loans receivable, marketable debt securities and operating leases on owned properties. Our financial instruments, mortgage loans receivable and operating leases, are subject to the possibility of loss of carrying value as a result of the failure of other parties to perform according to their contractual obligations or changes in market prices which may make the instrument less valuable. We obtain various collateral and other protective rights, and continually monitor these rights, in order to reduce such possibilities of loss. In addition, we provide reserves for potential losses based upon management's periodic review of our portfolio. See *Note 3. Major Operators* for further discussion of concentrations of credit risk from our tenants.

Discontinued Operations. Properties classified as held-for-sale on the consolidated balance sheet include only those properties available for immediate sale in their present condition and for which management believes that it is probable that a sale of the property will be completed within one year. Accordingly, we record reclassification adjustments to reflect properties sold subsequent to the respective consolidated balance sheet date as held-for- sale in the prior period consolidated balance sheet. Properties held-for- sale are carried at the lower of cost or fair value less estimated selling costs. No depreciation expense is recognized on properties held-for-sale once they have been classified as such. The operating results of real estate assets designated as held-for-sale are included in discontinued operations in the consolidated statement of income. In addition, all gains and losses from real estate sold are also included in discontinued operations.

In April 2014, the FASB issued Accounting Standards Update No. 2014-08 (or ASU 2014-08), *Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity*. The amendments in ASU 2014-08 change the criteria for reporting discontinued operations. Under ASU 2014-08, only disposals representing a strategic shift in operations should be presented as discontinued operations. Those strategic shifts should have a major effect on the organization's operations and financial results. Examples include a disposal of a major geographic area, a major line of business, or a major equity method investment. ASU 2014-08 is effective in the first quarter of 2015 with early adoption permitted. We elected early adoption of ASU 2014-08 and have not reclassified results of operations for properties disposed subsequent to January 1, 2014 as discontinued operations as these disposals do not represent strategic shifts in our operations.

Net Income Per Share. Basic earnings per share is calculated using the weighted-average shares of common stock outstanding during the period excluding common stock equivalents. Diluted earnings per share includes the effect of all dilutive common stock equivalents.

In accordance with the accounting guidance regarding the determination of whether instruments granted in share-based payments transactions are participating securities, we have applied the two-class method of computing basic earnings per share. This guidance clarifies that outstanding unvested share-based payment awards that contain rights to non-forfeitable dividends participate in undistributed earnings with common stockholders and are considered participating securities.

Stock-Based Compensation. The FASB requires all share-based payments to employees, including grants of employee stock options, to be recognized in the income statement based on their fair values. We use the Black-Scholes-Merton formula to estimate the value of stock options granted to employees. This model requires management to make certain estimates including stock volatility, expected dividend yield and the expected term. If management incorrectly estimates these variables, the results of operations could be affected. The FASB also requires the benefits of tax deductions in excess of recognized compensation cost to be reported as a financing cash flow. Because we qualify as a REIT under the Internal Revenue Code of 1986, as amended, we are generally not subject to Federal income taxation. Therefore, this reporting requirement does not have an impact on our statement of cash flows.

Segment Disclosures. The FASB accounting guidance regarding disclosures about segments of an enterprise and related information establishes standards for the manner in which public business enterprises report information about operating segments. Our investment decisions in senior housing and long term care properties, including mortgage loans, property lease transactions and other investments, are made and resulting investments are managed as a single operating segment for internal reporting and for internal decision-making purposes. Therefore, we have concluded that we operate as a single segment.

3. Major Operators

We have three operators from each of which we derive over 10% of our combined rental revenue and interest income from mortgage loans.

In July 2014, Brookdale Senior Living, Inc. (or Brookdale), parent company of Brookdale Senior Living Communities, Inc. (or Brookdale Communities), merged with Emeritus Corporation. Brookdale Communities leases 37 assisted living properties with a total of 1,704 units owned by us representing approximately 8.3%, or $79,745,000, of our total assets at December 31, 2014 and 12.2% of our combined rental revenue and interest income from mortgage loans recognized for the year ended December 31, 2014.

Prestige Healthcare (or Prestige) is a privately held company and operates 15 skilled nursing properties and two range of care properties that we own or on which we hold a mortgage secured by first trust deeds. These properties consist of a total of 2,176 skilled nursing beds and 93 assisted living units. Additionally, Prestige manages five parcels of land that we own. These assets represent 14.3% or $138,566,000 of our total assets at December 31, 2014 and generated 11.1% of our combined rental revenue and interest income from mortgage loans recognized for the year ended December 31, 2014. In January 2015, we originated an $11,000,000 mortgage loan with Prestige and concurrently funded $9,500,000 under this loan. The mortgage and construction loan is secured by a 157-bed skilled nursing property in Michigan. Assuming we held the mortgage and construction loan for the full year of 2014, the assets operated by Prestige would represent 15.2% or $147,971,000 of our total assets and would have generated 11.8% of our combined rental revenue and interest income from mortgage loans. See *Note 6. Real Estate Investments* for further discussion on the terms of the mortgage and construction loan.

Senior Care Centers, LLC (or Senior Care) is a privately held company. Senior Care leases nine skilled nursing properties with a total of 1,190 beds owned by us representing approximately 10.5%, or $101,889,000, of our total assets at December 31, 2014 and 10.4% of our combined rental revenue and interest income from mortgage loans recognized for the year ended December 31, 2014.

Our master lease with affiliates of Extendicare, Inc. (or Extendicare) and Enlivant (formerly known as Assisted Living Concepts, Inc. (or ALC)) covering 37 assisted living properties with a total of 1,429 units expired on December 31, 2014. In 2013, ALC merged with Aid Holdings, LLC, a Delaware limited liability company (or Aid Holdings), and Aid Merger Sub, LLC, a Delaware limited liability company and a wholly owned subsidiary of Aid Holdings (or Aid Merger Sub). Aid Holdings and Aid Merger Sub are affiliates of TPG Capital, L.P. For the year ended December 31, 2014, this portfolio generated approximately $10,963,000 or 9.3% of our combined rental revenue and interest income from mortgage loans. During the quarter ended December 31, 2014, we entered into three agreements relating to the 37 assisted living properties as follows:

- We sold 16 properties, consisting of 615 units located in Washington, Oregon, Idaho and Arizona to an affiliate of Enlivant for a sales price of $26,465,000. Accordingly, we recognized a gain on sale of $3,819,000. We also gave Enlivant consent to close a property located in Oregon. We are currently exploring sale and lease options for this property which has a net book value of $935,000.

- We added 13 properties with 500 units in Indiana, Iowa, Ohio, Nebraska and New Jersey to an existing master lease with an affiliate of Senior Lifestyle Management (or Senior Lifestyle). Beginning January 1, 2015, the initial term of the amended and restated master lease will be 15 years and rent will increase by $5,100,000 over the current annual rent, increasing by 2.6% annually thereafter.

LTC PROPERTIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

- We re-leased seven properties with 278 units in Texas to Veritas InCare (or Veritas) under a new 10-year master lease. Beginning January 1, 2015, the initial rent will be $1,461,000 increasing 2.5% annually.

Extendicare and Enlivant paid rent in accordance with the terms of the current master leases through December 31, 2014. The initial cash yield on the 20 properties re-leased to Senior Lifestyle and Veritas is comparable to the cash yield in 2014 under the expiring master leases with Extendicare and Enlivant. Additionally, the new and amended master leases will provide us with the potential for additional rent attributable to participation in revenue growth at the properties over a predetermined base amount.

Our financial position and ability to make distributions may be adversely affected by financial difficulties experienced by Brookdale Communities, Prestige, Senior Care, or any of our lessees and borrowers, including any bankruptcies, inability to emerge from bankruptcy, insolvency or general downturn in business of any such operator, or in the event any such operator does not renew and/or extend its relationship with us or our borrowers when it expires.

4. Supplemental Cash Flow Information

	For the year ended December 31,		
	2014	2013	2012
		(in thousands)	
Non-cash investing and financing transactions:			
Earn-out liabilities related to lease incentives (See Note 11)	$ 3,240	$ —	$ —
Reclassification of pre-development loans (See Note 6)	304	479	—
Redemption of non-controlling interest	—	—	396
Restricted stock issued, net of cancellations	1	—	1

5. Impairment

No impairment charges on real estate we own or on our mortgage loans receivable were recorded during 2014, 2013 or 2012. However in past years, the long term care industry experienced significant adverse changes which resulted in operating losses by certain of our lessees and borrowers and in some instances the filing by certain lessees and borrowers for bankruptcy protection. Thus, we cannot predict what, if any, impairment charges may be needed in the future.

6. Real Estate Investments

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

LTC PROPERTIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Owned Properties. The following table summarizes our investment in owned properties at December 31, 2014 *(dollar amounts in thousands)*:

Type of Property	Gross Investments	Percentage of Investments	Number of Properties[1]	Number of SNF Beds	Number of ALF Units	Average Investment per Bed/Unit
Skilled Nursing	$ 482,036	50.8 %	68	8,407	—	$ 57.34
Assisted Living	401,517	42.3 %	84	—	4,176	$ 96.15
Range of Care	43,907	4.6 %	7	634	274	$ 48.36
Under Development[2]	11,495	1.2 %	—	—	—	—
Other[3]	10,883	1.1 %	1	—	—	—
Totals	$ 949,838	100.0 %	160	9,041	4,450	

(1) We have investments in 26 states leased to 30 different operators.

(2) Includes two MC developments with a total of 126 units.

(3) Includes a school and five parcels of land held-for-use.

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

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

We received no contingent rent income for the years ended December 31, 2014 and 2013. Contingent rent income for the year ended December 31, 2012 was not significant in relation to contractual base rent income.

During the year ended December 31, 2014, we acquired a 48-unit assisted living property located in Colorado for $9,800,000 and recorded $130,000 in transaction costs. The property was added to an existing master lease at an incremental initial cash yield of 6.5% and we provided the lessee with contingent earn-out payments as a lease inducement. The contingent earn-out agreement requires us to pay two earn-out payments totaling up to $4,000,000 upon the property achieving a sustainable stipulated rent coverage ratio. We estimated the fair value of the contingent earn-out payments using a discounted cash flow analysis and recorded the estimated fair value of $3,240,000 as a lease inducement which is amortized as a yield adjustment over the life of the lease and a contingent earn-out liability which is accreted to the settlement amount as of the estimated payment date. See *Note 11. Commitments and Contingencies* for further discussion on the accounting treatment of the contingent earn-out liability.

During 2014, we purchased a parcel of land held-for-use in Michigan for $450,000. Additionally, we purchased a vacant parcel of land in Illinois for $1,400,000 under a development pipeline agreement whereby we have the opportunity to finance any senior housing development project or acquisition originated by an operator. The land under the development pipeline agreement was added to an existing master lease and we entered into development commitments in an amount not to exceed $12,248,000, including the land purchase, to fund the construction of a 66-unit memory care property. See below for our total development, redevelopment, renovation and expansion project commitments.

LTC PROPERTIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

In February 2015, we funded $7,195,000 under a $12,179,000 development commitment to purchase the land and existing improvements and then complete the related development of a 56-unit memory care property currently under construction in Texas. In conjunction with this commitment, we entered into a master lease agreement for an initial term of 15 years with three 5-year renewal options at an initial cash yield of 8.75% escalating annually thereafter by the lessor of (i) a calculation based on the Consumer Price Index or (ii) 2.25%. The master lease provides for our payment of a lease inducement of up to $1,589,000, which will be amortized as a yield adjustment over the lease term, with up to 25% of the fee to be disbursed shortly after closing and the balance following the issuance of a certificate of occupancy and receipt of any other regulatory approval required for the operation of the 56-unit memory care property. The master lease also gives us a right to provide similar financing for certain future development opportunities.

Additionally, in February 2015, we elected to exercise our right to provide financing for one such opportunity, adding to the master lease a parcel of land purchased in South Carolina for $2,490,000 coupled with our commitment to provide the operator with up to $16,535,000, including the land purchase for the development of an 89-unit combination assisted living and memory care property. In conjunction with this new development commitment, the master lease provided for an additional $2,363,000 lease inducement payment, which will be amortized as a yield adjustment over the lease term, with up to 25% of the fee to be disbursed shortly after closing and the balance following the issuance of a certificate of occupancy and receipt of any other regulatory approval required for the operation of the 89-unit combination assisted living and memory care property.

During the twelve months ended December 31, 2014, we sold 16 assisted living properties with a total of 615 units to an affiliate of Enlivant. The sales price for the 16 properties was $26,465,000, resulting in net sales proceeds of $25,702,000. As a result, we recorded a gain of $3,819,000. As part of this agreement, we consented to the closure of an assisted living property with a net book value of $935,000 and we are exploring sale and lease options for this property. See *Note 3. Major Operators* for further discussions of the transactions relating to the properties formerly co-leased to affiliates of Extendicare, Inc. and Enlivant. During 2014, we also sold two assisted living properties located in Florida and Georgia with a total of 133 units, a school located in Minnesota, and a closed skilled nursing property for a combined sales price of $8,100,000, resulting in net sales proceeds of $7,891,000, and net gain on sale of $1,140,000.

LTC PROPERTIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

During the twelve months ended December 31, 2014, we completed the following development and improvement projects *(dollar amounts in thousands)*:

Type of Project	Number of Properties	Type of Property	Number of Beds/Units	State	2014 Funding	Total Funding
Development	1	ALF	60	Colorado	$ 6,351	$ 9,689 (1)
Development	1	ALF	80	Texas	2,300	5,691 (2)
Development	1	SNF	143	Kentucky	10,579	20,904 (3)
Development	1	ALF	48	Colorado	7,257	8,744 (4)
Expansion/Renovation	1	ALF	72	Colorado	6,371	6,376
Expansion/Renovation	2	ALF	123	Colorado	5,091	5,095
Improvements	1	SNF	120	Florida	500	500
Improvements	2	SNF	235	New Mexico	319	1,746
	10		881		$ 38,768 (5)	$ 58,745 (5)

(1) Completed a memory care property in August 2014. The total funded amount includes acquired land of $1,200.

(2) Completed a memory care property in October 2014. The total funded amount includes acquired land of $1,000.

(3) Completed in October 2014 and total funded amount includes acquired land of $2,050.

(4) Completed a memory care property in December 2014. The total funded amount includes acquired land of $850.

(5) In 2014, we funded $500 to purchase Texas Medicaid bed rights for a 122-bed skilled nursing property under an existing lease. Additionally, during 2014, we funded the final commitment balance of $551 on a newly developed 77-unit assisted living property in Kansas which opened in 2013. In January 2015, we funded an additional $4,711 under these completed projects.

The following table summarizes our investment commitments as of December 31, 2014 and amounts funded on our open development and improvement projects *(excludes capitalized interest, dollar amounts in thousands)*:

Type of Property	Investment Commitment	2014 Funding[2]	Commitment Funded	Remaining Commitment	Number of Properties	Number of Beds/Units
Skilled Nursing	$ 2,200	$ 1,156	$ 2,161	$ 39	2	141
Assisted Living[1]	27,751	8,831	11,268	16,483	26	1,194
Totals	$ 29,951	$ 9,987 (3)	$ 13,429	$ 16,522 (3)	28	1,335

(1) Includes the development of a 66-unit memory care property for a commitment of $12,248, as previously discussed, a 60-unit memory care property for a total commitment of $10,703 and the improvement of 24 assisted living properties for a total investment commitment of $4,800.

(2) Excludes funding for completed development and improvement projects discussed above and includes $1,400 of land acquired for the development of a 66-unit memory care property, as previously discussed, and the reclass of a pre-development loan with a balance of $304. See *Note 7. Notes Receivable* for further discussion of the pre-development loans.

(3) In January 2015, we funded $731 under investment commitments. Accordingly, we have a remaining commitment of $15,791. Additionally, in January 2015, we amended an existing master lease with an operator to provide a commitment not to exceed $600 for the purpose of making capital improvements at a 196-skilled nursing property in Texas. Upon the capital improvement deadline of June 30, 2015 or final funding of the capital improvement commitment, the minimum rent will increase by the product of 9% and the total capital improvement funded.

Our construction in progress (or CIP) activity during the year ended December 31, 2014 for our development, redevelopment, renovation, and expansion projects is as follows *(dollar amounts in thousands)*:

Properties	Projects	CIP Balance at 12/31/2013	Funded[(1)]	Capitalized Interest	Conversions out of CIP	CIP Balance at 12/31/2014
Development projects:						
Assisted living	6	$ 6,334	$ 23,149	$ 769	$ (21,581)	$ 8,671
Skilled nursing	1	5,893	10,579	505	(16,977)	—
Subtotal	7	12,227	33,728	1,274	(38,558)	8,671
Redevelopment, renovation and expansion projects:						
Assisted living	3	8	11,463	232	(11,703)	—
Skilled nursing	5	2,433	1,661	—	(4,094)	—
Subtotal	8	2,441	13,124	232	(15,797)	—
Total	15	$ 14,668	$ 46,852	$ 1,506	$ (54,355)	$ 8,671

(1)Excludes $1,554 of capital improvement commitment funding which was capitalized directly into building and improvements and includes the reclass of a pre-development loan with a total balance of $304 See *Note 7. Notes Receivable* for further discussion of pre-development loans.

During the twelve months ended December 31, 2013 we acquired a 130-bed skilled nursing property located in Florida for $14,402,000 and recorded $58,000 in transaction costs. In addition, we purchased four parcels of land held-for-use in Michigan for $1,163,000 and three vacant parcels of land in Colorado for a total of $3,475,000 and we entered into development commitments in an amount not to exceed $30,256,000 to fund the construction of three memory care properties.

During the year ended December 31, 2013, one of our lessees exercised its option to purchase six skilled nursing properties with a total of 230 beds located in Ohio for an all cash purchase price of $11,000,000. As a result, we recorded a $2,619,000 gain on sale. Also, during 2013, we sold a 47-bed skilled nursing property in Colorado for $1,000 and recognized a loss of $1,014,000 on the sale.

During the twelve months ended December 31, 2013, we completed the following construction projects *(dollar amounts in thousands)*:

Completed Date	Type of Property	Number of Beds/Units	State	2013 Funding	Total Funding
Jul 2013	Assisted Living[(1)]	60	Colorado	$ 4,316	$ 9,850
Jul 2013	Skilled Nursing[(2)]	120	Texas	5,065	8,635
Oct 2013	Assisted Living	77	Kansas	8,081	9,675 [(3)]
	Totals	257		$ 17,462	$ 28,160

(1) Represents a memory care property. The funded amount includes acquired land of $1,882.

(2)This new property replaces a skilled nursing property in our existing portfolio. The old skilled nursing property was closed upon completion of the replacement property and subsequently sold in 2014, as previously discussed.

(3) The funded amount includes acquired land of $730. In 2014, we funded an additional $551 and completed this commitment.

The following table summarizes our acquisitions during 2012 *(dollar amounts in thousands)*:

Type of Property	Purchase Price	Transaction Costs	Total Acquisition Costs	Number of Properties	Number of Beds/Units
Skilled Nursing[(1)]	$ 79,100	$ 275	$ 79,375	4	522
Assisted Living[(2)]	81,987	285	82,272	5	266
Land[(3)]	5,663	207	5,870	—	—
Totals	$ 166,750	$ 767	$ 167,517	9	788

(1)Includes two skilled nursing properties with a total of 234 beds located in Texas and two skilled nursing properties with a total of 288 beds located in Ohio.

(2) Includes two properties with a total of 100 units located in Colorado and three properties with a total of 166 units located in New Jersey.

(3)We purchased four vacant parcels of land in the following states: Colorado, Kansas Kentucky and Texas. Simultaneous with the purchase, we entered into lease agreements and development commitments in an amount not to exceed $49,702 to fund the construction of a memory care property with 60 units and two assisted living properties with a total of 158 units and one skilled nursing property with 143 beds. These construction projects were subsequently completed in 2014 and 2013.

During the year ended December 31, 2012, we sold a 140-bed skilled nursing property located in Texas for $1,248,000 and recognized a gain, net of selling expenses, of $16,000. This property was leased under a master lease and the economic terms of this master lease did not change as a result of this sale. During 2013 and 2012, we funded $13,135,000 and $11,089,000, respectively, on open development and improvement projects. See table above for funding on completed development and improvement projects.

Depreciation expense on buildings and improvements, including properties classified as held-for-sale, was $25,424,000, $24,568,000, and $22,002,000 for the years ended December 31, 2014, 2013 and 2012, respectively.

Future minimum base rents receivable under the remaining non-cancelable terms of operating leases including the re-leasing of the 20 assisted living properties formerly co-leased to affiliates of Extendicare and Enlivant, as previously discussed in *Note 3. Major Operators*, and excluding the effects of straight-line rent and renewal options are as follows (*in thousands*):

	Annual Cash Rent
2015	$ 98,150
2016	102,113
2017	101,009
2018	97,955
2019	92,658
Thereafter	445,768

Set forth in the table below are the components of the income from discontinued operations (*in thousands*):

	For the year ended December 31,		
	2014	2013	2012
Rental income	$ —	$ 1,123	$ 1,551
Total revenues	—	1,123	1,551
Depreciation and amortization	—	(317)	(540)
General and administrative expenses	—	(1)	(6)
Total expenses	—	(318)	(546)
Income from discontinued operations	$ —	$ 805	$ 1,005

Mortgage Loans. The following table summarizes our investments in mortgage loans secured by first mortgages at December 31, 2014 *(dollar amounts in thousands)*:

Type of Property	Gross Investments	Percentage of Investments	Number of Loans	Number of Properties[(1)]	Number of SNF Beds	Number of ALF Units	Investment per Bed/Unit
Skilled Nursing[(2)]	$ 151,016	90.3 %	15	29	3,650	—	$ 41.37
Assisted Living	14,003	8.3 %	3	8	—	270	$ 51.86
Range of Care	2,310	1.4 %	1	1	99	74	$ 13.35
Totals	$ 167,329	100.0 %	19	38	3,749	344	

(1) We have investments in 9 states that include mortgages to 12 different operators.

(2) In January 2015, we received $2,285 plus accrued interest for the payoff of a mortgage loan secured by one range of care property.

At December 31, 2014, the mortgage loans had interest rates ranging from 7.0% to 13.7% and maturities ranging from 2015 to 2043. In addition, some loans contain certain guarantees, provide for certain facility fees and generally have 20-year to 30-year amortization schedules. The majority of the mortgage loans provide for annual increases in the interest rate based upon a specified increase of 10 to 25 basis points.

During 2014, we originated a $3,027,000 mortgage loan secured by a 100-unit independent living property in Arizona. The loan is for a term of five years and bears interest at 7.0%, escalating 0.25% annually. During the twelve months ended December 31, 2014, 2013 and 2012, we funded $3,010,000, $4,971,000, and $2,619,000 respectively, under a $10,600,000 mortgage and construction loan. Subsequent to these investments, the mortgage and construction loan was fully funded. This mortgage and construction loan was secured by a skilled nursing property and a newly constructed 106-bed replacement skilled nursing property. Upon completion of the 106-bed replacement skilled nursing property, the residents of the old skilled nursing property were relocated to the new skilled nursing property and the old skilled nursing property was closed. During 2014, the old skilled nursing property was sold by the borrower and released as collateral. In February 2015, we purchased and equipped the replacement property for a total of $13,946,000 by exercising our right under the agreement. The property was added to an existing master lease at a lease rate equivalent to the interest rate in effect on the loan at the time the purchase option was exercised. Additionally, we paid the lessee a $1,054,000 lease inducement which will be amortized as a yield adjustment over the life of the lease term.

During 2013, we funded the initial amount of $124,387,000 under a mortgage loan with a third-party operator, Prestige, secured by 15 skilled nursing properties with a total of 2,058 beds in Michigan. The loan agreement provides for additional commitments of $12,000,000 for capital improvements and, under certain conditions and based on certain operating metrics and valuation thresholds achieved and sustained within the initial twelve years of the term, up to $40,000,000 of additional proceeds, for a total loan commitment of up to $176,387,000. During 2014, we funded $3,337,000 under the $12,000,000 capital improvement commitment with $8,663,000 remaining as of December 31, 2014. In January 2015, we funded an additional $770,000 under the $12,000,000 capital improvement commitment, with a corresponding reduction in the remaining commitment balance to $7,893,000.

In addition, this mortgage loan provided the borrower a one-time option to prepay up to 50% of the then outstanding loan balance without penalty. In January 2015, we amended this mortgage loan to provide up to an additional $20,000,000 in loan proceeds for the redevelopment of two properties securing the loan (increasing the total capital improvement commitment to $32,000,000 and the total loan commitment to $196,387,000) and agreed to convey, to Prestige, two parcels of land held-for-use adjacent to these properties to facilitate the projects. As partial consideration for the increased commitment and associated conveyance, the borrower forfeited their prepayment option. As a result of the forfeiture of the prepayment option, we expect to record $1,296,000 of effective interest during 2015.

Additionally, in January 2015, we originated an $11,000,000 mortgage loan with Prestige concurrently funding $9,500,000 with a commitment to fund the balance for approved capital improvement projects. The loan is secured by a 157-bed skilled nursing property in Michigan and bears interest at 9.41% for five years, escalating annually thereafter by 2.25%. The term is 30 years with interest-only payments. After the thirteenth month of the commencement date, the interest rate on newly advanced amounts on the mortgage and construction loan will equal the greater of (i) 7.25% plus the positive difference, if any, between the average yield on the U.S. Treasury 10-year note for the twenty days prior to funding or (ii) 9.0% with annual escalations of 2.25%. Additionally, we have the option to purchase the property under certain circumstances, including a change in regulatory environment.

During 2012, we originated a $5,100,000 two-year interest-only bridge loan. The loan is secured by a 70-unit assisted living property in Pennsylvania and bears interest at 7.0% increasing annually by 1.5%. During 2014, we extended this loan for an additional two years.

At December 31, 2014 and 2013 the carrying values of the mortgage loans were $165,656,000 and $165,444,000, respectively. Scheduled principal payments on mortgage loan receivables are as follows *(in thousands)*:

	Scheduled Principal
2015	$ 4,642
2016	7,527
2017	7,308
2018	8,425
2019	5,137
Thereafter	134,290
Total	$ 167,329

During the twelve months ended December 31, 2014, 2013 and 2012, we received $2,159,000, $1,933,000, and $2,572,000, respectively in regularly scheduled principal payments. During 2014, we received $6,996,000 plus accrued interest related to the early payoff of two mortgage loans secured by three skilled nursing properties and one assisted living property. In January 2015, we received $2,285,000 plus accrued interest for the payoff of a mortgage loan secured by one range of care property. During 2012, we received $19,061,000 plus accrued interest related to the early payoff of eleven mortgage loans secured by four skilled nursing properties and seven assisted living properties.

7. Notes Receivable

Note receivable consists of various loans, and line of credit agreements with certain operators. During 2014, we committed to fund a $500,000 working capital loan to an existing operator with interest at 6.5% maturing in December 2019 and to fund four pre-development loans of $325,000 each to facilitate the site selection and pre-construction costs for the future development of four memory care properties. The initial rate of each of these pre-development loans is 12%, increasing by 25 basis points per year. One of these pre-development loans matured due to the acquisition of the land and the outstanding balance of $304,000 was reclassified to real estate under development during 2014.

At December 31, 2014, we had eleven loans and line of credit agreements with commitments totaling $3,788,000 and a remaining commitment balance of $2,346,000. The weighted average interest rate of these loan commitments is 11.4%. During 2014, 2013, and 2012, we received principal payments, including loan payoffs, of $113,000, $3,110,000, and $569,000, respectively, and we advanced principal of $1,263,000, $1,004,000, and $2,930,000, respectively, under our notes. In January 2015, we advanced $500,000 under our loans and line of credit agreements and committed to fund a working capital loan of $500,000 to an existing operator with interest at 6.5% maturing in February 2019. Accordingly, we have twelve loans and line of credit agreements with commitments totaling $4,288,000 and a remaining commitment balance of $2,346,000.

8. Marketable Securities

During 2012, Skilled Healthcare Group, Inc. (or SHG) redeemed all of their outstanding Senior Subordinated Notes at par value plus accrued and unpaid interest up to the redemption date. The SHG Senior Subordinated Notes had a face rate of 11.0% and an effective yield of 11.1%. During 2012, we recognized $235,000 of interest income from our $6,500,000 investment in SHG Senior Subordinated Notes.

9. Debt Obligations

Bank Borrowings. During the three months ended December 31, 2014, we amended our Unsecured Credit Agreement increasing the commitment to $400,000,000 with the opportunity to increase the credit amount up to a total of $600,000,000. Additionally, the drawn pricing was decreased by 25 basis points and the maturity of the facility was extended to October 14, 2018. The amendment also provides for a one-year extension option at our discretion, subject to customary conditions. Based on our leverage ratios at December 31, 2014, the amended facility provides for interest annually at LIBOR plus 115 basis points and the unused commitment fee was 25 basis points.

Financial covenants contained in the Unsecured Credit Agreement, which are measured quarterly, require us to maintain, among other things:

(i) a ratio of total indebtedness to total asset value not greater than 0.5 to 1.0;
(ii) a ratio of secured debt to total asset value not greater than 0.35 to 1.0;
(iii) a ratio of unsecured debt to the value of the unencumbered asset value not greater than 0.6 to 1.0; and
(iv) a ratio of EBITDA, as calculated in the Unsecured Credit Agreement, to fixed charges not less than 1.50 to 1.0.

During 2014, we borrowed $37,500,000 and repaid $58,500,000 under our unsecured revolving line of credits. At December 31, 2014, we had no outstanding borrowings under our Unsecured Credit Agreement and $400,000,000 available for borrowing. Subsequent December 31, 2014, we borrowed $18,000,000 under our unsecured revolving line of credit. Accordingly, we have $18,000,000 outstanding and $382,000,000 available for borrowing. At December 31, 2014 and 2013, we were in compliance with all covenants.

Senior Unsecured Notes. At December 31, 2014 and 2013, we had $281,633,000 and $255,800,000, respectively, outstanding under our Senior Unsecured Notes with a weighted average interest rate of 4.81% and 4.85%, respectively. During 2014, we sold $30,000,000 senior unsecured term notes to affiliates and managed accounts of Prudential Investment Management, Inc. (or individually and collectively Prudential) under our Amended and Restated Note Purchase and Private Shelf agreement. These notes bear interest at 4.5% and will mature on July 31, 2026. We used the proceeds to pay down our unsecured revolving line of credit. As a result of the sale of $30,000,000 senior unsecured term notes, our Amended and Restated Note Purchase and Private Shelf agreement has been exhausted with no more availability. Also, during 2014, we paid $4,167,000 in regularly scheduled principal payments.

During 2013, we sold to Prudential $70,000,000 aggregate principal amount of 3.99% senior unsecured term notes fully amortizing to maturity on November 20, 2021. During 2012, we sold 12-year senior unsecured notes in the aggregate amount of $85,800,000 to a group of institutional investors in a private placement transaction. The notes bear interest at 5.0% and mature on July 19, 2024. Additionally during 2012, we sold to Prudential $50,000,000 aggregate principal amount of 4.80% senior unsecured term notes fully amortizing to maturity on July 20, 2021.

Bonds Payable. During 2014, we paid off a $1,400,000 multifamily tax-exempt revenue bond that was secured by five assisted living properties in Washington. These bonds bore interest at a variable rate that reset weekly. During 2014 and 2013, we paid $635,000 and $600,000, respectively, in regularly scheduled principal payments.

Scheduled Principal Payments. The following table represents our long term contractual obligations (scheduled principal payments and amounts due at maturity) as of December 31, 2014, and excludes the effects of interest (*in thousands*):

	Total	2015	2016	2017	2018	2019	Thereafter
Bank borrowings	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Senior unsecured notes	281,633	29,166	26,667	26,167	28,167	25,666	145,800
	$ 281,633	$ 29,166	$ 26,667	$ 26,167	$ 28,167	$ 25,666	$ 145,800

10. Equity

Preferred Stock. At December 31, 2014 and 2013, we had 2,000,000 shares of our 8.5% Series C Cumulative Convertible Preferred Stock (or Series C preferred stock) outstanding. Our Series C preferred stock is convertible into 2,000,000 shares of our common stock at $19.25 per share and dividends are payable quarterly. Total shares reserved for issuance of common stock related to the conversion of Series C preferred stock were 2,000,000 shares at December 31, 2014 and 2013.

Common Stock. During 2014, we sold 600,000 shares of common stock at a price of $41.50 per share in a registered direct placement to certain institutional investors. The net proceeds of $24,644,000 were used to pay down amounts outstanding under our unsecured line of credit, to fund current developments and for general corporate purposes. During 2013, we sold 4,025,000 shares of common stock in a public offering at a price of $44.50 per share. The net proceeds of $171,365,000 were used to pay down amounts outstanding under our unsecured revolving line of credit, to fund acquisitions and our current development commitments and for general corporate purposes. During 2014 and 2013, we acquired 5,324 shares and 6,925 shares, respectively, of common stock held by employees who tendered owned shares to satisfy tax withholding obligations. Subsequent to December 31, 2014, we acquired 4,609 shares of common stock held by employees who tendered owned shares to satisfy tax withholding obligations.

During 2013, we terminated the equity distribution agreement which allowed us to issue and sell, from time to time, up to $85,686,000 in aggregate offering price of our common shares. Sales of common shares were made by means of ordinary brokers' transactions at market prices, in block transactions, or as otherwise agreed between us and our sales agents. During 2013, we sold 126,742 shares of common stock for $4,895,000 in net proceeds under our equity distribution agreement. In conjunction with the sale of common stock, we reclassified $662,000 of accumulated costs associated with the equity distribution agreement to additional paid in capital. During 2012, we did not sell shares of our common stock under our equity distribution agreement.

During 2012, we amended our charter to increase the number of authorized shares of common stock from 45,000,000 shares to 60,000,000 shares. The charter amendment was approved by our stockholders at the 2012 annual meeting of stockholders held on May 22, 2012.

Available Shelf Registration. On July 19, 2013, we filed a Form S-3ASR "shelf" registration statement to replace our prior shelf registration statement. This shelf registration statement provides us with the capacity to offer common stock, preferred stock, warrants, debt, depositary shares, or units. We may from time to time raise capital under this current shelf registration in amounts, at prices, and on terms to be announced when and if the securities are offered. The specifics of any future offerings, along with the use of proceeds of any securities offered, will be described in detail in a prospectus supplement, or other offering materials, at the time of the offering. At December 31, 2014 we had availability of $775,100,000 under our effective shelf registration which expires on July 19, 2016.

Non-controlling Interests. We currently have no limited partners. During 2012, we had one limited partnership. The limited partnership agreement allowed the limited partners to convert, on a one-for-one basis, their limited partnership units into shares of common stock or the cash equivalent, at our option. Since we exercised control, we consolidated the limited partnership and we carried the non-controlling interests at cost.

During 2012, two of our limited partners exercised their conversion rights to exchange all of their 112,588 partnership units. At our discretion, we converted 23,294 partnership units into an equal number of our common shares. The partnership conversion price was $17.00 per partnership unit. At our discretion, we elected to satisfy the conversion of 89,294 limited partnership units with cash. We paid the limited partners $2,764,000, which represents the closing price of our common stock on the redemption date plus $0.05 per share multiplied by the number of limited partnership units redeemed. The amount we paid upon redemption exceeded the book value of the limited partnership interest redeemed by $1,246,000. Accordingly, the $1,246,000 excess book value of the limited partners' interest in the partnership was reclassified to stockholders' equity. We accounted for these conversions as an equity transaction because there was no change in control requiring consolidation or deconsolidation and remeasurement. Subsequent to these partnership conversions, the assets held by the limited partnership were transferred to other subsidiaries of the Company and the limited partnership was terminated. At December 31, 2014 and 2013, we had no shares of our common stock reserved under any partnership agreements.

The following table represents the effect of changes in our ownership interest in the limited partnership on equity attributable to LTC Properties, Inc. *(in thousands)*:

	Years Ended December 31,		
	2014	2013	2012
Net income attributable to LTC Properties, Inc.	$ 73,399	$ 57,815	$ 51,290
Transfers from the non-controlling interest			
Increase in paid-in capital for limited partners conversion	—	—	396
Decrease in paid-in capital for limited partners conversion	—	—	(1,246)
Change from net income attributable to LTC Properties, Inc. and transfers from non-controlling interest	$ 73,399	$ 57,815	$ 50,440

LTC PROPERTIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

	Year Ended December 31, 2014		Year Ended December 31, 2013	
	Declared	**Paid**	**Declared**	**Paid**
Preferred Stock Series C	$ 3,273	$ 3,273	$ 3,273	$ 3,273
Common Stock	71,158 (1)	71,158 (1)	63,631 (2)	63,631 (2)
Total	$ 74,431	$ 74,431	$ 66,904	$ 66,904

(1) Represents $0.17 per share per month for the twelve months ended December 31, 2014.

(2) Represents $0.155 per share per month for January through September 2013 and $0.17 per share per month for October through December 2013.

In January 2015, we declared a monthly cash dividend of $0.17 per share on our common stock for the months of January, February and March 2015 payable on January 30, February 27 and March 31, 2015, respectively, to stockholders of record on January 22, February 19 and March 23, 2015, respectively.

Accumulated Other Comprehensive Income. During the years we had investments in Real Estate Mortgage Investment Conduit (or REMIC) Certificates, we retained the non-investment grade certificates issued in the securitizations. During 2005, a loan was paid off in the last remaining REMIC pool which caused the last third party REMIC Certificate holders entitled to any principal payments to be paid off in full. After this transaction, we became the sole holder of the remaining REMIC Certificates and were therefore entitled to the entire principal outstanding of the loan pool underlying the remaining REMIC Certificates. Under the FASB accounting guidance relating to accounting for changes that result in a transferor regaining control of financial assets sold, a Special Purpose Entity (or SPE) may become non-qualified or tainted which generally results in the “repurchase” by the transferor of all the assets sold to and still held by the SPE. Since we were the sole REMIC Certificate holder entitled to principal from the underlying loan pool, we had all the risks and were entitled to all the rewards from the underlying loan pool. As required by the accounting guidance, the repurchase for the transferred assets was accounted for at fair value. The accumulated other comprehensive income balance represents the fair market value adjustment offset by any previously adjusted impairment charge which is amortized to increase interest income over the remaining life of the loans that we repurchased from the REMIC pool. At December 31, 2014 and 2013, accumulated other comprehensive income was $82,000 and $117,000, respectively.

Stock Based Compensation Plans. During 2008 we adopted and our shareholders approved the 2008 Equity Participation Plan under which 600,000 shares of common stock have been reserved for awards, including nonqualified stock option grants and restricted stock grants to officers, employees, non-employee directors and consultants. The terms of the awards granted under the 2008 Equity Participation Plan are set by our compensation committee at its discretion.

Restricted Stock. During 2014 and 2013, we granted 95,000 and 34,400 shares of restricted common stock, respectively, as follows:

Year	No. of Shares		Price per Share	Vesting Period
2014				
	59,000	$	36.81	ratably over 3 years
	3,000	$	38.43	ratably over 3 years
	15,000	$	40.05	ratably over 3 years
	10,500	$	40.05	June 9, 2015
	7,500	$	41.34	November 12, 2015
	95,000			
2013				
	8,400	$	46.54	ratably over 3 years
	6,000	$	41.83	ratably over 3 years
	20,000	$	36.26	June 1, 2016
	34,400			

In January 2015, we cancelled 640 shares of restricted stock. In February 2015, we granted 65,750 shares of restricted common stock at $44.45 per share. These shares vest ratably from the grant date over a three-year period. During 2013, the vesting of 18,180 shares of restricted common stock were accelerated due to the retirement of our former Senior Vice President, Marketing and Strategic Planning. Dividends are payable on the restricted shares to the extent and on the same date as dividends are paid on all of our common stock. Restricted stock activity for the years ended December 31, 2014 and 2013 was as follows:

		2014		2013
Outstanding, January 1		165,149		195,449
Granted		95,000		34,400
Vested		(45,981)		(64,700)
Canceled		—		—
Outstanding, December 31		214,168		165,149
Compensation expense for the year[1]	$	3,241,000	$	2,591,000

(1) During 2013, we recorded $457,000 of compensation expense related to the accelerated vesting of 18,180 shares of restricted common stock due to the retirement of our former Senior Vice President, Marketing and Strategic Planning. At December 31, 2014, the total compensation cost related to unvested restricted stock granted is $4,195,000, which will be recognized ratably over the remaining vesting period.

Stock Options. During 2014, we issued 15,000 options to purchase common stock at an exercise price of $38.43 per share. These stock options vest ratably over a three-year period. The fair value of these options was estimated utilizing the Black-Scholes-Merton valuation model and assumptions as of the grant date. In determining the estimated fair value, the expected life assumption was three years, the volatility was 0.21, the risk free interest rate was 0.66% and the expected dividend yield was 5.31%. The fair value of the option granted was estimated to be $2.96. No stock options were issued during 2013. Nonqualified stock option activity for the years ended December 31, 2014 and 2013, was as follows:

	Shares		Weighted Average Price	
	2014	2013	2014	2013
Outstanding, January 1	73,334	95,334	$ 23.97	$ 23.93
Granted	15,000	—	$ 38.43	$ —
Exercised	(45,000)	(22,000)	$ 23.79	$ 23.79
Canceled	—	—	$ —	$ —
Outstanding, December 31	43,334	73,334	$ 29.16	$ 23.97
Exercisable, December 31[(1)]	28,334	73,334	$ 24.25	$ 23.97

(1)The aggregate intrinsic value of exercisable options at December 31, 2014, based upon the closing price of our common shares at December 31, 2014 the last trading day of 2014, amounted to approximately $536,000. Options exercisable at December 31, 2014 have a weighted average remaining contractual life of approximately 2.7 years.

The options exercised during 2014 and 2013 were as follows:

	Options Exercised	Weighted Average Exercise Price	Option Value	Market Value[(1)]
2014	45,000	$ 23.79	$ 1,071,000	$ 1,840,000
2013	22,000	$ 23.79	$ 523,000	$ 865,000

(1) As of the exercise dates.

We use the Black-Scholes-Merton formula to estimate the value of stock options granted to employees. This model requires management to make certain estimates including stock volatility, expected dividend yield and the expected term. The weighted average exercise share price of the options was $29.16 and $23.97 and the weighted average remaining contractual life was 2.7 and 3.0 years as of December 31, 2014 and 2013, respectively. At December 31, 2014, the total number of stock options that are scheduled to vest through December 31, 2015, 2016 and 2017 is 5,000; 5,000 and 5,000, respectively. We have no stock options outstanding that are scheduled to vest beyond 2017. Compensation expense related to the vesting of stock options for the year ended December 31, 2014 was $12,000. We did not record compensation expense related to the vesting of stock options for the year ended December 31, 2013. The remaining compensation expense to be recognized related to the future service period of unvested outstanding stock options for 2015, 2016 and 2017 is $15,000; $15,000 and $2,000, respectively.

11. Commitments and Contingencies

As part of an acquisition in 2011, we committed to provide a contingent payment if certain operational thresholds were met. The contingent payment was recorded at fair value, which was estimated using a discounted cash flow analysis, and we accreted the contingent liability to the settlement amount as of the estimated payment date. The fair value of such contingent liability was re-evaluated on a quarterly basis based on changes in estimates of future operating results and changes in market discount rates. During 2013, we paid $7,000,000 related to this contingent liability. Accordingly, we had no remaining contingent liability under this agreement as of December 31, 2013. During 2013 and 2012, we recorded non-cash interest expense of $256,000 and $439,000, respectively, related to this contingent liability.

During 2014, we acquired a 48-unit assisted living property located in Colorado and added the property to an existing master lease. Under the amended master lease agreement, we committed to provide two contingent payments totaling up to $4,000,000 payable in increments of $2,000,000 upon the property achieving a sustainable stipulated rent coverage ratio. We estimated the fair value of the contingent payment using a discounted cash flow analysis. This fair value measurement is based on significant input not observable in the market and thus represents a Level 3 measurement. These contingent payments were recorded at the date of the acquisition and master lease amendment in the amount of $3,240,000 and we are accreting the contingent liability up to the estimated settlement amount as of the estimated payment date. The fair value of these contingent liabilities will be evaluated on a quarterly basis based on changes in estimates of future operating results and changes in market discount rates. During 2014, we recorded non-cash interest expense of $18,000 related to this contingent liabilities and the fair value of these contingent payments was $3,258,000 at December 31, 2014. See *Note 6. Real Estate Investments* for further discussion of the acquisition and master lease terms.

At December 31, 2014, we had outstanding commitments totaling $29,951,000 to develop, re-develop, renovate or expand senior housing and long term care properties. As of December 31, 2014, we have funded $13,429,000 under these commitments and we have a remaining commitment of $16,522,000. In January 2015, we funded $731,000 under these investment commitments. Accordingly, we have a remaining commitment of $15,791,000. Additionally, in January 2015, we committed to an existing operator under an amended master lease $600,000 for capital improvements at a 196-bed skilled nursing property in Texas. See *Note 6. Real Estate Investments* for further discussion of these commitments.

In February 2015, we funded $7,195,000 under a $12,179,000 development commitment to purchase and complete the development of a 56-unit memory care property currently under construction in Texas. In conjunction with this commitment, we entered into a master lease agreement which provides us a right to provide similar financing for certain future development opportunities and provides the operator lease inducement payments for each development commitment. In February 2015, we elected to exercise our right to provide financing for one such opportunity, adding to the master lease a parcel of land purchased in South Carolina for $2,490,000 coupled with our commitment to provide the operator with up to $16,535,000, including the land purchase, for the development of an 89-unit combination assisted living and memory care property. See *Note 6. Real Estate Investments* for further discussion of this master lease.

As of December 31, 2014, we had invested $3,337,000 under a $12,000,000 capital improvements commitment to Prestige under a mortgage loan and invested an additional $770,000 under this capital improvement commitment in January 2015. Also, in January 2015, we amended this mortgage loan to provide an additional $20,000,000 commitment for redevelopment projects at two of the properties securing the loan increasing the total capital improvement commitment to $32,000,000. As a result, we have a remaining capital improvement commitment of $27,893,000. Additionally, under certain conditions and based on certain operating metrics and valuation thresholds achieved and sustained within the initial twelve years of the term, the loan provides for additional commitment up to $40,000,000 of additional proceeds (not to exceed $10,000,000 in any twelve month period). Since these conditions have not been met, no funding has been made under this additional $40,000,000 loan commitment. In January 2015, we originated an $11,000,000 mortgage loan with this borrower. Concurrent with the loan origination, we funded $9,500,000 under this loan and have a remaining commitment of $1,500,000. See *Note 6. Real Estate Investments* for further discussion of these mortgage loans.

At December 31, 2014, we committed to provide $3,788,000 in loans and line of credit agreements. As of December 31, 2014, we had funded $1,442,000 under these commitments and we have a remaining commitment of $2,346,000. In January 2015, we funded $500,000 under these loans and line of credit agreements. Also, in January 2015, we committed to fund a working capital loan of $500,000 to an existing operator. Accordingly, we have commitments of $4,288,000 and a remaining commitment of $2,346,000. See *Note 7. Notes Receivables* for further discussion of these commitments.

We are a party from time to time to various general and professional liability claims and lawsuits asserted against the lessees or borrowers of our properties, which in our opinion are not singularly or in the aggregate material to our results of operations or financial condition. These types of claims and lawsuits may include matters involving general or professional liability, which we believe under applicable legal principles are not our responsibility as a non-possessory landlord or mortgage holder. We believe that these matters are the responsibility of our lessees and borrowers pursuant to general legal principals and pursuant to insurance and indemnification provisions in the applicable leases or mortgages. We intend to continue to vigorously defend such claims.

12. Distributions

We must distribute at least 90% of our taxable income in order to continue to qualify as a REIT. This distribution requirement can be satisfied by current year distributions or, to a certain extent, by distributions in the following year.

For federal tax purposes, distributions to stockholders are treated as ordinary income, capital gains, return of capital or a combination thereof. Distributions for 2014, 2013 and 2012 were cash distributions. The federal income tax classification of the per share common stock distributions are as follows (*unaudited*):

	Year Ended December 31,		
	2014	2013	2012
Ordinary taxable distribution	$ 1.474	$ 1.534	$ 1.539
Return of capital	0.196	0.313	0.242
Unrecaptured Section 1250 gain	0.370	0.058	0.004
Long term capital gain	—	—	0.005
Total	$ 2.040	$ 1.905	$ 1.790

LTC PROPERTIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13. Net Income Per Common Share

Basic and diluted net income per share was as follows *(in thousands except per share amounts)*:

	For the year ended December 31,		
	2014	2013	2012
Income from continuing operations	$ 73,399	$ 55,405	$ 50,306
Less net income allocated to non-controlling interests	—	—	(37)
Less net income allocated to participating securities:			
Non-forfeitable dividends on participating securities	(465)	(381)	(377)
Income allocated to participating securities	(16)	(2)	—
Total net income allocated to participating securities	(481)	(383)	(377)
Less net income allocated to preferred stockholders:			
Preferred stock dividends	(3,273)	(3,273)	(3,273)
Total net income allocated to preferred stockholders	(3,273)	(3,273)	(3,273)
Income from continuing operations available to common stockholders	69,645	51,749	46,619
Discontinued operations:			
Income from discontinued operations	—	805	1,005
Gain on sale of assets, net	—	1,605	16
Total net income from discontinued operations	—	2,410	1,021
Net income available to common stockholders	69,645	54,159	47,640
Effect of dilutive securities:			
Convertible preferred securities	3,273	—	—
Total effect of dilutive securities	3,273	—	—
Net income for diluted net income per share	$ 72,918	$ 54,159	$ 47,640
Shares for basic net income per share	34,617	33,111	30,238
Effect of dilutive securities:			
Stock options	23	31	40
Convertible preferred securities	2,000	—	—
Total effect of dilutive securities	2,023	31	40
Shares for diluted net income per share	36,640	33,142	30,278
Basic net income per share	$ 2.01	$ 1.64	$ 1.58
Diluted net income per share[1]	$ 1.99	$ 1.63	$ 1.57

(1)For the year ended December 31, 2013, the Series C Cumulative Convertible Preferred Stock was excluded from the computation of diluted net income per share as such inclusion would be anti-dilutive. For the year ended December 31, 2012, the Series C Cumulative Convertible Preferred Stock and the convertible non-controlling interests have been excluded from the computation of diluted net income per share as such inclusion would be anti-dilutive.

LTC PROPERTIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

14. Quarterly Financial Information

	For the quarter ended			
	March 31,	June 30,	September 30,	December 31,
	(unaudited, in thousands except per share amounts)			
2014				
Revenues	$ 29,438	$ 29,227	$ 29,541	$ 30,755
Net income from discontinued operations	—	—	—	—
Net income available to common stockholders	16,083	17,338	16,181	20,043
Net income per common share from continuing operations available to common stockholders:				
Basic	$ 0.47	$ 0.50	$ 0.47	$ 0.58
Diluted	$ 0.46	$ 0.50	$ 0.46	$ 0.57
Net income (loss) per common share from discontinued operations:				
Basic	$ —	$ —	$ —	$ —
Diluted	$ —	$ —	$ —	$ —
Net income per common share available to common stockholders:				
Basic	$ 0.47	$ 0.50	$ 0.47	$ 0.58
Diluted	$ 0.46	$ 0.50	$ 0.46	$ 0.57
Dividends per share declared	$ 0.510	$ 0.510	$ 0.510	$ 0.510
Dividend per share paid	$ 0.510	$ 0.510	$ 0.510	$ 0.510
2013				
Revenues	$ 25,277	$ 25,279	$ 25,825	$ 28,593
Net income (loss) from discontinued operations	254	(701)	2,857	—
Net income available to common stockholders	12,060	11,994	16,373	13,732
Net income per common share from continuing operations available to common stockholders:				
Basic	$ 0.39	$ 0.39	$ 0.39	$ 0.40
Diluted	$ 0.39	$ 0.39	$ 0.39	$ 0.40
Net income (loss) per common share from discontinued operations:				
Basic	$ 0.01	$ (0.02)	$ 0.08	$ —
Diluted	$ 0.01	$ (0.02)	$ 0.08	$ —
Net income per common share available to common stockholders:				
Basic	$ 0.40	$ 0.36	$ 0.47	$ 0.40
Diluted	$ 0.40	$ 0.36	$ 0.47	$ 0.40
Dividends per share declared	$ 0.465	$ 0.465	$ 0.465	$ 0.510
Dividend per share paid	$ 0.465	$ 0.465	$ 0.465	$ 0.510

NOTE: Quarterly and year-to-date computations of per share amounts are made independently. Therefore, the sum of per share amounts for the quarters may not agree with the per share amounts for the year. Computations of per share amounts from continuing operations, discontinued operations and net income (loss) are made independently. Therefore, the sum of per share amounts from continuing operations and discontinued operations may not agree with the per share amounts from net income (loss) available to common stockholders.

15. Fair Value Measurements

In accordance with the accounting guidance regarding the fair value option for financial assets and financial liabilities, entities are permitted to choose to measure certain financial assets and liabilities at fair value, with the change in unrealized gains and losses reported in earnings. We did not adopt the elective fair market value option for our financial assets and financial liabilities.

The carrying amount of cash and cash equivalents approximates fair value because of the short-term maturity of these instruments. We do not invest our cash in auction rate securities. The carrying value and fair value of our financial instruments as of December 31, 2014 and 2013 assuming election of fair value for our financial assets and financial liabilities were as follows (*in thousands*):

	At December 31, 2014		At December 31, 2013	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Mortgage loans receivable	$ 165,656	$ 198,977 (1)	$ 165,444	$ 200,248 (1)
Bonds payable	—	—	2,035	2,035 (2)
Bank borrowings	—	—	21,000	21,000 (2)
Senior unsecured notes	281,633	283,933 (3)	255,800	262,351 (3)
Contingent liabilities	3,258	3,258 (4)	—	— (4)

(1)Our investment in mortgage loans receivable is classified as Level 3. The fair value is determined using a widely accepted valuation technique, discounted cash flow analysis on the expected cash flows. The discount rate is determined using our assumption on market conditions adjusted for market and credit risk and current returns on our investments. The discount rate used to value our future cash inflows of the mortgage loans receivable at December 31, 2014 and 2013 was 8.6% and 8.4%, respectively.

(2)Our bonds payable and bank borrowings are at a variable interest rate. The estimated fair value of our bonds payable and bank borrowings approximated their carrying values at December 31, 2014 and 2013 based upon prevailing market interest rates for similar debt arrangements.

(3)Our obligation under our senior unsecured notes is classified as Level 3 and thus the fair value is determined using a widely accepted valuation technique, discounted cash flow analysis on the expected cash flows. The discount rate is measured based upon management's estimates of rates currently prevailing for comparable loans available to us, and instruments of comparable maturities. At December 31, 2014, the discount rate used to value our future cash outflow of our senior unsecured notes was 3.80% for those maturing before year 2020 and 4.55% for those maturing beyond year 2020. At December 31, 2013, the discount rate used to value our future cash outflow of our senior unsecured notes was 3.95% for those maturing before year 2020 and 4.25% for those maturing beyond year 2020.

(4)Our contingent obligation under the earn-out liabilities is classified as Level 3. We estimated the fair value of the contingent earn-out payments using a discounted cash flow analysis. The discount rate that we use consists of a risk-free U.S. Treasury rate plus a company specific credit spread which we believe is acceptable by willing market participants. At December 31, 2014, the discount rate used to value our future cash outflow of the earn-out liability was 6.2%.

16. Subsequent Events

We had the following events occur subsequent to the balance sheet date.

Real Estate—Owned Properties: We entered into a master lease agreement and committed to provide development commitments totaling $28,715,000. Under these development commitments, we purchased land and existing improvements for the purpose of completing a 56-unit memory care property currently under construction for $7,195,000 and land for the purpose of building an 89-unit combination assisted living and memory care property for $2,490,000. The master lease also provides for the payment of lease inducements of up to $3,952,000 which will be amortized as a yield adjustment over the lease term. We funded $4,711,000 under completed development, expansion and renovation commitments. Additionally, we funded $731,000 under ongoing real estate investments with remaining commitments of $15,791,000. See *Note 6. Real Estate Investments* for further discussion.

Real Estate—Mortgage Loans: We originated an $11,000,000 mortgage loan secured by a 157-bed skilled nursing property in Michigan and funded $9,500,000 under this loan. We also purchased and equipped a newly constructed 106-bed replacement skilled nursing property for a total of $13,946,000 by exercising our purchase option under a $10,600,000 mortgage and construction loan. Additionally, we amended a mortgage loan secured by 15 skilled nursing properties with a total of 2,058 beds in Michigan to provide an additional $20,000,000 in loan proceeds for the redevelopment of two properties securing the loan. Concurrent with the loan amendment, the borrower forfeited their option to repay up to 50% of the outstanding loan balance and we agreed to convey two parcels of land held-for-use adjacent to the two properties to facilitate the expansion and renovation projects. We funded $770,000 under a $12,000,000 capital improvement commitment to an existing borrower and have a remaining commitment of $7,893,000. We received $2,285,000 plus accrued interest for the payoff of a mortgage loan secured by one range of care property. See *Note 6. Real Estate Investments* for further discussion.

Notes Receivable: In January 2015, we committed to fund a $500,000 working capital loan with interest at 6.5% maturing in February 2019. We also advanced $500,000 of principal under our note commitments. See *Note 7. Notes Receivable* for further discussion.

Major Operator: Our master leases with Extendicare and Enlivant expired on December 31, 2014. Effective January 1, 2015, we re-leased 20 assisted living properties to two separate operators. See *Note 3. Major Operator* for further discussion.

Debt: We borrowed $18,000,000 under our unsecured revolving line of credit. Accordingly, we have $18,000,000 outstanding and $382,000,000 available for borrowing.

Commitments and Contingencies: We committed to an existing operator under an amended master lease $600,000 for capital improvements at a 196-bed skilled nursing property in Texas. See *Note 6. Real Estate Investments* for further discussion.

Equity: We declared a monthly cash dividend of $0.17 per share on our common stock for the months of January, February and March 2015, payable on January 30, February 27, and March 31, 2015, respectively, to stockholders of record on January 22, February 19, and March 23, 2015, respectively. We acquired 4,609 shares of common stock held by employees who tendered owned shares to satisfy tax withholding obligations and we cancelled 640 shares of restricted stock. Additionally, we granted 65,750 shares of restricted common stock at $44.45 per share. These shares vest ratably from the grant date over a three-year period.

LTC PROPERTIES, INC.

SCHEDULE II

VALUATION AND QUALIFYING ACCOUNTS

(in thousands)

Account Description	Balance at beginning of period[2]	Additions: (Recovered) charged to costs and expenses	Additions: Charged to other accounts	Deductions[1]	Balance at end of period[2]
Year ended December 31, 2012					
Loan loss reserves	$ 921	$ (139)	$ —	$ —	$ 782
Straight-line rent receivable allowance	1,519	38	—	—	1,557
	$ 2,440	$ (101)	$ —	$ —	$ 2,339
Year ended December 31, 2013					
Loan loss reserves	$ 782	$ 1,274	$ —	$ (385)	$ 1,671
Straight-line rent receivable allowance	1,557	906 [3]	—	(922)[3]	1,541
	$ 2,339	$ 2,180	$ —	$ (1,307)	$ 3,212
Year ended December 31, 2014					
Loan loss reserves	$ 1,671	$ 2	$ —	$ —	$ 1,673
Straight-line rent receivable allowance	1,541	30	—	(840)[4]	731
	$ 3,212	$ 32	$ —	$ (840)	$ 2,404

(1) Deductions represent uncollectible accounts written off.

(2) Includes straight-line rent receivable allowance for properties classified as held-for-sale.

(3) Includes the write-off of an $878 straight-line rent receivable balance related to the transition of four assisted living properties to a new lessee.

(4) Includes the write-off of an $840 straight-line rent receivable balance related to the amendment of an existing lease.

LTC PROPERTIES, INC.
SCHEDULE III
REAL ESTATE AND ACCUMULATED DEPRECIATION
(in thousands)

		Initial cost to company		Costs capitalized subsequent to acquisition	Gross amount at which carried at December 31, 2014					
	Encumbrances	Land	Building and improvement		Land	Building and improvement	Total[1]	Accum deprec.	Construction/ renovation date	Acquisition date
Skilled Nursing Properties:										
134 Alamogordo, NM	$ —	$ 210	$ 2,593	$ 539	$ 210	$ 3,132	$ 3,342	$ 908	1985	2001
218 Albuquerque, NM	—	1,696	3,891	530	1,696	4,421	6,117	1,390	2008	2005
219 Albuquerque, NM	—	1,950	8,910	207	1,950	9,117	11,067	2,828	1982	2005
220 Albuquerque, NM	—	2,463	7,647	9	2,463	7,656	10,119	2,373	1970	2005
042 Altoona, IA	—	105	2,309	444	105	2,753	2,858	1,652	1973	1996
252 Amarillo, TX	—	844	—	7,925	844	7,925	8,769	558	2013	2011
214 Aransas Pass, TX	—	154	1,276	589	154	1,865	2,019	676	2008	2004
247 Arlington, TX	—	1,016	13,649	—	1,016	13,649	14,665	1,938	2007	2011
171 Atlanta, GA	—	175	1,282	3	175	1,285	1,460	679	1968	1999
040 Atmore, AL	—	131	2,877	196	131	3,073	3,204	1,677	1974	1996
221 Beaumont, TX	—	370	1,141	93	370	1,234	1,604	436	1950	2005
213 Beeville, TX	—	186	1,197	70	186	1,267	1,453	373	1974	2004
215 Benbrook, TX	—	480	2,121	102	480	2,223	2,703	749	1976	2005
007 Bradenton, FL	—	330	2,720	160	330	2,880	3,210	1,801	2002	1993
256 Brownwood, TX	—	164	6,336	—	164	6,336	6,500	521	2011	2012
043 Carroll, IA	—	47	1,033	213	47	1,246	1,293	746	1969	1996
177 Chesapeake, VA	—	388	3,469	1,097	388	4,566	4,954	2,785	2007	1995
257 Cincinnati, OH	—	1,890	25,110	—	1,890	25,110	27,000	1,391	2009	2012
125 Clovis, NM	—	561	5,539	307	561	5,846	6,407	2,022	2006	2001
129 Clovis, NM	—	598	5,902	59	598	5,961	6,559	2,088	1995	2001
268 Coldspring, KY		2,050	19,665	—	2,050	19,665	21,715	146	N/A	2012
253 Colton, CA	—	2,342	15,158	—	2,342	15,158	17,500	1,361	1990	2011
211 Commerce City, CO	—	236	3,217	167	236	3,384	3,620	1,223	1964	2004
212 Commerce City, CO	—	161	2,160	95	161	2,255	2,416	790	1967	2004
246 Crowley, TX	—	2,247	14,276	—	2,247	14,276	16,523	1,900	2007	2011
235 Daleville, VA	—	279	8,382	—	279	8,382	8,661	1,389	2005	2010
258 Dayton, OH	—	373	26,627	—	373	26,627	27,000	1,486	2010	2012
196 Dresden, TN	—	31	1,529	1,066	31	2,595	2,626	697	2002	2000
185 Gardner, KS	—	896	4,478	4,150	896	8,628	9,524	2,909	2011	1999
248 Granbury, TX	—	836	6,693	—	836	6,693	7,529	1,323	2008	2011
044 Granger, IA	—	62	1,356	221	62	1,577	1,639	907	1979	1996
205 Grapevine, TX	—	431	1,449	188	431	1,637	2,068	785	1974	2002
172 Griffin, GA	—	500	2,900	—	500	2,900	3,400	1,409	1969	1999
250 Hewitt, TX	—	1,780	8,220	99	1,780	8,319	10,099	832	2008	2011
054 Houston, TX	—	202	4,458	1,426	202	5,884	6,086	3,389	2007	1996
051 Houston, TX	—	365	3,769	1,598	365	5,367	5,732	3,006	1968	1996
055 Houston, TX	—	202	4,458	1,359	202	5,817	6,019	3,282	2008	1996
208 Jacksonville, FL	—	486	1,981	30	486	2,011	2,497	808	1987	2002
045 Jefferson, IA	—	86	1,883	296	86	2,179	2,265	1,231	1972	1996
008 Lecanto, FL	—	351	2,665	2,737	351	5,402	5,753	3,181	2006	1993
053 Mesa, AZ	—	305	6,909	1,876	305	8,785	9,090	4,653	1996	1996
226 Mesa, AZ	—	1,095	2,330	—	1,095	2,330	3,425	688	1979	2006
050 Midland, TX	—	33	2,285	26	33	2,311	2,344	1,318	1973	1996
242 Mission, TX	—	1,111	16,602	—	1,111	16,602	17,713	2,022	2004	2010
041 Montgomery, AL	—	242	5,327	115	242	5,442	5,684	3,036	1974	1996
115 Nacogdoches, TX	—	100	1,738	168	100	1,906	2,006	1,005	1973	1997
233 Nacogdoches, TX	—	394	7,456	268	394	7,724	8,118	1,197	1991	2010
249 Nacogdoches, TX	—	1,015	11,109	—	1,015	11,109	12,124	1,766	2007	2011
046 Norwalk, IA	—	47	1,033	239	47	1,272	1,319	750	1975	1996
176 Olathe, KS	—	520	1,872	313	520	2,185	2,705	1,160	1968	1999
251 Pasadena, TX	—	1,155	14,345	—	1,155	14,345	15,500	1,244	2005	2011
210 Phoenix, AZ	—	334	3,383	456	334	3,839	4,173	1,528	1982	2004
193 Phoenix, AZ	—	300	9,703	92	300	9,795	10,095	4,594	1985	2000
047 Polk City, IA	—	63	1,376	153	63	1,529	1,592	888	1976	1996
094 Portland, OR	—	100	1,925	2,652	100	4,577	4,677	2,349	2007	1997
254 Red Oak, TX	—	1,427	17,173	—	1,427	17,173	18,600	1,417	2002	2012
124 Richland Hills, TX	—	144	1,656	427	144	2,083	2,227	982	1976	2001
197 Ripley, TN	—	20	985	1,606	20	2,591	2,611	598	2007	2000

LTC PROPERTIES, INC.

SCHEDULE III

REAL ESTATE AND ACCUMULATED DEPRECIATION (Continued)

(in thousands)

		Initial cost to company		Costs capitalized subsequent to acquisition	Gross amount at which carried at December 31, 2014					
	Encumbrances	Land	Building and improvement		Land	Building and improvement	Total[1]	Accum deprec.	Construction/ renovation date	Acquisition date
133 Roswell, NM	—	568	5,235	1,208	568	6,443	7,011	1,839	1975	2001
081 Sacramento, CA	—	220	2,929	—	220	2,929	3,149	1,618	1968	1997
085 Salina, KS	—	100	1,153	628	100	1,781	1,881	1,028	1985	1997
243 Stephenville TX	—	670	10,117	500	670	10,617	11,287	1,432	2009	2010
234 St. Petersburg, FL	—	1,070	7,930	500	1,070	8,430	9,500	1,164	1988	2010
225 Tacoma, WA	—	723	6,401	901	723	7,302	8,025	2,271	2009	2006
178 Tappahannock, VA	—	375	1,327	397	375	1,724	2,099	1,379	1978	1995
270 Trinity, FL	—	1,653	12,748	—	1,653	12,748	14,401	481	N/A	2013
192 Tucson, AZ	—	276	8,924	112	276	9,036	9,312	4,233	1992	2000
209 Tyler, TX	—	300	3,071	22	300	3,093	3,393	960	1974	2004
Skilled Nursing Properties	—	42,034	401,368	38,634	42,034	440,002	482,036	107,245		
Assisted Living Properties:										
077 Ada, OK	—	100	1,650	—	100	1,650	1,750	765	1996	1996
136 Arlington, OH	—	629	6,973	—	629	6,973	7,602	2,353	1993	2001
105 Arvada, CO	—	100	2,810	6,734	100	9,544	9,644	1,497	1997	1997
063 Athens, TX	—	96	1,510	1	96	1,511	1,607	736	1995	1996
269 Aurora, CO	—	850	8,111	—	850	8,111	8,961	27	N/A	2013
260 Aurora, CO	—	831	10,071	—	831	10,071	10,902	606	1999	2012
203 Bakersfield, CA	—	834	11,986	812	834	12,798	13,632	4,766	2002	2001
117 Beatrice, NE	—	100	2,173	—	100	2,173	2,273	960	1997	1997
137 Bexley, OH	—	306	4,196	—	306	4,196	4,502	1,417	1992	2001
278 Castle Rock, CO	—	759	9,041	—	759	9,041	9,800	17	N/A	2014
160 Central, SC	—	100	2,321	—	100	2,321	2,421	847	1998	1999
263 Chatham, NJ	—	5,365	36,399	—	5,365	36,399	41,764	2,099	2002	2012
240 Daytona Beach, FL	—	900	3,400	—	900	3,400	4,300	440	1996	2010
156 Denison, IA	—	100	2,713	—	100	2,713	2,813	1,143	1998	1998
057 Dodge City, KS	—	84	1,666	4	84	1,670	1,754	834	1995	1995
083 Durant, OK	—	100	1,769	—	100	1,769	1,869	804	1997	1997
107 Edmond, OK	—	100	1,365	526	100	1,891	1,991	839	1996	1997
122 Elkhart, IN	—	100	2,435	—	100	2,435	2,535	1,058	1997	1997
155 Erie, PA	—	850	7,477	—	850	7,477	8,327	3,184	1998	1999
100 Fremont ,OH	—	100	2,435	—	100	2,435	2,535	1,083	1997	1997
267 Frisco, TX	—	1,000	4,939	—	1,000	4,939	5,939	56	N/A	2012
163 Ft. Collins, CO	—	100	2,961	2,920	100	5,881	5,981	1,209	1998	1999
170 Ft. Collins, CO	—	100	3,400	2,324	100	5,724	5,824	1,353	1999	1999
132 Ft. Meyers, FL	—	100	2,728	9	100	2,737	2,837	1,170	1998	1998
230 Ft. Wayne, IN	—	594	3,461	731	594	4,192	4,786	767	1996	2009
229 Ft. Worth, TX	—	333	4,385	1,028	333	5,413	5,746	1,464	2009	2008
167 Goldsboro, NC	—	100	2,385	1	100	2,386	2,486	810	1998	1999
056 Great Bend, KS	—	80	1,570	21	80	1,591	1,671	872	1995	1995
102 Greeley, CO	—	100	2,310	270	100	2,580	2,680	1,141	1997	1997
164 Greenville, NC	—	100	2,478	2	100	2,480	2,580	948	1998	1999
062 Greenville, TX	—	42	1,565	—	42	1,565	1,607	762	1995	1996
161 Greenwood, SC	—	100	2,638	—	100	2,638	2,738	1,030	1998	1999
241 Gulf Breeze, FL	—	720	3,780	—	720	3,780	4,500	528	2000	2010
066 Jacksonville, TX	—	100	1,900	—	100	1,900	2,000	918	1996	1996

LTC PROPERTIES, INC.

SCHEDULE III

REAL ESTATE AND ACCUMULATED DEPRECIATION (Continued)

(in thousands)

		Initial cost to company		Costs capitalized subsequent to acquisition	Gross amount at which carried at December 31, 2014					
	Encumbrances	Land	Building and improvements	to acquisition	Land	Building and improvement	Total[1]	Accum deprec.	Construction/ renovation date	Acquisition date
255 Littleton, CO	—	1,882	8,248	—	1,882	8,248	10,130	439	2013	2012
268 Littleton, CO	—	1,200	8,684	—	1,200	8,684	9,884	152	2013	2013
148 Longmont, CO	—	100	2,640	—	100	2,640	2,740	1,118	1998	1998
060 Longview, TX	—	38	1,568	1	38	1,569	1,607	769	1995	1995
261 Louisville, CO	—	911	11,703	—	911	11,703	12,614	690	2000	2012
114 Loveland, CO	—	100	2,865	270	100	3,135	3,235	1,371	1997	1997
068 Lufkin, TX	—	100	1,950	—	100	1,950	2,050	936	1996	1996
119 Madison, IN	—	100	2,435	—	100	2,435	2,535	1,073	1997	1997
061 Marshall, TX	—	38	1,568	451	38	2,019	2,057	997	1995	1995
058 McPherson, KS	—	79	1,571	4	79	1,575	1,654	863	1994	1995
239 Merritt Island, FL	—	550	8,150	—	550	8,150	8,700	1,076	2004	2010
104 Millville, NJ	—	100	2,825	—	100	2,825	2,925	1,253	1997	1997
231 Monroeville, PA	—	526	5,334	435	526	5,769	6,295	947	1997	2009
166 New Bern, NC	—	100	2,427	1	100	2,428	2,528	841	1998	1999
118 Newark, OH	—	100	2,435	—	100	2,435	2,535	1,073	1997	1997
123 Newport Richey, FL	—	100	5,845	664	100	6,509	6,609	3,181	1995	1998
074 Newport, OR	—	100	2,050	—	100	2,050	2,150	1,215	1996	1996
143 Niceville, FL	—	100	2,680	—	100	2,680	2,780	1,135	1998	1998
095 Norfolk, NE	—	100	2,123	—	100	2,123	2,223	952	1997	1997
232 Pittsburgh, PA	—	470	2,615	333	470	2,948	3,418	529	1994	2009
165 Rocky Mount, NC	—	100	2,494	1	100	2,495	2,595	890	1998	1999
141 Rocky River, OH	—	760	6,963	—	760	6,963	7,723	2,915	1998	1999
059 Salina, KS	—	79	1,571	4	79	1,575	1,654	863	1994	1995
084 San Antonio, TX	—	100	1,900	—	100	1,900	2,000	862	1997	1997
092 San Antonio, TX	—	100	2,055	—	100	2,055	2,155	926	1997	1997
149 Shelby, NC	—	100	2,805	2	100	2,807	2,907	1,188	1998	1998
150 Spring Hill, FL	—	100	2,650	—	100	2,650	2,750	1,123	1998	1998
103 Springfield, OH	—	100	2,035	270	100	2,305	2,405	1,017	1997	1997
162 Sumter, SC	—	100	2,351	—	100	2,351	2,451	881	1998	1999
140 Tallahassee, FL	—	100	3,075	—	100	3,075	3,175	1,305	1998	1998
098 Tiffin, OH	—	100	2,435	—	100	2,435	2,535	1,083	1997	1997
088 Troy, OH	—	100	2,435	306	100	2,741	2,841	1,225	1997	1997
080 Tulsa, OK	—	200	1,650	—	200	1,650	1,850	758	1997	1997
093 Tulsa, OK	—	100	2,395	—	100	2,395	2,495	1,076	1997	1997
238 Tupelo, MS	—	1,170	8,230	30	1,170	8,260	9,430	1,144	2000	2010
075 Tyler, TX	—	100	1,800	—	100	1,800	1,900	832	1996	1996
202 Vacaville, CA	—	1,662	11,634	1,141	1,662	12,775	14,437	4,697	2002	2001
091 Waco, TX	—	100	2,235	—	100	2,235	2,335	1,005	1997	1997
096 Wahoo, NE	—	100	2,318	—	100	2,318	2,418	1,032	1997	1997
108 Watauga, TX	—	100	1,668	—	100	1,668	1,768	746	1996	1997
109 Weatherford, OK	—	100	1,669	592	100	2,261	2,361	999	1996	1997
110 Wheelersburg, OH	—	29	2,435	—	29	2,435	2,464	1,073	1997	1997
259 Wichita, KS	—	730	—	9,682	730	9,682	10,412	465	2013	2012
076 Wichita Falls, TX	—	100	1,850	—	100	1,850	1,950	855	1996	1996
120 Wichita Falls, TX	—	100	2,750	—	100	2,750	2,850	1,215	1997	1997
265 Williamstown, NJ	—	711	6,637	—	711	6,637	7,348	429	2000	2012
264 Williamstown, NJ	—	711	8,649	—	711	8,649	9,360	505	2000	2012
138 Worthington, OH	—	—	6,102	—	—	6,102	6,102	4,843	1993	2001
139 Worthington, OH	—	—	3,402	—	—	3,402	3,402	2,717	1995	2001
099 York, NE	—	100	2,318	—	100	2,318	2,418	1,032	1997	1997
Assisted Living Properties	—	30,719	341,228	29,570	30,719	370,798	401,517	98,814		
Range of Care Properties:										
199 Brownsville, TX	—	302	1,856	835	302	2,691	2,993	878	2009	2004
168 Des Moines, IA[2]	—	115	2,096	1,433	115	3,529	3,644	1,795	1972	1999
26A Gardendale, AL	—	100	7,550	2,084	100	9,634	9,734	4,548	2009	1996

LTC PROPERTIES, INC.

SCHEDULE III

REAL ESTATE AND ACCUMULATED DEPRECIATION (Continued)

(in thousands)

		Initial cost to company		Costs capitalized subsequent to acquisition	Gross amount at which carried at December 31, 2014					
	Encumbrances	Land	Building and improvements		Land	Building and improvements	Total[1]	Accum deprec.	Construction/ renovation date	Acquisition date
194 Holyoke, CO	—	211	1,513	283	211	1,796	2,007	955	1963	2000
245 Newberry, SC	—	439	4,639	608	439	5,247	5,686	867	1995	2011
244 Newberry, SC	—	919	5,454	131	919	5,585	6,504	818	2001	2011
236 Wytheville, VA	—	647	12,692	—	647	12,692	13,339	2,606	1996	2010
Range of Care Properties	—	2,733	35,800	5,374	2,733	41,174	43,907	12,467		
Other:										
School:										
159 Trenton, NJ	—	100	6,000	3,170	100	9,170	9,270	4,789	1998	1998
School	—	100	6,000	3,170	100	9,170	9,270	4,789		
Land:										
271 Howell, MI	—	420	—	—	420	—	420	—	N/A	2013
273 Richmond, MI	—	380	—	—	380	—	380	—	N/A	2013
274 Rochester Hills, MI	—	290	—	—	290	—	290	—	N/A	2013
275 Yale, MI	—	73	—	—	73	—	73	—	N/A	2013
999 Milford, MI	—	450	—	—	450	—	450	—	N/A	2014
Land	—	1,613	—	—	1,613	—	1,613	—		
Other Properties	—	1,713	6,000	3,170	1,713	9,170	10,883	4,789		
Properties Under Development:										
276 Westminster, CO	—	1,425	—	7,994	1,425	7,994	9,419	—	N/A	2013
999 Burr Ridge, IL	—	1,400	—	676	1,400	676	2,076	—	N/A	2014
Properties Under Development	—	2,825	—	8,670	2,825	8,670	11,495	—		
	$ —	$ 80,024	$ 784,396	$ 85,418	$ 80,024	$ 869,814	$ 949,838 (2)	$ 223,315		

(1)Depreciation is computed principally by the straight-line method for financial reporting purposes which generally range of a life from 5 to 15 years for furniture and equipment, 35 to 45 years for buildings, 10 to 20 years for building improvements and the respective lease term for acquired lease intangibles.

(2) As of December 31, 2014, our aggregate cost for Federal income tax purposes was $965,043.

LTC PROPERTIES, INC.

SCHEDULE III

REAL ESTATE AND ACCUMULATED DEPRECIATION (Continued)

(in thousands)

Activity for the years ended December 31, 2014, 2013 and 2012 is as follows:

	For the Year Ended December 31,		
	2014	**2013**	**2012**
Reconciliation of real estate:			
Carrying cost:			
Balance at beginning of period	$ 937,617	$ 900,095	$ 725,031
Acquisitions	11,650	19,040	166,750
Improvements	49,912	32,008	11,219
Conversion of mortgage loans into owned properties	—	—	—
Impairment charges	—	—	—
Cost of real estate sold	(49,341)	(13,526)	(2,905)
Ending balance	$ 949,838	$ 937,617	$ 900,095
Accumulated depreciation:			
Balance at beginning of period	$ 218,700	$ 198,548	$ 178,196
Depreciation expense	25,424	24,568	22,002
Conversion of mortgage loans into owned properties	—	—	—
Impairment charges	—	—	—
Cost of real estate sold	(20,809)	(4,416)	(1,650)
Ending balance	$ 223,315	$ 218,700	$ 198,548

LTC PROPERTIES, INC.

SCHEDULE IV

MORTGAGE LOANS ON REAL ESTATE

(in thousands)

State	(Unaudited) Number of Properties	Units/Beds[3]	Interest Rate[1]	Final Maturity Date	Balloon Amount[2]	Current Monthly Debt Service	Face Amount of Mortgages	Carrying Amount of Mortgages December 31, 2013	Principal Amount of Loans Subject to Delinquent Principal or Interest
MI	15	2,058	9.53%	2043	$ 97,387	$ 1,007	$ 124,387	$ 127,725	$ —
PA	1	70	7.11%	2016	5,100	31	5,100	5,100	—
TX	6	100	10.40%	2018	5,095	68	6,800	5,887	—
WI	1	106	10.08%	2022	9,437	90	10,600	10,600	—
Various	15	1,759	7.00%-13.75%	2015-2019	12,615	328	29,742	16,344	—
	38 [4]	4,093			$ 129,634	$ 1,524	$ 176,629	$ 165,656	$ —

(1)Represents current stated interest rate. Generally, the loans have 25-year amortization with principal and interest payable at varying amounts over the life to maturity with annual interest adjustments through specified fixed rate increases effective either on the first anniversary or calendar year of the loan.

(2) Balloon payment is due upon maturity.

(3)This number is based upon unit/bed counts shown on operating licenses provided to us by lessees/borrowers or units/beds as stipulated by lease/mortgage documents. We have found during the years that these numbers often differ, usually not materially, from units/beds in operation at any point in time. The differences are caused by such things as operators converting a patient/resident room for alternative uses, such as offices or storage, or converting a multi-patient room/unit into a single patient room/unit. We monitor our properties on a routine basis through site visits and reviews of current licenses. In an instance where such change would cause a de-licensing of beds or in our opinion impact the value of the property, we would take action against the lessee/borrower to preserve the value of the property/collateral.

(4) Includes 19 first-lien mortgage loans as follows:

Number of Loans	Original loan amounts
11	$ 500 - $2,000
1	$2,001 - $3,000
2	$3,001 - $4,000
1	$4,001 - $5,000
1	$5,001 - $6,000
1	$6,001 - $7,000
2	$7,001 +

Mortgage loans receivable activity for the years ended December 31, 2014, 2013 and 2012 is as follows:

Balance— December 31, 2011	$ 53,081
New mortgage loans	7,719
Other additions	—
Amortization of mortgage premium	(7)
Collections of principal	(21,633)
Foreclosures	—
Loan loss reserve	139
Other deductions	—
Balance— December 31, 2012	39,299
New mortgage loans	124,387
Other additions	4,971
Amortization of mortgage premium	(6)
Collections of principal	(1,933)
Foreclosures	—
Loan loss reserve	(1,274)
Other deductions	—
Balance— December 31, 2013	165,444
New mortgage loans	3,027
Other additions	6,347
Amortization of mortgage premium	(5)
Collections of principal	(9,155)
Foreclosures	—
Loan loss reserve	(2)
Other deductions	—
Balance— December 31, 2014	$ 165,656

Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

Item 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures.

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities and Exchange Act of 1934, as amended) as of the end of the period covered by this report. Based on such evaluation our Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this report our disclosure controls and procedures were effective.

Internal Control Over Financial Reporting.

The Management Report on Internal Control over Financial Reporting and the Report of Independent Registered Public Accounting Firm thereon are set forth on the following pages.

There has been no change in our internal control over financial reporting during the period covered by this report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Management Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rule 13a-15(f) or 15d-15(f) promulgated under the Securities Exchange Act of 1934, as amended, as a process designed by, or under the supervision of, the issuer's principal executive and principal financial officers and effected by the issuer's board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the issuer;

- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the issuer are being made only in accordance with authorizations of management and directors of the issuer; and

- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the issuer's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect material misstatements on a timely basis. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our internal control over financial reporting as of December 31, 2014. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (or COSO) in Internal Control— Integrated Framework (1992 Framework). Based on this assessment, our management concluded that, as of the end of the fiscal year ended December 31, 2014, our internal control over financial reporting was effective.

The effectiveness of our internal control over financial reporting as of December 31, 2014, has been audited by Ernst &Young LLP, independent registered public accounting firm. Ernst & Young LLP's report on our internal control over financial reporting appears on the following page.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of LTC Properties, Inc.

We have audited LTC Properties, Inc.'s (the "Company") internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework) (the COSO criteria). The Company's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, LTC Properties, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of LTC Properties, Inc. as of December 31, 2014 and 2013, and the related consolidated statements of income, comprehensive income, equity, and cash flows for each of the three years in the period ended December 31, 2014 of LTC Properties, Inc. and our report dated February 26, 2015 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Los Angeles, California
February 26, 2015

Item 9B. OTHER INFORMATION

None.

PART III

Item 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this item is incorporated by reference to our definitive proxy statement for the 2015 Annual Meeting of Stockholders (to be filed with the Securities and Exchange Commission within 120 days of our December 31, 2014 fiscal year end) under the headings "*Proposal 1 Election of Directors,*" "*Corporate Governance Principles and Board Matters*," and "*Executive Officers*."

Item 11. EXECUTIVE COMPENSATION

The information required by this item is incorporated by reference to our definitive proxy statement for the 2015 Annual Meeting of Stockholders (to be filed with the Securities and Exchange Commission within 120 days of our December 31, 2014 fiscal year end) under the headings "*Executive Compensation Discussion and Analysis*," "*Summary Compensation Table*," "*Director Compensation*," and "*Compensation Committee Report*."

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this item is incorporated by reference to our definitive proxy statement for the 2015 Annual Meeting of Stockholders (to be filed with the Securities and Exchange Commission within 120 days of our December 31, 2014 fiscal year end) under the heading "*Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters*."

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this item is incorporated by reference to our definitive proxy statement for the 2015 Annual Meeting of Stockholders (to be filed with the Securities and Exchange Commission within 120 days of our December 31, 2014 fiscal year end) under the heading "*Certain Relationships and Related Transactions, and Director Independence*."

Item 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this item is incorporated by reference to our definitive proxy statement for the 2015 Annual Meeting of Stockholders (to be filed with the Securities and Exchange Commission within 120 days of our December 31, 2014 fiscal year end) under the heading "*Independent Registered Public Accounting Firm Fees and Services*."

PART IV

Item 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

The following documents are filed as a part of this report:

All other schedules are omitted because they are not applicable or not present in amounts sufficient to require submission of the schedule or the required information is shown in the Consolidated Financial Statements and the Notes thereto.

Exhibits

The exhibits required by Item 601 of Regulation S-K are set forth in the index to exhibits of this annual report.

LTC PROPERTIES, INC.

INDEX TO EXHIBITS

Exhibit Number	Description
3.1	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) dated September 14, 2012)
3.2	Bylaws of LTC Properties, Inc., as amended and restated August 3, 2009, as further amended February 10, 2015
10.1	Amended and Restated Credit Agreement dated as of October 14, 2014 (incorporated by reference to Exhibit 10.1 to LTC Properties Inc.'s Current Report on Form 8-K (File No. 1-11314) dated October 14, 2014)
10.2	Second Amended and Restated Note Purchase and Private Shelf Agreement dated October 30, 2013 (incorporated by reference to Exhibit 10.1 to LTC Properties Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2013)
10.3+	Employment Agreement of Wendy Simpson dated November 12, 2014 (incorporated by reference to Exhibit 10.1 to LTC Properties, Inc.'s Current Report on Form 8-K (File No. 1-11314) dated November 12, 2014)
10.4+	Employment Agreement of Pamela Kessler, effective as of November 12, 2014 (incorporated by reference to Exhibit 10.2 to LTC Properties, Inc.'s Current Report on Form 8-K (File No. 1-11314) dated November 12, 2014)
10.5+	Employment Agreement of Clint Malin, effective as of November 12, 2014 (incorporated by reference to Exhibit 10.3 to LTC Properties, Inc.'s Current Report on Form 8-K (File No. 1-11314) dated November 12, 2014)
10.6+	Employment Agreement of Caroline (Wong) Chikhale, effective as of June 10, 2008 (incorporated by reference to Exhibit 10.9 to LTC Properties, Inc.'s Annual Report on Form 10-K (File No. 1-11314) for the year ended December 31, 2013)
10.7+	Second Amended and Restated Employment Agreement of Peter G. Lyew, effective as of December 4, 2007 (incorporated by reference to Exhibit 10.10 to LTC Properties, Inc.'s Annual Report on Form 10-K (File No. 1-11314) for the year ended December 31, 2013)
10.8+	Employment Agreement of Brent Chappell, effective as of June 10, 2013
10.9+	Annual Cash Bonus Incentive Plan, effective as of October 27, 2014
10.10	The 2008 Equity Participation Plan (incorporated by reference to Exhibit 10.8 to LTC Properties, Inc.'s Annual Report on Form 10-K (File No. 1-11314) for the year ended December 31, 2009)
10.11	Form of Stock Option Agreement under the 2008 Equity Participation Plan (incorporated by reference to Exhibit 10.9 to LTC Properties, Inc.'s Annual Report on Form 10-K (File No. 1-11314) for the year ended December 31, 2009)
10.12	Form of Restricted Stock Agreement under the 2008 Equity Participation Plan (incorporated by reference to Exhibit 10.1 to LTC Properties, Inc.'s Quarterly Report on Form 10-Q (File No. 1-11314) for the quarter ended June 30, 2013)
10.13	Form of Indemnity Agreement dated as of July 30, 2009 between LTC Properties, Inc. and its Directors and Officers (incorporated by reference to Exhibit 10.1 to LTC Properties, Inc.'s Quarterly Report on Form 10-Q (File No. 1-11314) for the quarter ended June 30, 2009)
12	Ratio of Earnings to Fixed Charges
21	List of Subsidiaries
23.1	Consent of Independent Registered Accounting Firm
31.1	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32	Certifications pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101	The following materials from LTC Properties, Inc.'s Form Annual Report on 10-K for the fiscal year ended December 31, 2014, formatted in eXtensible Business Reporting Language (XBRL): (i) Consolidated Balance Sheets; (ii) Consolidated Statements of Income and Comprehensive Income; (iii) Consolidated Statements of Equity; (iv) Consolidated Statements of Cash Flows; and (v) Notes to Consolidated Financial Statements

\+ *Management contract or compensatory plan or arrangement in which an executive officer or director of the Company participates*

LTC PROPERTIES, INC.

SIGNATURES

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, thereunto duly authorized.

LTC PROPERTIES, INC.
Registrant

Dated: February 26, 2015

By: /s/ Pamela Kessler
PAMELA KESSLER
Executive Vice President, Chief Financial Officer and Corporate Secretary
(Principal Financial Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

/s/ Wendy L. Simpson WENDY L. SIMPSON	Chairman, Chief Executive Officer, President and Director *(Principal Executive Officer)*	February 26, 2015
/s/ Pamela Kessler PAMELA KESSLER	Executive Vice President, Chief Financial Officer and Corporate Secretary *(Principal Financial Officer and Principal Accounting Officer)*	February 26, 2015
/s/ Boyd Hendrickson BOYD HENDRICKSON	Director	February 26, 2015
/s/ Devra G. Shapiro DEVRA G. SHAPIRO	Director	February 26, 2015
/s/ Edmund C. King EDMUND C. KING	Director	February 26, 2015
/s/ JAMES J. PIECZYNSKI JAMES PIECZYNSKI	Director	February 26, 2015
/s/ Timothy J. Triche TIMOTHY TRICHE	Director	February 26, 2015

Exhibit 3.2

BYLAWS

OF

LTC PROPERTIES, INC.

As Amended and Restated
August 3, 2009

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BYLAWS

OF

LTC PROPERTIES, INC.

As Amended and Restated
August 3, 2009

ARTICLE I

MEETINGS OF STOCKHOLDERS

1.01. PLACE. All meetings of the holders of the issued and outstanding capital stock of the Corporation (the "Stockholders") shall be held at the principal office of the Corporation in Westlake Village, California or at such other place within the United States as shall be stated in the notice of the meeting.

1.02. ANNUAL MEETING. An annual meeting of the Stockholders for the election of Directors and the transaction of any business within the powers of the Corporation shall be held on the last Thursday of April, or at such other date and time as may be fixed by the Board of Directors. If the day fixed for the annual meeting shall be a legal holiday, such meeting shall be held at the same time on the next succeeding business day.

1.03. SPECIAL MEETINGS. The Chairman of the Board (if any), the President or a majority of the Board of Directors may call special meetings of the Stockholders. Special meetings of Stockholders shall also be called by the Secretary upon the written request of the holders of shares entitled to cast not less than 25% of all the votes entitled to be cast at such meeting. Such request shall state the purpose or purposes of such meeting and the matters proposed to be acted on thereat. The Secretary shall inform the Stockholders who make any such request of the reasonably estimated cost of preparing and mailing a notice of the special meeting and on payment of these costs to the Corporation, the Secretary will notify each Stockholder entitled to notice of the meeting. Unless requested by Stockholders entitled to cast a majority of all the votes entitled to be cast at the meeting, a special meeting need not be called to consider any matter which is substantially the same as a matter voted on at any special meeting of the Stockholders held during the preceding twelve (12) months. The date, time, place and record date for any such special meeting, including a meeting called at the request of Stockholders, shall be established by the Board of Directors or Officer calling the same. See 2-502.

1.04. NOTICE. Not less than ten (10) nor more than ninety (90) days before the date of every meeting of Stockholders, written or printed notice of such meeting shall be given, in accordance with Section 8.01 of these Bylaws, to each Stockholder entitled to vote or entitled to notice by statute, stating the time and place of the meeting and, in the case of a special meeting or as otherwise may be required by statute, the purpose or purposes for which the meeting is called.

1.05. SCOPE OF NOTICE. No business shall be transacted at a special meeting of Stockholders except that specifically designated in the notice. Any business of the Corporation may be transacted at the annual meeting without being specifically designated in the notice, except such business as is required by statute to be stated in such notice.

1.06. QUORUM. At any meeting of Stockholders, the presence in person or by proxy of Stockholders entitled to cast a majority of all votes entitled to be cast at the meeting shall constitute a quorum; but this Section shall not affect any requirement under any statute or the Charter of the Corporation (the "Charter") for the vote necessary for the adoption of any measure. If, however, a quorum is not present at any meeting of the Stockholders, the Presiding Officer (as hereinafter defined) of the meeting, or the Stockholders present in person or by proxy, shall have the power to adjourn the meeting from time to time without notice other than announcement at the meeting until a quorum is present and the meeting so adjourned may be reconvened without further notice. At any adjourned meeting at which a quorum is present, any business may be transacted that might have been transacted at the meeting as originally notified. The Stockholders present at a meeting which has been duly called and convened and at which a quorum is present at the time counted may continue to transact business until adjournment, notwithstanding the withdrawal of enough Stockholders to leave less than a quorum.

1.07. VOTING. A plurality of all the votes cast at a meeting of Stockholders duly called and at which a quorum is present shall be sufficient to elect a director. Each Share (as hereinafter defined) may be voted for as many individuals as there are Directors to be elected and for whose election the share is entitled to vote. A majority of the votes cast at a meeting of Stockholders duly called and at which a quorum is present shall be sufficient to take or authorize action upon any other matter which may properly come before the meeting, unless more than a majority of the votes cast is specifically required by statute, by the Charter or by these Bylaws. Unless otherwise provided in the Charter, each outstanding share (a “Share”) of capital stock of the Corporation (the “Stock”), regardless of class, shall be entitled to one vote upon each matter submitted to a vote at a meeting of Stockholders. Shares of its own Stock directly or indirectly owned by this Corporation shall not be voted in any meeting and shall not be counted in determining the total number of outstanding Shares entitled to vote at any given time, but Shares of its own Stock held by it in a fiduciary capacity may be voted and shall be counted in determining the total number of outstanding Shares at any given time.

1.08. PROXIES. A Stockholder may vote the Shares owned of record by him or her, either in person or by proxy executed by the Stockholder or by his or her duly authorized agent or attorney in fact in any manner permitted by law. Such proxy shall be filed with the Secretary of the Corporation before or at the time of the meeting. No proxy shall be valid after eleven (11) months from the date of its execution, unless otherwise provided in the proxy.

1.09. CONDUCT OF MEETINGS. The Chairman of the Board (if any) or, in the absence of the Chairman, the President, or, in the absence of the Chairman, President and Vice Presidents, a presiding officer elected at the meeting, shall preside over meetings of the Stockholders (in each case the “Presiding Officer”). The Secretary of the Corporation, or, in the absence of the Secretary, an Assistant Secretary or, in the absence of an Assistant Secretary, the person appointed by the Presiding Officer of the meeting shall act as secretary of such meeting. The order of business and all other matters of procedure at any meeting of Stockholders shall be determined by the Presiding Officer of the meeting. The Presiding Officer of the meeting may prescribe such rules, regulations and procedures and take such action as in the discretion of such Presiding Officer are appropriate for the proper conduct of the meeting.

1.10. TABULATION OF VOTES. At any annual or special meeting of Stockholders, the Presiding Officer shall be authorized to appoint one or more inspectors of election or Teller(s) for such meeting. The Teller(s) may, but need not, be an officer, employee or agent of the Corporation. The Teller shall be responsible for tabulating or causing to be tabulated shares voted at the meeting and reviewing or causing to be reviewed all proxies. In tabulating votes, the Teller(s) shall be entitled to rely in whole or in part on tabulations and analyses made by personnel of the Corporation, its counsel, its transfer agent, its registrar or such other organizations that are customarily employed to provide such services. The Teller(s) shall be authorized to determine the legality and sufficiency of all votes cast and proxies delivered under both the Charter and these Bylaws and applicable law. The Presiding Officer may review all determinations made by the Teller(s) hereunder, and in doing so the presiding Officer shall be entitled to exercise his or her sole judgment and discretion and he or she shall not be bound by any determinations made by the Teller(s).

1.11. INFORMAL ACTION BY STOCKHOLDERS. An action required or permitted to be taken at a meeting of Stockholders may be taken without a meeting if a consent in writing, setting forth such action, is signed by all the Stockholders entitled to vote on the subject matter thereof and any other Stockholders entitled to notice of a meeting of Stockholders (but not to vote thereat) have waived in writing any rights which they may have to dissent from such action, and such consents and waivers are filed with the minutes of proceedings of the Stockholders. Such consents and waivers may be signed by different Stockholders on separate counterparts.

1.12. VOTING BY BALLOT. Voting on any question or in any election may be viva voce unless the presiding Officer shall order or any Stockholder shall demand that voting be by ballot.

1.13. ADVANCE NOTICE OF CERTAIN MATTERS.

1.13.1. Matters (other than nominations of candidates for election as directors of the Corporation) may be properly brought before any annual meeting of Stockholders only (i) by, or at the direction of, a majority of the Board of Directors or a duly authorized committee thereof or (ii) by any holder of record (both as of the time notice of such matter is given by the Stockholder as set forth below and as of the record date for the annual meeting in question) of any shares of the Corporation's capital stock entitled to vote at such annual meeting who complies with the notice procedures of this Section 1.13. Any Stockholder who seeks to bring any matter before any annual meeting, or his representative, must be present in person at the annual meeting. Nominations of candidates for election as directors of the Corporation at any annual meeting may be made only as provided in Section 2.04.3.

Matters, other than matters brought before an annual meeting by, or at the direction of, the Board of Directors or a duly authorized committee thereto, shall be brought before the meeting only pursuant to timely notice in writing to the Secretary of the Corporation as set forth in this Section 1.13. To be timely, a Stockholder's notice shall be delivered to, or mailed and received at, the principal executive offices of the Corporation not less than 60 days nor more than 150 days prior to the first anniversary of the last annual meeting of Stockholders. Each such Stockholder notice shall set forth (i) as to each matter the Stockholder proposes to bring before the annual meeting, (a) a brief description of the matter desired to be brought before the annual meeting and the reasons for bringing such matter before the annual meeting and (b) any material interest of the Stockholder in such matter; and (ii) as to the Stockholder giving the notice (a) the name and address, as they appear on the Corporation's books, of such Stockholder and any other Stockholders known by such Stockholder to be supporting the bringing of such matter before the annual meeting as of the date of such Stockholder notice and (b) the class and number of shares of the Corporation's capital stock which are beneficially owned by such Stockholder on the date of such Stockholder's notice and by any other Stockholders known by such Stockholder to be supporting the bringing of such matter before the annual meeting as of the date of such Stockholder's notice.

1.13.2. If the Board of Directors, or a designated committee thereof, determines that notice of any matter proposed to be brought before an annual meeting by any Stockholder was not timely given in accordance with the terms of this Section 1.13, or the information provided in a Stockholder's notice does not satisfy the informational requirements of this Section 1.13 in any material respect, then the Board of Directors or such committee, as the case may be shall declare that such matter shall not be considered at the annual meeting in question; provided, however, if such Stockholder's notice was duly received at least 15 days in advance of the last date on which such notice could have been timely given, then the Secretary of the Corporation shall, within 10 days after the Secretary's receipt of such notice, notify such Stockholder of the deficiency in the notice. Such Stockholder receiving such notice from the Secretary shall have an opportunity to cure the deficiency by providing additional information to the Secretary within such period of time, not to exceed five days from the date such deficiency notice is given to the Stockholder, as the Board of Directors such committee shall reasonably determine. If the deficiency is not cured within such period, or if the Board of Directors or such committee reasonably determines that the additional information provided by the Stockholder, together with information previously provided, does not satisfy the requirements of this Section 1.13 in any material respect, then the Board of Directors shall declare that the matter proposed by the Stockholder shall not be considered at the annual meeting in question,

1.13.3. If neither the Board of Directors nor such committee makes a determination as to the validity of any matter proposed to be brought before any annual meeting by a Stockholder as set forth above, the Presiding Officer of the annual meeting shall determine and declare at the annual meeting whether the Stockholder complied with the terms of this Section 1.13 with respect to such matter. If the Presiding Officer determinates that the Stockholder complied with the terms of this Section 1.13 with respect to such matter, he shall so declare at the annual meeting and such matter shall be brought before the annual meeting. If the Presiding Officer determines that the Stockholder did not comply with the terms of this Section 1.13 with respect to such matter, he shall so declare at the annual meeting and such matter shall not be brought before the annual meeting.

1.13.3. Notwithstanding the foregoing provisions of this Section 1.13, a Stockholder shall also comply with all applicable requirements of state law and the Securities Exchange Act of 1934, as amended (the "Exchange Act") and the rules and regulations promulgated thereunder with respect to the matters set forth in this Section 1.13. Nothing in this Section 1.13 shall be deemed to affect any right of a Stockholder to request inclusion of a proposal in, nor the right of the Corporation to omit a proposal from, the Corporation's proxy statement pursuant to Rule 14a-8 (or any successor provision) under the Exchange Act.

ARTICLE II

DIRECTORS

2.01. GENERAL POWERS. The business and affairs of the Corporation shall be managed by its Board of Directors.

2.02. OUTSIDE ACTIVITIES. The Board of Directors and its members are required to spend only such time managing the business and affairs of the Corporation as is necessary to carry out their duties in accordance with Section 2-405.1 of the Maryland General Corporation Law. The Board of Directors, each Director, and the agents, Officers and employees of the Corporation or of the Board of Directors or of any Director may engage with or for others in business activities of the types conducted by the Corporation; none of them has an obligation to notify or present to the Corporation or each other any investment opportunity that may come to such person's attention even though such investment might be within the scope of the Corporation's purposes or various investment objectives. Any interest (including any interest as defined in Section 2-419(a) of the Maryland General Corporation Law) that a Director has in any investment opportunity presented to the Corporation must be disclosed by such Director to the Board of Directors (and, if voting thereon, to the Stockholders or to any committee of the Board of Directors) within ten (10) days after the later of the date upon which such Director becomes aware of such interest or that the Corporation is considering such investment opportunity. If such interest comes to the interested Director's attention after a vote to take such investment opportunity, the voting body shall reconsider such investment opportunity if not already consummated or implemented.

2.03. OUTSIDE MANAGEMENT. The Board of Directors may delegate some or all of the duties of management of the assets and the administration of the Corporation's day-to-day business operations to one or more advisors pursuant to a written contract or contracts approved by the Board of Directors.

2.04. NUMBER, TENURE, QUALIFICATION, NOMINATION AND ELECTION.

2.04.1 The number of Directors of the Corporation shall be six (6), unless a majority of the Board of Directors establishes some other number not less than three (3) and not more than nine (9). Notwithstanding the foregoing, upon the occurrence of a default in the payment of dividends on any class or series of preferred stock, or any other event, which will entitle the holders of any class or series of preferred stock to elect additional directors of the Corporation, the number of directors of the Corporation will thereupon be increased by the number of additional directors to be elected by the holders of such class or series of preferred stock (even if the resulting number of directors is more than 9), and such increase in the number of directors shall remain in effect for so long as the holders of such class or series of preferred stock are entitled to elect such additional directors.

2.04.2 The Stockholders shall elect the number of Directors so established, if and to the extent there are nominees duly nominated in accordance with these Bylaws. Ballots bearing the names of all the persons who have been duly nominated for election as directors at an annual meeting of Stockholders in accordance with the procedures set forth in this Section 2.04 shall be provided for use at the annual meeting.

2.04.3 Nominations of candidates for election as Directors of the Corporation at any annual meeting of Stockholders may be made (i) by, or at the direction of, a majority of the Board of Directors or a duly authorized committee thereof (which committee in the case of any nomination of a director who is to be an Independent Director (as hereinafter defined) shall have a majority of Independent Directors) or (ii) by any holder of record (both as of the time notice of such nomination is given by the Stockholder as set forth below and as of the record date for the annual meeting in question) of any shares of the Corporation's capital stock entitled to vote at such annual meeting who complies with the notice procedures of this Section 2.04. Any Stockholder who seeks to make such a nomination, or his representative, must be present in person at the annual meeting. Only persons nominated in accordance with the procedures set forth in this Section 2.04 shall be eligible for election as Directors at an annual meeting. An Independent Director shall be a Director who meets the requirement of "independent" under the rules of the New York Stock Exchange or other national securities exchange on which the Shares of common stock of the Corporation are then listed.

Nominations, other than those made by, or at the direction of, the Board of Directors or a duly authorized committee thereto, shall be made pursuant to timely notice in writing to the Secretary of the Corporation as set forth in this Section 2.04. To be timely, a Stockholder's notice shall be delivered to, or mailed and received at, the principal executive offices of the Corporation not less than 60 days nor more than 150 days prior to the first anniversary of the last annual meeting of Stockholders. Each such Stockholder notice shall set forth (i) as to each person whom the Stockholder proposes to nominate for election or reelection as a Director and as to the Stockholder giving the notice (a) the name, age, business address and residence address of such person, (b) the principal occupation or employment of such person, (c) the class and number of shares of the Corporation's capital stock which are beneficially owned by such person on the date of such Stockholder notice, (d) such nominee's consent to serve as a Director if elected and (e) any other information relating to such person that is required to be disclosed in solicitations of proxies with respect to nominees for election as may be deemed necessary or desirable by the Corporation's counsel, in the exercise of his or her discretion; and (ii) as to the Stockholder giving the notice (a) the name and address, as they appear on the Corporation's books, of such Stockholder and any other Stockholders known by such Stockholder to be supporting such nominees and (b) the class and number of shares of the Corporation's capital stock which are beneficially owned by such Stockholder on the date of such Stockholder notice and by any other Stockholders known by such Stockholder to be supporting such nominees on the date of such Stockholder notice. At the request of the Board of Directors or a committee appointed by it, any persons nominated by, or at the direction of, the Board or such committee for election as a Director at an annual meeting shall furnish to the Secretary of the Corporation that information required to be set forth in a Stockholder's notice of nomination which pertains to the nominee.

2.04.4 If the Board of Directors, or a designated committee thereof, determines that any Stockholder nomination was not timely made in accordance with the terms of this Section 2.04, or the information provided in a Stockholder's notice does not satisfy the informational requirements of this Section 2.04 in any material respect, then the Board of Directors or such committee, as the case may be, shall reject such Stockholder nomination and such nomination shall not be considered at the annual meeting in question; provided, however, if such Stockholder's notice was duly received at least 15 days in advance of the last date on which such notice could have been timely made, then the Secretary of the corporation shall, within 10 days after the Secretary's receipt of such notice, notify such Stockholder of the deficiency in the notice. Such Stockholder receiving such notice from the Secretary shall have an opportunity to cure the deficiency by providing additional information to the Secretary within such period of time, not to exceed five days from the date such deficiency notice is given to the Stockholder, as the Board of Directors or such committee shall reasonably determine. If the deficiency is not cured within such period, or if the Board of Directors or such committee reasonably determines that the additional information provided by the Stockholder, together with information previously provided, does not satisfy the requirements of this Section 2.04 in any material respect, then the Board of Directors shall reject such Stockholder's nomination and such nomination shall not be considered at the annual meeting in question.

2.04.5 If neither the Board of Directors nor such committee makes a determination as to the validity of any nominations by a Stockholder as set forth above, the Presiding Officer of the annual meeting shall determine and declare at the annual meeting whether a nomination was made in accordance with the terms of this Section 2.04. If the Presiding Officer determines that a nomination was made in accordance with the terms of this Section 2.04, he shall so declare at the annual meeting and ballots shall be provided for use at the meeting with respect to such nominee. If the Presiding Officer determines that a nomination was not made in accordance with the terms of this Section 2.04, he shall so declare at the annual meeting and such nomination shall be disregarded.

2.05. ANNUAL AND REGULAR MEETINGS. An annual meeting of the Board of Directors may be held immediately after and at the same place as the annual meeting of Stockholders, or such other time and place, either within or without the State of Maryland, as is selected by resolution of the Board of Directors, and no notice other than these Bylaws or such resolution shall be necessary. The Board of Directors may provide, by resolution, the time and place, either within or without the State of Maryland, for the holding of regular meetings of the Board of Directors without other notice than such resolutions.

2.06. SPECIAL MEETINGS. Special meetings of the Board of Directors may be called by or at the request of the Chairman of the Board (if any), the President or a majority of the Directors then in office. The person or persons authorized to call special meetings of the Board of Directors may fix any place, either within or without the State of Maryland, as the place for holding any special meeting of the Board of Directors called by them.

2.07. NOTICE. Notice of any special meeting to be provided herein shall be given, in accordance with Section 8.01, by written notice delivered personally or by electronic mail, telegraphed or telecopied to each Director at his or her business or residence at least twenty-four (24) hours, or by mail at least five (5) days, prior to the meeting. Neither the business to be transacted at, nor the purpose of, any annual, regular or special meeting of the Board of Directors need be specified in the notice, unless specifically required by statute or these Bylaws.

2.08. QUORUM. A majority of the Directors then in office shall constitute a quorum for transaction of business at any meeting of the Board of Directors; provided, however that a quorum for transaction of business with respect to any matter in which any Director (or affiliate of such Director) who is not an Independent Director has any interest shall consist of a majority of the Directors, including a majority of the Independent Directors, then in office.

2.09. VOTING. Except as otherwise required by law or by the Charter, the act of a majority of Directors present at a meeting at which a quorum is present shall constitute the act of the Board of Directors, except that no act relating to any matter in which any Director (or affiliate of such Director) who is not an Independent Director has any interest shall be the act of the Board unless a majority of the Independent Directors on the Board vote for such act.

2.10. CONDUCT OF MEETINGS. All meetings of the Board of Directors shall be called to order and presided over by the Chairman of the Board (if any), or in the absence of the Chairman of the Board by the President (if a member of the Board of Directors), or, in the absence of the Chairman of the Board or the President, by a member of the Board of Directors selected by the members present. The Secretary of the Corporation shall act as secretary at all meetings of the Board of Directors, and in the absence of the Secretary and Assistant Secretaries, the presiding Officer of the meeting shall designate any person to act as secretary of the meeting. Members of the Board of Directors may participate in meetings of the Board of Directors by conference telephone or similar communications equipment by means of which all Directors participating in the meeting can hear each other at the same time, and participation in a meeting in accordance herewith shall constitute presence in person at such meeting for all purposes.

2.11. RESIGNATIONS. Any Director may resign from the Board of Directors or any committee thereof at any time. Such resignation shall be made in writing and shall take effect at the time specified herein, or if no time be specified, at the time of the receipt of notice of such resignation by the President or the Secretary.

2.12. VACANCIES. A vacancy which arises through the death, resignation or removal of a Director or as a result of an increase by the Board of Directors in the number of Directors may be filled by the vote of a majority of the remaining Directors, even if such majority is less than a quorum, and a Director so elected by the Board of Directors to fill a vacancy shall serve until the next annual meeting of Stockholders and until his successor shall be duly elected and qualified.

2.13. INFORMAL ACTION BY DIRECTORS. Any action required or permitted to be taken at any meeting of the Board of Directors may be taken without a meeting, if a consent in writing or by electronic transmission to such action is given by all of the Directors and such consent is filed with the minutes of proceedings of the Board of Directors. Consents may be signed or given by different Directors on separate counterparts.

2.14. COMPENSATION. An annual fee for services and payment for expenses of attendance at each meeting of the Board of Directors, or of any committee thereof, may be allowed to any Director by resolution of the Board of Directors.

2.15. TELEPHONIC MEETINGS. Directors may participate in a meeting by means of a conference telephone or other communications equipment if all persons participating in the meeting can hear each other at the same time. Participation in a meeting by these means shall constitute presence in person at the meeting.

ARTICLE III

COMMITTEES

3.01. NUMBER, TENURE AND QUALIFICATION. The Board of Directors may appoint from among its members an Executive Committee and other committees, composed of one or more Directors, to serve at the pleasure of the Board of Directors. If any committee may take or authorize any act as to any matter in which any Director (or affiliate of such Director) who is not an Independent Director has or may have any interest, a majority of the members of such committee shall be Independent Directors, except that any such committee consisting of only two Directors may have one Independent Director and one Director who is not an Independent Director.

3.02. DELEGATION OF POWER. The Board of Directors may delegate to these committees in the intervals between meetings of the Board of Directors any of the powers of the Board of Directors to manage the business and affairs of the Corporation, except those powers which the Board of Directors is specifically prohibited from delegating pursuant to Section 2-411 of the Maryland General Corporation Law.

3.03. QUORUM AND VOTING. A majority of the members of any committee shall constitute a quorum for the transaction of business by such committee, and the act of a majority of the quorum shall constitute the act of the committee, except that no act relating to any matter in which any Director (or affiliate of such Director) who is not an Independent Director has any interest shall be the act of any committee unless a majority of the Independent Directors on the committee vote for such act.

3.04. CONDUCT OF MEETINGS. Each committee shall designate a presiding Officer of such committee, and if not present at a particular meeting, the committee shall select a presiding officer for such meeting. Members of any committee may participate in meetings of such committee by conference telephone or similar communications equipment by means of which all Directors participating in the meeting can hear each other at the same time, and participation in a meeting in accordance herewith shall constitute presence in person at such meeting for all purposes. Each committee shall keep minutes of its meetings, and report the results of any proceedings at the next succeeding annual or regular meeting of the Board of Directors.

3.05. INFORMAL ACTION BY COMMITTEES. Any action required or permitted to be taken at any meeting of a committee of the Board of Directors may be taken without a meeting, if a consent in writing or by electronic transmission to such action is given by all members of the committee and such consent is filed with the minutes of proceedings of such committee. Consents may be signed or given by different members on separate counterparts.

ARTICLE IV

OFFICERS

4.01. ENUMERATION. The Officers of the Corporation shall consist of a President, a Treasurer and a Secretary, and may also consist of a Chairman of the Board, one or more Vice Presidents, Assistant Treasurers, Assistant Secretaries and other Officers as the Board of Directors may from time to time elect or appoint.

4.02. POWERS AND DUTIES. The President, Treasurer and Secretary of the Corporation shall be elected annually by the Board of Directors at the first meeting of the Board of Directors held after each annual meeting of Stockholders. If the election of such Officers shall not be held at such meeting, such election shall be held as soon thereafter as may be convenient. The Board of Directors may elect or appoint such other Officers as they determine at any time. Each Officer shall hold office until his successor is duly elected and qualifies or until his death, resignation or removal in the manner hereinafter provided, or until the office to which he is elected (if other than that of President, Treasurer or Secretary) is terminated by the Board of Directors. Any two or more offices except President and Vice President may be held by the same person. Election or appointment of an Officer or agent shall not of itself create contract rights between the Corporation and such Officer or agent.

4.03. REMOVAL. Any Officer or agent elected or appointed by the Board of Directors may be removed by the Board of Directors whenever in its judgment the best interests of the Corporation would be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the person so removed. The fact that a person is elected or appointed to an office, whether or not for a specified term, shall not by itself constitute any undertaking or evidence of any employment obligation of the Corporation to that person.

4.04. OUTSIDE ACTIVITIES. Any interest (including any interest as defined in Section 2-419(a) of the Maryland General Corporation Law as if the Officer or agent were a Director of the Corporation) that an Officer or an agent has in any investment opportunity presented to the Corporation must be disclosed by such Officer or agent to the Board of Directors (and, if voting thereon, to the Stockholders or to any committee of the Board of Directors) within ten (10) days after the later of the date upon which such Officer or agent becomes aware of such interest or that the Corporation is considering such investment opportunity. If such interest comes to the attention of the interested Officer or agent after a vote to take such investment opportunity, the voting body shall reconsider such investment opportunity if not already consummated or implemented.

4.05. VACANCIES. A vacancy in any office may be filled by the Board of Directors for the unexpired portion of the term.

4.06. CHAIRMAN OF THE BOARD. The Chairman of the Board, if one is elected, shall preside at all meetings of the Stockholders and of the Board of Directors. The Chairman of the Board may sign and execute all authorized deeds, mortgages, bonds, contracts or other instruments in the name of the Corporation except in cases where the execution thereof shall be expressly delegated by the Board of Directors or by these Bylaws to some other Officer or agent of the Corporation or shall be required by law to be otherwise signed or executed.

4.07. PRESIDENT. Unless the Board of Directors shall otherwise determine in favor of the Chairman of the Board or any other Officer of the Corporation, the President shall be the Chief Executive Officer and general manager of the Corporation and shall in general supervise and control all of the business and affairs of the Corporation. In the absence of the Chairman of the Board (if any), the President shall preside at all meetings of the Stockholders and of the Board of Directors (if a member of the Board of Directors). The President may sign any deed, mortgage, bond, contract or other instruments on behalf of the Corporation except in cases where the execution thereof shall be expressly delegated by the Board of Directors or by these Bylaws to some other Officer or agent of the Corporation or shall be required by law to be otherwise signed or executed. In general, the President shall perform all duties incident to the office of President and such other duties as may be prescribed by the Board of Directors from time to time.

4.08. VICE PRESIDENTS. In the absence of the President or in the event of a vacancy in such office, the Vice President (or in the event there be more than one Vice President, the Vice Presidents in the order designated at the time of their election, or in the absence of any designation, then in the order of their election) shall perform the duties of the President and when so acting shall have all the powers of and be subject to all the restrictions upon the President. Every Vice President shall perform such other duties as from time to time may be assigned to him or her by the President or the Board of Directors.

4.09. SECRETARY. The Secretary shall (i) keep the minutes of the proceedings of the Stockholders and Board of Directors in one or more books provided for that purpose; (ii) see that all notices are duly given in accordance with the provisions of these Bylaws or as required by law; (iii) be custodian of the corporate records of the Corporation; (iv) unless a transfer agent is appointed, keep a register of the post office address of each Stockholder that shall be furnished to the Secretary by such Stockholder and have general charge of the Stock Ledger of the Corporation; (v) when authorized by the Board of Directors or the President, attest to or witness all documents requiring the same; (vi) perform all duties as from time to time may be assigned to him or her by the President or by the Board of Directors; and (vii) perform all the duties generally incident to the office of secretary of a corporation.

4.10. TREASURER. The Treasurer shall have the custody of the corporate funds and securities and shall keep full and accurate accounts of receipts and disbursements in books belonging to the Corporation and shall deposit all moneys and other valuable effects in the name and to the credit of the Corporation in such depositaries as may be designated by the Board of Directors. The Treasurer shall disburse the funds of the Corporation as may be ordered by the Board of Directors, taking proper vouchers for such disbursements, and shall render to the President and the Board of Directors, at the regular meetings of the Board of Directors or whenever they may require it, an account of all his or her transactions as Treasurer and of the financial condition of the Corporation. The Board of Directors may engage a Custodian to perform some or all of the duties of the Treasurer, and if a Custodian is so engaged then the Treasurer shall be relieved of the responsibilities set forth herein to the extent delegated to such Custodian and, unless the Board of Directors otherwise determines, shall have general supervision over the activities of such Custodian. The Custodian shall not be an Officer of the Corporation.

4.11. ASSISTANT SECRETARIES AND ASSISTANT TREASURERS. Assistant Secretaries and Assistant Treasurers (if any) (i) shall have the power to perform and shall perform all the duties of the Secretary and the Treasurer, respectively, in such respective Officer's absence and (ii) shall perform such duties as shall be assigned to him or her by the Secretary or Treasurer, respectively, or by the President or the Board of Directors.

4.12. SALARIES. The salaries, if any, of the Officers shall be fixed from time to time by the Board of Directors. No Officer shall be prevented from receiving such salary, if any, by reason of the fact that he or she is also a Director of the Corporation.

ARTICLE V

SHARES OF STOCK

5.01. CERTIFICATES OF STOCK. Except as otherwise provided in these Bylaws, this Section 5.01 and the other sections of Article V of these Bylaws shall not be interpreted to limit the authority of the Board of Directors to authorize the issuance of some or all of the Shares of any or all classes or series of the Company's Stock without certificates. Each Stockholder shall be entitled to a certificate for the Shares of Stock of the Corporation held by such Stockholder, other than Shares of such Stock issued without certificates pursuant to authorization of the Board of Directors, in such form as may from time to time be prescribed by the Board of Directors. Such certificate shall be signed by the Chairman, President, or any Vice President and countersigned by the Treasurer, Secretary, or any Assistant Treasurer or Assistant Secretary. The Corporation seal and the signatures by Corporation officers may be facsimile if the certificate is manually countersigned by an authorized person on behalf of a transfer agent or registrar other than the Corporation or its employee. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed on such certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if he were such officer, transfer agent or registrar at the time of its issue. Every certificate for shares of stock which are subject to any restriction on transfer and every certificate issued when the Corporation is authorized to issue more than one class or series of stock shall contain such legend with respect thereto as is required by law.

5.02. STOCK LEDGER. The Corporation shall maintain at its principal office in Westlake Village, California (or any subsequent address selected by the Board of Directors) or at the office of its counsel, accountants or transfer agent, an original or duplicate Stock Ledger containing the names and addresses of all the Stockholders and the number of shares of each class held by each Stockholder. The Stock Ledger shall be maintained pursuant to a system that the Corporation shall adopt allowing for the issuance, recordation and transfer of its Stock by electronic or other means that can be readily converted into written form for visual inspection. Such system shall include provisions for notice to acquirers of Stock (whether upon issuance or transfer of Stock) in accordance with Sections 2-210 and 2-211 of the Maryland General Corporation Law, and Section 8-204 of the Commercial Law Article of the State of Maryland. The Corporation shall be entitled to treat the holder of record of any Share or Shares as the holder in fact thereof and, accordingly, shall not be bound to recognize any equitable or other claim to or interest in such share on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of the State of Maryland. Until a transfer is duly effected on the Stock Ledger, the Corporation shall not be affected by any notice of such transfer, either actual or constructive. Nothing herein shall impose upon the Corporation, the Board of Directors or Officers or their agents and representatives a duty or limit their rights to inquire as to the actual ownership of Shares.

5.03. RECORDING TRANSFERS OF STOCK. If transferred in accordance with any restrictions on transfer contained in the Charter, these Bylaws or otherwise, Shares shall be recorded as transferred in the Stock Ledger upon provision to the Corporation or the transfer agent of the Corporation of an executed stock power duly guaranteed and any other documents reasonably requested by the Corporation, and the surrender of the certificate or certificates, if any, representing such Shares. Upon receipt of such documents, the Corporation shall issue the statements required by Sections 2-210 and 2-211 of the Maryland General Corporation Law and Section 8-204 of the Commercial Law Article of the State of Maryland, issue as needed a new certificate or certificates (if the transferred Shares were certificated) to the persons entitled thereto, cancel any old certificates and record the transaction upon its books.

5.04. LOST CERTIFICATE. The Board of Directors may direct a new certificate to be issued in the place of any certificate theretofore issued by the Corporation alleged to have been stolen, lost or destroyed upon the making of an affidavit of that fact by the person claiming the certificate of stock to be stolen, lost or destroyed. When authorizing such issue of a new certificate, the Board of Directors may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such stolen, lost or destroyed certificate or his legal representative to advertise the same in such manner as it shall require and/or to give bond, with sufficient surety, to the Corporation to indemnify it against any loss or claim which may arise by reason of the issuance of a new certificate.

5.05. CLOSING OF TRANSFER BOOKS OR FIXING OF RECORD DATE.

5.5.1. The Board of Directors may fix, in advance, a date as the record date for the purpose of determining Stockholders entitled to notice of, or to vote at, any meeting of Stockholders, or Stockholders entitled to receive payment of any dividend or the allotment of any rights, or in order to make a determination of Stockholders for any other proper purpose. Such date, in any case, shall be not more than sixty (60) days, and in case of a meeting of Stockholders not less than ten (10) days, prior to the date on which the meeting or particular action requiring such determination of Stockholders is to be held or taken.

5.5.2. If, in lieu of fixing a record date, the stock transfer books are closed by the Board of Directors in accordance with Section 2-511 of the Maryland General Corporation Law for the purpose of determining Stockholders entitled to notice of or to vote at a meeting of Stockholders, such books shall be closed for at least ten (10) days immediately preceding such meeting.

5.5.3. If no record date is fixed and the stock transfer books are not closed for the determination of Stockholders, (a) the record date for the determination of Stockholders entitled to notice of, or to vote at, a meeting of Stockholders shall be at the close of business on the day on which the notice of meeting is mailed or the 30th day before the meeting, whichever is the closer date to the meeting; and (b) the record date for the determination of Stockholders entitled to receive payment of a dividend or an allotment of and rights shall be at the close of business on the day on which the resolution of the Board of Directors, declaring the dividend or allotment of rights, is adopted.

5.5.4. When a determination of Stockholders entitled to vote at any meeting of Stockholders has been made as provided in this section, such determination shall apply to any adjournment thereof, except where the determination has been made through the closing of the stock transfer books and the stated period of closing has expired.

ARTICLE VI

DIVIDENDS AND DISTRIBUTIONS

6.01. DECLARATION. Dividends and other distributions upon the Stock may be declared by the Board of Directors as set forth in the applicable provisions of the Charter and any applicable law, limited only to the extent of Section 2- 311 of the Maryland General Corporation Law. Dividends and other distributions upon the Stock may be paid in cash, property or Stock of the Corporation, subject to the provisions of law and of the Charter.

6.02. CONTINGENCIES. Before payment of any dividends or other distributions upon the Stock, there may be set aside (but there is no duty to set aside) out of any funds of the Corporation available for dividends or other distributions such sum or sums as the Board of Directors may from time to time, in its absolute discretion, think proper as a reserve fund to meet contingencies, for repairing or maintaining any property of the Corporation or for such other purpose as the Board of Directors shall determine to be in the best interest of the Corporation, and the Board of Directors may modify or abolish any such reserve in the manner in which it was created.

ARTICLE VII

INDEMNIFICATION

7.01 INDEMNIFICATION OF OFFICERS. Unless the Directors otherwise determine prospectively in the case of any one or more specified officers, all persons elected or appointed by the Directors as an officer of the Corporation shall be entitled to indemnification by the Corporation on account of matters resulting in their capacity as an officer to the same extent provided with respect to Directors by the Charter.

7.02. ADVANCE OF EXPENSES. To the maximum extent permitted by applicable law in effect from time to time, the Corporation, without requiring a preliminary determination of the ultimate entitlement to indemnification, shall pay or reimburse reasonable expenses in advance of final disposition of a proceeding to any present or former Director or Officer who is entitled to indemnification under Article TWELFTH of the Charter or Section 7.01 of these Bylaws, or under Maryland law.

7.03. INSURANCE. The Corporation shall have power to purchase and maintain insurance on behalf of any person entitled to indemnification, or whom the Corporation may indemnify, under ARTICLE TWELFTH of the Charter or Section 7.01 of these Bylaws, or under Maryland law, against any liability, whether or not the Corporation would have the power to indemnify him or her against such liability. The rights to indemnification set forth in the Charter or in the Bylaws are in addition to all rights which any indemnified person may be entitled as a matter of law, and shall inure to the benefit of the heirs and personal representatives of each indemnified person.

ARTICLE VIII

NOTICES

8.01. NOTICES. Whenever notice is required to be given pursuant to these Bylaws, it shall be construed to mean either written notice personally served against written receipt, or notice in writing transmitted by mail, by depositing the same in a post office or letter box, in a post-paid sealed wrapper, addressed, if to the Corporation, at the principal office of the Corporation, 31365 Oak Crest Drive, Suite 200, Westlake Village, California 91361 (or any subsequent address selected by the Board of Directors notice of which is given to the Stockholders), attention President, or if to a Stockholder, Director or Officer, at the address of such person as it appears on the books of the Corporation or in default of any other address at the general post office situated in the city or county of his or her residence. Unless otherwise specified, notice sent by mail shall be deemed to be given at the time the same shall be thus mailed. Notices to Directors or Officers may also be given by electronic mail, telegraph or telecopy.

8.02. SECRETARY TO GIVE NOTICE. All notices required by law or these Bylaws to be given by the Corporation shall be given by the Secretary of the Corporation. If the Secretary and Assistant Secretary are absent or refuse or neglect to act, the notice may be given by any person directed to do so by the President or, with respect to any meeting called pursuant to these Bylaws upon the request of any Stockholders or Directors, by any person directed to do so by the Stockholders or Directors upon whose request the meeting is called.

8.03. WAIVER OF NOTICE. Whenever any notice is required to be given pursuant to the Charter or Bylaws of the Corporation or pursuant to applicable law, a waiver thereof in writing, signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice. Such waiver shall be filed with the records of the meeting. Neither the business to be transacted at nor the purpose of any meeting need be set forth in the waiver of notice, unless specifically required by statute. The attendance of any person at any meeting shall constitute a waiver of notice of such meeting, except where such person attends a meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened.

ARTICLE IX

MISCELLANEOUS

9.01. BOOKS AND RECORDS. The Corporation shall keep correct and complete books and records of its accounts and transactions and minutes of the proceedings of its Stockholders and Board of Directors and of executive or other committee when exercising any of the powers or authority of the Board of Directors. The books and records of the Corporation may be in written form or in any other form that be converted within a reasonable time into written form for visual inspection. Minutes shall be recorded in written form, but may be maintained in the form of a reproduction.

9.02. INSPECTION OF BYLAWS AND CORPORATE RECORDS. These Bylaws, the accounting books and records, including the stock register, of the Corporation, the minutes of proceedings of the Stockholders, the Board of Directors and committees thereof, annual statements of affairs and any Shareholders' or voting trust agreements on record shall be open to inspection upon the written demand on the Corporation by any Stockholder or holder of a voting trust certificate at any reasonable time during usual business hours, for a purpose reasonably related to such holder's interests as a Stockholder or as the holder of such voting trust certificate, in each case to the extent permitted by the Maryland General Corporation Law.

9.03. CONTRACTS. In addition to the provisions of these Bylaws relating to the authority of any specified Officer, the Board of Directors may authorize any Officer or Officers, agent or agents, to enter into any contract or to execute and deliver any instrument in the name of and on behalf of the Corporation, and such authority may be general or confined to specific instances.

9.04. CHECKS, DRAFTS, ETC. All checks, drafts or other orders for the payment of money, notes or other evidences of indebtedness issued in the name of the Corporation shall be signed by such Officers or agents of the Corporation and in such manner as shall from time to time be determined by resolution of the Board of Directors.

9.05. DEPOSITS. All funds of the Corporation not otherwise employed shall be deposited from time to time to the credit of the Corporation in such banks, trust companies or other depositaries as the Board of Directors may select.

9.06. LOANS.

9.6.1. Such Officers or agents of the Corporation as from time to time have been designated by the Board of Directors shall have authority (i) to effect loans, advances, or other forms of credit at any time or times for the Corporation, from such banks, trust companies, institutions, corporations, firms, or persons, in such amounts and subject to such terms and conditions, as the Board of Directors from time to time has designated; and (ii) as security for the repayment of any loans, advances, or other forms of credit so authorized, to assign, transfer, endorse, and deliver, either originally or in addition or substitution, any or all personal property, real property, stocks, bonds, deposits, accounts, documents, bills, accounts receivable, and other commercial paper and evidences of debt or other securities, or any rights or interests at any time held by the Corporation; and (iii) in connection with any loans, advances, or other forms of credit so authorized, to make, execute, and deliver one or more notes, mortgages, deeds of trust, financing statements, security agreements, acceptances, or written obligations of the Corporation, on such terms and with such provisions as to the security or sale or disposition of them as those Officers or agents deem proper; and (iv) to sell to, or discount or rediscount with, the banks, trust companies, institutions, corporations, firms or persons making those loans, advances, or other forms of credit, any and all commercial paper, bills, accounts receivable, acceptances, and other instruments and evidences of debt at any time held by the Corporation, and, to that end, to endorse, transfer, and deliver the same.

9.6.2. From time to time the Corporation shall certify to each bank, trust company, institution, corporation, firm, or person so designated, the signatures of the Officers or agents so authorized. Each bank, trust company, institution, corporation, firm, or person so designated is authorized to rely upon such certification until it has received written notice that the Board of Directors has revoked the authority of those Officers or agents.

9.07. FISCAL YEAR. The Board of Directors shall have the power, from time to time, to fix the fiscal year of the Corporation by a duly adopted resolution, and, in the absence of such resolution, the fiscal year shall be the period ending December 31.

9.08. REPORTS AND OTHER INFORMATION.

9.8.1. Not later than 120 days after the close of each fiscal year, the Board of Directors of the Corporation shall cause to be sent to the Stockholders an Annual Report in such form as may be deemed appropriate by the Board of Directors. The Annual Report shall include audited financial statements and shall be accompanied by the report thereon of an independent certified public accountant. The Board of Directors of the Corporation shall also cause to be sent to the Stockholders such other information as may be necessary to enable the Stockholders to prepare their respective state and federal income tax returns.

9.8.2. The Corporation may send interim reports to the Stockholders having such form and content as the Board of Directors deem proper or as the Officers of the Corporation in good faith deem is required by law or by good corporate practices.

9.8.3. Any distributions to Stockholders of income, capital gains or a return of capital assets shall be accompanied by a written statement disclosing the source of the funds distributed unless at the time of distribution they are accompanied by a written explanation of the relevant circumstances. The statement as to such source shall be sent to the Stockholders not later than sixty (60) days after the close of the fiscal year in which the distributions were made.

9.09. BYLAWS SEVERABLE. The provisions of these Bylaws are severable, and if any provision shall be held invalid or unenforceable, that invalidity or unenforceability shall attach only to that provision and shall not in any manner affect or render invalid or unenforceable any other provision of these Bylaws, and these Bylaws shall be carried out as if the invalid or unenforceable provision were not contained herein.

ARTICLE X

AMENDMENT OF BYLAWS

10.1. BY DIRECTORS. To the fullest extent permitted by the Maryland General Corporation Law the Board of Directors shall have the power, at any annual or regular meeting, or at any special meeting if notice thereof be included in the notice of such special meeting, to alter or repeal any Bylaws of the Corporation and to make new Bylaws.

10.2. BY STOCKHOLDERS. The Stockholders shall have the power, at any annual meeting, or at any special meeting if notice thereof be included in the notice of such special meeting, with the approval of Stockholders holding in excess of 66 2/3% of all outstanding Shares of Stock to alter or repeal any Bylaws of the Corporation and to make new Bylaws.

10.3. EXCEPTION FOR INDEMNIFICATION. No amendment or repeal of any Charter provision, Bylaw provision or provision of any resolution of the Board of Directors or other contractual obligation of the Corporation affording indemnification by the Corporation to any person shall be effective so as to deprive such person from the right to indemnification on account of all matters occurring or arising prior to such amendment or repeal without the consent of such indemnified person.

FIRST AMENDMENT
TO
BYLAWS
OF
LTC PROPERTIES, INC.

(As Amended and Restated
August 3, 2009)

The Board of Directors (the "Board") of LTC Properties, Inc., a Maryland corporation (the "Corporation"), at a duly convened meeting of the Board where a quorum was present, by unanimous vote of the directors present at such meeting and in accordance with the Bylaws of the Corporation, as amended and restated on August 3, 2009 (the "Bylaws"), and the Maryland General Corporation Law, approved and adopted on February 10, 2015 the following amendment to the Bylaws to be effective on February 10, 2015.

Section 1.07 of Article I of the Bylaws is hereby amended by deleting such Section 1.07 of Article I in its entirety and replacing it with the following:

1.07. VOTING.

1.07.1. A majority of the votes cast at a meeting of Stockholders duly called and at which a quorum is present shall be sufficient to take or authorize action upon any matter which may properly come before the meeting, except as otherwise provided in this Section 1.07 with respect to the election of Directors, unless more than a majority of the votes cast is specifically required by statute, by the Charter or by these Bylaws.

1.07.2. Except as otherwise provided in the Charter with respect to Directors to be elected by the holders of any class or series of preferred stock of the Corporation and in these Bylaws with respect to the filling of vacancies on the Board of Directors, each Director shall be elected by a majority of the votes cast at a meeting of Stockholders duly called and at which a quorum is present and Directors are to be elected; provided, however, that Directors shall be elected by a plurality of the votes cast at a meeting of Stockholders duly called and at which a quorum is present and Directors are to be elected if, in connection with such meeting (i) the Secretary of the Corporation shall have received one or more notices that a Stockholder has nominated or proposes to nominate a person or persons for election as a Director, which notice(s) purports to be in compliance with the advance notice requirements set forth in Section 2.04 of these Bylaws, irrespective of whether the Board of Directors thereafter determines that any such notice(s) is not in compliance with such requirements, and (ii) as of the fourteenth (14^{th}) day preceding the date on which notice of such meeting of Stockholders is first mailed or otherwise given in accordance with applicable law to the Stockholders of the Corporation, such nomination or proposed nomination has not been withdrawn by such Stockholder and would thereby cause the number of nominees and proposed nominees to exceed the number of Directors to be elected at such meeting, as determined by the Secretary of the Corporation, irrespective of whether such nomination or proposed nomination is thereafter withdrawn by such Stockholder (a “Contested Election”). If the Directors are to be elected by a plurality of the votes cast pursuant to the provisions of the immediately preceding sentence, Stockholders shall not be permitted to vote “against” any one or more nominees but shall only be permitted to vote “for” one or more nominees or withhold their votes with respect to one or more nominees. For purposes hereof, a majority of the votes cast means the number of votes cast “for” a Director nominee must exceed the number of votes cast “against” that Director nominee, with abstentions and broker non-votes not counted as a vote cast either “for” or “against” that Director nominee.

1.07.3. If, in any election of Directors of the Corporation which is not a Contested Election, an incumbent Director does not receive a majority of the votes cast and therefore is not re-elected, such incumbent Director shall promptly tender his or her resignation as a Director, subject to acceptance thereof by the Board of Directors, for consideration by the Nominating and Corporate Governance Committee of the Board of Directors. The Nominating and Corporate Governance Committee will promptly consider any such tendered resignation and will make a recommendation to the Board of Directors as to whether such tendered resignation should be accepted or rejected, or whether other action should be taken with respect to such offer to resign. Any incumbent Director whose tendered resignation is under consideration may not participate in any deliberation or vote of the Nominating and Corporate Governance Committee or the Board of Directors regarding such tendered resignation. The Nominating and Corporate Governance Committee and the Board of Directors may consider any factors they deem relevant in deciding whether to accept, reject or take other action with respect to any such tendered resignation. Within ninety (90) days after the date on which certification of the Stockholder vote on the election of Directors is made, the Board of Directors will publicly disclose its decision and rationale regarding whether to accept, reject or take other action with respect to the tendered resignation in a press release, a periodic or current report filed with the Securities and Exchange Commission or by other public announcement. If any Director's tendered resignation is not accepted by the Board of Directors, such Director will continue to serve until the next annual meeting of Stockholders and until his or her successor is elected and qualified or his or her earlier death, retirement, resignation or removal. If any Director's tendered resignation is accepted by the Board of Directors, then such Director will thereupon cease to be a Director of the Corporation, and the Board of Directors, in its sole discretion, may fill the resulting vacancy or decrease the size of the Board of Directors, in each case pursuant to the provisions of the Charter, these Bylaws and applicable law.

1.07.4. Each outstanding share (a "Share") of capital stock of the Corporation (the "Stock") may be voted for as many individuals as there are Directors to be elected and for whose election the Share is entitled to vote. Unless otherwise provided in the Charter, each Share of Stock, regardless of class, shall be entitled to one vote upon each matter submitted to a vote at a meeting of Stockholders. Shares of its own Stock directly or indirectly owned by this Corporation shall not be voted in any meeting and shall not be counted in determining the total number of outstanding Shares entitled to vote at any given time, but Shares of its own Stock held by it in a fiduciary capacity may be voted and shall be counted in determining the total number of outstanding Shares at any given time.

EXHIBIT 10.8

EMPLOYMENT AGREEMENT

This Employment Agreement (the "Agreement"), effective as of June 10, 2013 (the "Effective Date"), is by and between LTC Properties, Inc., a corporation organized under the laws of the State of Maryland ("LTC" or the "Company"), and Brent Chappell ("Executive").

NOW THEREFORE, for good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto agree as follows:

1. Appointment, Title and Duties. LTC hereby employs Executive to serve as its Vice President, Investment and Portfolio Management. In such capacity, Executive shall report to the Chief Investment Officer of the Company, and shall have such duties, powers and responsibilities as are customarily assigned to a Vice President, Investment and Portfolio Management of a publicly held corporation, but shall also be responsible to the Board of Directors and to any committee thereof. In addition, Executive shall have such other duties and responsibilities as the Chief Investment Officer may assign him, with his consent, including serving with the consent or at the request of the Chief Investment Officer as an officer or on the board of directors of affiliated corporations.

2. Term of Agreement. Unless earlier terminated pursuant to the provisions of this Agreement, the initial term of employment of Executive under this Agreement is for a period of one (1) year, commencing on the Effective Date. On the first anniversary of the Effective Date, and on each anniversary thereafter, the Agreement shall be renewed for a one (1) year period (both the initial one-year period under the Agreement and each one-year renewal period thereafter is referred to as the "Term") unless (i) earlier terminated pursuant to the provisions of this Agreement, or (ii) written notice of non-renewal is given by either party to the other at least 60 days prior to the anniversary of the Effective Date occurring in any given year, in which case this Agreement ends on the last day of the one-year Term in which such notice of non-renewal is given.

3. Acceptance of Position. Executive accepts the position of Vice President, Investment and Portfolio Management of LTC, and agrees that during the term of this Agreement he will faithfully perform his duties and, except as expressly approved by the Board of Directors of LTC, will devote substantially all of his business time to the business and affairs of LTC, and will not engage, for his own account or for the account of any other person or entity, in a business which competes with LTC. It is acknowledged and agreed that Executive may serve as an officer and/or director of companies in which LTC owns voting or non-voting stock. In addition, it is acknowledged and agreed that Executive may, from time to time, serve as a member of the board of directors of other companies, in which event the Board of Directors of LTC must expressly approve such service pursuant to a Board resolution maintained in the Company's minute books. Any compensation or remuneration which Executive receives in consideration of his service on the board of directors of other companies shall be the sole and exclusive property of Executive, and LTC shall have no right or entitlement at any time to any such compensation or remuneration.

4. Salary and Benefits. During the term of this Agreement:

(a) LTC shall pay to Executive a base salary at an annual rate of not less than two hundred five thousand dollars ($205,000) per annum ("Base Salary"), paid in approximately equal installments at intervals based on any reasonable Company policy. LTC agrees from time to time to consider increases in such base salary in the discretion of the Board of Directors. Any increase, once granted, shall automatically amend this Agreement to provide that thereafter Executive's base salary shall not be less than the annual amount to which such base salary has been increased.

(b) Executive shall participate in all health, retirement, Company-paid insurance, sick leave, disability, expense reimbursement and other benefit programs which LTC makes available to any of its senior executives, and shall be eligible for bonuses in the discretion of the Board of Directors. In the event the Company adopts and institutes a target bonus program, Executive will be entitled to participate in such program as it applies to his position with the Company.

(c) Executive shall be entitled to reasonable vacation time, not less than four (4) weeks per year.

5. Certain Terms Defined. For purposes of this Agreement:

(a) Executive shall be deemed to be "disabled" if a physical or mental condition or illness shall occur and persist which, in the written opinion of a licensed physician selected by the Board of Directors in good faith, has rendered Executive unable to perform the duties set forth in Section 1 hereof in any material respect for a period of one hundred twenty (120) days or more and, in the written opinion of such physician, the condition will continue for an indefinite period of time, rendering Executive unable to return to his duties;

(b) A termination of Executive's employment by LTC shall be deemed for "Cause" if, and only if, it is based upon:

(i) Any felony criminal conviction (including conviction pursuant to a nolo contendere plea) under the laws of the United States or any state or other political subdivision thereof which, in the sole discretion of the Chief Executive Officer or Chief Investment Officer, renders Executive unsuitable for the position of Vice President, Investment and Portfolio Management;

(ii) Any act of financial malfeasance or financial impropriety, as determined by the Chief Executive Officer or Chief Investment Officer in good faith;

(iii) Executive's continued willful failure to perform the duties reasonably requested by the Chief Executive Officer, Chief Investment Officer or other executive of the Company to whom Executive reports and commensurate with his position as Vice President, Investment and Portfolio Management (other than any such failure resulting from Executive's incapacity due to his physical or mental condition) after a written demand for substantial performance is delivered to him by the Chief Executive Officer or Chief Investment Officer, which demand specifically identifies the manner in which the Chief Executive Officer or Chief Investment Officer believes that Executive has not substantially performed his duties, and which performance is not substantially corrected by Executive, in the determination of the Chief Executive Officer or Chief Investment Officer made in good faith, within ten (10) days of receipt of such demand;

(iv) Any material workplace misconduct or willful failure to comply with the Company's general policies and procedures as they may exist from time to time by Executive which, in the good faith determination of the Chief Executive Officer or Chief Investment Officer, renders Executive unsuitable for the position of Vice President, Investment and Portfolio Management;

(v) Any material breach by Executive of the provisions of this Agreement which has not been cured by Executive, in the good faith determination of the Chief Executive Officer or Chief Investment Officer, within thirty (30) days following delivery of notice to Executive specifying such material breach, or the repetition of any such material breach after it has been cured; or

(vi) Any act of moral turpitude, as determined by the Chief Executive Officer or Chief Investment Officer in good faith.

(vii) The Company shall have the right to suspend Executive, without pay, for a reasonable period to investigate allegations of conduct which, if proven, would establish a right to terminate this Agreement for Cause, or to permit a felony charge to be tried (and such suspension shall not constitute Good Reason (as defined below) for purposes of this Agreement). Immediately upon the conclusion of such temporary period, unless Cause to terminate this Agreement has been established, Executive shall be restored to all duties and responsibilities as if such suspension had never occurred and shall receive all back pay which may have been suspended during such temporary period;

(c) A resignation by Executive shall not be deemed to be voluntary and shall be deemed to be a resignation with "Good Reason" if it is based upon (i) a material diminution in Executive's title, duties, or salary; (ii) a material reduction in benefits which is not part of an across-the-board reduction in benefits of all executive personnel; (iii) a direction by the Board of Directors, The Chief Executive Officer of Chief Investment Officer that Executive report to any person or group other than the Chief Executive Officer, the Chief Investment Officer or the Board of Directors, (iv) in the case of a Change in Control (as defined below), a material diminution of Executive's cash bonus, if any, as an average of cash bonus paid over the prior three (3) years (or any lesser period, if Executive has been employed fewer than three years), with any partial year cash bonus paid in the applicable three (3) year period (or less) to be prorated to calculate a full year's bonus, or (v) a geographic relocation of Executive's place of work a distance for more than fifty (50) miles from LTC's offices located at 2829 Townsgate Road, Westlake Village, CA 91361. To constitute a "Good Reason" termination, Executive must provide written notice ("Notice") to the Company of his intention to resign for Good Reason within sixty (60) days following the initial existence of the particular event or condition that constitutes Good Reason, following which the Company shall have a period of no more than thirty (30) days to remedy the condition. If the

Company fails to so remedy the condition to the reasonable satisfaction of the Executive, his or her resignation for Good Reason shall be effective as of the date provided by Executive in the Notice;

(d) "Affiliate" means with respect to any Person, a Person who, directly or indirectly, through one or more intermediaries, controls, is controlled by or is under common control, with the Person specified;

(e) "Base Salary" means, as of any date of termination of employment, the highest base salary of Executive in the then current fiscal year or in any of the last four fiscal years immediately preceding such date of termination of employment;

(f) "Beneficial Owner" shall have the meaning given to such term in Rule 13d-3 under the Exchange Act;

(g) A "Change in Control" occurs if:

(i) Any Person or related group of Persons (other than Executive and his Related Persons, the Company or a Person that directly or indirectly controls, is controlled by, or is under common control with, the Company) is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company representing 30% or more of the combined voting power of the Company's then outstanding securities; or

(ii) 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 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 acquires 30% or more of the combined voting power of the Company's then outstanding securities shall not constitute a Change in Control; or

(iii) 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

(iv) A majority of the members of the Board of Directors of the Company cease to be Continuing Directors;

(h) "Code" means the Internal Revenue Code of 1986, as amended.

(i) "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 of the Agreement 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.

(j) "Exchange Act" means the Exchange Act of 1934, as amended.

(k) "Person" means any individual, corporation, partnership, limited liability company, trust, association or other entity.

(l) "Related Person" means any immediate family member (spouse, partner, parent, sibling or child whether by birth or adoption) of the Executive and any trust, estate or foundation, the beneficiary of which is the Executive and/or an immediate family member of the Executive.

(m) "Severance Date" means the date on which the Executive's employment is terminated.

6. Certain Benefits Upon Termination. Executive's employment shall be terminated upon the earliest of (i) the voluntary resignation of Executive with or without Good Reason; (ii) Executive's death or permanent disability; (iii) the expiration of this Agreement without renewal as provided for in Section 2; or (iv) upon the termination of Executive's employment by LTC for any reason at any time. In the event of such termination, the below provisions of this Section 6 shall apply, and in the event of a Change in Control following which, within two (2) years thereafter, Executive's employment is terminated (other than for Cause) or Executive voluntarily resigns with Good Reason, Section 6(b) shall apply.

(a) If Executive's employment by LTC terminates for any reason other than as a result of (i) a termination for Cause, or (ii) a voluntary resignation by Executive without a Good Reason, or (iii) termination within two (2) years following a Change in Control of the Company, then all stock options, and/or restricted stock shall automatically vest concurrently upon such termination of employment, notwithstanding any prior existing vesting schedule and LTC (or its successor) shall pay Executive a lump sum severance payment equal to his Base Salary; *provided* that if employment terminates by reason of Executive's death or disability, then such lump sum payment shall be paid only to the extent the Company (or its successor) has available "key man" life, disability or similar insurance relating to the death or disability of Executive. LTC or its successor shall pay such lump sum payment within sixty (60) days of Executive's termination of employment.

(b) In the event Executive's employment is terminated (by the Company other than for Cause or by the Executive with Good Reason) within two (2) years following a Change in Control, in lieu of the severance payment described in Section 6(a) above, LTC shall pay Executive a lump sum severance payment in cash equal to two times his Base Salary, and all stock options and/or restricted stock shall automatically vest concurrently upon such termination of employment, notwithstanding any prior existing vesting schedule. LTC shall make such lump sum payment (less required withholdings) within seven (7) days of Executive's termination of employment.

(c) Executive's participation in any other retirement and benefit plans and perquisites shall cease as of the Severance Date, except LTC shall pay premiums pursuant to COBRA for continuing coverage under LTC's health plans for Executive and his eligible dependents (as determined under LTC's health plans), or, at Executive's option (which shall be communicated by written notice to LTC prior to the month such election is to take effect), provide a separate cash payment monthly equal to the amount of the COBRA premium until the earlier of (i) the eighteen-month anniversary (or, in the case of a Change of Control termination referred to in Section 6(b) above, the twenty-four month anniversary) of the last day of the month in which the Severance Date occurs or (ii) the date the Executive becomes eligible to participate in a plan of another employer; provided, however, that LTC may cease making such payments with respect to any of Executive's eligible dependents as and when such dependent becomes eligible to participate in a plan of another employer. Any cash payment due to Executive pursuant to this Section 6(c) shall be paid by LTC not later than the end of the month in which such payment relates.

(d) In the event that Executive's employment terminates by reason of his death, all benefits provided in Section 6 subsections (a) and (b) shall be paid to his estate or as his executor shall direct, but payment may be deferred until Executive's executor or personal representative has been appointed and qualified pursuant to the laws in effect in Executive's jurisdiction of residence at the time of his death.

(e) Notwithstanding the foregoing, Executive's right to receive the severance payments described in this Section 6 shall be and is conditioned upon his execution and delivery (and not revoking) a general release in favor of LTC, which shall not be inconsistent with the terms of this Agreement, and such other documents and instruments as are reasonably required by LTC, each of which Executive shall deliver to LTC within twenty-one (21) days following the Severance Date.

7. Indemnification. LTC shall indemnify Executive and hold him harmless from and against all claims, actions, losses, damages, expense or liabilities (including expenses of defense and settlement) ("Claim") based upon or in any way arising from or connected with his employment by LTC, to the maximum extent permitted by law. To the extent permitted by law, LTC shall advance to Executive any expenses necessary in connection with the defense of any Claim which is brought if indemnification cannot be determined to be available prior to the conclusion of, or the investigation of, such Claim. The parties hereto agree that each understands and has understood that notwithstanding the above-stated provisions, nothing herein shall require LTC to hold harmless or indemnify Executive with respect to any Claim which is brought or asserted against Executive by LTC. LTC shall investigate in good faith the availability and cost of directors' and officers' insurance and shall include Executive as an insured in any directors and officers insurance policy of such insurance it maintains.

8. Attorney Fees. In the event that any action or proceeding is brought to enforce the terms and provisions of this Agreement, the prevailing party shall be entitled to recover reasonable attorney fees.

9. Notices. All notices and other communications provided to either party hereto under this Agreement shall be in writing and delivered by certified or registered mail to such party at its/his address set forth below its/his signature hereto, or at such other address as may be designated with postage prepaid, shall be deemed given when received.

10. Construction.

(a) In constructing this Agreement, if any portion of this Agreement shall be found to be invalid or unenforceable, the remaining terms and provisions of this Agreement shall be given effect to the maximum extent permitted without considering the void, invalid or unenforceable provisions. In construing this Agreement, the singular shall include the plural, the masculine shall include the feminine and neuter genders as appropriate, and no meaning in effect shall be given to the captions of the sections in this Agreement, which are inserted for convenience of reference only.

(b) Notwithstanding any other provision of the Agreement, to the extent that (i) any amount paid pursuant to the Agreement is treated as nonqualified deferred compensation pursuant to Section 409A of the Internal Revenue Code of 1986 (the "Code") and (ii) the Executive is a "specified employee" pursuant to Section 409A(2)(B) of the Code, then such payments shall be made on the date which is six (6) months after the date of the Executive's separation from service. In connection with the payment of any obligation that is delayed pursuant to this paragraph, the Company shall establish an irrevocable trust to hold funds to be used for payment of such obligations. Upon the date that such amount would otherwise be payable, the Company shall deposit into such irrevocable trust an amount equal to the obligation. However, notwithstanding the establishment of the irrevocable trust, the Company's obligations under the Agreement upon the Executive's termination of employment shall constitute a general, unsecured obligation of the Company and any amount payable to the Executive shall be paid solely out of the Company's general assets, and the Executive shall have no right to any specific assets of the Company. The funds, if any, contained or contributed to the irrevocable trust shall remain available for the claims of the Company's general creditors.

(c) The payments upon termination of employment described in Sections 6(a) and 6(b) shall be paid following Executive's "separation from service" as that term is defined in Treas. Reg. § 1.409A-1(h).

11. Headings. The section headings hereof have been inserted for convenience of reference only and shall not be construed to affect the meaning, construction or effect of this Agreement.

12. Successors and Assigns. This Agreement shall be binding upon and shall inure to the benefit of the successors and assigns of LTC and the personal or legal representatives, executors, administrators, successors, distributees, devisees and legatees of Executive.

13. Governing Law. The provisions of this Agreement shall be construed and interpreted in accordance with the internal laws of the State of California as at the time in effect.

14. Entire Agreement. This Agreement, together with the offer letter dated May 24, 2013 setting forth additional terms and conditions of employment, constitute the entire agreement and supersede all other prior agreements and undertakings, both written and oral, among Executive and the Company, with respect to the subject matter hereof.

IN WITNESS WHEREOF, this Agreement shall be effective as of the date specified in the first paragraph of this Agreement.

	LTC PROPERTIES, INC., a Maryland corporation
Address: 2829 Townsgate Road Suite #350 Westlake Village, CA 91361	/s/ Wendy Simpson Wendy L. Simpson President and Chief Executive Officer
	By: /s/ Timothy Triche Compensation Committee Representative
Address:	/s/ Brent Chappell Brent Chappell

EXHIBIT 10.9

ANNUAL CASH BONUS INCENTIVE PLAN

OF

LTC PROPERTIES, INC.

LTC Properties, Inc. (the "Company") hereby establishes the Annual Cash Bonus Incentive Plan of LTC Properties, Inc. (the "Plan") to provide for incentive compensation to designated employees. The Company's objectives in maintaining the Plan are to (i) attract, retain and motivate the executives required to manage the Company and (ii) promote the achievement of rigorous but realistic financial goals and encourage intensive fact-based business planning. The Plan closely aligns employee financial rewards with the achievement of specific business objectives and individual performance.

SECTION 1. DEFINITIONS

As used in the Plan, the following terms have the following meanings:

1.01 "Award" shall mean the compensation granted to a Participant by the Committee for a Performance Period pursuant to the Plan.

1.02 "Award Payment Date" shall mean the date that an Award shall be paid to the Participant under the Plan.

1.03 "Beneficiary" shall mean the person (or persons) who are designated by the Participant to receive benefits payable upon the Participant's death. Such designation shall be made by the Participant on a form prescribed by the Company. The Participant may at any time change or revoke such designation by written notice to the Company. If the Participant has no living designated beneficiary on the date of Participant's death, then the benefits otherwise payable to the designated beneficiary under this Plan shall be paid to the Participant's estate.

1.04 "Board" shall mean the Board of Directors of the Company.

1.05 "Cause" Except if Participant is a party to any effective employment agreement or offer letter with the Company which defines or specifies "Cause" or its equivalent, "Cause" shall mean (a) a conviction of a felony; (b) material disloyalty to the Company or a Subsidiary, as applicable, such as embezzlement, misappropriation of corporate assets or, except as permitted pursuant to a Participant's employment agreement or offer letter with the Company or a Subsidiary, breach of such employment agreement or offer letter not to engage in business for another enterprise of the type engaged in by the Company or a Subsidiary, as applicable; or (c) the engaging in unethical or illegal behavior which is of a public nature, brings the Company or a Subsidiary, as applicable, into disrepute, and result in material damage to the Company or a Subsidiary, as applicable. Provided, however, that if the Participant is a party to any effective employment agreement or offer letter with the Company which defines or specifies "Cause" for termination, then the provisions of such employment agreement or offer letter shall supersede and control for purposes of Participant's rights with respect to the Plan.

1.06 "Change in Control" shall mean, 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; (b) the stockholders of the Company approve a merger or consolidation of the Company with any other company (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 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 acquires more than 30% of the combined voting power of the Company's then outstanding securities shall not constitute a Change in Control; (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 the members of the Board cease to be, as of any date of determination, members of the Board who were members of the Board as of the date the Plan was approved by the stockholders of the Company or were nominated for election or elected to the Board with the approval of a majority of the members of the Board at the time of such nomination or election.

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

1.08 **"Committee"** shall mean the Compensation Committee of the Board, or another committee or subcommittee of the Board.

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

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

1.11 **"Director"** shall mean a member of the Board

1.12 **"Disability"** shall mean a physical or mental disability or infirmity, which at least 26 weeks after its commencement, is determined to be total and permanent by a physician selected by the Company or its insurers and acceptable to the Participant or the Participant's legal representative (such agreement as to acceptability not be withheld unreasonably).

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

1.14 **"Good Reason"** Except if Participant is a party to any effective employment agreement or offer letter with the Company which defines or specifies "Good reason" or its equivalent, "Good Reason" shall mean (a) a diminution in a Participant's title, duties, or salary; (b) a material reduction in benefits; or (c) a geographic relocation of a Participant's place of work a distance for more than seventy-five (75) miles from the offices of the Company or a Subsidiary, as applicable. Notwithstanding the foregoing, Good Reason shall not be deemed to exist unless a Participant gives the Company or a Subsidiary, as applicable, written notice within thirty (30) days after the occurrence of the event which the Participant believes constitutes the basis for Good Reason, specifying the particular act or failure to act which the Participant believes constitutes the basis for Good Reason. If the Company or a Subsidiary, as applicable, fails to cure such act or failure to act, if curable, within thirty (30) days after receipt of such notice, the Participant may terminate his or her employment for Good Reason. For the avoidance of doubt, if such act is not curable, the Participant may terminate his or her employment for Good Reason upon providing such notice. Provided, however, that if the Participant is a party to any effective employment agreement or offer letter with the Company which defines or specifies "Good Reason" for termination, then the provisions of such employment agreement or offer letter with respect to the definition of "Good Reason" shall supersede and control for purposes of Participant's rights with respect to the Plan.

1.15 "Outside Directors" shall have the meaning ascribed to it in Section 162(m) of the Code ("Section 162(m)") and the regulations proposed or adopted thereunder.

1.16 "Negative Discretion" shall mean the discretion granted to the Committee to reduce or eliminate an Award to a Covered Employee.

1.17 "Non-Performance Based Compensation Award" shall mean an Award or sub-Award that is not designated by the Committee as a Performance Based Compensation Award.

1.18 "Participant" shall mean the employees of the Company who are identified to be executive officers and selected by the Committee to participate in the Plan.

1.19 "Performance Based Compensation Award" shall mean an Award or sub-Award designated by the Committee that is intended to qualify as "Performance-Based Compensation" under Section 162(m).

1.20 "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) cost reductions or savings; (h) funds from operations; (i) adjusted funds from operations; (j) funds available for distribution; (k) appreciation in the fair market value of the Company common stock; (l) earnings before any one or more of the following items: interest, depreciation or amortization; (m) new investments; and (n) 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.

1.21 "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 90 days of the Performance Period (or if longer, within the maximum period allowed pursuant to Section 162(m)) based upon the Performance Criteria.

1.22 "Performance Period" shall mean the Company's fiscal year.

1.23 **"Plan"** shall mean the Annual Cash Bonus Incentive Plan of LTC Properties, Inc., as set forth herein and as amended from time to time.

1.24 **"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.

1.25 **"Target Awards"** shall mean the award established for a Performance Period by the Committee expressed as a percentage of base salary as in effect on the first day of the Performance Period. Target Awards shall serve only as a guideline in making Awards.

SECTION 2. **ADMINISTRATION**

2.01 **In General**. The Plan shall be administered by the Committee, which may delegate its duties and powers in whole or in part to any subcommittee thereof; it is expected that such subcommittee shall consist solely of at least two individuals who are intended to qualify as "Non-Employee Directors" within the meaning of Rule 16b-3 under the Act (or any successor rule thereto) and "outside directors" within the meaning of Section 162(m) (or any successor section thereto); *provided, however*, that the failure of the subcommittee to be so constituted shall not impair the validity of any Award made by such subcommittee. Subject to the provisions of the Plan, the Committee shall have exclusive power to select the Participants, to determine the Target Award and the amount of, or method of determining, the Awards and, designate whether an Award is a Performance Based Compensation Award. The Committee is authorized to interpret the Plan, to establish, amend or rescind any rules and regulations relating to the Plan and to make any other determinations that it deems necessary or desirable for the administration of the Plan. The Committee may correct any defect or supply any omission or reconcile any inconsistency in the Plan in the manner and to the extent the Committee deems necessary or desirable. Any decision of the Committee in the interpretation and administration of the Plan, as described herein, shall lie within its sole and absolute discretion and shall be final, conclusive and binding on all parties concerned (including, but not limited to, Participants and their beneficiaries or successors). The Committee shall have the full power and authority, consistent with the provisions of the Plan, to establish the terms and conditions of any Award and to waive any such terms or conditions at any time (including, without limitation, accelerating or waiving any vesting conditions).

2.02 **Adjustment to Performance Goals**. The Committee is specifically authorized at any time during the first 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 90 days of the Performance Period would cause the

Awards granted to Covered Employees for the Performance Period to fail to qualify as "Performance Based Compensation" under Section 162(m), then only (a) Awards to Participants who are not Covered Employees and (b) Awards of Non-Performance Based Compensation shall be adjusted.

2.03 **Section 162(m) of the Code**. For all Covered Employees, to the extent that an Award is designated as a Performance Based Compensation Award, then the Plan and such Award shall for all purposes be interpreted and construed in accordance with Section 162(m).

SECTION 3. PARTICIPATION AND ELIGIBILITY

The Committee shall, in its sole discretion, designate the executive officers of the Company, or of any corporation which is a Subsidiary, who will be Participants for such Performance Period.

SECTION 4. AWARD DETERMINATION

4.01 **Certification**. 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.

4.02 **Attainment of Performance Goal**. If the Committee certifies that the Performance Goals for a Performance Period were satisfied, the Awards shall be paid out pursuant to Section 5. 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.

4.03 **Committee Determinations**. The Committee shall, in its sole and absolute discretion, determine for each Participant the amount of the Award for the Performance Period. 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 through its Negative Discretion 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.

SECTION 5. TIME AND FORM OF PAYMENT

5.01 **Payment**. Except as provided below, Awards will be distributed in a lump sum cash payment as soon as practicable following the Committee's determination described in Section 4, but not later than December 31st of the year following the applicable Performance Period.

SECTION 6. TERMINATION OF EMPLOYMENT

6.01 **Termination of Employment Other Than from Death or Disability**. A Participant who terminates employment with the Company or any Subsidiary during the Performance Period (or after the completed Performance Period but prior to the payment of the Award) for reasons other than death or Disability shall not be eligible to receive an Award for the Performance Period which includes the Participant's date of termination of employment.

6.02 **Termination of Employment for Good Reason or without Cause**. A Participant who terminates employment with the Company or any Subsidiary due to Good Reason or is terminated without Cause by the Company or a Subsidiary, as applicable, during a Performance Period (or after the completed Performance Period but prior to the payment of the Award) shall be eligible to receive an Award equal to the Award which would have been earned by such Participant, pro-rated for that portion of the Performance Period during which the Participant was employed by the Company or Subsidiary.

6.03 **Termination Due to Death or Disability**. A Participant who terminates employment with the Company or any Subsidiary during a Performance Period (or after the completed Performance Period but prior to the payment of the Award) due to death or Disability shall be eligible to receive an Award equal to the Award which would have been earned by such Participant, pro-rated for that portion of the Performance Period during which the Participant was employed by the Company or Subsidiary.

SECTION 7. CHANGE IN CONTROL

If the Company experiences a Change in Control during a Performance Period, Participants shall be eligible to receive an Award in accordance with a Participant's employment agreement or offer letter with the Company or a Subsidiary. If the Participant does not have an applicable employment agreement or offer letter with the Company or a Subsidiary, or has an applicable employment agreement or offer letter which fails to address the consequences of a Change in Control, the Participant shall be eligible to receive an Award equal to the Target Award multiplied by a fraction, the numerator of which equals the number of days that have elapsed since the beginning of the Performance Period through and including the date immediately preceding the date of the Change in Control and the denominator of which equals the number of days in the Performance Period. Notwithstanding Section 5, Awards paid in connection with a Change in Control will be paid within 30 days following the Change in Control.

SECTION 8. SECTION 162(M) PERFORMANCE BASED COMPENSATION

8.01 **General Requirements**. Performance Based Compensation Awards must be (a) granted by the Committee; (b) earned based on the achievement of the Performance Goals established by the Committee no later than 90 days after the commencement of the Performance Period and not after 25% of the Performance Period has elapsed; and (c) paid only after the Committee has certified, after the completion of the Performance Period, that the Performance Goals have been met.

8.02 **Performance Goals**. Performance Based Compensation Awards shall be stated as specific amounts of, or specific changes in, one or more of the Performance Criteria. The 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 Participants, collectively for the entire group of Participants, or in any combination of the two.

8.03 **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 the Performance Based Compensation Award 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), prior to settlement of each such Award that the Performance Criteria relating to such Award and other material terms of such Award upon which settlement of the Award was conditioned have been satisfied.

SECTION 9. TAX CONSIDERATIONS AND WITHHOLDING

Awards under the Plan will be treated as taxable income for the year in which the Participant receives the Award. The Company will withhold appropriate amounts from all payments to satisfy all federal, state and local tax withholding requirements.

Neither the Participants nor any of the Participants' creditors or beneficiaries shall have the right to subject any Award to any anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, attachment or garnishment.

Notwithstanding any other provisions of the Plan, if a Participant is a "specified employee" as defined in Section 409A of the Code and becomes entitled to a benefit under the Plan as a result of a "separation of service" as defined by Section 409A(a)(2)(i) of the Code, then the portion of such payment treated as "separation pay" for purposes of Section 409A of the Code shall not be paid prior to the date which is six (6) months after the date of the Participant's separation of service with the Company if such payment would result in the imposition of an excise tax under Section 409A of the Code, provided, however, that the Company shall pay to the Participant the maximum amount payable upon termination of employment without the imposition of an excise tax under Section 409A of the Code. Any amount described in the preceding sentence otherwise payable during the first six months following a Participant's separation from service shall be accumulated and paid to the Participant in a lump sum amount on the first date of the seventh month following the date of separation from service.

Further, notwithstanding any provision of the Plan to the contrary, the Corporation reserves the right to make amendments to the Plan as the Company deems necessary or desirable to avoid the imposition of taxes or penalties under Section 409A of the Code. In any case, each Participant shall be solely responsible and liable for the satisfaction of all taxes and penalties that may be imposed on such Participant in connection with the Plan (including any taxes and penalties under Section 409A of the Code), and the Corporation shall have no obligation to indemnify or otherwise hold such Participant harmless from any or all of such taxes or penalties.

SECTION 10. UNFUNDED STATUS

Any amount due and payable pursuant to the terms of the Plan shall be paid out of the general assets of the Company. A Participant and any Beneficiary shall not have an interest in any specific asset of the Company or any specific asset held hereunder as a result of this Agreement. The Company shall have no obligation to set aside any funds for the purpose of making any benefit payments under this Agreement. Nothing contained herein shall give a Participant or any Beneficiary any rights that are greater than those of an unsecured creditor of the Company with respect to any unpaid benefits under this Plan. No action taken pursuant to the terms of this Agreement shall be construed to create a funded arrangement, a plan asset, or fiduciary relationship among the Company, its designee, and the Employee or any Beneficiary.

SECTION 11. NOTICES

Any notice required or permitted under this Plan shall be deemed given when delivered personally, or when deposited in a United States Post Office as registered mail, postage prepaid, addressed, as appropriate, either to the Participant at his or her address hereinabove set forth or such other address as he or she may designate in writing to the Company, or to the Company, Attention: Secretary, at 2829 Townsgate Road, Suite 350, Westlake Village, California 91361, or such other address as the Company may designate in writing to the Participant.

SECTION 12. FAILURE TO ENFORCE NOT A WAIVER

The failure of the Company to enforce at any time any provision of this Plan shall in no way be construed to be a waiver of such provision or of any other provision hereof.

SECTION 13. NO LIMITATION ON RIGHTS OF THE COMPANY

The grant of an Award shall not in any way affect the right or power of the Company to make adjustments, reclassification or changes in its capital or business structure, or to merge, consolidate, dissolve, liquidate, sell or transfer all or any part of its business or assets.

SECTION 14. AMENDMENT AND TERMINATION OF THE PLAN

The Committee may amend, modify or terminate this Plan at any time and from time to time. Notwithstanding the foregoing, no such amendment, modification or termination shall affect payment of an Award for a completed Performance Period or reduce an Award under the Plan.

SECTION 15. NO RIGHT TO CONTINUED EMPLOYMENT

Participation in the Plan shall impose no obligation on the Company, its Subsidiaries, or any affiliate to continue the employment of the Participant and shall not lessen or affect the Company’s, Subsidiary’s, or any affiliate’s right to terminate the employment of such Participant.

SECTION 16. ASSIGNMENT

The rights to an Award may not be assigned, alienated, attached, sold or transferred, pledged or otherwise disposed or encumbered by the Participant, otherwise than by will or by the laws of descent and distribution. Any attempt to assign, transfer, pledge or otherwise dispose of an Award contrary to the provisions hereof, and the levy of any execution, attachment or similar process upon any Award shall be null, void and without effect.

SECTION 17. SUCCESSORS

Except as herein provided, this Plan shall be binding upon the parties hereto, their heirs, executors, administrators, successors (including but not limited to successors resulting from any corporate merger or acquisition) or assigns.

SECTION 18. GOVERNING LAW

This Plan shall be governed by and construed according to the laws of the State of Maryland without regard to conflicts of interest principles.

SECTION 19. EFFECTIVE DATE

This Plan is effective as of October 27, 2014.

Exhibit 12

RATIO OF EARNINGS TO FIXED CHARGES
(dollars in thousands)

	Year Ended				
	2014	2013	2012	2011	2010
Income from continuing operations	$ 73,399	$ 55,405	$ 50,306	$ 48,620	$ 44,851
Fixed charges	14,634	12,296	10,098	6,670	2,961
Capitalized interest	(1,506)	(932)	(130)	(45)	(117)
Income allocated to non-controlling interests	-	-	(37)	(191)	(191)
Earnings	$ 86,527	$ 66,769	$ 60,237	$ 55,054	$ 47,504
Fixed Charges					
Interest expense (includes amortization of debt issue costs and capitalized interest)	13,128	11,364	9,931	6,434	2,653
Capitalized Interest	1,506	932	130	45	117
Income allocated to non-controlling interests	-	-	37	191	191
Total fixed charges	14,634	12,296	10,098	6,670	2,961
Preferred stock dividend (excludes preferred stock redemption charge)	3,273	3,273	3,273	5,512	13,662
Total fixed charges and preferred dividends	$ 17,907	$ 15,569	$ 13,371	$ 12,182	$ 16,623
Ratio of earnings to fixed charges	5.91	5.43	5.97	8.25	16.04
Ratio of earnings to fixed charges and preferred dividends	4.83	4.29	4.51	4.52	2.86

EXHIBIT 21

LTC PROPERTIES, INC.

LIST OF SUBSIDIARIES

As of December 31, 2014

Company	State of Organization	Company	State of Organization
Albuquerque Real Estate Investments, Inc.	Delaware	LTC-Lake Forest, Inc.	Delaware
Bakersfield-LTC, Inc.	Delaware	LTC-New Mexico, Inc.	Nevada
Beaumont Real Estate Investments, LP	Texas	LTC-Ohio, Inc.	Delaware
Broadway Real Estate Investments, Inc.	Delaware	LTC-Richmond, Inc.	Nevada
BV Holding-LTC, Inc.	Delaware	L-Tex GP, Inc.	Delaware
Coronado Corporation	Delaware	L-Tex LP Corporation	Delaware
Daytona Beach Real Estate Investments, Inc.	Delaware	Memorial Park Real Estate Investments, Inc.	Delaware
East New Mexico, Inc.	Delaware	Merritt Island Real Estate Investments, Inc.	Delaware
Education Property Investors, Inc.	Nevada	Mission Real Estate Investments, Inc.	Delaware
Florida-LTC, Inc.	Nevada	Missouri REI, Inc.	Delaware
Fort Wayne Real Estate Investments, Inc.	Delaware	Missouri River Corporation	Delaware
Gulf Breeze Real Estate Investments, Inc.	Delaware	MLREI Holdings, Inc.	Delaware
Hewitt Real Estate Investments, Inc.	Delaware	Monroeville Real Estate Investments, Inc.	Delaware
Juniper Assisted Living Residence I, LLC	Delaware	Mountain States Real Estate Investments, Inc.	Delaware
JVC Holdings, Inc.	Delaware	MS-FL Real Estate Investments, Inc.	Delaware
JVCH Real Estate Investments, Inc.	Delaware	MW Real Estate Investments, LLC	Illinois
JVCO Real Estate Investments, Inc.	Delaware	New Mexico Real Estate Investments, Inc.	Delaware
JVFH Real Estate Investments, Inc.	Delaware	Newberry Real Estate Investments, Inc.	Delaware
JVWL Real Estate Investments, Inc.	Delaware	NMKS Holdings, Inc.	Delaware
Kansas-LTC Corporation	Delaware	NMKS Real Estate Investments, Inc.	Delaware
Lakes Real Estate Investments, Inc.	Delaware	North Carolina Real Estate Investments, LLC	North Carolina
LTC GP I, Inc.	Delaware	Ohio Springs Real Estate Investments, Inc.	Delaware
LTC GP VI, Inc.	Delaware	Park Villa Corporation	Delaware
LTC West, Inc.	Nevada	PENN-IND Real Estate Investments, Inc.	Delaware
LTC-Bedford, Inc.	Delaware	RC Real Estate Investments, Inc.	Delaware
LTC-Dearfield, Inc.	Nevada	Red Oak Real Estate Investments, Inc.	Delaware
LTC-DS, Inc.	Delaware	Skilled Healthcare Holdings, Inc.	Delaware
LTC-Finance, Inc.	Delaware	South Hills Real Estate Investments, Inc.	Delaware
LTC-Gardner, Inc.	Delaware	Stephenville Real Estate Investments, Inc.	Delaware
LTC-Griffin, Inc.	Nevada	SWTX Real Estate Investments, Inc.	Delaware
LTC-Jonesboro, Inc.	Nevada	Texas-LTC Limited Partnership	Texas
LTC-K1 Inc.	Delaware	Texas-LTC Woodridge Limited Partnership	Delaware
LTC-K2 Limited Partnership	Delaware	Tupelo Real Estate Investments, Inc.	Delaware
LTC-K2 LP, Inc.	Delaware	TXMS Real Estate Investments, Inc.	Delaware
LTC-K2, Inc.	Delaware	Vacaville-LTC, Inc.	Delaware
		Virginia-LTC, Inc.	Nevada

EXHIBIT 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the following Registration Statements:

(1) Registration Statement (Form S-3 No. 333-190048) and in the related prospectus of LTC Properties, Inc.,

(2) Registration Statement (Form S-8 No. 333-115856) pertaining to the 2004 Stock Option Plan of LTC Properties, Inc.,

(3) Registration Statement (Form S-8 No. 333-152295) pertaining to the 2008 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 this Annual Report (Form 10-K) for the year ended December 31, 2014.

/s/ Ernst & Young LLP
Los Angeles, California
February 26, 2015

Exhibit 31.1

CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Wendy L. Simpson, certify that:

1. I have reviewed this annual report on Form 10-K of LTC Properties, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Wendy L. Simpson
Wendy L. Simpson
Chairman, Chief Executive Officer and President
(Principal Executive Officer)
February 26, 2015

Exhibit 31.2

CERTIFICATION OF THE CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Pamela Kessler, certify that:

1. I have reviewed this annual report on Form 10-K of LTC Properties, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Pamela Kessler
Pamela Kessler
Executive Vice President, Chief Financial Officer
and Corporate Secretary
(Principal Financial and Accounting Officer)
February 26, 2015

Exhibit 32

CERTIFICATIONS PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of LTC Properties, Inc. (or the Company) on Form 10-K for the period ending December 31, 2014 as filed with the Securities and Exchange Commission on the date hereof (or the Report), I, Wendy L. Simpson, Chairman, Chief Executive Officer and President of the Company, and I, Pamela Kessler, Executive Vice President, Chief Financial Officer and Corporate Secretary of the Company, certify solely for the purposes of 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 26, 2015	/s/ Wendy L. Simpson Wendy L. Simpson Chairman, Chief Executive Officer and President
Date: February 26, 2015	/s/ Pamela Kessler Pamela Kessler Executive Vice President, Chief Financial Officer and Corporate Secretary

This certification is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of the Company under the Securities Act of 1933 or the Securities Act of 1934 (whether made before or after the date of the Report), irrespective of any general incorporation language contained in such filing.