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

FORM 10-Q

(Mark One)



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

For the quarterly period ended June 30, 2015

OR



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

For the Transition period from ____ to ____

Commission file number 1-11314

LTC PROPERTIES, INC.

(Exact name of Registrant as specified in its charter)

Maryland
(State or other jurisdiction of
incorporation or organization)

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

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

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

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

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

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

Large accelerated filer ☒

Accelerated filer ☐

Non-accelerated filer ☐
(Do not check if a
smaller reporting company)

Smaller reporting company ☐

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

The number of shares of common stock outstanding on July 29, 2015 was 35,570,495.

LTC PROPERTIES, INC.

FORM 10-Q

June 30, 2015

INDEX

PART I -- Financial Information

Page

Item 1.	Financial Statements	
	Consolidated Balance Sheets	3
	Consolidated Statements of Income	4
	Consolidated Statements of Comprehensive Income	5
	Consolidated Statements of Cash Flows	6
	Notes to Consolidated Financial Statements	7
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	22
Item 3.	Quantitative and Qualitative Disclosures about Market Risk	38
Item 4.	Controls and Procedures	39

PART II -- Other Information

Item 1.	Legal Proceedings	40
Item 1A.	Risk Factors	40
Item 5	Other Information	40
Item 6.	Exhibits	41

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

	June 30, 2015	December 31, 2014
	<i>(unaudited)</i>	<i>(audited)</i>
ASSETS		
Investments:		
Land	\$ 85,184	\$ 80,024
Buildings and improvements	903,979	869,814
Accumulated depreciation and amortization	(237,024)	(223,315)
Net operating real estate property	752,139	726,523
Mortgage loans receivable, net of loan loss reserve: 2015—\$2,061; 2014—\$1,673	204,031	165,656
Real estate investments, net	956,170	892,179
Investment in unconsolidated joint venture	20,722	—
Investments, net	976,892	892,179
Other assets:		
Cash and cash equivalents	8,051	25,237
Debt issue costs, net	3,490	3,782
Interest receivable	2,129	597
Straight-line rent receivable, net of allowance for doubtful accounts: 2015—\$775; 2014—\$731	37,060	32,651
Prepaid expenses and other assets	13,048	9,931
Notes receivable	2,380	1,442
Total assets	<u>\$ 1,043,050</u>	<u>\$ 965,819</u>
LIABILITIES		
Bank borrowings	\$ 80,500	\$ —
Senior unsecured notes	277,467	281,633
Accrued interest	3,574	3,556
Earn-out liabilities	3,367	3,258
Accrued expenses and other liabilities	18,620	17,251
Total liabilities	383,528	305,698
EQUITY		
Stockholders' equity:		
Preferred stock \$0.01 par value; 15,000 shares authorized; shares issued and outstanding: 2015—2,000; 2014—2,000	38,500	38,500
Common stock: \$0.01 par value; 60,000 shares authorized; shares issued and outstanding: 2015—35,570; 2014—35,480	356	355
Capital in excess of par value	719,216	717,396
Cumulative net income	890,727	855,247
Accumulated other comprehensive income	65	82
Cumulative distributions	(989,342)	(951,459)
Total equity	<u>659,522</u>	<u>660,121</u>
Total liabilities and equity	<u>\$ 1,043,050</u>	<u>\$ 965,819</u>

See accompanying notes.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Revenues:				
Rental income	\$ 27,116	\$ 25,025	\$ 53,794	\$ 50,277
Interest income from mortgage loans	5,053	4,139	9,660	8,232
Interest and other income	218	63	413	156
Total revenues	32,387	29,227	63,867	58,665
Expenses:				
Interest expense	3,854	3,088	7,620	6,275
Depreciation and amortization	6,977	6,302	13,756	12,600
Provision for doubtful accounts	429	11	432	38
General and administrative expenses	3,952	2,693	7,448	5,615
Total expenses	15,212	12,094	29,256	24,528
Operating income	17,175	17,133	34,611	34,137
Income from unconsolidated joint ventures	753	—	869	—
Gain on sale of real estate, net	—	1,140	—	1,140
Net income	17,928	18,273	35,480	35,277
Income allocated to participating securities	(126)	(117)	(249)	(220)
Income allocated to preferred stockholders	(818)	(818)	(1,636)	(1,636)
Net income available to common stockholders	\$ 16,984	\$ 17,338	\$ 33,595	\$ 33,421
Earnings per common share:				
Basic	\$ 0.48	\$ 0.50	\$ 0.95	\$ 0.97
Diluted	\$ 0.48	\$ 0.50	\$ 0.94	\$ 0.96
Weighted average shares used to calculate earnings per common share:				
Basic	35,299	34,597	35,288	34,592
Diluted	37,311	36,621	37,302	36,617
Dividends declared and paid per common share	\$ 0.51	\$ 0.51	\$ 1.02	\$ 1.02

See accompanying notes.

LTC PROPERTIES, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in thousands, unaudited)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2015	2014	2015	2014
Net income	\$ 17,928	\$ 18,273	\$ 35,480	\$ 35,277
Reclassification adjustment (Note 6)	(8)	(9)	(17)	(18)
Comprehensive income	<u>\$ 17,920</u>	<u>\$ 18,264</u>	<u>\$ 35,463</u>	<u>\$ 35,259</u>

See accompanying notes.

LTC PROPERTIES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in thousands, unaudited)

	Six Months Ended June 30,	
	2015	2014
OPERATING ACTIVITIES:		
Net income	\$ 35,480	\$ 35,277
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	13,756	12,600
Stock-based compensation expense	2,081	1,449
Gain on sale of assets, net	—	(1,140)
Income from unconsolidated joint ventures	(869)	—
Straight-line rental income	(4,453)	(1,247)
Amortization of lease inducement	735	330
Provision for doubtful accounts	432	38
Non-cash interest related to earn-out liabilities	109	—
Other non-cash items, net	445	415
(Increase) decrease in interest receivable	(1,532)	7
Decrease in accrued interest payable	18	26
Net change in other assets and liabilities	(2,243)	(2,518)
Net cash provided by operating activities	43,959	45,237
INVESTING ACTIVITIES:		
Investment in real estate properties	(14,357)	—
Investment in real estate developments	(7,806)	(16,080)
Investment in real estate capital improvements	(5,949)	(11,448)
Capitalized interest	(297)	(742)
Proceeds from sale of real estate investments, net	—	7,707
Advances under mortgage loans receivable	(43,347)	(3,707)
Investment in real estate mortgages	(9,500)	—
Principal payments received on mortgage loans receivable	3,482	1,054
Investment in unconsolidated joint ventures	(20,143)	—
Advances under notes receivable	(1,254)	(89)
Principal payments received on notes receivable	—	72
Net cash used in investing activities	(99,171)	(23,233)
FINANCING ACTIVITIES:		
Bank borrowings	82,000	21,000
Repayment of bank borrowings	(1,500)	—
Principal payments on senior unsecured notes	(4,167)	(4,167)
Principal payments on bonds payable	—	(635)
Stock option exercises	79	277
Distributions paid to stockholders	(37,883)	(37,140)
Financing costs paid	(165)	(46)
Other	(338)	(7)
Net cash provided by (used in) financing activities	38,026	(20,718)
(Decrease) increase in cash and cash equivalents	(17,186)	1,286
Cash and cash equivalents, beginning of period	25,237	6,778
Cash and cash equivalents, end of period	\$ 8,051	\$ 8,064
Supplemental disclosure of cash flow information:		
Interest paid	\$ 7,145	\$ 5,859
Non-cash investing and financing transactions:		
Mortgage loan receivable applied against purchase price to acquire real estate (Note 2)	\$ 10,600	\$ —
Reclassification of pre-development loans (Note 4)	\$ 316	\$ —

See accompanying notes.

LTC PROPERTIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
(Unaudited)

1. General

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

We have prepared consolidated financial statements included herein without audit and in the opinion of management have included all adjustments necessary for a fair presentation of the consolidated financial statements pursuant to the rules and regulations of the Securities and Exchange Commission (or SEC). Certain information and note disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles (or GAAP) have been condensed or omitted pursuant to rules and regulations governing the presentation of interim financial statements. The accompanying consolidated financial statements include the accounts of our company, its wholly-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation. The results of operations for the six months ended June 30, 2015 and 2014 are not necessarily indicative of the results for a full year.

Certain reclassifications have been made to the prior period consolidated financial statements to conform to the current period presentation, including changes in presentation of *Provision for doubtful accounts* as a result of the application of accounting guidance for presentation of each major income statement caption prescribed by *Regulation S-X*. These adjustments are normal and recurring in nature.

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

Investments in unconsolidated joint ventures

From time to time, the Company may make investments in unconsolidated entities, which may be in the form of common equity, preferred equity, or debt (in the form of an acquisition, development or construction or “ADC” loan, or similar arrangement). The Company evaluates each investment pursuant to ASC 805, Consolidation, to determine whether it meets the definition of a variable interest entity (or VIE) and whether the Company is the primary beneficiary. If the entity is deemed to be a VIE but the Company is not the primary beneficiary, or if the entity is deemed to be a voting interest entity but the Company does not have a controlling financial interest, it accounts for its investment using the equity method. Under the equity method, the Company initially records its investment at cost and subsequently recognizes the Company’s share of net earnings or losses and other comprehensive income or loss, cash

LTC PROPERTIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
(Unaudited)

contributions made and distributions received, and other adjustments, as appropriate. Allocations of net income or loss may be subject to preferred returns or allocation formulas defined in operating agreements and may not be according to percentage interests of the members. In certain circumstances where the Company has a substantive profit-sharing arrangement which provides a priority return on its investment, a portion of its equity in earnings may consist of a change in its claim on the net assets of the underlying joint venture. Distributions of operating profit from the joint ventures are reported as part of operating cash flows, while distributions related to a capital transaction, such as a refinancing transaction or sale, are reported as investing activities.

The Company performs a quarterly evaluation of its investments in unconsolidated joint ventures to determine whether the fair value of each investment is less than the carrying value, and, if such decrease in value is deemed to be other-than-temporary, writes the investment down to its estimated fair value as of the measurement date.

Impact of New Accounting Pronouncements.

In May 2014, the FASB issued Accounting Standards Update (or ASU) 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. 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. In July 2015, FASB approved a one-year deferral of the effective date to December 2017. However, the FASB will permit public companies to adopt the amendment as of the original effective date. Early adoption prior to the original effective date is not permitted. We are currently evaluating the effects of this adoption on our consolidated financial statements.

In January 2015, FASB issued ASU No. 2015-01 (or ASU 2015-01), *Income Statement – Extraordinary and Unusual Items (Subtopic 225-20): Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items*. ASU 2015-01 eliminates the separate classification, presentation and disclosure of extraordinary events and transactions. ASU 2015-01 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. Early adoption is permitted provided that the guidance is applied from the beginning of the fiscal year of adoption. We elected early adoption of ASU 2015-01 as of January 1, 2015. The adoption did not have a material impact on our consolidated financial statements.

In February 2015, FASB issued ASU No. 2015-02 (or ASU 2015-02), *Consolidation (Topic 810): Amendments to the Consolidation Analysis*. ASU 2015-02 amends the consolidation guidance for variable interest entities and voting interest entities, among other items, by eliminating the consolidation model previously applied to limited partnerships, emphasizing the risk of loss when determining a controlling financial interest and reducing the frequency of the application of related-party guidance when determining a controlling financial interest. ASU 2015-02 is effective for periods beginning after December 15, 2015, for public companies. Early adoption is permitted, including adoption in an interim period. We are currently evaluating the effects of this ASU on our consolidated financial statements.

In April 2015, FASB issued ASU No. 2015-03 (ASU 2015-03), *Interest – Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*. ASU 2015-03 requires debt

LTC PROPERTIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
(Unaudited)

issuance costs related to a recognized debt liability be presented in the balance sheet as a direct reduction from the carrying amount of the debt liability, consistent with debt discounts. ASU 2015-03 is effective for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. Early adoption is permitted. We are currently evaluating the effects of this ASU on our consolidated financial statements.

2. Real Estate Investments

Assisted living properties, independent living properties, memory care properties and combinations thereof are included in the assisted living property type (or collectively ALF). 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.

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

Owned Properties. The following table summarizes our investments in owned properties at June 30, 2015 (*dollar amounts in thousands*):

Type of Property	Gross Investments	Percentage of Investments	Number of Properties ⁽¹⁾	Number of		Average Investment per Bed/Unit
				SNF Beds	ALF Units	
Skilled Nursing	\$ 500,152	50.6 %	69	8,513	—	\$ 58.75
Assisted Living	416,817	42.1 %	85	—	4,236	\$ 98.40
Range of Care	43,907	4.4 %	7	634	274	\$ 48.36
Under Development ⁽²⁾	17,404	1.8 %	—	—	—	—
Other ⁽³⁾	10,883	1.1 %	1	—	—	—
Totals	\$ 989,163	100.0 %	162	9,147	4,510	

(1) We own properties in 27 states that are leased to 29 different operators.

(2) Represents five development projects consisting of three MC properties with a total of 188 units, a 108-unit independent living property and an 89-unit combination ALF and MC property.

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

LTC PROPERTIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
(Unaudited)

During the six months ended June 30, 2015, we acquired the following investments (*dollar amounts in thousands*):

Type of Property	Purchase Price	Transaction Costs	Total Acquisition Costs	Number of Properties	Number of Beds/Units
Skilled Nursing ⁽¹⁾	\$ 13,946	\$ —	\$ 13,946	1	106
Land ⁽²⁾	11,011	78	11,089	—	—
Totals	\$ 24,957	\$ 78	\$ 25,035	1	106

(1) We purchased and equipped the property by exercising our purchase option under a \$10,600 mortgage and construction loan. The property was added to an existing master lease at a lease rate equivalent to the interest rate in effect on the loan at the time the purchase option was exercised. Additionally, we paid the lessee a \$1,054 lease inducement which will be amortized as a yield adjustment over the life of the lease term. See *Mortgage Loans* below for further discussion of the loan agreement.

(2) We acquired parcels of land and entered into three development commitments in an amount not to exceed \$42,922, including the land purchases, for the development of a 66-unit MC property, a 108-unit IL property and an 89-unit combination AL and MC property. Additionally, we acquired land and existing improvements on a 56-unit MC property and entered a development commitment up to \$12,182 to complete the development of the MC property.

We entered into an agreement to purchase a 10 property portfolio comprised of independent, assisted living and memory care properties totaling 891 units for an aggregate purchase price of \$142,000,000. Nine of the properties to be acquired are located in Wisconsin and one is located in Illinois. Simultaneously upon closing, we will enter into a 15-year triple-net master lease agreement with third party operator at an initial cash yield of 6.5%; escalating by 25 basis points upon each of the first and second anniversaries and annually thereafter by 2.75%. While execution on the transaction remains subject to certain contractual conditions, we anticipate a closing to occur during the third quarter of 2015 and would expect to fund the acquisition utilizing our revolving credit facility as well as proceeds derived from the issuance of senior unsecured notes under our recently expanded private shelf facility with Prudential Investment Management, Inc. (or Prudential). See *Note 5. Debt Obligations* for further discussion on our Prudential private shelf agreement.

During the six months ended June 30, 2015, we completed the development of a 60-unit memory care property in Colorado for an aggregate cost of \$10,703,000, including purchase of land. Additionally, we funded, including the final funding on the 60-unit memory care property, \$13,755,000 on our completed and on-going development and improvement projects. The following table summarizes our on-going investment commitments as of June 30, 2015, and amounts funded exclusively under these projects (*excludes capitalized interest, dollar amounts in thousands*):

Type of Property	Investment Commitment	2015 Funding ⁽³⁾	Commitment Funded	Remaining Commitment	Number of Properties	Number of Beds/Units
Skilled Nursing ⁽¹⁾	\$ 6,000	\$ 7	\$ 7	\$ 5,993	2	314
Assisted Living ⁽²⁾	72,152	15,691	17,778	54,374	29	1,414
Totals	\$ 78,152	\$ 15,698	\$ 17,785	\$ 60,367	31	1,728

(1) Includes two commitments for renovation projects.

(2) Includes the development for an IL property for \$14,500, three MC properties for a total commitment of \$36,316 and one ALF/MC property for a total commitment of \$16,536. Also, includes three commitments for renovation projects on 24 ALFs totaling \$4,800.

(3) Includes \$11,011 from the acquisition of land and improvements, as previously discussed, and a reclass of a \$316 pre-development loan. See *Note 7. Notes Receivable* for further discussion of the pre-development loan. Excludes \$9,384 of funding on completed development and improvement projects.

LTC PROPERTIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
(Unaudited)

Our construction in progress (or CIP) activity during the six months ended June 30, 2015 for our development, redevelopment, renovation, and expansion projects is as follows (*dollar amounts in thousands*):

Type of Property	CIP Balance at 12/31/2014	Funded ⁽¹⁾	Capitalized Interest	Conversions out of CIP	CIP Balance at 6/30/2015
Skilled nursing	\$ —	\$ 404	\$ —	\$ (397)	\$ 7
Assisted living	8,671	12,075	297	(9,503)	11,540
Total	\$ 8,671	\$ 12,479	\$ 297	\$ (9,900)	\$ 11,547

(1) Excludes \$7,907 of funding directly capitalized into building and includes the previously discussed acquisition of the existing improvements of the 56-unit MC property for \$6,315 and a reclass of a \$316 pre-development loan.

During the six months ended June 30, 2014, we sold two assisted living properties located in Florida and Georgia with a total of 133 units and one school property located in Minnesota for a combined sales price of \$7,850,000, resulting in net sales proceeds of \$7,707,000, and a net gain on sale of \$1,140,000.

Mortgage Loans. The following table summarizes our investments in mortgage loans secured by first mortgages at June 30, 2015 (*dollar amounts in thousands*):

Type of Property	Gross Investments	Percentage of Investments	Number of Loans	Number of Properties ⁽¹⁾	Number of		Investment per Bed/Unit
					SNF Beds	ALF Units	
Skilled Nursing	\$ 191,983	93.2 %	14	28	3,621	—	\$ 53.02
Assisted Living	14,109	6.8 %	3	8	—	270	\$ 52.26
Totals	\$ 206,092	100.0 %	17	36	3,621	270	

(1) We have investments in properties located in 7 states that include mortgages to 10 different operators.

At June 30, 2015, the mortgage loans had interest rates ranging from 7.1% to 13.9% and maturities ranging from 2016 to 2045. In addition, some loans contain certain guarantees, provide for certain facility fees and generally have 20-year to 30-year amortization schedules. The majority of the mortgage loans provide for annual increases in the interest rate based upon a specified increase of 10 to 25 basis points. During the six months ended June 30, 2015, we received \$2,487,000 plus accrued interest related to the payoff of two mortgage loans secured by a range of care property located in California and a skilled nursing property located in Texas. During the six months ended June 30, 2015 and 2014, we received \$995,000 and \$1,054,000, respectively, in regularly scheduled principal payments.

During the six months ended June 30, 2015, we amended an existing mortgage loan secured by a 100-unit independent living property in Arizona to provide up to \$490,000 of additional proceeds for capital improvements. During the quarter ended June 30, 2015, we funded \$230,000 under this amended mortgage loan and have a remaining commitment of \$260,000.

During 2013, we funded the initial amount of \$124,387,000 under a mortgage loan with a third-party borrower secured by 15 skilled nursing properties with a total of 2,058 beds in Michigan. The loan agreement provided for additional commitments of \$12,000,000 for capital improvements and up to \$40,000,000 of additional proceeds, for a total loan commitment of up to \$176,387,000. During the quarter ended June 30, 2015, we funded the \$40,000,000 of additional proceeds. During the six months

LTC PROPERTIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
(Unaudited)

ended June 30, 2015 and 2014, we funded \$3,117,000 and \$697,000, respectively, under the \$12,000,000 capital improvement commitment with \$5,545,000 remaining as of June 30, 2015.

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. During the six months ended June 30, 2015, we amended this mortgage loan to provide up to an additional \$20,000,000 in loan proceeds for the expansion 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 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 their prepayment option.

Additionally, during the six months ended June 30, 2015, we originated an \$11,000,000 mortgage loan with the borrower, 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 for the initial three years. Additionally, we have the option to purchase the property under certain circumstances, including a change in regulatory provisions.

The following table summarizes our additional loan commitments as of June 30, 2015, and amounts funded under these mortgage loans (*dollar amounts in thousands*):

Type of Property	Additional Loan Commitment	2015 Funding	Commitment Funded	Remaining Commitment	Number of Properties	Number of Beds/Units
Skilled Nursing	\$ 33,500	\$ 3,117	\$ 6,455	\$ 27,045	16	2,215
Assisted Living	490	230	230	260	1	100
Totals	<u>\$ 33,990</u>	<u>\$ 3,347</u>	<u>\$ 6,685</u>	<u>\$ 27,305</u>	<u>17</u>	<u>2,315</u>

During the six months ended June 30, 2014, we fulfilled our commitment by funding the remaining \$3,010,000 balance on a \$10,600,000 mortgage and construction loan to develop a new 106-bed skilled nursing property in Wisconsin to replace an old existing skilled nursing property. Upon completion of construction and relocation of the residents from the old property to the replacement property in 2014, the old property was sold and released as collateral. During the six months ended June 30, 2015, we purchased and equipped the replacement property for a total of \$13,946,000 by exercising our right under the agreement including applying amounts otherwise due to us under the underlying loan as a closing adjustment. See *Owned Properties* above for further discussion of the property purchase.

LTC PROPERTIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
(Unaudited)

3. Investment in Unconsolidated Joint Ventures

During the six months ended June 30, 2015, we made a preferred equity investment in an entity (the JV) that owns four properties providing independent, assisted living and memory care services. These properties are located in Arizona. At closing, we provided an initial preferred capital contribution of \$20,143,000 and have committed to contribute an additional preferred capital contribution of \$5,507,000 for a total preferred capital contribution of \$25,650,000. As the preferred member of the JV, we are not entitled to share in the JV's earnings or losses. Rather, we are entitled to receive a 15% preferred return, a portion of which is paid in cash and a portion of which is deferred if the cash flow of the JV is insufficient to pay all of the accrued preferred return. The unpaid accrued preferred return will be added to the balance of the preferred equity investment and will be repaid upon redemption. In addition, we have the option to purchase either the properties owned by the JV or 100% of the common membership interest in the JV, which is exercisable between the 37th month and the 54th month from the commencement of the JV. If we elect not to exercise our purchase option, we have the right to put our preferred equity interest to the common member after the 54th month for an amount equal to the unpaid preferred equity investment balance and accrued preferred return thereon. The common equity member has the right to call our preferred interest at any time for an amount equal to the preferred equity investment balance and accrued preferred return thereon that would be due for the first 36 months, less amounts paid to us prior to the redemption date.

The JV is intended to be self-financing, other than our preferred capital contributions, no direct support will be provided by us. As a result, we believe our maximum exposure to loss due to our investment in the JV would be limited to our preferred capital contributions plus any unpaid accrued preferred return. We have concluded that the JV meets the accounting criteria to be considered as a variable interest entity (or VIE). However, because we do not control the entity, nor do we have any role in the day-to-day management, we are not the primary beneficiary of the JV. Therefore, we account for our JV investment using the equity method. During the three and six months ended June 30, 2015, we recognized \$753,000 and \$869,000, respectively, in income from our preferred equity investment in the JV.

4. Notes Receivable

Notes receivable consists of various loans and line of credit agreements with certain operators. The following table summarizes our notes receivable activities for the six months ended June 30, 2015 and 2014 as follows (*dollar amounts in thousands*):

	Six months ended June 30,	
	2015	2014
Advances under notes receivable	\$ 1,254	\$ 89
Principal payments received under notes receivable	—	(72)
Reclassified to real estate under development	(316) ⁽¹⁾	—
Net increase in notes receivable	\$ 938	\$ 17

(1) Represents a pre-development loan which matured due to the acquisition of land and commencement of a development project.

LTC PROPERTIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
(Unaudited)

At June 30, 2015, we had 9 loans and line of credit agreements with on-going commitments totaling \$3,288,000 and weighted average interest rate of 10.4%. As of June 30, 2015, we have a remaining commitment of \$2,033,000.

5. Debt Obligations

The following table sets forth information regarding debt obligations by component as of June 30, 2015 and December 31, 2014 (*dollar amounts in thousands*):

Debt Obligations	Applicable Interest Rate ⁽¹⁾	At June 30, 2015		At December 31, 2014	
		Outstanding Balance	Available for Borrowing	Outstanding Balance	Available for Borrowing
Bank Borrowings ⁽²⁾	1.67%	\$ 80,500	\$ 319,500	\$ —	\$ 400,000
Senior Unsecured Notes ⁽³⁾	4.80%	277,467	n.a.	281,633	n.a.
Total	4.10%	\$ 357,967		\$ 281,633	

(1) Represents weighted average of interest rate as of June 30, 2015.

(2) Subsequent to June 30, 2015, we borrowed \$24,000 under our Unsecured Credit Agreement. Accordingly, we have \$104,500 outstanding under our Unsecured Credit Agreement with \$295,500 remaining for borrowing.

(3) Subsequent to June 30, 2015, we repaid \$25,000 of scheduled principal payments under our Senior Unsecured Notes. Accordingly, we have \$252,467 outstanding under our Senior Unsecured Notes.

Bank Borrowings. We have an Unsecured Credit Agreement that provides for a revolving line of credit up to \$400,000,000 with the opportunity to increase the credit amount up to a total of \$600,000,000. The Unsecured Credit Agreement matures on October 14, 2018 and provides for a one-year extension option at our discretion, subject to customary conditions. Based on our leverage at June 30, 2015, the facility provides for interest annually at LIBOR plus 125 basis points and an unused commitment fee of 30 basis points. During the six months ended June 30, 2015 and 2014, we borrowed \$82,000,000 and \$21,000,000, respectively, under our Unsecured Credit Agreement. Additionally, during the six months ended June 30, 2015, we repaid \$1,500,000 under our Unsecured Credit Agreement. At June 30, 2015, we were in compliance with all covenants.

Senior Unsecured Notes. During each of the six months ended June 30, 2015 and 2014, we paid \$4,167,000 in regular scheduled principal payments. In April 2015, we entered into a third amended and restated \$200,000,000 private shelf agreement with Prudential for a three-year term. The agreement provides for the possible issuance of up to an additional \$102,000,000 of senior unsecured fixed interest rate term notes. After July 14, 2015 and for the balance of the term, the agreement provides for the possible issuance of additional senior unsecured fixed interest rate term notes up to the maximum availability upon us making our scheduled principal payments on existing notes then outstanding. Interest rates on any issuance under the shelf agreement will be set at a spread over applicable Treasury rates. Maturities of each issuance are at our election for up to 15 years from the date of issuance with a maximum average life of 12 years from the date of original issuance. Subsequent to June 30, 2015, we locked rate under our Prudential shelf agreement on \$100,000,000 senior unsecured notes with an annual fixed rate of 4.5% and anticipate selling the notes to Prudential on or around August 31, 2015. These notes have periodic scheduled principal repayments with a 15-year final maturity.

LTC PROPERTIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
(Unaudited)

Also, subsequent to June 30, 2015, we entered into a \$100,000,000 note purchase and private shelf agreement with AIG Asset Management (U.S.) LLC (or AIG) for a three-year term. Interest rates on any issuance under the shelf agreement will be set at a spread over applicable Treasury rates. Maturities of each issuance are at our election for up to 15 years from the date of issuance with a maximum average life of 12 years from the date of original issuance.

Bonds Payable. We had a multifamily tax-exempt revenue bond that was secured by five assisted living properties in Washington which was paid off during 2014. During the six months ended June 30, 2014, we paid \$635,000 in regularly scheduled principal payments.

6. Equity

Equity activity was as follows (*in thousands*):

	Total Equity
Balance at December 31, 2014	\$ 660,121
Net income	35,480
Vesting of stock option and restricted common stock	2,081
Stock option exercise	79
Reclassification adjustment	(17)
Preferred stock dividends	(1,636)
Common stock dividends	(36,247)
Other	(339)
Balance at June 30, 2015	<u>\$ 659,522</u>

Preferred Stock. At June 30, 2015, we had 2,000,000 shares of our 8.5% Series C Cumulative Convertible Preferred Stock (or Series C preferred stock) outstanding. Our Series C preferred stock is convertible into 2,000,000 shares of our common stock at \$19.25 per share. Total shares reserved for issuance of common stock related to the conversion of Series C preferred stock were 2,000,000 shares at June 30, 2015.

Common Stock. During the six months ended June 30, 2015 and 2014, we acquired 4,609 shares and 200 shares respectively, of common stock held by employees who tendered owned shares to satisfy tax withholding obligations.

Available Shelf Registrations. Our shelf registration statement provides us with the capacity to offer up to \$800,000,000 in 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, will be described in detail in a prospectus supplement, or other offering materials, at the time of the offering. At June 30, 2015, we had availability of \$775,100,000 under our effective shelf registration which expires on July 19, 2016.

LTC PROPERTIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
(Unaudited)

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

	Six Months Ended June 30, 2015		Six Months Ended June 30, 2014	
	Declared	Paid	Declared	Paid
Preferred Stock Series C	\$ 1,636	\$ 1,636	\$ 1,636	\$ 1,636
Common Stock ⁽¹⁾	36,247	36,247	35,504	35,504
Total	\$ 37,883	\$ 37,883	\$ 37,140	\$ 37,140

(1) Represents \$0.17 per share per month for each of the six months ended June 30, 2015 and 2014, respectively.

In July 2015, we declared a monthly cash dividend of \$0.17 per share on our common stock for the months of July, August and September, payable on July 31, August 31, and September 30, 2015, respectively, to stockholders of record on July 23, August 21, and September 22, 2015, respectively.

Accumulated Other Comprehensive Income. At June 30, 2015 and December 31, 2014, accumulated comprehensive income of \$65,000 and \$82,000, respectively, represents the net unrealized holding gains on available-for-sale REMIC Certificates recorded in 2005 when we repurchased the loans in the underlying loan pool. This amount is being amortized to increase interest income over the remaining life of the loans that we repurchased from the REMIC Pool.

Stock-Based Compensation. During the six months ended June 30, 2015, we adopted and our shareholders approved The 2015 Equity Participation Plan (or the 2015 Plan) which replaces The 2008 Equity Participation Plan (or the 2008 Plan). Under the 2015 Plan, 1,400,000 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 2015 Plan are set by our compensation committee at its discretion. During the six months ended June 30, 2015, no stock options or restricted stock were granted under this plan.

During the six months ended June 30, 2015, no stock options were granted under the 2008 Plan. In the comparable 2014 period, we granted 15,000 options under the 2008 Plan to purchase common stock at an exercise price of \$38.43 per share. These stock options vest ratably over a three-year period from the grant date. The options exercised during the six months ended June 30, 2015 and 2014 were as follows:

	Options Exercised	Weighted Average Exercise Price	Option Value	Market Value ⁽¹⁾
2015	3,333	\$ 23.79	\$ 79,000	\$ 140,000
2014	11,666	\$ 23.79	\$ 277,000	\$ 455,000

(1) As of the exercise dates.

At June 30, 2015, we had 40,001 stock options outstanding of which 30,001 stock options are exercisable. Compensation expense related to the vesting of stock options for the three and six months ended June 30, 2015, was \$4,000 and \$8,000, respectively, compared to \$4,000 and \$5,000 for the same periods in 2014. The following table summarizes our scheduled number of stock option vesting and remaining compensation expense to be recognized related to the future service period of unvested outstanding stock options:

LTC PROPERTIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
(Unaudited)

Vesting Date	Number of Awards	Remaining Compensation Expense
2015	—	\$ 7,000
2016	5,000	15,000
2017	5,000	3,000
	<u>10,000</u>	<u>\$ 25,000</u>

During the six months ended June 30, 2015, we cancelled 640 shares of restricted stock under the 2008 Plan. During the six months ended June 30, 2015 and 2014, we granted 92,150 and 87,500 shares of restricted common stock, respectively, under the 2008 Plan as follows:

Year	No. of Shares	Price per Share	Vesting Period
2015	65,750	\$ 44.45	ratably over 3 years
	18,000	\$ 42.30	ratably over 3 years
	8,400	\$ 42.30	June 2, 2016
	<u>92,150</u>		
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
	<u>87,500</u>		

Compensation expense recognized related to the vesting of restricted common stock for the three and six months ended June 30, 2015 were \$1,095,000 and \$2,073,000, respectively, compared to \$779,000 and \$1,444,000 for the same period in 2014. At June 30, 2015, the total number of restricted common shares that are scheduled to vest and remaining compensation expense to be recognized related to the future service period of unvested outstanding restricted common stock are as follows:

Vesting Date	Number of Awards	Remaining Compensation Expense
2015	41,200	\$ 1,919,000
2016	102,060	2,618,000
2017	57,367	1,416,000
2018	27,920	187,000
	<u>228,547</u>	<u>\$ 6,140,000</u>

7. Commitments and Contingencies

As part of an acquisition in December 2014, 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 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 dates. The fair value of these contingent liabilities are

LTC PROPERTIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
(Unaudited)

evaluated on a quarterly basis based on changes in estimates of future operating results and changes in market discount rates. During the three and six months ended June 30, 2015, we recorded non-cash interest expense of \$55,000 and \$109,000, respectively, related to these contingent liabilities and the fair value of these contingent payments was \$3,367,000 at June 30, 2015.

During the six months ended June 30, 2015, we entered into two development commitments totaling \$28,717,000 to acquire two parcels of land and an existing improvement and to construct a 56-unit memory care property and an 89-unit combination assisted living and memory care property. Concurrent with these commitments, we entered into a master lease agreement which provides for two lease inducement payments totaling \$3,952,000, which will be amortized as a yield adjustment over the lease term. Up to 25% of the fee is currently available for funding with the remaining balance available following the issuance of a certificate of occupancy and receipt of regulatory approval required for the operation of the newly constructed properties. As of June 30, 2015, we have funded \$150,000 and have a remaining commitment of \$838,000 under the available lease inducement commitment.

At June 30, 2015, we had additional commitments as follows (*in thousands*):

	Investment Commitment	2015 Funding	Commitment Funded	Remaining Commitment
Real estate properties (See Note 2)	\$ 78,152 ⁽¹⁾	\$ 15,698	\$ 17,785	\$ 60,367
Mortgage loans (See Note 2)	33,990 ⁽¹⁾	3,347	6,685	27,305
Notes receivable (See Note 4)	3,288 ⁽²⁾	367	1,255	2,033
Totals	<u>\$ 115,430</u>	<u>\$ 19,412</u>	<u>\$ 25,725</u>	<u>\$ 89,705</u>

(1) Represents commitments to purchase land and improvements, if applicable, and to develop, re-develop, renovate or expand senior housing and long term care properties.

(2) Represents loan and line of credit 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 principles and pursuant to insurance and indemnification provisions in the applicable leases or mortgages. We intend to continue to vigorously defend such claims.

8. Major Operators

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

Prestige Healthcare (or Prestige) is a privately held company and operates 16 skilled nursing properties and two range of care properties that we own or on which we hold mortgages secured by first trust deeds. These properties consist of a total of 2,333 skilled nursing beds and 93 assisted living units. Additionally, Prestige manages five parcels of land that we own. These assets represent 18.3% of our total assets at June 30, 2015 and generated 14.0% of our combined rental revenue and interest income from mortgage loans recognized for the six months ended June 30, 2015.

LTC PROPERTIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
(Unaudited)

Brookdale Senior Living Communities, Inc. (or Brookdale Communities), a subsidiary of Brookdale Senior Living, Inc., leases 37 assisted living properties with a total of 1,704 units owned by us representing approximately 7.8% of our total assets at June 30, 2015 and 12.3% of our combined rental revenue and interest income from mortgage loans recognized for the six months ended June 30, 2015.

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 9.6% of our total assets at June 30, 2015 and generated 9.7% of our combined rental revenue and interest income from mortgage loans recognized for the six months ended June 30, 2015.

Our financial position and ability to make distributions may be adversely affected if Brookdale Communities, Prestige Healthcare, Senior Care, or any of our lessees and borrowers face financial difficulties, 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.

9. Earnings per Share

The following table sets forth the computation of basic and diluted net income per share (*in thousands, except per share amounts*):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Net income	\$ 17,928	\$ 18,273	\$ 35,480	\$ 35,277
Less net income allocated to participating securities:				
Non-forfeitable dividends on participating securities	(126)	(117)	(249)	(220)
Total net income allocated to participating securities	(126)	(117)	(249)	(220)
Less net income allocated to preferred stockholders:				
Preferred stock dividends	(818)	(818)	(1,636)	(1,636)
Total net income allocated to preferred stockholders	(818)	(818)	(1,636)	(1,636)
Net income available to common stockholders	16,984	17,338	33,595	33,421
Effect of dilutive securities:				
Convertible preferred securities	818	818	1,636	1,636
Total effect of dilutive securities	818	818	1,636	1,636
Net income for diluted net income per share	\$ 17,802	\$ 18,156	\$ 35,231	\$ 35,057
Shares for basic net income per share	35,299	34,597	35,288	34,592
Effect of dilutive securities:				
Stock options	12	24	14	25
Convertible preferred securities	2,000	2,000	2,000	2,000
Total effect of dilutive securities	2,012	2,024	2,014	2,025
Shares for diluted net income per share	37,311	36,621	37,302	36,617
Basic net income per share	\$ 0.48	\$ 0.50	\$ 0.95	\$ 0.97
Diluted net income per share	\$ 0.48	\$ 0.50	\$ 0.94	\$ 0.96

10. 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

LTC PROPERTIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
(Unaudited)

at fair value, with the change in unrealized gains and losses reported in earnings. We did not adopt the elective fair 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 June 30, 2015 and December 31, 2014 assuming election of fair value for our financial assets and financial liabilities were as follows (*in thousands*):

	At June 30, 2015		At December 31, 2014	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Mortgage loans receivable	\$ 204,031	\$ 244,363 ⁽¹⁾	\$ 165,656	\$ 198,977 ⁽¹⁾
Bank borrowings	80,500	80,500 ⁽²⁾	—	— ⁽²⁾
Senior unsecured notes	277,467	280,378 ⁽³⁾	281,633	283,933 ⁽³⁾
Contingent liabilities	3,367	3,367 ⁽⁴⁾	3,258	3,258 ⁽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 June 30, 2015 and December 31, 2014 was 8.8% and 8.6%, respectively.

(2) Our bank borrowings are at a variable interest rate. The estimated fair value of our bank borrowings approximated their carrying values at June 30, 2015 and December 31, 2014 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 June 30, 2015, the discount rate used to value our future cash outflow of our senior unsecured notes was 4.25% for those maturing before year 2020 and 4.45% for those maturing beyond year 2020. At December 31, 2014, the discount rate used to value our future cash outflow of our senior unsecured notes was 3.8% for those maturing before year 2020 and 4.55% 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 June 30, 2015 and December 31, 2014, the discount rate used to value our future cash outflow of the earn-out liability was 6.1% and 6.2%, respectively.

11. Subsequent Events

Subsequent to June 30, 2015 the following events occurred.

Real Estate Investments: We entered into an agreement to purchase a 10 property portfolio comprised of independent, assisted living and memory care properties totaling 891 units for an aggregate purchase price of \$142,000,000. See *Note 2. Real Estate Investments* for further discussion.

Debt Obligations: We borrowed \$24,000,000 under our Unsecured Credit Agreement. Accordingly, we have \$104,500,000 outstanding under our Unsecured Credit Agreement with \$295,500,000 remaining for borrowing. Additionally, we repaid \$25,000,000 of scheduled principal payments under our Senior Unsecured Notes. Accordingly, we have \$252,467,000 outstanding under our Senior Unsecured Notes. We locked rate under our Prudential shelf agreement on \$100,000,000 senior unsecured notes with an annual fixed rate of 4.5%. Additionally, we entered into a \$100,000,000 note

LTC PROPERTIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
(Unaudited)

purchase and private shelf agreement with AIG for a three-year term. See *Note 5. Debt Obligations* for further discussion.

Equity: We declared a monthly cash dividend of \$0.17 per share on our common stock for the months of July, August and September, payable on July 31, August 31, and September 30, 2015, respectively, to stockholders of record on July 23, August 21, and September 22, 2015, respectively.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**Statement Regarding Forward Looking Disclosure**

This quarterly 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; 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 our Annual Report on Form 10-K for the fiscal year ended December 31, 2014 and in our publicly available filings with the Securities and Exchange Commission. We do not undertake any responsibility to update or revise any of these factors or to announce publicly any revisions to forward-looking statements, whether as a result of new information, future events or otherwise.

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 health care properties through acquisitions, development, mortgage loans and other investments. We conduct and manage our business as one operating segment, rather than multiple operating segments, for internal reporting and internal decision making purposes. Our primary objectives are to create, sustain and enhance stockholder equity value and provide current income for distribution to stockholders through real estate investments in senior housing and long-term health care properties managed by experienced operators. Our primary senior housing and long-term health care 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. 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. As of June 30, 2015, senior housing and long-term health care properties comprised approximately 99% of our real estate investment portfolio. We have been operating since August 1992.

The following table summarizes our real estate investment portfolio as of June 30, 2015 (*dollar amounts in thousands*):

Type of Property	Gross Investments	Percentage of Investments	Six Months Ended June 30, 2015		Percentage of Revenues ⁽²⁾	Number of Properties ⁽³⁾	Number of	
			Rental Income	Interest Income ⁽¹⁾			SNF Beds ⁽³⁾	ALF Units ⁽³⁾
Skilled Nursing	\$ 692,135	57.9 %	\$ 28,589	\$ 9,133	59.5 %	97	12,134	—
Assisted Living	430,926	36.0 %	21,995	488	35.5 %	93	—	4,506
Range of Care	43,907	3.7 %	2,554	—	4.0 %	7	634	274
Under Development ⁽⁴⁾	17,404	1.5 %	—	—	— %	—	—	—
Other ⁽⁵⁾	10,883	0.9 %	656	—	1.0 %	1	—	—
Totals	\$ 1,195,255	100.0 %	\$ 53,794	\$ 9,621	100.0 %	198	12,768	4,780

(1) Represents interest income from mortgage loans excluding interest income from mortgage loans paid off during the six months ended June 30, 2015.

(2) Includes rental income and (1) above.

(3) We have investments in 29 states leased or mortgaged to 35 different operators. See *Item 1. Financial Statements – Note 2. Real Estate Investments* for discussion of bed/unit count.

(4) Represents five development projects consisting of three MC properties with a total of 188 units, a 108-unit independent living property and an 89-unit combination ALF and MC property.

(5) Represents one school property and five parcels of land held-for-use.

As of June 30, 2015 we had \$956.2 million in carrying value of net real estate investments, consisting of \$752.1 million or 78.7% invested in owned and leased properties and \$204.0 million or 21.3% invested in mortgage loans secured by first mortgages.

For the six months ended June 30, 2015, rental income and interest income from mortgage loans represented 84.2% and 15.1%, respectively, of total gross revenues. In most instances, our lease structure contains fixed 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 six months ended June 30, 2015, we recorded \$4.5 million in straight-line rental income and \$44,000 of straight-line rent receivable reserve. During the six months ended June 30, 2015, we received \$50.1 million of cash rental revenue and recorded amortization of lease inducement cost of \$0.7 million. During the six months ended June 30, 2015, an existing master lease was amended to extend the term an additional three years and increase rent by 3%. At June 30, 2015, the straight-line rent receivable balance, net of reserves, on the balance sheet was \$37.1 million.

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.

At June 30, 2015, we had \$8.1 million of cash on hand, \$319.5 million available under our unsecured revolving line of credit with the opportunity to increase the credit up to an additional \$200.0 million and \$102.0 million available under the private shelf agreement for our senior unsecured notes. Subsequent to June 30, 2015, we locked rate under our Prudential shelf agreement on \$100.0 million senior unsecured notes with an annual fixed rate of 4.5% and anticipate selling the notes to Prudential on or around August 31, 2015. These notes have periodic scheduled principal repayments with a 15-year final maturity. Also, subsequent to June 30, 2015, we entered into a note purchase and private shelf agreement with AIG Asset Management (U.S.) LLC which provides for the possible issuance of up to an additional \$100.0 million of senior unsecured fixed interest rate term notes. 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.

Health Care Regulatory Climate

The Centers for Medicare & Medicaid Services (or CMS) annually updates Medicare skilled nursing facility prospective payment system rates and other policies. CMS published the final fiscal year 2015 Medicare skilled nursing facility payment update on August 5, 2014. Under the final rule, Medicare rates are updated by 2%, based on a 2.5% market basket increase that is reduced by a 0.5 percentage point multifactor productivity adjustment (described below). CMS estimates that the final rule will increase aggregate Medicare payments to skilled nursing facilities by \$750 million. On July 30, 2015, CMS released its final skilled nursing facility prospective payment system update for fiscal year 2016. CMS projects that aggregate Medicare payments to skilled nursing facilities will increase by \$430 million, or 1.2%, under the final rule. This increase reflects a 2.3% market basket increase, reduced by both a 0.6 percentage point forecast error adjustment and a 0.5 percentage point multifactor productivity adjustment. On July 13, 2015, CMS released a proposed rule that would revise the requirements that long-term care facilities must meet to participate in the Medicare and Medicaid programs. The major rule addresses requirements for improving quality of care and patient safety, nursing facility staffing, care planning, binding arbitration agreements, infection control, residents' rights, compliance and ethics programs, and several other areas. CMS estimates that the rule, if adopted as proposed, would impose an average cost of \$46,491 per facility in the first year and \$40,685 per facility in subsequent years. There can be no assurance that future regulations modifying Medicare skilled nursing facility payment rates or other requirements for Medicare and/or Medicaid participation will 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.

On April 16, 2015, President Obama signed into law the Medicare Access and CHIP Reauthorization Act of 2015 ("MACRA"), which, among other things, sets the annual skilled nursing facility prospective payment system update for FY 2018 at 1%. Congress and the Administration also could consider other legislation that would have the impact of reducing Medicare reimbursement for skilled nursing facilities and other Medicare providers, encouraging home and community-based long term care services as an alternative to institutional settings, or otherwise reforming payment policy for

post-acute care services. There can be no assurances that enacted or future budget control mechanisms or other policy developments will not have an adverse impact on the financial condition of our borrowers and lessees, which subsequently could materially adversely impact our company.

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. 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.

Key Transactions During the Quarter

During the three months ended June 30, 2015, we acquired land located in Illinois for \$0.7 million and committed up to \$11.1 million to develop a 66-unit memory care property. The land was added to an existing 10-year master lease with an existing operator at an initial cash yield of 9.25%. Additionally, we entered into another development commitments totaling \$14.5 million to acquire a parcel of land and to develop a 108-unit independent living property located in Kansas. Concurrent with this commitment, the land was added to an existing 10-year master lease agreement with two 5-year renewal options at an initial cash yield of 7.43%.

Also, during the second quarter of 2015, we funded \$40.0 million of additional loan proceeds at 9.41% under the terms of an existing mortgage loan agreement. Accordingly, at June 30, 2015, the mortgage loan balance was \$170.8 million with up to \$25.5 million of additional proceeds available for capital improvement projects on the 15 skilled nursing properties securing the mortgage loan.

We entered into an agreement to purchase a 10 property portfolio comprised of independent, assisted living and memory care properties totaling 891 units for an aggregate purchase price of \$142.0 million. Nine of the properties to be acquired are located in Wisconsin and one is located in Illinois. Simultaneously upon closing, we will enter into a 15-year triple-net master lease agreement with a third party operator at an initial cash yield of 6.5%; escalating by 25 basis points upon each of the first and second anniversaries and annually thereafter by 2.75%. While execution on the transaction remains subject to certain contractual conditions, we anticipate a closing to occur during the third quarter of 2015 and would expect to fund the acquisition utilizing our revolving credit facility as well as proceeds derived from the issuance of senior unsecured notes under our recently expanded private shelf facility with Prudential Investment Management, Inc. (or Prudential).

Subsequent to June 30, 2015, we locked rate under our Prudential shelf agreement on \$100.0 million senior unsecured notes with an annual fixed rate of 4.5% and anticipate selling the notes to Prudential on or around August 31, 2015. These notes have periodic scheduled principal repayments with a 15-year final maturity. Also, subsequent to June 30, 2015, we entered into a \$100.0 million note purchase and private shelf agreement with AIG Asset Management (U.S.) LLC (or AIG) for a three-year term. Interest rates on any issuance under the shelf agreement will be set at a spread over applicable Treasury rates. Maturities of each issuance are at our election for up to 15 years from the date of issuance with a maximum average life of 12 years from the date of original issuance.

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*):

	6/30/15	3/31/15	12/31/14	9/30/14	6/30/14
Asset mix:					
Real property	\$ 989,163	\$ 983,585	\$ 949,838	\$ 966,012	\$ 956,516
Loans receivable	206,092	165,300	167,329	173,051	169,766
Investment mix:					
Skilled nursing properties	\$ 692,135	\$ 650,932	\$ 633,052	\$ 632,547	\$ 629,228
Assisted living properties ⁽¹⁾	430,926	430,027	424,940	449,340	440,254
Range of care properties	43,907	43,907	46,217	46,293	46,367
Under development ⁽¹⁾	17,404	13,136	2,075	—	—
Other ⁽²⁾	10,883	10,883	10,883	10,883	10,433
Operator mix:					
Prestige Healthcare ⁽²⁾	\$ 194,145	\$ 152,885	\$ 141,527	\$ 139,702	\$ 138,437
Brookdale Communities	126,991	126,991	123,984	123,229	123,172
Senior Care Centers, LLC	115,040	115,039	115,039	114,539	114,539
Juniper Communities, LLC	87,082	87,088	87,088	87,088	87,088
Preferred Care	86,576	86,700	86,827	86,951	87,070
Remaining operators	585,421	580,182	562,702	587,554	575,976
Geographic mix:					
Texas	\$ 247,168	\$ 246,756	\$ 239,539	\$ 239,926	\$ 239,809
Michigan	181,955	140,696	129,338	127,513	126,247
Colorado	114,924	114,701	109,859	94,598	89,019
Ohio	98,647	98,647	98,647	98,647	98,647
Florida	71,421	71,053	71,011	77,665	77,555
Remaining states	481,140	477,032	468,773	500,714	495,005

(1) During the six months ended June 30, 2015, we completed the construction of a 60-unit memory care property. Accordingly, this property was reclassified from “Under development” to “Assisted living property” for all periods presented.

(2) We have one school property and five parcels of land as of June 30, 2015. The parcels of land are located adjacent to properties securing the Prestige mortgage loan and are managed by Prestige. During the six months ended June 30, 2015, we committed to provide additional loan proceeds under the Prestige mortgage loan for the expansion of two of the 15 properties secured under a mortgage loan and we will convey to Prestige two parcels of land adjacent to those properties.

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

	YTD	Quarter Ended				
	6/30/15	6/30/15	3/31/15	12/31/14	9/30/14	6/30/14
Debt to gross asset value	27.9 %	27.9 % ⁽¹⁾	25.6 % ⁽¹⁾	23.7 % ⁽⁵⁾	25.4 %	25.1 %
Debt & preferred stock to gross asset value	30.9 %	30.9 % ⁽¹⁾	28.7 % ⁽¹⁾	26.9 % ⁽⁵⁾	28.7 %	28.4 %
Debt to market capitalization ratio	19.1 %	19.1 % ⁽²⁾	15.8 % ⁽³⁾	15.2 % ⁽⁶⁾	18.6 % ⁽⁸⁾	17.4 %
Debt & preferred stock to market capitalization ratio	21.1 %	21.1 % ⁽²⁾	17.7 % ⁽³⁾	17.3 % ⁽⁶⁾	21.0 % ⁽⁸⁾	19.7 %
Interest coverage ratio ⁽⁹⁾	7.2 x	7.2 x	7.2 x ⁽⁴⁾	6.9 x ⁽⁷⁾	7.3 x	7.5 x
Fixed charge coverage ratio ⁽⁹⁾	6.0 x	6.0 x	5.9 x ⁽⁴⁾	5.7 x ⁽⁷⁾	6.0 x	6.1 x

(1) Increased primarily due to the increase in outstanding debt partially offset by the increase in gross asset value from acquisitions, additional development and capital improvement funding.

(2) Increased primarily due to decrease in market capitalization and increase in outstanding debt.

(3) Increase primarily due to increase in outstanding debt.

(4) Increased primarily due to revenue from the new investment in an unconsolidated joint venture and higher effective interest income from the forfeiture of a mortgage loan prepayment option.

(5) 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.

(6) 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.

(7) 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.

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

(9) 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 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 for 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.

	Year to Date	Quarter Ended				
	6/30/15	6/30/15	3/31/15	12/31/14	9/30/14	6/30/14
Net income	\$ 35,480	\$ 17,928	\$ 17,552	\$ 21,000	\$ 17,122	\$ 18,273
Less: Gain on sale	—	—	—	(3,819)	—	(1,140)
Add: Interest expense	7,620	3,854	3,766	3,683	3,170	3,088
Add: Depreciation and amortization	13,756	6,977	6,779	6,594	6,335	6,302
Total adjusted EBITDA	\$ 56,856	\$ 28,759	\$ 28,097	\$ 27,458	\$ 26,627	\$ 26,523
Interest expense	\$ 7,620	\$ 3,854	\$ 3,766	\$ 3,683	\$ 3,170	\$ 3,088
Add: Capitalized interest	297	150	147	290	474	435
Interest incurred	\$ 7,917	\$ 4,004	\$ 3,913	\$ 3,973	\$ 3,644	\$ 3,523
Interest coverage ratio	7.2 x	7.2 x	7.2 x	6.9 x	7.3 x	7.5 x
Interest incurred	\$ 7,917	\$ 4,004	\$ 3,913	\$ 3,973	\$ 3,644	\$ 3,523
Preferred stock dividends	1,636	818	818	819	818	818
Total fixed charges	\$ 9,553	\$ 4,822	\$ 4,731	\$ 4,792	\$ 4,462	\$ 4,341
Fixed charge coverage ratio	6.0 x	6.0 x	5.9 x	5.7 x	6.0 x	6.1 x

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

Three months ended June 30, 2015 compared to three months ended June 30, 2014 *(amounts in thousands)*

	Three Months Ended June 30,		Increase/ (Decrease)
	2015	2014	
Revenues:			
Rental income	\$ 27,116	\$ 25,025	\$ 2,091 ⁽¹⁾
Interest income from mortgage loans	5,053	4,139	914 ⁽²⁾
Interest and other income	218	63	155 ⁽³⁾
Total revenues	32,387	29,227	3,160
Expenses:			
Interest expense	3,854	3,088	766 ⁽⁴⁾
Depreciation and amortization	6,977	6,302	675 ⁽¹⁾
Provisions for doubtful accounts	429	11	418 ⁽⁵⁾
General and administrative expenses	3,952	2,693	1,259 ⁽⁶⁾
Total expenses	15,212	12,094	3,118
Operating income			
	17,175	17,133	42
Income from unconsolidated joint ventures	753	—	753 ⁽⁷⁾
Gain on sale of real estate, net	—	1,140	(1,140) ⁽⁸⁾
Net income	17,928	18,273	(345)
Income allocated to participating securities	(126)	(117)	(9)
Income allocated to preferred stockholders	(818)	(818)	—
Net income available to common stockholders	\$ 16,984	\$ 17,338	\$ (354)

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

(2) Increased primarily due to increase in effective interest income from a mortgage loan resulting from the borrower's forfeiture of its prepayment option, a mortgage origination and additional funding for capital improvement commitments under certain mortgage loans partially offset by normal amortization of existing mortgage loans.

(3) Increased primarily due to additional funding under our notes receivable.

(4) Increased primarily due to the sale of senior unsecured notes, increased borrowing under our unsecured revolving line of credit and decrease in capitalized interest related to development projects.

(5) Increased primarily due to mortgage origination and additional funding for capital improvement commitments under certain mortgage loans partially offset by normal amortization of existing mortgage loans.

(6) Increased primarily due to additional expenditures related to increased investment activity and restricted stock vesting.

(7) Represents our preferred return from our investment in an unconsolidated joint venture during the first quarter of 2015.

(8) Represents the net gain on sale of two assisted living properties and a school.

Six months ended June 30, 2015 compared to six months ended June 30, 2014 *(amounts in thousands)*

	Six Months Ended June 30,		Increase/ (Decrease)
	2015	2014	
Revenues:			
Rental income	\$ 53,794	\$ 50,277	\$ 3,517 ⁽¹⁾
Interest income from mortgage loans	9,660	8,232	1,428 ⁽²⁾
Interest and other income	413	156	257 ⁽³⁾
Total revenues	63,867	58,665	5,202
Expenses:			
Interest expense	7,620	6,275	1,345 ⁽⁴⁾
Depreciation and amortization	13,756	12,600	1,156 ⁽¹⁾
Provisions for doubtful accounts	432	38	394 ⁽⁵⁾
General and administrative expenses	7,448	5,615	1,833 ⁽⁶⁾
Total expenses	29,256	24,528	4,728
Operating income	34,611	34,137	474
Income from unconsolidated joint ventures	869	—	869 ⁽⁷⁾
Gain on sale of real estate, net	—	1,140	(1,140) ⁽⁸⁾
Net income	35,480	35,277	203
Income allocated to participating securities	(249)	(220) ⁽⁷⁾	(29)
Income allocated to preferred stockholders	(1,636)	(1,636) ⁽⁸⁾	—
Net income available to common stockholders	\$ 33,595	\$ 33,421	\$ 174

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

(2) Increased primarily due to increase in effective interest income from a mortgage loan resulting from the borrower's forfeiture of its prepayment option, a mortgage origination and additional funding for capital improvement commitments under certain mortgage loans partially offset by normal amortization of existing mortgage loans.

(3) Increased primarily due to additional funding under our notes receivable.

(4) Increased primarily due to the sale of senior unsecured notes, increased borrowing under our unsecured revolving line of credit and decrease in capitalized interest related to development projects.

(5) Increased primarily due to mortgage origination and additional funding for capital improvement commitments under certain mortgage loans partially offset by normal amortization of existing mortgage loans.

(6) Increased primarily due to additional expenditures related to increased investment activity and restricted stock vesting.

(7) Represents our preferred return from our investment in an unconsolidated joint venture during the first quarter of 2015.

(8) Represents the net gain on sale of two assisted living properties and a school.

Funds From Operations Available to Common Stockholders

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 GAAP net income available to common stockholders to NAREIT FFO available to common stockholders (*unaudited, amounts in thousands, except per share amounts*):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
GAAP net income available to common stockholders	\$ 16,984	\$ 17,338	\$ 33,595	\$ 33,421
Add: Depreciation and amortization	6,977	6,302	13,756	12,600
Less: Gain on sale of real estate, net	—	(1,140)	—	(1,140)
NAREIT FFO available to common stockholders	\$ 23,961	\$ 22,500	\$ 47,351	\$ 44,881
NAREIT FFO available to common stockholders per share:				
Basic	\$ 0.68	\$ 0.65	\$ 1.34	\$ 1.30
Diluted ⁽¹⁾	\$ 0.66	\$ 0.64	\$ 1.31	\$ 1.27
Weighted average shares used to calculate NAREIT FFO per share:				
Basic	35,299	34,597	35,288	34,592
Diluted ⁽²⁾	37,563	36,848	37,546	36,828

(1) Diluted FFO available to common stockholders per share includes the effect of the participating securities and the convertible preferred securities.

(2) Diluted weighted average shares used to calculate FFO per share includes the effect of stock option equivalents, participating securities and convertible preferred securities.

Liquidity and Capital Resources

Our primary sources of cash include rent and interest receipts, borrowings under our primary unsecured credit facility, public issuances of debt and equity securities, proceeds from investment dispositions and principal payments on loans receivable. Our primary uses of cash include dividend distributions, debt service payments (including principal and interest), real property investments (including acquisitions, capital expenditures and construction advances), loan advances and general and administrative expenses. These sources and uses of cash are reflected in our Consolidated Statements of

Cash Flows and are discussed in further detail below. The following is a summary of our sources and uses of cash flows for the six months ended June 30, 2015 (*in thousands*):

Cash provided from (used in):	
Operating activities	\$ 43,959
Investing activities	(99,171)
Financing activities	38,026
Decrease in cash and cash equivalents	(17,186)
Cash and cash equivalents, beginning of period	25,237
Cash and cash equivalents, end of period	<u>\$ 8,051</u>

Operating Activities. At June 30, 2015, our gross real estate investment portfolio (before accumulated depreciation and amortization) consisted of \$989.2 million invested primarily in owned long-term health care properties and mortgage loans of approximately \$206.1 million (prior to deducting a \$2.1 million reserve). Our portfolio consists of direct investments (properties that we either own or on which we hold promissory notes secured by first mortgages) in 97 skilled nursing properties, 93 assisted living properties, 7 range of care properties, one school, five parcels of land under development and five parcels of land held-for-use. These properties are located in 29 states. Assisted living properties, independent living properties, memory care properties and combinations thereof are included in the assisted living property type. Range of care properties consist of properties providing skilled nursing and any combination of assisted living, independent living and/or memory care services.

For the six months ended June 30, 2015, we recorded \$4.5 million in straight-line rental income and a reserve of \$44,000 on our straight-line rent receivable. During the six months ended June 30, 2015, we received \$50.1 million of cash rental revenue and recorded amortization of lease inducement cost of \$0.7 million. During the six months ended June 30, 2015, an existing master lease was amended to extend the term an additional three years and increase rent by 3%. At June 30, 2015, the straight-line rent receivable balance, net of reserves, on the balance sheet was \$37.1 million.

We committed to provide, as part of an acquisition in 2014, two contingent payments totaling up to \$4.0 million payable in increments of \$2.0 million upon the property achieving a sustainable stipulated rent coverage ratio. These contingent payments were recorded at the date of the acquisition in the amount of \$3.2 million which is the estimated fair value using a discounted cash flow analysis and we are accreting the contingent liability up to the estimated settlement amount as of the estimated payment dates. During the six months ended June 30, 2015, we recorded non-cash interest expense of \$0.1 million related to these contingent liabilities and the fair value of these contingent payments was \$3.4 million at June 30, 2015.

Investing Activities. For the six months ending June 30, 2015, our investing activities were as follows:

Real Estate Investments – Owned Properties. During the six months ended June 30, 2015, we acquired the following investments (*dollar amounts in thousands*):

Type of Property	Purchase Price	Transaction Costs	Total Acquisition Costs	Number of Properties	Number of Beds/Units
Skilled Nursing ⁽¹⁾	\$ 13,946	\$ —	\$ 13,946	1	106
Land ⁽²⁾	11,011	78	11,089	—	—
Totals	\$ 24,957	\$ 78	\$ 25,035	1	106

(1) We purchased and equipped the property by exercising our purchase option under a \$10,600 mortgage and construction loan. The property was added to an existing master lease at a lease rate equivalent to the interest rate in effect on the loan at the time the purchase option was exercised. Additionally, we paid the lessee a \$1,054 lease inducement which will be amortized as a yield adjustment over the life of the lease term. See *Real Estate Investments – Mortgage Loans* below for further discussion of the loan agreement.

(2) We acquired land and entered into three development commitments in an amount not to exceed \$42,922, including the land purchases, for the development of a 66-unit MC property, a 108-unit IL property and an 89-unit combination AL and MC property. Additionally, we acquired land and existing improvements on a 56-unit MC property and entered a development commitment up to \$12,182 to complete the development of the MC property.

We entered into an agreement to purchase a 10 property portfolio comprised of independent, assisted living and memory care properties totaling 891 units for an aggregate purchase price of \$142.0 million. Nine of the properties to be acquired are located in Wisconsin and one is located in Illinois. Simultaneously upon closing, we will enter into a 15-year triple-net master lease agreement with a third party operator at an initial cash yield of 6.5%; escalating by 25 basis points upon each of the first and second anniversaries and annually thereafter by 2.75%. While execution on the transaction remains subject to certain contractual conditions, we anticipate a closing to occur during the third quarter of 2015 and would expect to fund the acquisition utilizing our revolving credit facility as well as proceeds derived from the issuance of senior unsecured notes under our recently expanded private shelf facility with Prudential Investment Management, Inc. (or Prudential).

During the six months ended June 30, 2015, we completed the development of a 60-unit memory care property in Colorado for an aggregate cost of \$10.7 million, including purchase of land. Additionally, we funded, including the final funding on the 60-unit memory care property, \$13.8 million on our completed and on-going development and improvement projects. The following table summarizes our on-going investment commitments as of June 30, 2015, and amounts funded exclusively under these projects (*excludes capitalized interest, dollar amounts in thousands*):

Type of Property	Investment Commitment	2015 Funding ⁽¹⁾	Commitment Funded	Remaining Commitment	Number of Properties	Number of Beds/Units
Skilled Nursing ⁽¹⁾	\$ 6,000	\$ 7	\$ 7	\$ 5,993	2	314
Assisted Living ⁽²⁾	72,152	15,691	17,778	54,374	29	1,414
Totals	\$ 78,152	\$ 15,698	\$ 17,785	\$ 60,367	31	1,728

(1) Includes two commitments for renovation projects.

(2) Includes the development for an IL property for \$14,500, three MC properties for a total commitment of \$36,316 and one ALF/MC property for a total commitment of \$16,536. Also, includes three commitments for renovation projects on 24 ALFs totaling \$4,800.

(3) Includes \$11,011 from the acquisition of land and improvements, as previously discussed, and a reclass of a \$316 pre-development loan which matured due to the acquisition of land and commencement of a development project. Excludes \$9,384 of funding on completed development and improvement projects.

Real Estate Investments – Mortgage Loans. During the six months ended June 30, 2015, we received \$2.5 million plus accrued interest related to the payoff of two mortgage loans secured by a range of care property located in California and a skilled nursing property located in Texas. Additionally, we received \$1.0 million in regularly scheduled principal payments.

During the six months ended June 30, 2015, we amended an existing mortgage loan secured by a 100-unit independent living property in Arizona to provide up to \$0.5 million of additional proceeds for capital improvements. During the quarter ended June 30, 2015, we funded \$0.2 million under this amended mortgage loan and have a remaining commitment of \$0.3 million.

During 2013, we funded the initial amount of \$124.4 million under a mortgage loan with a third-party borrower secured by 15 skilled nursing properties with a total of 2,058 beds in Michigan. The loan agreement provided for additional commitments of \$12.0 million for capital improvements and up to \$40.0 million of additional proceeds, for a total loan commitment of up to \$176.4 million. During the quarter ended June 30, 2015, we funded the \$40.0 million of additional proceeds. During the six months ended June 30, 2015, we funded \$3.1 million under the \$12.0 million capital improvement commitment with \$5.5 million remaining as of June 30, 2015.

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. During the six months ended June 30, 2015, we amended this mortgage loan to provide up to an additional \$20.0 million in loan proceeds for the expansion 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 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 their prepayment option.

Additionally, during the six months ended June 30, 2015, we originated an \$11.0 million mortgage loan with the borrower, 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 for the initial three years. Additionally, we have the option to purchase the property under certain circumstances, including a change in regulatory provisions.

The following table summarizes our additional loan commitments as of June 30, 2015, and amounts funded under these mortgage loans (*dollar amounts in thousands*):

Type of Property	Additional Loan Commitment	2015 Funding	Commitment Funded	Remaining Commitment	Number of Properties	Number of Beds/Units
Skilled Nursing	\$ 33,500	\$ 3,117	\$ 6,455	\$ 27,045	16	2,215
Assisted Living	490	230	230	260	1	100
Totals	<u>\$ 33,990</u>	<u>\$ 3,347</u>	<u>\$ 6,685</u>	<u>\$ 27,305</u>	<u>17</u>	<u>2,315</u>

Investment in Unconsolidated Joint Ventures. During the six months ended June 30, 2015, we made a preferred equity investment in an entity (the JV) that owns four properties providing independent, assisted living and memory care services. These properties are located in Arizona. At closing, we provided an initial preferred capital contribution of \$20.1 million and have committed to contribute an additional preferred capital contribution of \$5.5 million for a total preferred capital contribution of \$25.6 million. As the preferred member of the JV, we are not entitled to share in the JV's earnings or losses. Rather, we are entitled to receive a 15% preferred return, a portion of which is paid in cash and a portion of which is deferred if the cash flow of the JV is insufficient to pay all of the accrued preferred return. The unpaid accrued preferred return will be added to the balance of the preferred equity investment and will be repaid upon redemption. In addition, we have the option to purchase either the properties owned by the JV or 100% of the common membership interest in the JV, which is exercisable between the 37th month and the 54th month from the commencement of the JV. If we elect not to exercise our purchase option, we have the right to put our preferred equity interest to the common member after the 54th month for an amount equal to the unpaid preferred equity investment balance and accrued preferred return thereon. The common equity member has the right to call our preferred interest at any time for an amount equal to the preferred equity investment balance and accrued preferred return thereon that would be due for the first 36 months, less amounts paid to us prior to the redemption date. During the six months ended June 30, 2015, we recognized \$0.9 million in income from our preferred equity investment in the JV.

Notes Receivable. The following table summarizes our notes receivable activities for the six months ended June 30, 2015 (dollar amounts in thousands):

Advances under notes receivable	\$ 1,254
Reclassified to real estate under development	(316) ⁽¹⁾
Net increase in notes receivable	\$ 938

(1) Represents a pre-development loan which matured due to the acquisition of land and commencement of a development project.

At June 30, 2015, we had 9 loans and line of credit agreements with commitments totaling \$3.3 million and a weighted average interest rate of 10.4%. As of June 30, 2015, we funded \$1.3 million under these commitments and we have a remaining commitment of \$2.0 million.

Financing Activities. For the six months ended June 30, 2015, our financing activities were as follows:

Debt Obligations. The following table sets forth information regarding debt obligations by component as of June 30, 2015 (dollar amounts in thousands):

Debt Obligations	Applicable Interest Rate ⁽¹⁾	Outstanding Balance	Available for Borrowing
Bank Borrowings ⁽²⁾	1.67%	\$ 80,500	\$ 319,500
Senior Unsecured Notes ⁽³⁾	4.80%	277,467	n.a.
Total	4.10%	\$ 357,967	

(1) Represents weighted average of interest rate as of June 30, 2015.

(2) Subsequent to June 30, 2015, we borrowed \$24,000 under our Unsecured Credit Agreement. Accordingly, we have \$104,500 outstanding under our Unsecured Credit Agreement with \$295,500 remaining for borrowing.

(3) Subsequent to June 30, 2015, we repaid \$25,000 of scheduled principal payments under our Senior Unsecured Notes. Accordingly, we have \$252,500 outstanding under our Senior Unsecured Notes.

During the six months ended June 30, 2015, we borrowed \$82.0 million and repaid \$1.5 million under our Unsecured Credit Agreement. At June 30, 2015, we were in compliance with all covenants. During the six months ended June 30, 2015, we paid \$4.2 million in regular scheduled principal payments under our Senior Unsecured Notes.

During the six months ended June 30, 2015, we entered into a third amended and restated \$200.0 million private shelf agreement with Prudential for a three-year term. The agreement provides for the possible issuance of up to an additional \$102.0 million of senior unsecured fixed interest rate term notes. After July 14, 2015 and for the balance of the term, the agreement provides for the possible issuance of additional senior unsecured fixed interest rate term notes up to the maximum availability upon us making our scheduled principal payments on existing notes then outstanding. Interest rates on any issuance under the shelf agreement will be set at a spread over applicable Treasury rates. Maturities of each issuance are at our election for up to 15 years from the date of issuance with a maximum average life of 12 years from the date of original issuance. Subsequent to June 30, 2015, we locked rate under our Prudential shelf agreement on \$100.0 million senior unsecured notes with an annual fixed rate of 4.5% and anticipate selling the notes to Prudential on or around August 31, 2015. These notes have periodic scheduled principal repayments with a 15-year final maturity.

Also, subsequent to June 30, 2015, we entered into a \$100.0 million private shelf agreement with AIG Asset Management (U.S.) LLC (or AIG) for a three-year term. Interest rates on any issuance under the shelf agreement will be set at a spread over applicable Treasury rates. Maturities of each issuance are at our election for up to 15 years from the date of issuance with a maximum average life of 12 years from the date of original issuance.

Equity. During the six months ended June 30, 2015, we acquired 4,609 shares of common stock held by employees who tendered owned shares to satisfy tax withholding obligations. During the six months ended June 30, 2015, we declared and paid the following cash dividends (*in thousands*):

	Declared	Paid
Preferred Stock Series C	\$ 1,636	\$ 1,636
Common Stock ⁽¹⁾	36,247	36,247
Total	<u>\$ 37,883</u>	<u>\$ 37,883</u>

(1) Represents \$0.17 per share per month for the six months ended June 30, 2015.

In July 2015, we declared a monthly cash dividend of \$0.17 per share on our common stock for the months of July, August and September, payable on July 31, August 31, and September 30, 2015, respectively, to stockholders of record on July 23, August 21, and September 22, 2015, respectively.

During the six months ended June 30, 2015, we adopted and our shareholders approved The 2015 Equity Participation Plan (or the 2015 Plan) which replaces The 2008 Equity Participation Plan (or the 2008 Plan). Under the 2015 Plan, 1,400,000 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 2015 Plan are set by our compensation committee at its discretion. During the six months ended June 30, 2015, no stock options or restricted stock were granted under this plan.

During the six months ended June 30, 2015, no stock options were granted under the 2008 Plan. Additionally, during the six months ended June 30, 2015, 3,333 stock options were exercised at a total option value of \$79,000 and a total market value on the date of exercise of \$0.1 million.

At June 30, 2015, we had 40,001 stock options outstanding of which 30,001 stock options are exercisable. Compensation expense related to the vesting of stock options for the six months ended June 30, 2015, was \$8,000. The following table summarizes our scheduled number of stock option vesting and remaining compensation expense to be recognized related to the future service period of unvested outstanding stock options:

Vesting Date	Number of Awards	Remaining Compensation Expense
2015	—	\$ 7,000
2016	5,000	15,000
2017	5,000	3,000
	<u>10,000</u>	<u>\$ 25,000</u>

During the six months ended June 30, 2015, we cancelled 640 shares of restricted common stock under the 2008 Plan. Additionally, during the six months ended June 30, 2015, we granted 92,150 shares of restricted common stock under the 2008 Plan as follows:

No. of Shares	Price per Share	Vesting Period
65,750	\$ 44.45	ratably over 3 years
18,000	\$ 42.30	ratably over 3 years
8,400	\$ 42.30	June 2, 2016
<u>92,150</u>		

Compensation expense recognized related to the vesting of restricted common stock for the six months ended June 30, 2015 was \$2.1 million. At June 30, 2015, the total number of restricted common shares that are scheduled to vest and remaining compensation expense to be recognized related to the future service period of unvested outstanding restricted common stock are as follows:

Vesting Date	Number of Awards	Remaining Compensation Expense
2015	41,200	\$ 1,919,000
2016	102,060	2,618,000
2017	57,367	1,416,000
2018	27,920	187,000
	<u>228,547</u>	<u>\$ 6,140,000</u>

Available Shelf Registrations. Our shelf registration statement provides us with the capacity to offer up to \$800 million in 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, will be described in detail in a prospectus supplement, or other offering materials, at the time of the offering. At June 30, 2015, we had availability of \$775.1 million under our effective shelf registration which expires on July 19, 2016.

Liquidity. We expect our future income and ability to make distributions from cash flows from operations to depend on the collectibility of our rents and mortgage loans receivable. The collection of these loans and rents will be dependent, in large part, upon the successful operation by the operators of the skilled nursing properties, assisted living properties, independent living properties, memory care

properties, range of care properties and school we own or that are pledged to us. The operating results of the facilities will be impacted by various factors over which the operators/owners may have no control. Those factors include, without limitation, the status of the economy, changes in supply of or demand for competing long-term health care facilities, ability to control rising operating costs, and the potential for significant reforms in the long-term health care industry. In addition, our future growth in net income and cash flow may be adversely impacted by various proposals for changes in the governmental regulations and financing of the long-term health care industry. We cannot presently predict what impact these proposals may have, if any. We believe that an adequate provision has been made for the possibility of loans proving uncollectible but we will continually evaluate the financial status of the operations of the senior housing and long-term health care properties. In addition, we will monitor our borrowers and the underlying collateral for mortgage loans and will make future revisions to the provision, if considered necessary.

Our investments, principally our investments in mortgage loans and owned properties, are subject to the possibility of loss of their carrying values as a result of changes in market prices, interest rates and inflationary expectations. The effects on interest rates may affect our costs of financing our operations and the fair market value of our financial assets. Generally our loans have predetermined increases in interest rates and our leases have agreed upon annual increases. Inasmuch as we may initially fund some of our investments with variable interest rate debt, we would be at risk of net interest margin deterioration if medium and long-term rates were to increase.

At June 30, 2015, we had \$8.1 million of cash on hand, \$319.5 million available under our unsecured revolving line of credit with the opportunity to increase the credit up to an additional \$200.0 million and \$102.0 million available under the private shelf agreement for our senior unsecured notes. Subsequent to June 30, 2015, we locked rate under our Prudential shelf agreement on \$100.0 million senior unsecured notes with an annual fixed rate of 4.5% and anticipate selling the notes to Prudential on or around August 31, 2015. These notes have periodic scheduled principal repayments with a 15-year final maturity. Also, subsequent to June 30, 2015, we entered into a note purchase and private shelf agreement with AIG which provides for the possible issuance of up to an additional \$100.0 million of senior unsecured fixed interest rate term notes. 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. We believe that our current cash balance, cash flow from operations available for distribution or reinvestment, our borrowing capacity and our potential ability to access the capital markets are sufficient to provide for payment of our current operating costs, meet debt obligations, provide funds for distribution to the holders of our preferred stock and pay common dividends at least sufficient to maintain our REIT status and repay borrowings at, or prior to, their maturity. 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.

Critical Accounting Policies

There have been no material changes from the critical accounting policies as previously disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2014.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There were no material changes in our market risk during the six months ended June 30, 2015. For additional information, refer to Item 7A as presented in our Annual Report on Form 10-K for the year ended December 31, 2014.

Item 4. CONTROLS AND PROCEDURES

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has 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 have concluded that, as of the end of such period, our disclosure controls and procedures were effective.

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.

PART II

OTHER INFORMATION

Item 1. Legal Proceedings

We are and may become from time to time a party to various claims and lawsuits arising in the ordinary course of 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 related to 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 1A. Risk Factors

There have been no material changes from the risk factors as previously disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2014.

Item 5. OTHER INFORMATION

On August 4, 2015, we entered into a \$100.0 million note purchase and private shelf agreement with AIG Asset Management (U.S.) LLC (or AIG) for a three-year term. Interest rates on any issuance under the shelf agreement will be set at a spread over applicable Treasury rates. Maturities of each issuance are at our election for up to 15 years from the date of issuance with a maximum average life of 12 years from the date of original issuance. The amended shelf agreement also contains standard covenants including requirements to maintain financial ratios such as debt to asset value ratios.

The shelf agreement is filed as an exhibit to this Quarterly Report on Form 10-Q. The description herein of the shelf agreement is qualified in its entirety by reference to the exhibit filed hereto.

Item 6. Exhibits

- 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 filed September 14, 2012)
- 3.2 Bylaws of LTC Properties, Inc., as restated June 2, 2015 (incorporated by reference to Exhibit 3.2 to LTC Properties Inc.'s Current Report on Form 8-K filed on June 5, 2015)
- 10.1 Third Amended and Restated Note Purchase and Private Shelf Agreement between LTC Properties, Inc. and Prudential Investment Management, Inc. dated April 28, 2015 (incorporated by reference to Exhibit 10.1 to LTC Properties Inc.'s Form 10-Q for the quarter ended March 31, 2015)
- 10.2 Fourth Amended and Restated Note Purchase and Private Shelf Agreement between LTC Properties, Inc. and Prudential Investment Management, Inc. dated August 4, 2015
- 10.3 First Amendment to Amended and Restated Credit Agreement dated as of August 4, 2015
- 10.4 Note Purchase and Private Shelf Agreement between LTC Properties, Inc. and AIG Asset Management (U.S.) LLC dated August 4, 2015
- 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 10-Q for the quarter ended June 30, 2015, formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets at June 30, 2015 and December 31, 2014; (ii) Consolidated Statements of Income for the three and six months ended June 30, 2015 and 2014; (iii) Consolidated Statements of Cash Flows for the three and six months ended June 30, 2015 and 2014; and (iv) Notes to Consolidated Financial Statements

SIGNATURES

Pursuant to the requirements 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: August 5, 2015

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

Prudential Investment Management, Inc. and
the holders of Notes signatory hereto
c/o Prudential Capital Group
2029 Century Park East, Suite 715
Los Angeles, CA 90067

August 4, 2015

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

Re: First Amendment to Third Amended and Restated Note Purchase and Private Shelf Agreement

Ladies and Gentlemen:

Reference is made to the Third Amended and Restated Note Purchase and Private Shelf Agreement, dated as of April 28, 2015 (as amended, restated, supplemented or otherwise modified from time to time, the “**Agreement**”), by and between LTC Properties, Inc., a Maryland corporation (the “**Company**”), on the one hand, and the Purchasers named therein, on the other hand. Capitalized terms used and not otherwise defined herein shall have the meanings provided in the Agreement.

1. Amendments. Pursuant to the provisions of Section 17 of the Agreement, and subject to the terms and conditions of this letter agreement, the Purchasers hereby agree with the Company that the Agreement is modified, as follows:

1.1 The reference to “the 2012 Note Agreement” set forth in Section 10.1 is deleted and replaced with “any Other Note Agreement.”

1.2 The reference to “the 2012 Noteholders” set forth in Section 10.8 is deleted and replaced with “the Other Noteholders.”

1.3 The definition of “2012 Noteholders” set forth in Schedule B is deleted in its entirety.

1.4 A new definition of “Other Note Agreement” is inserted in Schedule B in its proper alphabetical order, as follows:

“**Other Note Agreement**” means any of (i) the 2012 Note Agreement, and (ii) any other agreement or instrument executed and delivered by the Company in connection with a financing, which constitutes unsecured Indebtedness for Borrowed Money of the Company and ranks pari passu with the obligations evidenced by the Notes, as such agreement or instrument may be amended, restated, supplemented, replaced or otherwise modified from time to time.

1.5 A new definition of “Other Noteholders” is inserted in Schedule B in its proper alphabetical order, as follows:

“**Other Noteholders**” means the holders from time to time of the notes issued under any Other Note Agreement.

1.6 The definition of “Unencumbered Assets” set forth in Schedule B is amended: (i) to delete the reference to “the 2012 Noteholders” in clause (d) thereof and replace such reference with “the Other Noteholders”; and (ii) to delete each reference to “the 2012 Note Agreement” set forth in clauses (d) and (e) thereof and replace each such reference with “any Other Note Agreement.”

1.7 Notwithstanding anything to the contrary in Section 2B(8)(ii) of the Agreement, no Structuring Fee will be payable by the Company so long as a minimum aggregate principal amount of \$100,000,000 of Shelf Notes is purchased and sold by no later than September 4, 2015.

2. Limitation of Modifications. The amendments effected in this letter agreement shall be limited precisely as written and shall not be deemed to be (a) an amendment, consent, waiver or other modification of any other terms or conditions of the Agreement or any other document related to the Agreement, or (b) a consent to any future amendment, consent, waiver or other modification. Except as expressly set forth in this letter, the Agreement and the documents related to the Agreement shall continue in full force and effect.

3. Representations and Warranties. The Company hereby represents and warrants as follows: (i) No Default or Event of Default has occurred and is continuing; (ii) the Company’s execution, delivery and performance of the Agreement, as modified by this letter agreement, have been duly authorized by all necessary corporate and other action and do not and will not require any registration with, consent or approval of, or notice to or action by, any Person (including any Governmental Authority) in order to be effective and enforceable; (iii) the Agreement, as modified by this letter agreement, constitutes the legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its terms except as the enforceability thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws of general application relating to or affecting the enforcement of creditors’ rights or by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law); and (iv) each of the representations and warranties set forth in Section 5 of the Agreement is true, correct and complete as of the date hereof (except to the extent such representations and warranties expressly relate to another date, in which case such representations and warranties are true, correct and complete as of such other date).

4. Effectiveness. This letter agreement shall become effective on the date on which (i) the Purchasers shall have received a fully executed counterpart of this letter from the Company, (ii) a corresponding amendment to the Credit Agreement shall have been entered into and shall have become effective concurrently therewith or prior thereto, and the Purchasers shall have received a copy thereof, certified by a Responsible Officer as being a true, correct and complete copy thereof, and (iii) the Company shall have paid Vedder Price P.C. its accrued and unpaid legal fees and expenses, to the extent such fees and expenses have been invoiced.

5. Miscellaneous.

(a) This document may be executed in multiple counterparts, which together shall constitute a single document.

(b) This letter agreement shall be construed and enforced in accordance with, and the rights of the parties shall be governed by, the internal laws of the State of New York, excluding choice-of-law principles of the law of such state that would permit the application of the laws of a jurisdiction other than such state.

[Remainder of the page intentionally left blank]

If you are in agreement with the foregoing, please sign a counterpart of this letter in the space indicated below and deliver it to the Purchasers whereupon, subject to the conditions expressed herein, it shall become a binding agreement between the Company, on the one hand, and the Purchasers, on the other hand.

Sincerely,

PRUDENTIAL INVESTMENT MANAGEMENT, INC.

By: /s/ Cornelia Cheng _____

Name: Cornelia Cheng

Title: Vice President

THE PRUDENTIAL INSURANCE COMPANY

OF AMERICA, as a holder of Series A-1 Notes, Series B Notes, Series C Notes and Series D Notes

By: /s/ Cornelia Cheng _____

Title: Vice President

PRUCO LIFE INSURANCE COMPANY, as a holder of Series A-2 Notes and Series B Notes

By: /s/ Cornelia Cheng _____

Title: Vice President

UNITED OF OMAHA LIFE INSURANCE

COMPANY, as a holder of Series A-2 Notes

By: Prudential Private Placement Investors, L.P. (as Investment Advisor)

By: Prudential Private Placement Investors, Inc., (as its General Partner)

By: /s/ Cornelia Cheng _____

Title: Vice President

PRUDENTIAL RETIREMENT INSURANCE

AND ANNUITY COMPANY, as a holder of Series B Notes and Series C Notes

By: Prudential Investment Management, Inc., as investment advisor

By: /s/ Cornelia Cheng _____

Title: Vice President

FARMERS NEW WORLD LIFE INSURANCE COMPANY, as a holder of Series C Notes

By: Prudential Private Placement Investors, L.P. (as Investment Advisor)

By: Prudential Private Placement Investors, Inc., (as its General Partner)

By: /s/ Cornelia Cheng

Title: Vice President

AMERICAN INCOME LIFE INSURANCE COMPANY, as a holder of Series D Notes

By: Prudential Private Placement Investors, L.P. (as Investment Advisor)

By: Prudential Private Placement Investors, Inc., (as its General Partner)

By: /s/ Cornelia Cheng

Title: Vice President

**LIBERTY NATIONAL LIFE INSURANCE
COMPANY**, as a holder of Series D Notes

By: Prudential Private Placement Investors, L.P. (as Investment Advisor)

By: Prudential Private Placement Investors, Inc., (as its General Partner)

By: /s/ Cornelia Cheng

Title: Vice President

**FAMILY HERITAGE LIFE INSURANCE
COMPANY OF AMERICA**, as a holder of Series D Notes

By: Prudential Private Placement Investors, L.P. (as Investment Advisor)

By: Prudential Private Placement Investors, Inc., (as its General Partner)

By: /s/ Cornelia Cheng

Title: Vice President

Accepted and agreed to
as of the date first
appearing above:

THE COMPANY:

LTC PROPERTIES, INC.

By: /s/ Wendy Simpson
Name: Wendy Simpson
Title: Chief Executive Officer and President

By: /s/ Pam Kessler
Name: Pamela J. Shelley-Kessler
Title: Executive Vice President, Chief Financial Officer and
Secretary

First Amendment to Amended and Restated Credit Agreement

This First Amendment to Amended and Restated Credit Agreement (herein, this "*Amendment*") is entered into as of August 4, 2015, among LTC Properties, Inc., a Maryland corporation (the "*Borrower*"), the Lenders party hereto, and Bank of Montreal, a Canadian chartered bank, as Administrative Agent (the "*Administrative Agent*") and L/C Issuer (the "*L/C Issuer*").

Preliminary Statements

A. The Borrower, the financial institutions party thereto (the "*Lenders*"), the L/C Issuer and the Administrative Agent are parties to an Amended and Restated Credit Agreement dated as of October 14, 2014 (as the same may be amended, modified, restated or supplemented from time to time pursuant to the terms thereof, the "*Credit Agreement*"). All capitalized terms used herein without definition shall have the same meanings herein as such terms have in the Credit Agreement.

B. The Borrower, the Administrative Agent, and the Required Lenders have agreed, among other things, to make certain other amendments to the Credit Agreement on the terms and conditions set forth in this Amendment.

Now, Therefore, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

Section 1. Amendment.

Subject to the satisfaction of the conditions precedent set forth in Section 2 below, the defined terms "*Note Purchase Agreement*" and "*Noteholders*" set forth in Section 1.1 of the Credit Agreement shall be and hereby are amended and restated in their entirety to read as follows:

"*Note Purchase Agreement*" means any of (i) the Second Amended and Restated Note Purchase and Private Shelf Agreement dated as of October 30, 2013, as extended, renewed, amended, modified, amended and restated or supplemented in its entirety, and any refinancing or replacement of any series of notes issued and outstanding thereunder, (ii) the Note Purchase Agreement dated as of July 19, 2012, as extended, renewed, amended, modified, amended and restated or supplemented in its entirety, and any refinancing or replacement of and series of notes issued and outstanding thereunder, and (iii) any other agreement or instrument entered into by the Borrower in connection with a financing, which constitutes unsecured Indebtedness for Borrowed Money of the Borrower and ranks pari passu with the Obligations.

"Noteholders" means the holders of any series of notes or other Indebtedness issued under or in connection with a Note Purchase Agreement, including, without limitation (i) the 5.26% Series A-1 Senior Notes due July 14, 2015 in the aggregate original principal amount of \$25,000,000, (ii) the 5.74% Series A-2 Senior Notes Due January 14, 2019 in the aggregate original principal amount of \$25,000,000, (iii) the 4.80% Series B Senior Notes due July 20, 2021 in the aggregate original principal amount of \$50,000,000, (iv) the 5.03% Senior Notes due July 19, 2024 in the aggregate original principal amount of \$85,800,000, (v) the 3.99% Series C Senior Notes due November 20, 2021 in the aggregate principal amount of \$70,000,000 and (vi) the 4.50% Series D Senior Notes due July 31, 2026 in the aggregate original principal amount of \$30,000,000.

Section 2. Conditions Precedent.

The effectiveness of this Amendment is subject to the satisfaction of all of the following conditions precedent:

3.1. The Borrower, the Required Lenders and the Administrative Agent shall have executed and delivered this Amendment to the Administrative Agent.

3.2. Legal matters incidental to the execution and delivery of this Amendment shall be satisfactory to the Administrative Agent and its counsel.

Section 3. Representations.

In order to induce the Administrative Agent and the Lenders to execute and deliver this Amendment, the Borrower hereby represents to the Administrative Agent and the Lenders that as of the date hereof (a) the representations and warranties set forth in Section 6 of the Credit Agreement are and shall be and remain true and correct in all material respects (except in the case of a representation or warranty qualified by materiality, in which case such representation or warranty shall be true and correct in all respects) as of said time, except to the extent the same expressly relate to an earlier date (in which case the same shall be true and correct as of such earlier date), and (b) no Default or Event of Default has occurred and is continuing under the Credit Agreement or shall result after giving effect to this Amendment.

Section 4. Miscellaneous.

4.1. Except as specifically amended herein, the Credit Agreement shall continue in full force and effect in accordance with its original terms. Reference to this specific Amendment need not be made in the Credit Agreement, the Notes, the other Loan Documents, or any other instrument or document executed in connection therewith, or in any certificate, letter or communication issued or made pursuant to or with respect to the Credit Agreement, any reference in any of such items to the Credit Agreement being sufficient to refer to the Credit Agreement as amended hereby.

4.2. The Borrower agrees to pay on demand all reasonable out-of-pocket costs and expenses of or incurred by the Administrative Agent in connection with the negotiation, preparation, execution and delivery of this Amendment, including the fees and expenses of counsel for the Administrative Agent.

4.3. This Amendment may be executed in any number of counterparts, and by the different parties on separate counterpart signature pages, and all such counterparts taken together shall be deemed to constitute one and the same instrument. Any of the parties hereto may execute this Amendment by signing any such counterpart and each of such counterparts shall for all purposes be deemed to be an original. Delivery of a counterpart hereof by facsimile transmission or by e-mail transmission of a Portable Document Format File (also known as a "PDF" file) shall be effective as delivery of a manually executed counterpart hereof. This Amendment, and the rights and duties of the parties hereto, shall be construed and determined in accordance with the internal laws of the State of New York.

[Signature Pages Follow]

This First Amendment to Amended and Restated Credit Agreement is entered into as of the date and year first above written.

“Borrower”

LTC Properties, Inc.

By /s/ Wendy Simpson
Name Wendy Simpson
Title Chairman, CEO & President

By /s/ Pam Kessler
Name Pam Kessler
Title Executive Vice President and Chief Financial
Officer

Bank of Montreal, as Administrative Agent, as L/C Issuer
and as a Lender

By /s/ Lloyd Baron
Name Lloyd Baron
Title Director

KeyBank National Association, as a Lender

By /s/ Laura Conway
Name Laura Conway
Title Vice President

Wells Fargo Bank, National Association, as a Lender

By /s/ Darin Mullis

Name Darin Mullis

Title Director

Royal Bank of Canada, as a Lender

By /s/ Rina Kansagra
Name Rina Kansagra
Title Authorized Signatory

Credit Agricole Corporate and Investment Bank, as a
Lender

By /s/ Thomas Randolph
Name Thomas Randolph
Title Managing Director

By /s/ Amy Trapp
Name Amy Trapp
Title Managing Director

MUFG Union Bank, N.A., as a Lender

By /s/ Gina M. West
Name Gina M. West
Title Vice President

LTC PROPERTIES, INC.

NOTE PURCHASE AND PRIVATE SHELF AGREEMENT

\$100,000,000 Private Shelf Facility

As of August 4, 2015

Table of Contents

		Page
1	Authorization of Notes	1
	1A Authorization of Issue of Shelf Notes	1
2	Sale And Purchase of Notes	2
	2A [Intentionally Omitted]	2
	2B Sale and Purchase of Shelf Notes	2
	2B(1) Facility	2
	2B(2) Issuance Period	2
	2B(3) Request For Purchase	2
	2B(4) Rate Quotes	3
	2B(5) Acceptance	3
	2B(6) Market Disruption	3
	2B(7) Facility Closings	4
	2B(8) Fees	4
	2B(8)(i) Draw Fees	4
	2B(8)(ii) Structuring Fee	4
	2B(8)(iii) Delayed Delivery Fees	5
	2B(8)(iv) Cancellation Fee	6
3	[Intentionally Omitted]	6
4	Conditions	6
	4A Conditions to Effectiveness of this Agreement	6
	4A(1) Officer's Certificate (Unencumbered Assets/Qualified Mortgage Loans)	6
	4A(2) Officer's Certificate (Bringdown)	6
	4A(3) Payment of Special Counsel Fees	7
	4B Conditions to Each Closing	7
	4B(1) Certain Documents	7
	4B(2) Payment of Fees	8
	4B(3) Representations and Warranties	8
	4B(4) Performance; No Default	8

Table of Contents
(continued)

	Page
4B(5) Changes in Structure	8
4B(6) Purchase Permitted By Applicable Law, Etc	8
4B(7) Private Placement Number	8
4B(8) Proceedings and Documents	8
5 Representations and Warranties of the Company	9
5.1 Organization; Power and Authority	9
5.2 Authorization, Etc	9
5.3 Disclosure	9
5.4 Organization and Ownership of Equity in Subsidiaries; Affiliates	10
5.5 Financial Statements	10
5.6 Compliance with Laws; Other Instruments, Etc	11
5.7 Governmental Authorizations, Etc	11
5.8 Litigation; Observance of Agreements, Statutes and Orders	12
5.9 Taxes	12
5.10 Title to Property; Leases	12
5.11 Licenses, Permits, Etc	12
5.12 Compliance with ERISA	13
5.13 Private Offering	14
5.14 Use of Proceeds; Margin Regulations	14
5.15 Existing Indebtedness for Borrowed Money; Future Liens	14
5.16 Foreign Assets Control Regulations, Etc	15
5.17 Status under Certain Statutes	16
5.18 Environmental Matters	17
5.19 Stock of the Company	17
5.20 Condition of Property; Casualties; Condemnation	18
5.21 Legal Requirements and Zoning	18
5.22 [Intentionally Omitted]	18
5.23 Solvency	18
5.24 Hostile Tender Offers	18
6 Representations of the Purchasers	18

Table of Contents
(continued)

	Page
6.1 Purchase for Investment	18
6.2 Source of Funds	19
7 Information as to the Company	20
7.1 Financial and Business Information	20
7.2 Officer's Certificate	23
7.3 Visitation	23
8 Prepayment of the Notes	24
8.1 Required Prepayments	24
8.2 Optional Prepayments with Make-Whole Amount	24
8.3 Allocation of Partial Prepayments	24
8.4 Maturity; Surrender, Etc	25
8.5 Purchase of Notes	25
8.6 Make-Whole Amount	25
9 Affirmative Covenants	26
9.1 Compliance with Laws and Contractual Obligations	27
9.2 Insurance	28
9.3 Maintenance of Properties	28
9.4 Payment of Taxes and Claims	28
9.5 Maintenance of Existence, Etc	28
9.6 Books and Records	29
9.7 Maintenance of REIT Status	29
9.8 Listing of Common Stock; Filing of Reports	29
9.9 Limitations on Guaranties of Indebtedness	29
9.10 Information Required by Rule 144A	29
10 Negative Covenants	29
10.1 Liens, Etc	29
10.2 Investments, Acquisitions, Loans and Advances	30
10.3 Mergers, Consolidations and Sales	31
10.4 No Burdensome Contracts With Affiliates	32
10.5 No Changes in Fiscal Year	32

Table of Contents
(continued)

	Page
10.6 Change in the Nature of Business	32
10.7 Use of Proceeds of Notes	32
10.8 No Restrictions	32
10.9 Financial Covenants	33
10.10 Two-Way Most Favored Lender	33
10.11 Redemption of Stock, Etc	35
10.12 Terrorism Sanctions Regulations	35
11 Events Of Default	35
12 Remedies On Default, Etc	38
12.1 Acceleration	38
12.2 Other Remedies	38
12.3 Rescission	39
12.4 No Waivers or Election of Remedies, Expenses, Etc	39
13 Registration; Exchange; Substitution Of Notes	39
13.1 Registration of Notes	39
13.2 Transfer and Exchange of Notes	40
13.3 Replacement of Notes	40
14 Payments On Notes	41
14.1 Place of Payment	41
14.2 Home Office Payment	41
15 Expenses, Etc	41
15.1 Transaction Expenses	41
15.2 Survival	42
16 Survival Of Representations And Warranties; Entire Agreement	42
17 Amendment And Waiver	42
17.1 Requirements	42
17.2 Solicitation of Holders of Notes	43
17.3 Binding Effect. Etc	43
17.4 Notes Held by Company, Etc	44
18 Notices	44

Table of Contents
(continued)

	Page
19 Reproduction Of Documents	45
20 Confidentiality	45
21 Miscellaneous	46
21.1 Successors and Assigns	46
21.2 Payments Due on Non-Business Days	46
21.3 Accounting Terms	46
21.4 Severability	47
21.5 Construction	47
21.6 Counterparts	47
21.7 Governing Law	47
21.8 Jurisdiction and Process	47
21.9 Waiver of Jury Trial	48
21.10 Transaction References	48

LTC PROPERTIES, INC.
2829 Townsgate Road, Suite 350
Westlake Village, California 91361

As of August 4, 2015

AIG Asset Management (U.S.), LLC
Each AIG Affiliate (as hereinafter defined) which is
a signatory of this Agreement or becomes bound by certain
provisions of this Agreement as hereinafter provided

c/o AIG Asset Management (U.S.), LLC
121 Spear Street
5th Floor
San Francisco, CA 94105

Ladies and Gentlemen:

The undersigned, LTC Properties, Inc., a Maryland corporation (the “**Company**”), agrees with each of the Purchasers as follows:

1 AUTHORIZATION OF NOTES

1A AUTHORIZATION OF ISSUE OF SHELF NOTES.

The Company will authorize the issue and sale of its senior notes (as amended, restated, supplemented or otherwise modified from time to time, the “**Shelf Notes**”, such term to include any such notes issued in substitution therefor pursuant to Section 13 of this Agreement, and the terms “**Note**” and “**Notes**” as used herein shall include each Shelf Note) in the aggregate principal amount of up to \$100,000,000, to be dated the date of issue thereof, to mature, in the case of each Shelf Note so issued, no more than 15 years after the date of original issuance thereof, to have an average life, in the case of each Shelf Note so issued, of no more than 12 years after the date of original issuance thereof, to bear interest on the unpaid balance thereof from the date thereof at the rate per annum, and to have such other particular terms, as shall be set forth, in the case of each Shelf Note so issued, in the Confirmation of Acceptance with respect to such Shelf Note delivered pursuant to Section 2B(5), and to be substantially in the form of Exhibit A. Certain capitalized and other terms used in this Agreement are defined in Schedule A; and references to a “Schedule” or an “Exhibit” are, unless otherwise specified, to a Schedule or an Exhibit attached to this Agreement. Notes that have (i) the same final maturity, (ii) the same principal prepayment dates, (iii) the same principal prepayment amounts (as a percentage of the original principal amount of each Note), (iv) the same interest rate, (v) the same interest payment periods, and (vi) the same date of issuance (which, in the case of a Note issued in exchange for another Note, shall be deemed for these purposes the date on which such Note’s ultimate predecessor Note was issued), are herein called a “**Series**” of Notes.

2A [INTENTIONALLY OMITTED].

2B SALE AND PURCHASE OF SHELF NOTES.

2B(1) Facility. AIG is willing to consider, in its sole discretion and within limits that may be authorized for purchase by AIG Affiliates from time to time, the purchase of Shelf Notes by AIG Affiliates pursuant to this Agreement. The willingness of AIG to consider such purchase of Shelf Notes is herein called the “**Facility**.” At any time, (i) the aggregate principal amount of Shelf Notes stated in Section 1A, minus (ii) the aggregate principal amount of Shelf Notes purchased and sold pursuant to this Agreement prior to such time, minus (iii) the aggregate principal amount of Accepted Notes (as hereinafter defined) which have not yet been purchased and sold hereunder prior to such time, is herein called the “**Available Facility Amount**” at such time. **NOTWITHSTANDING THE WILLINGNESS OF AIG TO CONSIDER PURCHASES OF SHELF NOTES, THIS AGREEMENT IS ENTERED INTO ON THE EXPRESS UNDERSTANDING THAT NEITHER AIG NOR ANY AIG AFFILIATE SHALL BE OBLIGATED TO MAKE OR ACCEPT OFFERS TO PURCHASE SHELF NOTES, OR TO QUOTE RATES, SPREADS OR OTHER TERMS WITH RESPECT TO SPECIFIC PURCHASES OF SHELF NOTES, AND THE FACILITY SHALL IN NO WAY BE CONSTRUED AS A COMMITMENT BY AIG OR ANY AIG AFFILIATE.**

2B(2) Issuance Period. Shelf Notes may be issued and sold pursuant to this Agreement until the earlier of (i) the third anniversary of the date of this Agreement (or if such date is not a New York Business Day, the New York Business Day next preceding such date), and (ii) the thirtieth day after AIG shall have given to the Company, or the Company shall have given to AIG, written notice stating that it elects to terminate the issuance and sale of Shelf Notes pursuant to this Agreement (or if such thirtieth day is not a New York Business Day, the New York Business Day next preceding such thirtieth day). The period during which Shelf Notes may be issued and sold pursuant to this Agreement is herein called the “**Issuance Period**.”

2B(3) Request For Purchase. The Company may from time to time during the Issuance Period make requests for purchases of Shelf Notes (each such request being herein called a “**Request for Purchase**”). Each Request for Purchase shall be made to AIG by email or overnight delivery service, and shall (i) specify the aggregate principal amount of Shelf Notes covered thereby, which shall not be less than \$10,000,000 and not be greater than the Available Facility Amount at the time such Request for Purchase is made, (ii) specify the principal amounts, final maturities (which shall be no more than 15 years from the date of original issuance), and principal prepayment dates and amounts (which shall result in an average life of no more than 12 years from the date of original issuance) of the Shelf Notes covered thereby, (iii) specify the interest payment periods (which shall be quarterly or semi-annually), (iv) specify the use of proceeds of such Shelf Notes, (v) specify the proposed day for the closing of the purchase and sale of such Shelf Notes, which shall be a Business Day during the Issuance Period not less than 10 Business Days and not more than 80 days after the making of such Request for Purchase, (vi) specify the number of the account and the name and address of the depository institution to which the purchase prices of such Shelf Notes are to be transferred on the Closing Day for such purchase and sale, (vii) certify that the representations and warranties contained in

Section 5 are true on and as of the date of such Request for Purchase and that there exists on the date of such Request for Purchase no Event of Default or Default, and (viii) be substantially in the form of Exhibit B attached hereto. Each Request for Purchase shall be in writing and shall be deemed made when received by AIG.

2B(4) Rate Quotes. Not later than 5 Business Days after the Company shall have given AIG a Request for Purchase pursuant to Section 2B(3), AIG may, but shall be under no obligation to, provide to the Company by telephone, electronic mail or facsimile interest rate quotes for the several principal amounts, maturities and principal prepayment schedules, and interest payment periods of Shelf Notes specified in such Request for Purchase. Each quote shall represent the interest rate per annum payable on the outstanding principal balance of such Shelf Notes at which an AIG Affiliate would be willing to purchase such Shelf Notes at 100% of the principal amount thereof.

2B(5) Acceptance. Within 2 minutes after AIG shall have provided any interest rate quotes pursuant to Section 2B(4) or such shorter period as AIG may specify to the Company (such period herein called the “**Acceptance Window**”), the Company may, subject to Section 2B(6), elect to accept such interest rate quotes as to not less than \$10,000,000 aggregate principal amount of the Shelf Notes specified in the related Request for Purchase. Such election shall be made by an Authorized Officer of the Company notifying AIG by telephone or email within the Acceptance Window (but not earlier than 9:30 a.m. or later than 1:30 p.m. (or such later time as AIG may agree), New York City local time) that the Company elects to accept such interest rate quotes, specifying the Shelf Notes (each such Shelf Note being herein called an “**Accepted Note**”) as to which such acceptance (herein called an “**Acceptance**”) relates. The day the Company notifies AIG of an Acceptance with respect to any Accepted Notes is herein called the “**Acceptance Day**” for such Accepted Notes. Any interest rate quotes as to which AIG does not receive an Acceptance within the Acceptance Window shall expire, and no purchase or sale of Shelf Notes hereunder shall be made based on such expired interest rate quotes. Subject to Section 2B(6) and the other terms and conditions hereof, the Company agrees to sell to an AIG Affiliate, and AIG agrees to cause the purchase by an AIG Affiliate of, the Accepted Notes at 100% of the principal amount of such Accepted Notes. As soon as practicable following the Acceptance Day, the Company, and such AIG Affiliate which is to purchase any such Accepted Notes will execute a confirmation of such Acceptance substantially in the form of Exhibit C (herein called a “**Confirmation of Acceptance**”). If the Company should fail to execute and return to such AIG Affiliate within 2 Business Days following receipt thereof a Confirmation of Acceptance with respect to any Accepted Notes, such AIG Affiliate may at its election at any time prior to its receipt thereof cancel the closing with respect to such Accepted Notes by so notifying the Company in writing.

2B(6) Market Disruption. Notwithstanding the provisions of Section 2B(5), if AIG shall have provided interest rate quotes pursuant to Section 2B(4) and thereafter, prior to the time an Acceptance with respect to such quotes shall have been notified to AIG in accordance with Section 2B(5), the domestic market for United States treasury securities or derivatives shall have closed or there shall have occurred a general suspension, material limitation, or significant disruption of trading in securities generally on the New York Stock Exchange or in the domestic market for United States treasury securities or derivatives, then such interest rate quotes shall expire, and no purchase or sale of Shelf Notes hereunder shall be made based on such expired

interest rate quotes. If the Company thereafter notifies AIG of the Acceptance of any such interest rate quotes, such Acceptance shall be ineffective for all purposes of this Agreement, and AIG shall promptly notify the Company that the provisions of this Section 2B(6) are applicable with respect to such Acceptance.

2B(7) Facility Closings. Not later than 1:30 p.m. (New York City local time) on the Closing Day for any Accepted Notes, the Company will deliver to each Purchaser listed in the Confirmation of Acceptance relating thereto at the offices of Winston & Strawn LLP, 200 Park Avenue, New York, NY 10166-4193 (or such other address as AIG may specify in writing), the Accepted Notes to be purchased by such Purchaser in the form of one or more Notes in denominations of not less than \$1,000,000, dated the applicable Closing Day and registered in such Purchaser's name (or in the name of its nominee), against payment of the purchase price thereof by transfer of immediately available funds for credit to the account specified in the Request for Purchase of such Notes. If the Company fails to tender to any Purchaser the Accepted Notes to be purchased by such Purchaser on the scheduled Closing Day for such Accepted Notes as provided above in this paragraph 2B(7), or any of the conditions specified in Section 4 shall not have been fulfilled by the time required on such scheduled Closing Day, the Company shall, prior to 2:00 p.m., New York City local time, on such scheduled Closing Day notify AIG (which notification shall be deemed received by each Purchaser) in writing whether (i) such closing is to be rescheduled (such rescheduled date to be a Business Day during the Issuance Period not less than one Business Day and not more than 10 Business Days after such scheduled Closing Day (the "**Rescheduled Closing Day**")) and certify to AIG (which certification shall be for the benefit of each Purchaser) that the Company reasonably believes that it will be able to comply with the conditions set forth in Section 4 on such Rescheduled Closing Day and that the Company will pay the Delayed Delivery Fee in accordance with Section 2B(8)(iii), or (ii) such closing is to be canceled and the Company will pay the Cancellation Fee as provided in Section 2B(8)(iv). In the event that the Company shall fail to give such notice referred to in the immediately preceding sentence, AIG (on behalf of each Purchaser) may at its election, at any time after 2:00 p.m., New York City local time, on such scheduled Closing Day, notify the Company in writing that such closing is to be canceled and the Company is obligated to pay the Cancellation Fee as provided in Section 2B(8)(iv). Notwithstanding anything to the contrary appearing in this Agreement, the Company may elect to reschedule a closing with respect to any given Accepted Notes on not more than one occasion, unless AIG shall have otherwise consented in writing.

2B(8) Fees.

2B(8)(i) Draw Fees. The Company shall pay to or as directed by AIG in immediately available funds a fee (herein called a "**Draw Fee**") on or before each Closing Day (other than the initial Closing Day, if any, occurring within the first six months after the date hereof on which a minimum aggregate principal amount of \$25,000,000 of Shelf Notes is purchased and sold) in an amount equal to 0.10% of the aggregate principal amount of Notes sold on such Closing Day.

2B(8)(ii) Structuring Fee. In consideration for the time, effort and expense involved in the preparation, negotiation and execution of this Agreement, the Company will pay to or as directed by AIG, on the date that is six months after the date hereof (or, if such date is

not a Business Day, the next succeeding Business Day), a fully earned and non-refundable fee in the aggregate amount of \$50,000; provided, however, that (a) if a minimum aggregate principal amount of \$25,000,000 of Shelf Notes is purchased and sold during the first six months after the date hereof, then the amount of such fee required to be paid on such day shall be reduced to \$25,000, and (b) if a minimum aggregate principal amount of \$50,000,000 of Shelf Notes is purchased and sold during the first three months after the date hereof, then no such fee shall be payable (herein called the “**Structuring Fee**”).

2B(8)(iii)Delayed Delivery Fees.

(a) **In the Event of a Delayed Closing.** If the closing of the purchase and sale of any Accepted Note is delayed for any reason beyond the original Closing Day for such Accepted Note but such closing is ultimately consummated, then the Company shall pay to or as directed by AIG, on the actual Closing Day of such purchase and sale, an amount (herein called the “**Delayed Delivery Fee**”) equal to:

$$(\text{BEY} - \text{MMY}) \times \text{DTS}/360 \times \text{PA}$$

where “**BEY**” means Bond Equivalent Yield, *i.e.*, the bond equivalent yield per annum of such Accepted Note; “**MMY**” means Money Market Yield, *i.e.*, the yield per annum on an alternative Dollar investment of the highest quality selected by AIG having a maturity date or dates the same as, or closest to, the Rescheduled Closing Day from time to time fixed for the delayed delivery of such Accepted Note; “**DTS**” means Days to Settlement, *i.e.*, the number of actual days elapsed from and including the original Closing Day for such Accepted Note to but excluding the date of such payment; and “**PA**” means Principal Amount, *i.e.*, the principal amount of the Accepted Note for which such calculation is being made.

In no case shall the Delayed Delivery Fee be less than zero. Nothing contained herein shall obligate any Purchaser to purchase any Accepted Note on any day other than the Closing Day for such Accepted Note, as the same may be rescheduled from time to time in compliance with Section 2B(7).

(b) **In the Event of Cancellation.** If the Company at any time notifies AIG in writing that the Company is canceling the closing of the purchase and sale of any Accepted Note, or if AIG notifies the Company in writing under the circumstances set forth in the last sentence of paragraph 2B(5) or the penultimate sentence of Section 2B(7) that the closing of the purchase and sale of such Accepted Note is to be canceled, or if the closing of the purchase and sale of such Accepted Note is not consummated on or prior to the last day of the Issuance Period (the date of any such notification, or the last day of the Issuance Period, as the case may be, being herein called the “**Cancellation Date**”), the Company shall pay to or as directed by AIG in immediately available funds on the Cancellation Date an amount (herein called the “**Cancellation Event Delayed Delivery Fee**”) equal to:

$$(\text{BEY} - \text{MMY}) \times \text{DTS}/360 \times \text{PA}$$

where “**BEY**” means Bond Equivalent Yield, *i.e.*, the bond equivalent yield per annum of such Accepted Note; “**MMY**” means Money Market Yield, *i.e.*, the yield per annum on an alternative Dollar investment of the highest quality selected by AIG having a maturity date or dates the

same as, or closest to, the original scheduled Closing Day or any Rescheduled Closing Day from time to time fixed for the delayed delivery of such Accepted Note; “**DTS**” means Days to Settlement, *i.e.*, the number of actual days elapsed from and including the Acceptance Day for such Accepted Note to but excluding the Cancellation Date of such Accepted Note; and “**PA**” means Principal Amount, *i.e.*, the principal amount of the Accepted Note for which such calculation is being made.

In no case shall the Cancellation Event Delayed Delivery Fee be less than zero.

2B(8)(iv) Cancellation Fee. If the Company at any time notifies AIG in writing that the Company is canceling the closing of the purchase and sale of any Accepted Note, or if AIG notifies the Company in writing under the circumstances set forth in the last sentence of paragraph 2B(5) or the penultimate sentence of Section 2B(7) that the closing of the purchase and sale of such Accepted Note is to be canceled, or if the closing of the purchase and sale of such Accepted Note is not consummated on or prior to the last day of the Issuance Period, the Company shall pay to or as directed by AIG in immediately available funds on the Cancellation Date an amount (herein called the “**Cancellation Fee**”) equal to:

$$PI \times PA$$

where “**PI**” means Price Increase, *i.e.*, the quotient (expressed in decimals) obtained by dividing (a) the excess of the ask price (as determined by AIG) of the Hedge Treasury Note(s) on the Cancellation Date over the bid price (as determined by AIG) of the Hedge Treasury Note(s) on the Acceptance Day for such Accepted Note by (b) such bid price; and “**PA**” has the meaning ascribed to it in paragraph 2B(8)(iii). The foregoing bid and ask prices shall be as reported by such publicly available source of such market data as is then customarily used by AIG, and rounded to the second decimal place.

In no case shall the Cancellation Fee be less than zero.

3 [INTENTIONALLY OMITTED].

4 **CONDITIONS.**

The effectiveness of this Agreement is subject to the satisfaction of the conditions set forth in Section 4A, and the obligation of any Purchaser to purchase and pay for any Shelf Notes is subject to the fulfillment to its satisfaction, on or before the applicable Closing Day, of the conditions set forth in Section 4B:

4A **CONDITIONS TO EFFECTIVENESS OF THIS AGREEMENT.**

4A(1) Officer’s Certificate (Unencumbered Assets/Qualified Mortgage Loans). The Company shall have delivered to AIG an Officer’s Certificate, dated the date of this Agreement, setting forth a listing of the Unencumbered Assets and Qualified Mortgage Loans as of the date of this Agreement.

4A(2) Officer’s Certificate (Bringdown). The Company shall have delivered to AIG an Officer’s Certificate, dated the date of this Agreement, certifying that (a) the representations

and warranties of the Company in Section 5 hereof are correct on and as of the date of this Agreement, and (b) on and as of the date of this Agreement (both immediately before and immediately after giving effect to the effectiveness of the agreements herein) no Default or Event of Default has occurred and is continuing.

4A(3) Payment of Special Counsel Fees. Without limiting the provisions of Section 15.1, the Company shall have paid on or before the date hereof the fees, charges and disbursements of the special counsel of AIG referred to in Section 4B(1)(g), to the extent reflected in a statement of such counsel rendered to the Company at least one Business Day prior to the date hereof.

4B CONDITIONS TO EACH CLOSING.

4B(1) Certain Documents. AIG and each Purchaser that is purchasing Notes on such Closing Day shall have received the following, each dated the applicable Closing Day (except as provided in clause (h)):

- (a) The Note(s) to be purchased by such Purchaser;
- (b) an Officer's Certificate from the Company, certifying that the conditions specified in Sections 4B(3), 4B(4) and 4B(5) have been fulfilled;
- (c) certified copies of the resolutions of the Company, authorizing the execution and delivery of the Transaction Documents (and authorizing the issuance of the applicable Series of Notes), and of all documents evidencing other necessary corporate or similar action and governmental approvals, if any, with respect to the Transaction Documents and the applicable Series of Notes;
- (d) a certificate of the Secretary or an Assistant Secretary and one other officer of the Company, certifying the names and true signatures of the officers of the Company authorized to sign the Transaction Documents;
- (e) certified copies of the articles of incorporation and by-laws of the Company;
- (f) favorable opinions of: (i) Reed Smith LLP, special counsel for the Company, satisfactory to such Purchaser and substantially in the form of Exhibit D-1 attached hereto, and as to such other matters as such Purchaser may reasonably request, and (ii) Ballard Spahr LLP, special Maryland counsel for the Company, satisfactory to such Purchaser and substantially in the form of Exhibit D-2 attached hereto, and as to such other matters as such Purchaser may reasonably request. The Company hereby directs each such counsel to deliver such opinion, agrees that the issuance and sale of any Notes will constitute a reconfirmation of such direction, and understands and agrees that each Purchaser receiving such an opinion will and is hereby authorized to rely on such opinion;
- (g) a favorable opinion of Winston & Strawn LLP, special counsel for AIG and the Purchasers, as to such matters incident to the matters herein contemplated related to the applicable Series of Notes as such Purchaser reasonably requests;

(h) a good standing or similar certificate for the Company from the appropriate Governmental Authority of its jurisdiction of organization, dated as of a recent date, and such other evidence of the status of the Company as such Purchaser may reasonably request; and

(i) additional documents or certificates with respect to legal matters or corporate or other proceedings related to the transactions contemplated hereby as may be reasonably requested by such Purchaser prior to the applicable Closing Day.

4B(2) Payment of Fees. The Company shall have paid to or as directed by AIG any fees due pursuant to or in connection with this Agreement, including the Draw Fee due pursuant to Section 2B(8)(i) and any Delayed Delivery Fee due pursuant to Section 2B(8)(iii).

4B(3) Representations and Warranties. The representations and warranties of the Company in Section 5 hereof shall, in each case, be correct when made and on and as of such Closing Day.

4B(4) Performance; No Default. The Company shall have performed and complied with all agreements and conditions contained in this Agreement required to be performed or complied with by it prior to or at such Closing Day, and after giving effect to the issue and sale of the applicable Series of Notes (and the application of the proceeds thereof pursuant to the requirements of Section 5.14) no Default or Event of Default shall have occurred and be continuing.

4B(5) Changes in Structure. The Company shall not have changed its jurisdiction of organization or been a party to any merger or consolidation or succeeded to all or any substantial part of the liabilities of any other Person, at any time following the date of the most recent financial statements referred to in Section 5.5.

4B(6) Purchase Permitted By Applicable Law, Etc. Each Purchaser's purchase of Notes on such Closing Day shall (i) be permitted by the laws and regulations of each jurisdiction to which such Purchaser is subject, without recourse to provisions (such as Section 1405(a)(8) of the New York Insurance Law) permitting limited investments by insurance companies without restriction as to the character of the particular investment, (ii) not violate any applicable law or regulation (including Regulation T, U or X of the Board of Governors of the Federal Reserve System), and (iii) not subject such Purchaser to any tax, penalty or liability under or pursuant to any applicable law or regulation, which law or regulation was not in effect on the date hereof. If requested by any Purchaser of Notes on such Closing Day, such Purchaser shall have received an Officer's Certificate certifying as to such matters of fact as it may reasonably specify to enable it to determine whether such purchase is so permitted.

4B(7) Private Placement Number. A Private Placement number issued by Standard & Poor's CUSIP Service Bureau (in cooperation with the Securities Valuation Office of the National Association of Insurance Commissioners) shall have been obtained for each Series of Notes to be issued on the applicable Closing Day.

4B(8) Proceedings and Documents. All corporate, organizational and other proceedings in connection with the transactions contemplated by this Agreement and all

documents and instruments incident to such transactions shall be reasonably satisfactory to each Purchaser purchasing Notes on the applicable Closing Day and its special counsel, and each such Purchaser and its special counsel shall have received all such counterpart originals or certified or other copies of such documents as such Purchaser or such counsel may reasonably request.

5 REPRESENTATIONS AND WARRANTIES OF THE COMPANY.

The Company represents and warrants to each Purchaser that:

5.1 Organization; Power and Authority.

The Company is a corporation duly organized, validly existing and in good standing under the laws of Maryland, and is duly qualified as a foreign corporation and is in good standing in each jurisdiction in which such qualification is required by law, other than those jurisdictions as to which the failure to be so qualified or in good standing could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. The Company has the requisite power and authority to own or hold under lease the Properties it purports to own or hold under lease, to transact the business it transacts and proposes to transact, to execute and deliver the Transaction Documents and to perform the provisions of the Transaction Documents which it is required to perform. The Company is organized in conformity with the requirements for qualification as a REIT under the Code, and its method of operation enables it to meet the requirements for qualification and taxation as a REIT under the Code.

5.2 Authorization, Etc.

This Agreement, the Notes and the other Transaction Documents have been duly authorized by all necessary action on the part of the Company, and each of this Agreement and the other Transaction Documents (other than the Notes) constitutes, and upon execution and delivery thereof each Note will constitute, a legal, valid and binding obligation of the Company enforceable against the Company in accordance with its terms, except as such enforceability may be limited by (i) applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally, and (ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

5.3 Disclosure.

Neither this Agreement nor any other document, certificate or statement furnished to AIG by or on behalf of the Company in connection herewith, contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained herein and therein not misleading in light of the circumstances under which they were made, AIG acknowledging that as to any projections furnished to AIG, the Company only represents that the same were prepared in good faith on the basis of information and estimates the Company believed to be reasonable at the time of the preparation and delivery thereof. There is no fact known to the Company that could reasonably be expected to have a Material Adverse Effect that has not been set forth herein or in the other documents, certificates and other writings (including the Company's most recent reports on Form 10-Q and Form 10-K and the Company's reports on Form 8-K filed during the period from January 1, 2014 through the date hereof) delivered to AIG by or on behalf of the Company. Since the date of the most recent audited balance sheet

delivered pursuant to Section 7.1(b), or if no such balance sheet has been delivered, the most recent audited balance sheet referred to in Section 5.5, there has been no change in the financial condition, operations, business, Properties or prospects of the Company or any Subsidiary except changes that individually or in the aggregate could not reasonably be expected to have a Material Adverse Effect that has not been set forth herein or in the other documents, certificates and other writings delivered to AIG by or on behalf of the Company.

5.4 Organization and Ownership of Equity in Subsidiaries; Affiliates.

(a) Schedule 5.4 contains complete and correct lists as of the date hereof (i) of each of the Subsidiaries of the Company, showing, as to each such Subsidiary, whether such Subsidiary is an Unencumbered Asset Subsidiary, the correct name thereof, the jurisdiction of its organization, the percentage of shares of each class of its capital stock or similar equity interests outstanding owned by the Company and the other Subsidiaries and, if such percentage is not 100% (excluding directors' qualifying shares as required by law), a description of each class of its authorized capital stock and other equity interests and the number of shares or units of each class issued and outstanding, (ii) of each of the Company's Affiliates, other than such Person's Subsidiaries, and (iii) of the Company's directors and senior officers.

(b) All of the outstanding shares of capital stock or similar equity interests of each Subsidiary owned by the Company and its Subsidiaries have been validly issued, are fully paid and nonassessable and are owned by the Company or another Subsidiary free and clear of any Lien except as disclosed on Schedule 5.4.

(c) Each Subsidiary is a corporation or other legal entity duly organized, validly existing and in good standing under the laws of its jurisdiction of organization, and is duly qualified as a foreign corporation or other legal entity and is in good standing in each jurisdiction in which such qualification is required by law, other than those jurisdictions as to which the failure to be so qualified or in good standing could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. Each such Subsidiary has the corporate or other power and authority to own or hold under lease the Properties it purports to own or hold under lease and to transact the business it transacts and proposes to transact.

(d) No Subsidiary is a party to, or otherwise subject to any legal, regulatory, contractual or other restriction (other than this Agreement, the agreements listed on Schedule 5.4 and customary limitations imposed by corporate law or similar statutes) restricting the ability of such Subsidiary to pay dividends out of profits or make any other similar distributions of profits to the Company or any of its Subsidiaries that owns outstanding shares of capital stock or similar equity interests of such Subsidiary.

5.5 Financial Statements.

The Company has furnished each holder of Notes and each Purchaser of Accepted Notes with the following financial statements: (i) consolidated balance sheets of the Company and its Subsidiaries as of the last day in each of the last three Fiscal Years completed prior to the date as of which this representation is made or repeated (other than Fiscal Years completed within 90 days prior to such date for which audited financial statements have not been released), and

consolidated statements of income, retained earnings and cash flows of the Company and its Subsidiaries for each such year, all certified by independent certified public accountants of recognized international standing; and (ii) unaudited consolidated balance sheets of the Company and its Subsidiaries as at the end of the quarterly period (if any) most recently completed prior to such date and after the end of the most recent Fiscal Year (other than quarterly periods completed within 45 days prior to such date for which financial statements have not been released) and unaudited consolidated statements of income and cash flows of the Company and its Subsidiaries for the periods from the beginning of the Fiscal Years in which such quarterly periods are included to the end of such quarterly periods and the comparable quarterly period in the immediately preceding Fiscal Year. Such financial statements (including any related schedules and/or notes) have been prepared in accordance with GAAP (subject, as to interim statements, to changes resulting from year-end adjustments) consistently applied throughout the periods involved and show all liabilities, direct and contingent, of the Company and its Subsidiaries required to be shown in accordance with such principles. The balance sheets fairly present in all material respects the consolidated financial condition of the Company and its Subsidiaries as at the dates thereof, and the statements of income, retained earnings and cash flows fairly present the consolidated financial results of their operations for the periods indicated. The Company and its Subsidiaries do not have any Material liabilities that are not disclosed on such financial statements or otherwise disclosed in writing to the Purchasers. No event has occurred since the end of the most recent Fiscal Year for which such audited financial statements have been furnished which has had or could reasonably be expected to have a Material Adverse Effect.

5.6 Compliance with Laws; Other Instruments, Etc.

The execution, delivery and performance by the Company of the Transaction Documents will not (i) contravene, result in any breach of, or constitute a default under, or result in the creation of any Lien in respect of any Property of the Company or any of its Subsidiaries under, any indenture, mortgage, deed of trust, loan, purchase or credit agreement, lease, corporate charter (or similar constitutive documents) or bylaws (or similar documents), or any other agreement or instrument to which the Company or any of its Subsidiaries is bound or by which the Company or any of its Subsidiaries or any of their respective Properties may be bound or affected, (ii) conflict with or result in a breach of any of the terms, conditions or provisions of any order, judgment, decree, or ruling of any court, arbitrator or Governmental Authority applicable to the Company or any of its Subsidiaries, or (iii) violate any provision of any statute or other rule or regulation of any Governmental Authority applicable to the Company or any of its Subsidiaries.

Neither the Company nor any Subsidiary is in default under the terms of any covenant, indenture or agreement of or affecting such Person or any of its Property, which default, if uncured, could reasonably be expected to have a Material Adverse Effect.

5.7 Governmental Authorizations, Etc.

No consent, approval or authorization of, or registration, filing or declaration with, any Governmental Authority is required in connection with the execution, delivery or performance by the Company of this Agreement, the Notes or the other Transaction Documents.

5.8 Litigation; Observance of Agreements, Statutes and Orders.

(a) There are no actions, suits, investigations or proceedings pending or, to the actual knowledge of the Company, threatened against or affecting the Company or any of its Subsidiaries or any Property of the Company or any of its Subsidiaries in any court or before any arbitrator of any kind or before or by any Governmental Authority that, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

(b) Neither the Company nor any Subsidiary is in default under any order, judgment, decree or ruling of any court, arbitrator or Governmental Authority or is in violation of any applicable law, ordinance, rule or regulation (including without limitation Environmental Laws or the USA PATRIOT Act) of any Governmental Authority, which default or violation, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

5.9 Taxes.

All tax returns required to be filed by the Company or any Subsidiary in any jurisdiction have, in fact, been filed, and all taxes, assessments, fees, and other governmental charges upon the Company or any Subsidiary or upon any of its Property, income or franchises, which are shown to be due and payable in such returns, have been paid, except such taxes, assessments, fees and governmental charges, if any, as are being contested in good faith and by appropriate proceedings which prevent enforcement of the matter under contest and as to which adequate reserves established in accordance with GAAP have been provided or where the failure to so file or pay would not cause a Material Adverse Effect. The Company does not know of any proposed additional tax assessment against it or its Subsidiaries for which adequate provisions in accordance with GAAP have not been made on their accounts. Adequate provisions in accordance with GAAP for taxes on the books of the Company and each Subsidiary have been made for all open years, and for its current fiscal period.

5.10 Title to Property; Leases.

The Company and its Subsidiaries have good and sufficient title to their respective Properties (other than Properties which are leased) that individually or in the aggregate are Material, including all such Properties reflected in the most recent audited balance sheet delivered pursuant to Section 7.1(b), or if no such balance sheet has been delivered, the most recent audited balance sheet referred to in Section 5.5 or purported to have been acquired by the Company or any Subsidiary after said date (except as sold or otherwise disposed of in the ordinary course of business), in each case free and clear of Liens prohibited by this Agreement.

5.11 Licenses, Permits, Etc.

(a) The Company and its Subsidiaries own, possess or have the right to use all licenses, permits, franchises, authorizations, patents, copyrights, proprietary software, service marks, trademarks and trade names, or rights thereto, that individually or in the aggregate are Material, without known conflict with the rights of others.

(b) To the best knowledge of the Company, no product of the Company or any of its Subsidiaries infringes in any material respect any license, permit, franchise,

authorization, patent, copyright, proprietary software, service mark, trademark, trade name or other right owned by any other Person.

(c) To the best knowledge of the Company, there is no Material violation by any Person of any right of the Company or any of its Subsidiaries with respect to any patent, copyright, proprietary software, service mark, trademark, trade name or other right owned or used by the Company or any of its Subsidiaries.

5.12 Compliance with ERISA.

(a) The Company, each Subsidiary and each ERISA Affiliate have operated and administered each Plan in compliance with all applicable laws except for such instances of noncompliance as have not resulted in and could not reasonably be expected to result in a Material Adverse Effect. None of the Company, any Subsidiary or any ERISA Affiliate has incurred any liability pursuant to Title I or IV of ERISA or the penalty or excise tax provisions of the Code relating to employee benefit plans (as defined in section 3 of ERISA), and no event, transaction or condition has occurred or exists that could reasonably be expected to result in the incurrence of any such liability by the Company, any Subsidiary or any ERISA Affiliate, or in the imposition of any Lien on any of the rights, properties or assets of the Company, any Subsidiary or any ERISA Affiliate, in either case pursuant to Title I or IV of ERISA or to such penalty or excise tax provisions or pursuant to section 430 or 436 of the Code or section 4068 of ERISA, other than such liabilities or Liens as would not be individually or in the aggregate Material.

(b) The present value of the aggregate benefit liabilities under each of the Plans (other than Multiemployer Plans), determined as of the end of such Plan's most recently ended plan year on the basis of the actuarial assumptions specified for funding purposes in such Plan's most recent actuarial valuation report, did not exceed the aggregate current value of the assets of such Plan allocable to such benefit liabilities. The term **"benefit liabilities"** has the meaning specified in section 4001 of ERISA and the terms **"current value"** and **"present value"** have the meaning specified in section 3 of ERISA. Following the effective date of the Pension Act, for any Plan which is subject to the Pension Funding Rules, the funding target attainment percentage, within the meaning of Section 303 of ERISA or Section 430 of the Code, for such Plan is not less than 100%.

(c) The Company, the Subsidiaries and its ERISA Affiliates have not incurred withdrawal liabilities (and are not subject to contingent withdrawal liabilities) under section 4201 or 4204 of ERISA in respect of Multiemployer Plans that individually or in the aggregate are Material.

(d) The expected postretirement benefit obligation (determined as of the last day of the Company's most recently ended Fiscal Year in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 715-60 (formerly known as Financial Accounting Standards Board Statement No. 106), without regard to liabilities attributable to continuation coverage mandated by section 4980B of the Code) of the Company and its Subsidiaries is not Material.

(e) The execution and delivery of this Agreement and the issuance and sale of the Notes hereunder will not involve any transaction that is subject to the prohibitions of section 406 of ERISA or in connection with which a tax could be imposed pursuant to section 4975(c)(1)(A)-(D) of the Code. The representation by the Company to each Purchaser in the first sentence of this Section 5.12(e) is made in reliance upon and subject to the accuracy of such Purchaser's representation in Section 6.2 as to the sources of the funds used to pay the purchase price of the Notes to be purchased by such Purchaser.

5.13 Private Offering.

Neither the Company nor anyone acting on its behalf has offered the Notes or any similar securities for sale to, or solicited any offer to buy any of the same from, or otherwise approached or negotiated in respect thereof with, any Person other than the Purchasers and other Institutional Investors (as defined in clause (c) to the definition of such term), each of which has been offered the Notes at a private sale for investment. Neither the Company nor anyone acting on its behalf has taken, or will take, any action that would constitute a general solicitation with respect to the issuance or sale of the Notes or that otherwise would subject the issuance or sale of the Notes to the registration requirements of Section 5 of the Securities Act or the registration requirements of any securities or blue sky laws of any applicable jurisdiction.

5.14 Use of Proceeds; Margin Regulations.

The Company will apply the proceeds of the sale of each Series of Shelf Notes in the manner described in the applicable Request for Purchase with respect to such Series of Shelf Notes. None of the proceeds of the sale of the Notes hereunder will be used, directly or indirectly, for the purpose of buying or carrying any margin stock within the meaning of Regulation U of the Board of Governors of the Federal Reserve System (12 CFR 221), or for the purpose of buying or carrying or trading in any securities under such circumstances as to involve the Company in a violation of Regulation X of said Board (12 CFR 224) or to involve any broker or dealer in a violation of Regulation T of said Board (12 CFR 220). Margin stock does not constitute more than 25% of the value of the consolidated assets of the Company and its Subsidiaries and the Company does not have any present intention that margin stock will constitute more than 25% of the value of such assets. As used in this Section, the terms “margin stock” and “purpose of buying or carrying” shall have the meanings assigned to them in said Regulation U.

5.15 Existing Indebtedness for Borrowed Money; Future Liens.

(a) Except as described therein, Schedule 5.15 sets forth a complete and correct list of all outstanding Indebtedness for Borrowed Money of the Company and its Subsidiaries as of December 31, 2014 (including a description of the obligors and obligees, principal amount outstanding and collateral therefor, if any, and Guaranties thereof, if any), since which date there has been no Material change in the amounts, interest rates, sinking funds, installment payments or maturities of the Indebtedness for Borrowed Money of the Company or any of its Subsidiaries.

(b) Neither the Company nor any Subsidiary has agreed or consented to cause or permit in the future (upon the happening of a contingency or otherwise) any of its Property, whether now owned or hereafter acquired, to be subject to a Lien not permitted by Section 10.1.

(c) As of the date hereof, neither the Company nor any Subsidiary is a party to, or otherwise subject to any provision contained in, any instrument evidencing Indebtedness for Borrowed Money of the Company or such Subsidiary, any agreement relating thereto or any other agreement (including, but not limited to, its charter or other organizational document) which limits the amount of, or otherwise imposes restrictions on the incurring of, Indebtedness for Borrowed Money of the Company or any Subsidiary, except as specifically indicated in Schedule 5.15.

5.16 Foreign Assets Control Regulations, Etc.

(a) Neither the Company nor any Controlled Entity is (i) a Person whose name appears on the list of Specially Designated Nationals and Blocked Persons published by the Office of Foreign Assets Control, United States Department of the Treasury (“**OFAC**”) (an “**OFAC Listed Person**”) (ii) an agent, department, or instrumentality of, or is otherwise beneficially owned by, controlled by or acting on behalf of, directly or indirectly, (x) any OFAC Listed Person or (y) any Person, entity, organization, foreign country or regime that is subject to any OFAC Sanctions Program, or (iii) otherwise blocked, subject to sanctions under or engaged in any activity in violation of other United States economic sanctions, including but not limited to, the Trading with the Enemy Act, the International Emergency Economic Powers Act, the Comprehensive Iran Sanctions, Accountability and Divestment Act (“**CISADA**”) or any similar law or regulation with respect to Iran or any other country, the Sudan Accountability and Divestment Act, any OFAC Sanctions Program, or any economic sanctions regulations administered and enforced by the United States or any enabling legislation or executive order relating to any of the foregoing (collectively, “**U.S. Economic Sanctions**”) (each OFAC Listed Person and each other Person, entity, organization and government of a country described in clause (i), clause (ii) or clause (iii), a “**Blocked Person**”). Neither the Company nor any Controlled Entity has been notified that its name appears or may in the future appear on a state list of Persons that engage in investment or other commercial activities in Iran or any other country that is subject to U.S. Economic Sanctions.

(b) No part of the proceeds from the sale of the Notes hereunder constitutes or will constitute funds obtained on behalf of any Blocked Person or will otherwise be used by the Company or any Controlled Entity, directly or indirectly, (i) in connection with any investment in, or any transactions or dealings with, any Blocked Person, or (ii) otherwise in violation of U.S. Economic Sanctions.

(c) Neither the Company nor any Controlled Entity (i) has been found in violation of, charged with, or convicted of, money laundering, drug trafficking, terrorist-related activities or other money laundering predicate crimes under the Currency and Foreign Transactions Reporting Act of 1970 (otherwise known as the Bank Secrecy Act), the USA PATRIOT Act or any other United States law or regulation governing such activities (collectively, “**Anti-Money Laundering Laws**”) or any U.S. Economic Sanctions violations, (ii) to the Company’s actual knowledge after making due inquiry, is under investigation by any

Governmental Authority for possible violation of Anti-Money Laundering Laws or any U.S. Economic Sanctions violations, (iii) has been assessed civil penalties under any Anti-Money Laundering Laws or any U.S. Economic Sanctions, or (iv) has had any of its funds seized or forfeited in an action under any Anti-Money Laundering Laws. The Company has established procedures and controls which it reasonably believes are adequate (and otherwise comply with applicable law) to ensure that the Company and each Controlled Entity is and will continue to be in compliance with all applicable current and future Anti-Money Laundering Laws and U.S. Economic Sanctions.

(d) (i) Neither the Company nor any Controlled Entity (1) has been charged with, or convicted of bribery or any other anti-corruption related activity under any applicable law or regulation in a United States of America or any non-United States of America country or jurisdiction, including but not limited to, the U.S. Foreign Corrupt Practices Act and the U.K. Bribery Act 2010 (collectively, “**Anti-Corruption Laws**”), (2) to the Company’s best knowledge, is under investigation by any United States of America or non-United States of America Governmental Authority for possible violation of Anti-Corruption Laws, (3) has been assessed civil or criminal penalties under any Anti-Corruption Laws, or (4) has been or is the target of sanctions imposed by the United Nations or the European Union.

(ii) To the Company’s best knowledge, neither the Company nor any Controlled Entity has, within the last five years, directly or indirectly offered, promised, given, paid or authorized the offer, promise, giving or payment of anything of value to a Governmental Official or a commercial counterparty for the purposes of: (1) influencing any act, decision or failure to act by such Government Official in his or her official capacity or such commercial counterparty; (2) inducing a Governmental Official to do or omit to do any act in violation of the Governmental Official’s lawful duty; or (3) inducing a Governmental Official or a commercial counterparty to use his or her influence with a government or instrumentality to affect any act or decision of such government or entity; in each case which is contrary to applicable law; and

(iii) No part of the proceeds from the sale of the Notes hereunder will be used, directly or indirectly, for any improper payments, including bribes, to any Governmental Official or commercial counterparty in order to obtain, retain or direct business or obtain any improper advantage. The Company has established procedures and controls which it reasonably believes are adequate (and otherwise comply with applicable law) to ensure that the Company and each Controlled Entity is and will continue to be in compliance with all applicable Anti-Corruption Laws.

5.17 Status under Certain Statutes.

Neither the Company nor any of its Subsidiaries is subject to regulation under the Investment Company Act of 1940, as amended, the Public Utility Holding Company Act of 2005, as amended, the ICC Termination Act of 1995, as amended, or the Federal Power Act, as amended.

5.18 Environmental Matters.

(a) Neither the Company nor any Subsidiary has actual knowledge of any claim or has received any notice of any claim, and no proceeding has been instituted raising any claim against the Company or any of its Subsidiaries or any of their respective real properties now or formerly owned, leased or operated by any of them or other assets, alleging any damage to the environment or violation of any Environmental Laws, except, in each case, such as could not reasonably be expected to result in a Material Adverse Effect.

(b) Neither the Company nor any Subsidiary has actual knowledge of any claim or has actual knowledge that any of its tenants has received any notice of any claim, and neither the Company nor any Subsidiary has actual knowledge that any proceeding has been instituted raising any claim against any tenant of the Company or its Subsidiaries with respect to their use of any real properties or other assets now or formerly owned, leased or operated by any of the Company or its Subsidiaries, alleging any damage to the environment or violation of any Environmental Laws, except, in each case, such as could not reasonably be expected to result in a Material Adverse Effect.

(c) Neither the Company nor any Subsidiary has actual knowledge of any facts which would give rise to any claim, public or private, of violation of Environmental Laws or damage to the environment emanating from, occurring on or in any way related to real properties now or formerly owned, leased or operated by any of them or to other assets or their use, except, in each case, such as could not reasonably be expected to result in a Material Adverse Effect.

(d) Neither the Company nor any Subsidiary has, and to the actual knowledge of the Company and its Subsidiaries none of its tenants has, stored any material quantities of Hazardous Materials on real properties now or formerly owned, leased or operated by any of the Company or its Subsidiaries; and neither the Company nor any Subsidiary has, and to the actual knowledge of the Company and its Subsidiaries none of its tenants or any other Person has, disposed of any Hazardous Materials in a manner contrary to any Environmental Laws in each case in any manner that could reasonably be expected to result in a Material Adverse Effect;

(e) To the actual knowledge of the Company and its Subsidiaries, the tenants of the Company and its Subsidiaries have obtained all governmental approvals required for the operation of the Properties under applicable Environmental Laws, except such as could not reasonably be expected to result in a Material Adverse Effect; and

(f) To the actual knowledge of the Company, all buildings on all real properties now owned, leased or operated by the Company or any Subsidiary are in compliance with applicable Environmental Laws, except where failure to comply could not reasonably be expected to result in a Material Adverse Effect.

5.19 Stock of the Company.

As of the date hereof, the entire outstanding capital stock of the Company consists of: (i) Series C Cumulative Convertible Preferred Stock, 2,000,000 shares outstanding; and (ii) Common Stock, 35,570,495 shares outstanding.

5.20 Condition of Property; Casualties; Condemnation.

To the actual knowledge of the Company or its Unencumbered Asset Subsidiaries, and except such as has not had, and could not reasonably be expected to have, a Material Adverse Effect, each Property owned by them (a) is in good repair, working order and condition, normal wear and tear excepted, (b) is free of structural defects, (c) is not subject to material deferred maintenance, and (d) has and will have all building systems contained therein in good repair, working order and condition, normal wear and tear excepted. To the actual knowledge of the Company or of any of its Subsidiaries, and except such as has not had, and could not reasonably be expected to have, a Material Adverse Effect, none of the Properties owned by them is currently affected as a result of any fire, explosion, earthquake, flood, drought, windstorm, accident, strike or other labor disturbance, embargo, requisition or taking of Property or cancellation of contracts, permits or concessions by a Governmental Authority, riot, activities of armed forces or acts of God or of any public enemy. No condemnation or other like proceedings that has had, or could reasonably be expected to result in, a Material Adverse Effect, are pending and served nor, to the actual knowledge of the Company or its Subsidiaries, threatened against any Property owned by it or any of its Subsidiaries in any manner whatsoever. No casualty has occurred to any such Property that could reasonably be expected to have a Material Adverse Effect.

5.21 Legal Requirements and Zoning.

To the actual knowledge of the Company and its Subsidiaries, the use and operation of each Property owned by the Company or its Subsidiaries constitutes a legal use under applicable zoning regulations (as the same may be modified by special use permits or the granting of variances) and complies in all material respects with all Legal Requirements, and does not violate in any material respect any material approvals, material restrictions of record or any material agreement affecting any such Property (or any portion thereof).

5.22 [Intentionally Omitted].

5.23 Solvency.

The Company and each of its Subsidiaries are solvent, able to pay their debts as they become due, and have sufficient capital to carry on their business as currently conducted.

5.24 Hostile Tender Offers.

None of the proceeds of the sale of any Notes will be used to finance a Hostile Acquisition.

6 REPRESENTATIONS OF THE PURCHASERS.

6.1 Purchase for Investment. Each Purchaser of any Series of Shelf Notes severally represents that it is purchasing such Notes for its own account or for one or more separate accounts maintained by such Purchaser or for the account of one or more pension or trust funds and not with a view to the distribution thereof, provided that the disposition of such Purchaser's or their property shall at all times be within such Purchaser's or their control. Each such Purchaser understands that such Notes have not been registered under the Securities Act and may

be resold only if registered pursuant to the provisions of the Securities Act or if an exemption from registration is available, except under circumstances where neither such registration nor such an exemption is required by law, and that the Company is not required to register such Notes.

6.2 Source of Funds.

Each Purchaser of any Series of Shelf Notes severally represents that at least one of the following statements is an accurate representation as to each source of funds (a “**Source**”) to be used by such Purchaser to pay the purchase price of such Notes to be purchased by such Purchaser hereunder:

(a) the Source is an “insurance company general account” (as the term is defined in the United States Department of Labor’s Prohibited Transaction Exemption (“**PTE**”) 95-60) in respect of which the reserves and liabilities (as defined by the annual statement for life insurance companies approved by the National Association of Insurance Commissioners (the “**NAIC Annual Statement**”)) for the general account contract(s) held by or on behalf of any employee benefit plan together with the amount of the reserves and liabilities for the general account contract(s) held by or on behalf of any other employee benefit plans maintained by the same employer (or affiliate thereof as defined in PTE 95-60) or by the same employee organization in the general account do not exceed 10% of the total reserves and liabilities of the general account (exclusive of separate account liabilities) plus surplus as set forth in the NAIC Annual Statement filed with such Purchaser’s state of domicile; or

(b) the Source is a separate account that is maintained solely in connection with such Purchaser’s fixed contractual obligations under which the amounts payable, or credited, to any employee benefit plan (or its related trust) that has any interest in such separate account (or to any participant or beneficiary of such plan (including any annuitant)) are not affected in any manner by the investment performance of the separate account; or

(c) the Source is either (i) an insurance company pooled separate account, within the meaning of PTE 90-1, or (ii) a bank collective investment fund, within the meaning of the PTE 91-38 and, except as disclosed by such Purchaser to the Company in writing pursuant to this clause (c), no employee benefit plan or group of plans maintained by the same employer or employee organization beneficially owns more than 10% of all assets allocated to such pooled separate account or collective investment fund; or

(d) the Source constitutes assets of an “investment fund” (within the meaning of Part VI of PTE 84-14 (the “**QPAM Exemption**”)) managed by a “qualified professional asset manager” or “QPAM” (within the meaning of Part VI of the QPAM Exemption), no employee benefit plan’s assets that are managed by the QPAM in such investment fund, when combined with the assets of all other employee benefit plans established or maintained by the same employer or by an affiliate (within the meaning of Section VI(c)(1) of the QPAM Exemption) of such employer or by the same employee organization and managed by such QPAM, represent more than 20% of the total client assets managed by such QPAM, the conditions of Part I(c) and (g) of the QPAM Exemption are satisfied, neither the QPAM nor a person controlling or controlled by the QPAM maintains an ownership interest in the Company that would cause the

QPAM and the Company to be “related” within the meaning of Part VI(h) of the QPAM Exemption and (i) the identity of such QPAM, and (ii) the names of any employee benefit plans whose assets in the investment fund, when combined with the assets of all other employee benefit plans established or maintained by the same employer or by an affiliate (within the meaning of Part VI(c)(1) of the QPAM Exemption) of such employer or by the same employee organization, represent 10% or more of the assets of such investment fund, have been disclosed to the Company in writing pursuant to this clause (d); or

(e) the Source constitutes assets of a “plan(s)” (within the meaning of Part IV(h) of PTE 96-23 (the “**INHAM Exemption**”)) managed by an “in-house asset manager” or “INHAM” (within the meaning of Part IV(a) of the INHAM Exemption), the conditions of Part I(a), (g) and (h) of the INHAM Exemption are satisfied, neither the INHAM nor a person controlling or controlled by the INHAM (applying the definition of “control” in Part IV(d)(3) of the INHAM Exemption) owns a 10% or more interest in the Company and (i) the identity of such INHAM, and (ii) the name(s) of the employee benefit plan(s) whose assets constitute the Source have been disclosed to the Company in writing pursuant to this clause (e); or

(f) the Source is a governmental plan; or

(g) the Source is one or more employee benefit plans, or a separate account or trust fund comprised of one or more employee benefit plans, each of which has been identified to the Company in writing pursuant to this clause (g); or

(h) the Source does not include assets of any employee benefit plan, other than a plan exempt from the coverage of ERISA.

As used in this Section 6.2, the terms “employee benefit plan”, “governmental plan”, and “separate account” shall have the respective meanings assigned to such terms in Section 3 of ERISA.

7 INFORMATION AS TO THE COMPANY.

The Company covenants that during the Issuance Period and so long thereafter as any Notes remain outstanding or any amounts owing under the Transaction Documents remain unpaid:

7.1 Financial and Business Information. The Company shall deliver to each holder of Notes that is an Institutional Investor:

(a) Quarterly Statements — as soon as available, and in any event within 45 days after the close of each of the first three (3) Fiscal Quarters of each Fiscal Year of the Company a copy of the consolidated balance sheet of the Company and its Subsidiaries as of the last day of such Fiscal Quarter and the consolidated statements of income and cash flows of the Company and its Subsidiaries for such quarter and for the fiscal year-to-date period then ended, each in reasonable detail showing in comparative form the figures for the corresponding date and period in the previous Fiscal Year, prepared by the Company in accordance with GAAP and certified to by its chief financial officer or another officer of the Company acceptable to the Required Holders (the filing within the time period specified above of the Company’s Form 10-Q for such Fiscal Quarter on the EDGAR system shall satisfy this requirement);

(b) Annual Statements — as soon as available, and in any event within 90 days after the end of each Fiscal Year of the Company, duplicate copies of

- (i) a consolidated balance sheet of the Company and its Subsidiaries as at the end of such year, and
- (ii) consolidated statements of income, changes in stockholders' equity and cash flows of the Company and its Subsidiaries for such year,

setting forth in each case in comparative form the figures for the previous Fiscal Year, all in reasonable detail, prepared in accordance with GAAP, and accompanied by an opinion thereon of independent public accountants of recognized national standing, which opinion shall state that such financial statements present fairly, in all material respects, the financial position of the companies being reported upon and their results of operations and cash flows and have been prepared in conformity with GAAP, and that the examination of such accountants in connection with such financial statements has been made in accordance with generally accepted auditing standards, and that such audit provides a reasonable basis for such opinion in the circumstances,

provided that the filing within the time period specified above of the Company's Form 10-K for such Fiscal Year (together with the Company's annual report to shareholders, if any, prepared pursuant to Rule 14a-3 under the Exchange Act, provided that such annual report need not be filed until required to be filed pursuant to SEC requirements) prepared in accordance with the requirements therefor and filed with the SEC shall be deemed to satisfy the requirements of this Section 7.1(b);

(c) [Intentionally Omitted];

(d) Annual List of Subsidiaries. As soon as available, and in any event within 90 days after the close of each Fiscal Year of the Company, a complete and correct list that identifies as of the close of such Fiscal Year each of the Subsidiaries of the Company, showing, as to each such Subsidiary, whether such Subsidiary is an Unencumbered Asset Subsidiary, the correct name thereof, the jurisdiction of its organization, the percentage of shares of each class of its capital stock or similar equity interests outstanding owned by the Company and the other Subsidiaries and, if such percentage is not 100% (excluding directors' qualifying shares as required by law), a description of each class of its authorized capital stock and other equity interests and the number of shares or units of each class issued and outstanding;

(e) Annual Projections — as soon as available, and in any event within 90 days after the last day of each Fiscal Year of the Company, a copy of the Company's consolidated projections for the then current Fiscal Year of revenues, expenses and balance sheet on a quarter-by-quarter basis, with such projections in reasonable detail prepared by the Company and in form satisfactory to the Required Holders (which shall include a summary of all significant assumptions made in preparing such business plan);

(f) SEC and Other Reports — promptly upon their becoming available, (i) one copy of each financial statement, report or notice sent by the Company or any Subsidiary to its principal lending banks as a whole (excluding any information sent to such banks in the ordinary course of administration of a bank facility, such as information relating to pricing and

borrowing availability), and (ii) each report on Form 8-K (or any similar successor form) and all amendments thereto (which documents may be delivered by email) filed by the Company or any Subsidiary with the SEC;

(g) Notice of Default or Event of Default — promptly, and in any event within five days after a Responsible Officer becoming aware of the existence of any Default or Event of Default or that any Person has given any notice or taken any action with respect to a claimed default hereunder or that any Person has given any notice or taken any action with respect to a claimed default of the type referred to in Section 11(f), a written notice specifying the nature and period of existence thereof and what action the Company is taking or proposes to take with respect thereto;

(h) Notices from Governmental Authority — promptly, and in any event within 30 days of receipt thereof, copies of any notice to the Company or any Subsidiary from any federal or state Governmental Authority relating to any order, ruling, statute or other law or regulation that could reasonably be expected to have a Material Adverse Effect;

(i) Other Notices — promptly after knowledge thereof shall have come to the attention of any Responsible Officer of the Company, written notice of any threatened or pending litigation or governmental or arbitration proceeding or labor controversy against the Company or any Subsidiary or any of their Property which, if adversely determined, could reasonably be expected to have a Material Adverse Effect;

(j) ERISA Matters — promptly, and in any event within five days after a Responsible Officer becoming aware of any of the following, a written notice setting forth the nature thereof and the action, if any, that the Company or an ERISA Affiliate proposes to take with respect thereto:

(i) with respect to any Plan, any reportable event, as defined in section 4043(c) of ERISA and the regulations thereunder, for which notice thereof has not been waived pursuant to such regulations as in effect on the date hereof; or

(ii) the taking by the PBGC of steps to institute, or the threatening by the PBGC of the institution of, proceedings under section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Plan, or the receipt by the Company or any ERISA Affiliate of a notice from a Multi-employer Plan that such action has been taken by the PBGC with respect to such Multi-employer Plan; or

(iii) any event, transaction or condition that could result in the incurrence of any liability by the Company or any ERISA Affiliate pursuant to Title I or IV of ERISA or the penalty or excise tax provisions of the Code relating to employee benefit plans, or in the imposition of any Lien on any of the rights, properties or assets of the Company or any ERISA Affiliate pursuant to Title I or IV of ERISA or such penalty or excise tax provisions, if such liability or Lien, taken together with any other such liabilities or Liens then existing, could reasonably be expected to have a Material Adverse Effect; and

(k) Requested Information — with reasonable promptness, such other data and information relating to the business, operations, affairs, financial condition, assets or properties of the Company or any of its Subsidiaries or relating to the ability of the Company to perform its obligations hereunder and under the Notes as from time to time may be reasonably requested by any such holder of Notes.

7.2 Officer's Certificate. Each set of financial statements delivered to a holder of Notes pursuant to Section 7.1(a) or Section 7.1(b) shall be accompanied by a certificate of a Senior Financial Officer, substantially in the form of Exhibit E attached hereto, setting forth:

(a) Covenant Compliance — (x) the information (including detailed calculations) required in order to establish whether the Company was in compliance with the requirements of Section 10.2, Section 10.3, Section 10.9 and the requirements of any additional Financial Covenants incorporated herein pursuant to Section 10.10 during the quarterly or annual period covered by the statements then being furnished (including with respect to each such Section, where applicable, (i) the calculations of the maximum or minimum amount, ratio or percentage, as the case may be, permissible under the terms of such Sections, and the calculation of the amount, ratio or percentage then in existence, and (ii) a reconciliation from GAAP, as reflected in the statements then being furnished, to the calculation of the financial covenants in Section 10.2, Section 10.3, Section 10.9 and any additional Financial Covenants incorporated herein pursuant to Section 10.10, after giving effect to the exclusion from GAAP of the effects of Accounting Standards Codification 825-10-25 (previously referred to as SFAS 159) or any successor or similar provision to the extent it relates to "fair value" accounting for liabilities), and (y) a listing of the Unencumbered Assets and Qualified Mortgage Loans as of the end of the quarterly or annual period covered by the statements then being furnished; and

(b) Event of Default — a statement that such Senior Financial Officer has reviewed the relevant terms hereof and has made, or caused to be made, under his or her supervision, a review of the transactions and conditions of the Company and its Subsidiaries from the beginning of the quarterly or annual period covered by the statements then being furnished to the date of the certificate and that such review shall not have disclosed the existence during such period of any condition or event that constitutes a Default or an Event of Default or, if any such condition or event existed or exists (including, without limitation, any such event or condition resulting from the failure of the Company or any Subsidiary to comply with any Environmental Law), specifying the nature and period of existence thereof and what action the Company shall have taken or proposes to take with respect thereto.

7.3 Visitation. The Company shall permit the representatives of each holder of Notes that is an Institutional Investor:

(a) No Default — if no Default or Event of Default then exists, at the expense of such holder and upon reasonable prior notice to the Company, to visit the principal executive office of the Company, to discuss the affairs, finances and accounts of the Company and its Subsidiaries with the Company's officers, and (with the consent of the Company, which consent will not be unreasonably withheld) its independent public accountants, and (with the consent of the Company, which consent will not be unreasonably withheld) to visit the other offices and

properties of the Company and each Subsidiary, all at such reasonable times and as often as may be reasonably requested in writing; and

(b) **Default** — if a Default or Event of Default then exists, at the expense of the Company to visit and inspect any of the offices or properties of the Company or any Subsidiary, to examine all their respective books of account, records, reports and other papers, to make copies and extracts therefrom, and to discuss their respective affairs, finances and accounts with their respective officers and independent public accountants (and by this provision the Company authorizes said accountants to discuss the affairs, finances and accounts of the Company and its Subsidiaries), all at such times and as often as may be requested.

8 PREPAYMENT OF THE NOTES.

8.1 Required Prepayments.

Each Shelf Note shall be subject to required prepayments, if any, set forth therein; provided that upon any partial prepayment of any such Series of Notes pursuant to Section 8.2, the principal amount of each required prepayment of such Note becoming due on and after the date of such partial prepayment shall be reduced in the same proportion as the aggregate principal amount of such Note is reduced as a result of such prepayment.

8.2 Optional Prepayments with Make-Whole Amount.

The Company may, at its option, upon notice as provided below, prepay at any time all, or from time to time any part of, the Notes of any Series (to the exclusion of all other Series), in an amount not less than \$1,000,000 (and increments of \$100,000 in excess thereof) of the aggregate principal amount of the Notes of such Series then outstanding in the case of a partial prepayment, or such lesser principal amount of the Notes of such Series as shall then be outstanding, at 100% of the principal amount so prepaid, plus interest thereon to the prepayment date and the Make-Whole Amount determined for the prepayment date with respect to such principal amount. The Company will give each holder of Notes of such Series written notice of each optional prepayment under this Section 8.2 not less than 5 Business Days and not more than 60 days prior to the date (which shall be a Business Day) fixed for such prepayment. Each such notice shall specify such date, the Series of Notes to be prepaid, the aggregate principal amount of such Notes to be prepaid on such date, the principal amount of each Note of such Series held by the registered holder to be prepaid (determined in accordance with Section 8.3), and the interest to be paid on the prepayment date with respect to such principal amount being prepaid, and shall be accompanied by a certificate of a Senior Financial Officer as to the estimated Make-Whole Amount due in connection with such prepayment (calculated as if the date of such notice were the date of the prepayment), setting forth the details of such computation. Two Business Days prior to such prepayment, the Company shall deliver to each holder of Notes a certificate of a Senior Financial Officer specifying the calculation of such Make-Whole Amount as of the specified prepayment date.

8.3 Allocation of Partial Prepayments.

In the case of each partial prepayment of the Notes of a Series under Section 8.1 or Section 8.2, the principal amount prepaid shall be allocated among the Notes of such Series at the time

outstanding in proportion, as nearly as practicable, to the respective unpaid principal amounts thereof not theretofore prepaid.

8.4 Maturity; Surrender, Etc.

In the case of each prepayment of Notes pursuant to this Section 8, the principal amount of each Note to be prepaid shall mature and become due and payable on the date fixed for such prepayment (which shall be a Business Day), together with interest on such principal amount accrued to such date and the applicable Make-Whole Amount, if any. From and after such date, unless the Company shall fail to pay such principal amount when so due and payable, together with the interest and Make-Whole Amount, if any, as aforesaid, interest on such principal amount shall cease to accrue. Any Note paid or prepaid in full shall be surrendered to the Company and cancelled and shall not be reissued, and no Note shall be issued in lieu of any prepaid principal amount of any Note.

8.5 Purchase of Notes.

The Company will not, and will not permit any Affiliate to, purchase, redeem, prepay or otherwise acquire, directly or indirectly, any of the outstanding Notes of any Series except (i) upon the payment or prepayment of the Notes of such Series in accordance with the terms of this Agreement and the Notes of such Series, or (ii) pursuant to a written offer to purchase any outstanding Notes of such Series made by the Company or an Affiliate pro rata to the holders of all Notes of such Series at the time outstanding upon the same terms and conditions. The Company will promptly cancel all Notes acquired by it or any Affiliate pursuant to any payment, prepayment or purchase of Notes pursuant to any provision of this Agreement, and no Notes may be issued in substitution or exchange for any such Notes.

8.6 Make-Whole Amount.

The term “**Make-Whole Amount**” means, with respect to any Note, an amount equal to the excess, if any, of the Discounted Value of the Remaining Scheduled Payments with respect to the Called Principal of such Note over the amount of such Called Principal; provided that the Make-Whole Amount may in no event be less than zero. For the purposes of determining the Make-Whole Amount, the following terms have the following meanings:

“**Called Principal**” means, with respect to any Note, the principal of such Note that is to be prepaid pursuant to Section 8.2 or has become or is declared to be immediately due and payable pursuant to Section 12.1, as the context requires.

“**Discounted Value**” means, with respect to the Called Principal of any Note, the amount obtained by discounting all Remaining Scheduled Payments with respect to such Called Principal from their respective scheduled due dates to the Settlement Date with respect to such Called Principal, in accordance with accepted financial practice and at a discount factor (applied on the same periodic basis as that on which interest on the Notes is payable) equal to the Reinvestment Yield with respect to such Called Principal.

“**Reinvestment Yield**” means, with respect to the Called Principal of any Note, 0.50% over the yield to maturity implied by (i) the ask side yields reported, as of 10:00 a.m. (New York

City local time) on the Business Day next preceding the Settlement Date with respect to such Called Principal, for actively traded United States treasury securities having a maturity equal to the Remaining Average Life of such Called Principal as of such Settlement Date on the display designated as “Page PX1” on Bloomberg Financial Markets (“**Bloomberg**”) (or, if Bloomberg shall cease to report such yields on Page PX1 or shall cease to be AIG’s customary source of information for calculating make-whole amounts on privately placed notes, then such source as is then AIG’s customary source of such information), or if such yields shall not be reported as of such time or the yields reported as of such time shall not be ascertainable, (ii) the Treasury Constant Maturity Series yields reported, for the latest day for which such yields shall have been so reported as of the second Business Day next preceding the Settlement Date with respect to such Called Principal, in Federal Reserve Statistical Release H.15 (519) (or any comparable successor publication) for actively traded United States treasury securities having a constant maturity equal to the Remaining Average Life of such Called Principal as of such Settlement Date. Such implied yield shall be determined, if necessary, by (a) converting United States treasury bill quotations to bond-equivalent yields in accordance with accepted financial practice, and (b) interpolating linearly between (1) the actively traded United States treasury security with the maturity closest to and greater than the Remaining Average Life of such Called Principal, and (2) the actively traded United States treasury security with the maturity closest to and less than the Remaining Average Life of such Called Principal. The Reinvestment Yield shall be rounded to the number of decimal places as appears in the interest rate of the applicable Note.

“**Remaining Average Life**” means, with respect to any Called Principal, the number of years (calculated to the nearest one-twelfth year) obtained by dividing (i) such Called Principal into (ii) the sum of the products obtained by multiplying (a) the principal component of each Remaining Scheduled Payment with respect to such Called Principal by (b) the number of years (calculated to the nearest one-twelfth year) that will elapse between the Settlement Date with respect to such Called Principal and the scheduled due date of such Remaining Scheduled Payment.

“**Remaining Scheduled Payments**” means, with respect to the Called Principal of any Note, all payments of such Called Principal and interest thereon that would be due after the Settlement Date with respect to such Called Principal if no payment of such Called Principal were made prior to its scheduled due date; provided that if such Settlement Date is not a date on which interest payments are due to be made under the terms of the Notes, then the amount of the next succeeding scheduled interest payment will be reduced by the amount of interest accrued to such Settlement Date and required to be paid on such Settlement Date pursuant to Section 8.2 or Section 12.1.

“**Settlement Date**” means, with respect to the Called Principal of any Note, the date on which such Called Principal is to be prepaid pursuant to Section 8.2, or has become or is declared to be immediately due and payable pursuant to Section 12.1, as the context requires.

9 AFFIRMATIVE COVENANTS

The Company covenants that during the Issuance Period and for so long thereafter as any of the Notes are outstanding or any amounts owing under the Transaction Documents remain unpaid:

9.1 Compliance with Laws and Contractual Obligations. (a) Without limiting Section 10.12, the Company will, and will cause each of its Subsidiaries to, comply with (i) all laws, ordinances or governmental rules or regulations to which each of them is subject, including, without limitation, ERISA, the USA PATRIOT Act, Environmental Laws, and the other laws and regulations that are referenced in Section 5.16, and will obtain and maintain in effect all licenses, certificates, permits, franchises and other governmental authorizations necessary to the ownership of their respective Properties or to the conduct of their respective businesses and (ii) all contractual obligations, in each case to the extent necessary to ensure that non-compliance with such laws, ordinances or governmental rules or regulations or failures to obtain or maintain in effect such licenses, certificates, permits, franchises and other governmental authorizations or non-compliance with such contractual obligations could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(b) Without limiting the agreements set forth in Section 9.1(a) above, for each of its owned Properties, respectively, the Company will, and will cause each of its Subsidiaries to, require that each tenant and subtenant, if any, of any of the Properties or any part thereof, at all times, do the following to the extent the failure to do so, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect: (i) comply in all material respects with all applicable Environmental Laws; (ii) obtain and maintain in full force and effect all material governmental approvals required by any applicable Environmental Law for operations at each of the Properties; (iii) cause to be cured any material violation by it or at any of the Properties of applicable Environmental Laws; (iv) not allow the presence or operation at any of the Properties of any (1) landfill or dump or (2) hazardous waste management facility or solid waste disposal facility as defined pursuant to RCRA or any comparable state law; (v) not manufacture, use, generate, transport, treat, store, release, dispose or handle any Hazardous Material at any of the Properties except in the ordinary course of its business and in de minimis amounts; (vi) within ten (10) Business Days notify the holders of Notes in writing of, and provide any reasonably requested documents upon learning of, any of the following in connection with the Company or any Subsidiary or any of the Properties: (1) any material liability for response or corrective action, natural resource damage or other harm pursuant to CERCLA, RCRA or any comparable state law, (2) any material Environmental Claim, (3) any material violation of an Environmental Law or material Release, threatened Release or disposal of a Hazardous Material, (4) any restriction on the ownership, occupancy, use or transferability arising pursuant to any (x) Release, threatened Release or disposal of a Hazardous Material or (y) Environmental Law, or (5) any environmental, natural resource, health or safety condition, which could reasonably be expected to have a Material Adverse Effect; (vii) conduct at its expense any investigation, study, sampling, testing, abatement, cleanup, removal, remediation or other response action necessary to remove, remediate, clean up or abate any material Release, threatened Release or disposal of a Hazardous Material as required by any applicable Environmental Law; (viii) abide by and observe any restrictions on the use of the Properties imposed by any Governmental Authority as set forth in a deed or other instrument affecting the Company's or any Subsidiary's interest therein; (ix) promptly provide or otherwise make available to the holders of Notes any reasonably requested environmental record concerning the Properties which the Company or any Subsidiary possesses or can reasonably obtain; and (x) perform, satisfy, and implement any operation or maintenance actions required by any Governmental Authority or Environmental Law, or included in any no further action letter or covenant not to sue issued by any Governmental Authority under any Environmental Law.

9.2 Insurance. The Company will, and will cause each of its Subsidiaries to, maintain and cause their respective tenants to maintain, with financially sound and reputable insurers, insurance with respect to their respective properties and businesses against such casualties and contingencies, of such types, on such terms and in such amounts (including deductibles, co-insurance and self-insurance, if adequate reserves are maintained with respect thereto) as is customary in the case of entities of established reputations engaged in the same or a similar business, similarly situated, and operating like Properties. The Company shall, upon the request of the Required Holders, furnish to the holders of Notes certificates of insurance setting forth in summary form the nature and extent of the insurance maintained on the Properties.

9.3 Maintenance of Properties. The Company will, and will cause each of its Subsidiaries to, maintain and keep, or cause to be maintained and kept (including, without limitation, by their respective tenants), their respective Properties in good repair, working order and condition (other than ordinary wear and tear), so that the business carried on in connection therewith may be properly conducted at all times, provided that this Section shall not prevent the Company or any Subsidiary from discontinuing the operation and the maintenance of any of its Properties if such discontinuance is desirable in the conduct of its business and the Company has concluded that such discontinuance could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

9.4 Payment of Taxes and Claims. The Company will cause each of its tenants to duly pay and discharge, all taxes, rates, assessments, fees, and governmental charges upon or against it or its Property relating to such Property, that individually or collectively would materially impair the value of such Property, and in each case before the same become delinquent and before penalties accrue thereon, unless and to the extent that the same are being contested in good faith and by appropriate proceedings which prevent enforcement of the matter under contest and adequate reserves are provided therefor.

The Company will, and will cause each of its Subsidiaries to, file all tax returns required to be filed in any jurisdiction and to pay and discharge all taxes shown to be due and payable on such returns and all other taxes, assessments, governmental charges, or levies imposed on them or any of their Properties, assets, income or franchises, to the extent the same have become due and payable and before they have become delinquent and all claims for which sums have become due and payable that have or might become a Lien on Properties or assets of the Company or any Subsidiary, provided that neither the Company nor any Subsidiary need pay any such tax, assessment, charge, levy or claim if (i) the amount, applicability or validity thereof is contested by the Company or such Subsidiary on a timely basis in good faith and in appropriate proceedings, and the Company or a Subsidiary has established adequate reserves therefor in accordance with GAAP on the books of the Company or such Subsidiary, or (ii) the nonpayment of all such taxes, assessments, charges, levies and claims in the aggregate could not reasonably be expected to have a Material Adverse Effect.

9.5 Maintenance of Existence, Etc. Subject to Section 10.3, the Company will at all times preserve and keep in full force and effect its corporate or similar existence and the corporate or similar existence of each of its Subsidiaries (unless merged into the Company or a Wholly-Owned Subsidiary) and all rights and franchises of the Company and its Subsidiaries unless, in the good faith judgment of the Company, the termination of or failure to preserve and

keep in full force and effect such corporate existence, right or franchise could not, individually or in the aggregate, have a Material Adverse Effect.

9.6 Books and Records. The Company will, and will cause each of its Subsidiaries to, maintain proper books of record and account in conformity with GAAP and all applicable requirements of any Governmental Authority having legal or regulatory jurisdiction over the Company or such Subsidiary, as the case may be.

9.7 Maintenance of REIT Status. The Company will, at all times, conduct its affairs and the affairs of its Subsidiaries in a manner so as to continue to qualify as a REIT and elect to be treated as a REIT under all applicable laws, rules and regulations.

9.8 Listing of Common Stock; Filing of Reports. The Company will (i) at all times cause its common stock to be duly listed on the New York Stock Exchange, the American Stock Exchange or the National Association of Securities Dealers Automated Quotation or other national stock exchange, and (ii) timely file all reports required to be filed by it with the New York Stock Exchange, the American Stock Exchange or the National Association of Securities Dealers Automated Quotation and the Securities and Exchange Commission.

9.9 Limitations on Guaranties of Indebtedness. Concurrent with (i) any Subsidiary issuing Unsecured Debt or becoming a guarantor or other obligor with respect to Unsecured Debt, or (ii) any Secured Debt becoming Unsecured Debt, the Company shall cause each Subsidiary described in clause (i) and each Subsidiary which is the issuer or a guarantor or other obligor with respect to Unsecured Debt described in clause (ii) (if the applicable Subsidiary is not then a guarantor or other obligor of the Notes) to execute and deliver to the holders of the Notes a guaranty of the obligations evidenced by the Notes (which, for the avoidance of doubt, shall include any Notes issued by the Company after the date on which such guaranty is initially provided), together with such other instruments, documents, certificates and opinions reasonably required by the Required Holders in connection therewith, each of the foregoing being in form and substance customary and appropriate for financings of this type.

9.10 Information Required by Rule 144A. Upon the request of the holder of any Note, the Company will promptly provide to such holder, and to any Qualified Institutional Buyer designated by such holder, such financial and other information as such holder may reasonably determine to be necessary in order to permit compliance with the information requirements of Rule 144A under the Securities Act in connection with the resale of Notes, except at such times as the Company is subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act.

10 NEGATIVE COVENANTS.

The Company covenants that, during the Issuance Period and for so long thereafter as any of the Notes are outstanding or any amounts owing under the Transaction Documents remain unpaid:

10.1 Liens, Etc. The Company will not, nor shall it permit any Subsidiary to, create, incur or permit to exist any Lien of any kind on any Property owned by any such Person; provided, however, that the foregoing shall not apply to nor operate to prevent any Permitted Liens. Without limitation of the immediately preceding sentence, the Company will not permit

any Principal Credit Facility (including the Credit Agreement, the Prudential Note Agreement and any Other Note Agreement) to be secured by any consensual Lien unless the Notes are simultaneously secured pursuant to terms and provisions, including an intercreditor agreement, satisfactory to the Required Holders.

10.2 Investments, Acquisitions, Loans and Advances. The Company will not, nor will it permit any Subsidiary to, (i) directly or indirectly, make, retain or have outstanding any investments (whether through the purchase of stock or obligations or otherwise) in any Person, real property or improvement on real property, or any loans, advances, lines of credit, mortgage loans or other financings (including pursuant to sale/leaseback transactions) to any other Person, or (ii) acquire any real property, improvements on real property or all or any substantial part of the assets or business of any other Person or division thereof; provided, however, that the foregoing shall not apply to nor operate to prevent:

(a) investments in direct obligations of the United States of America or any agency or instrumentality thereof whose obligations constitute full faith and credit obligations of the United States of America, provided that any such obligations shall mature within one year of the date of issuance thereof;

(b) investments in commercial paper rated at least P-1 by Moody's and at least A-1 by S&P maturing within one year of the date of issuance thereof;

(c) investments in certificates of deposit issued by any Lender (as defined in the Credit Agreement) or by any United States commercial bank having capital and surplus of not less than \$100,000,000 which have a maturity of one year or less;

(d) investments in repurchase obligations with a term of not more than seven (7) days for underlying securities of the types described in subsection (a) above entered into with any bank meeting the qualifications specified in subsection (c) above, provided all such agreements require physical delivery of the securities securing such repurchase agreement, except those delivered through the Federal Reserve Book Entry System;

(e) investments in money market funds that invest solely, and which are restricted by their respective charters to invest solely, in investments of the type described in the immediately preceding subsections (a), (b), (c), and (d) above;

(f) the Company's investments from time to time in its Subsidiaries, and investments made from time to time by a Subsidiary in one or more of its Subsidiaries;

(g) intercompany loans or advances made from time to time among the Company and its Subsidiaries for general company purposes;

(h) investments in Permitted Acquisitions, other than those described in clauses (j), (k) or (l) below;

(i) investments held by the Company and its Subsidiaries as of the date hereof and disclosed in Schedule 10.2;

(j) investments in joint ventures which are Permitted Acquisitions and are in an amount not to exceed in the aggregate at any one time outstanding 15% of the Total Asset Value of the Company and its Subsidiaries at such time;

(k) investments in Assets Under Development which are Permitted Acquisitions and are in an amount not to exceed in the aggregate at any one time outstanding 20% of the Total Asset Value of the Company and its Subsidiaries at such time;

(l) investments in Redevelopment Assets which are Permitted Acquisitions and are in an amount not to exceed in the aggregate at any one time outstanding 20% of the Total Asset Value of the Company and its Subsidiaries at such time;

(m) investments received in connection with a workout of any obligation owed to the Company or its Subsidiaries; and

(n) investments other than those otherwise permitted under this Section in an amount not to exceed in the aggregate at any one time outstanding 15% of the Total Asset Value of the Company and its Subsidiaries at such time.

Investments made after the date hereof of the type described in Sections (j), (k), (l) and (n) shall at no time exceed in the aggregate at any one time outstanding 30% of the Total Asset Value of the Company and its Subsidiaries at such time. In determining the amount of investments, acquisitions, loans, and advances permitted under this Section, investments and acquisitions shall always be taken at the original cost thereof (regardless of any subsequent appreciation or depreciation therein), and loans and advances shall be taken at the principal amount thereof then remaining unpaid.

10.3 Mergers, Consolidations and Sales. The Company will not merge or consolidate with or into, or convey, transfer or otherwise dispose of (whether in one transaction or a series of transactions) any of its Property (whether now owned or hereafter acquired) to, or acquire all or substantially all of the assets of, any Person, or permit any Subsidiary to do so; provided, however, that the Company may merge or consolidate with another Person, including a Subsidiary, if (A) the Company is the surviving corporation, (B) the Company will be in pro forma compliance with all provisions of this Agreement upon and after such merger or consolidation, and (C) the Company will not engage in any material line of business substantially different from that engaged in on the date hereof and; provided further, that so long as no Default or Event of Default exists this Section shall not apply to nor operate to prevent:

(a) the sale, transfer or other disposition of Property of the Company and its Subsidiaries to one another in the ordinary course of its business;

(b) the merger of any Subsidiary with and into the Company or any other Subsidiary, provided that, in the case of any merger involving the Company, the Company is the corporation surviving the merger;

(c) the sale, transfer or other disposition of (i) any tangible personal property that, in the reasonable business judgment of the Company or its Subsidiary, has become obsolete

or worn out, and which is disposed of in the ordinary course of business, or (ii) for the avoidance of doubt, capital stock of the Company held by the Company as treasury stock; and

(d) the sale, transfer or other disposition of Property of the Company or any Subsidiary (including any disposition of Property as part of a sale and leaseback transaction); provided, that if the Gross Book Value of such sale, transfer or disposition during any Fiscal Quarter exceeds \$10,000,000 and together with any other sales, transfers or dispositions made during such Fiscal Quarter in the aggregate exceed an amount equal to \$100,000,000, then for such sales, transfers or dispositions, the Company shall provide to the holders of Notes covenant calculations for the covenants contained in Section 10.9, showing that, after giving effect to such sales, transfers or dispositions, the Company shall be in pro forma compliance with such covenants for the Fiscal Quarter then most recently ended for which financial statements have been provided hereunder.

10.4 No Burdensome Contracts With Affiliates. The Company shall not, nor shall it permit any Subsidiary to, enter into any contract, agreement or business arrangement with any of its Affiliates (other than with Wholly-owned Subsidiaries) on terms and conditions which are less favorable to the Company or such Subsidiary than would be usual and customary in similar contracts, agreements or business arrangements between Persons not affiliated with each other.

10.5 No Changes in Fiscal Year. The Fiscal Year of the Company ends on December 31st of each year; and the Company shall not change its Fiscal Year from its present basis.

10.6 Change in the Nature of Business. The Company will not, nor shall it permit any Subsidiary to, engage in any business or activity if as a result the general nature of the business of the Company and its Subsidiaries would be changed in any material respect from the general nature of the business engaged in by it as of the date hereof. As of the date hereof, the general nature of the business of the Company and its Subsidiaries is primarily the business of the acquisition, financing and ownership of Senior Housing Assets and other business activities incidental thereto.

10.7 Use of Proceeds of Notes. The Company will not use the credit extended under this Agreement for any purpose other than solely the purposes set forth in, or otherwise contemplated by, Section 5.14 hereof.

10.8 No Restrictions. Except as provided herein, the Company will not, nor will it permit any Subsidiary (except for bankruptcy remote subsidiaries established in connection with (i) any securitization or participation transaction or with any Permitted Lien, or (ii) any ownership of fee simple real estate Properties not exceeding \$200,000,000 individually or in the aggregate) to, directly or indirectly, create or otherwise cause or suffer to exist or become effective any consensual encumbrance or restriction of any kind on the ability of the Company or any Subsidiary to: (a) pay dividends or make any other distributions on any Subsidiary's capital stock or other equity interests owned by the Company or any other Subsidiary, (b) pay any indebtedness owed to the Company or any other Subsidiary, (c) make loans or advances to the Company or any other Subsidiary, (d) transfer any of its Property to the Company or any other Subsidiary, provided however, that the foregoing does not impose any limitation on transfers of property that is subject to a Permitted Lien, or (e) guarantee the obligations evidenced by the

Notes or under this Agreement and/or grant Liens on its assets to a collateral agent for the ratable benefit of the holders from time to time of the Notes, the Other Noteholders, the Prudential Noteholders, the Lenders under (and as defined in) the Credit Agreement and other indebtedness as required by the Transaction Documents.

10.9 Financial Covenants.

(a) Maximum Total Indebtedness to Total Asset Value Ratio. As of the last day of each Fiscal Quarter of the Company, the Company shall not permit the ratio of Total Indebtedness to Total Asset Value to be greater than 0.50 to 1.00.

(b) Maximum Secured Debt to Total Asset Value Ratio. As of the last day of each Fiscal Quarter of the Company, the Company shall not permit the ratio of Secured Debt to Total Asset Value to be greater than 0.35 to 1.00.

(c) Maximum Unsecured Debt to Unencumbered Asset Value. As of the last day of each Fiscal Quarter of the Company, the Company shall not permit the ratio of Unsecured Debt of the Company and its Subsidiaries to Unencumbered Asset Value to be greater than 0.60 to 1.00.

(d) Minimum EBITDA to Fixed Charges Ratio. As of the last day of each Rolling Period of the Company, the Company shall not permit the ratio of EBITDA for such Rolling Period to Fixed Charges for such Rolling Period to be less than 1.50 to 1.00.

(e) Maintenance of Tangible Net Worth. The Company shall not permit at any time Tangible Net Worth to be less than the sum of (a) \$472,485,456 plus (b) 75% of the aggregate net proceeds received by the Company or any of its Subsidiaries after October 14, 2014 in connection with any offering of capital stock or other equity interests of the Company or the Subsidiaries, but only to the extent that such net proceeds are not used to redeem existing capital stock or other equity interests of the Company or the Subsidiaries.

(f) Minimum Eligible Property NOI to Interest Expense on Unsecured Debt Ratio. As of the last day of each Rolling Period of the Company, the Company shall not permit the ratio of Eligible Property NOI for such Rolling Period to Interest Expense on Unsecured Debt for such Rolling Period to be less than 2.00 to 1.00.

10.10 Two-Way Most Favored Lender. If at any time after October 14, 2014 the Credit Agreement is amended or otherwise modified, or any agreement related to the Credit Agreement is entered into or is amended or otherwise modified, and as a result of any of the foregoing any Financial Covenant for the Bank Facility is modified (whether in a manner to be more beneficial or less beneficial to the lenders under the Credit Agreement) or eliminated, or any Financial Covenant is added for the Bank Facility (in each such case, a “**Modified Bank Financial Covenant**”), then (i) the corresponding Financial Covenant in this Agreement shall be deemed automatically modified in such manner or eliminated, as the case may be, or such additional Financial Covenant for the Bank Facility shall be deemed automatically incorporated by reference, in each case mutatis mutandis, as if such modified or additional Financial Covenant were set forth fully herein or such eliminated Financial Covenant were deleted herefrom, as applicable, and (ii) the Company shall promptly, and in any event within five (5) Business Days

after entering into any such Modified Bank Financial Covenant, advise the holders of Notes in writing of such Modified Bank Financial Covenant. Thereafter, upon the request of the Required Holders, the Company shall enter into an amendment to this Agreement with the Required Holders evidencing the incorporation of such Modified Bank Financial Covenant, it being agreed that any failure to make such request or to enter into any such amendment shall in no way qualify or limit the effectiveness of the deemed modification or elimination, as the case may be, of the applicable Financial Covenant in this Agreement, or the incorporation by reference into this Agreement of the applicable additional Financial Covenant, in each case as described in clause (i) of the immediately preceding sentence.

Notwithstanding anything to the contrary in the immediately preceding paragraph of this Section 10.10: (a) no such modification of a Financial Covenant hereunder that would be less beneficial to the holders of the Notes, and no such elimination hereunder of a Financial Covenant, shall be effective if a Default or Event of Default has occurred and is continuing immediately prior to the time such Modified Bank Financial Covenant becomes effective; (b) no modification or series of modifications effected pursuant to the provisions of this Section 10.10 shall be effective to (w) increase the maximum permitted ratio of Total Indebtedness to Total Asset Value as set forth in Section 10.9(a) of this Agreement to a level greater than 0.60 to 1.00 (assuming such Financial Covenant were calculated on a basis consistent with the manner in which it is calculated on the date hereof pursuant to this Agreement) or eliminate such Financial Covenant set forth in Section 10.9(a) from this Agreement, (x) increase the maximum permitted ratio of Secured Debt to Total Asset Value as set forth in Section 10.9(b) of this Agreement to a level greater than 0.40 to 1.00 (assuming such Financial Covenant were calculated on a basis consistent with the manner in which it is calculated on the date hereof pursuant to this Agreement) or eliminate such Financial Covenant set forth in Section 10.9(b) from this Agreement, (y) (i) increase the maximum permitted ratio of Unsecured Debt of the Company and its Subsidiaries to Unencumbered Asset Value as set forth in Section 10.9(c) of this Agreement to a level greater than 0.6667 to 1.00 (assuming such Financial Covenant were calculated on a basis consistent with the manner in which it is calculated on the date hereof pursuant to this Agreement), or (ii) modify the definition of "Capitalization Rate" such that the capitalization rate for ALFs would be lower than 7.00%, the capitalization rate for continuum of care facilities would be lower than 7.50%, any capitalization rate set forth in such definition on the date hereof as 10% would be lower than 8.50%, or any capitalization rate set forth in such definition on the date hereof as 11.5% would be lower than 11.5%, or (iii) eliminate such Financial Covenant set forth in Section 10.9(c) from this Agreement unless (1) such Financial Covenant is replaced with a Financial Covenant prohibiting the ratio of Total Asset Value (but computed solely for unencumbered assets of the Company and its Subsidiaries) to Unsecured Debt, or a formulation for such replacement Financial Covenant which is substantially similar thereto, from being less than 1.50 to 1.00 as of the last day of each Fiscal Quarter of the Company, (2) a customary priority debt covenant satisfactory to the Required Holders is added to Section 10.9 and (3) Section 10.1 is modified in a manner consistent with such newly added priority debt covenant and reasonably satisfactory to the Required Holders, provided that if such Financial Covenant set forth in Section 10.9(c) is eliminated as provided in this clause (y)(iii), then the immediately preceding clauses (y)(i) and (y)(ii) will not be applicable or (z) decrease the minimum required ratio of EBITDA for any Rolling Period to Fixed Charges for such Rolling Period as set forth in Section 10.9(d) of this Agreement to a level less than 1.50 to 1.00 (assuming such Financial Covenant were calculated on a basis consistent with the manner in which it is calculated on the

date hereof pursuant to this Agreement) or eliminate such Financial Covenant set forth in Section 10.9(d) from this Agreement; and (c) in the event the Bank Facility is terminated, all Financial Covenants hereunder shall be unaffected and shall remain in effect in the same manner as they existed immediately prior to such termination.

10.11 Redemption of Stock, Etc. The Company will not, and will not permit any Subsidiary to, (a) redeem, purchase or otherwise acquire, refinance or repay any preferred stock of the Company or any Subsidiary if an Event of Default exists at such time or immediately after giving effect thereto, or (b) redeem, purchase or otherwise acquire, refinance or repay any preferred stock of the Company or any Subsidiary with the proceeds from, or in exchange for, the issuance of capital stock which is mandatorily redeemable, preferred stock which is redeemable at the election of the holder thereof or preferred stock with respect to which any holder thereof has a put or similar right to require the Company or any Subsidiary to purchase, re-purchase or otherwise acquire such preferred stock.

10.12 Terrorism Sanctions Regulations. The Company will not and will not permit any Controlled Entity (a) to become (including by virtue of being owned or controlled by a Blocked Person), own or control a Blocked Person or any Person that is the target of sanctions imposed by the United Nations or by the European Union, or (b) directly or indirectly to have any investment in or engage in any dealing or transaction (including, without limitation, any investment, dealing or transaction involving the proceeds of the Notes) with any Person if such investment, dealing or transaction (i) would cause any holder to be in violation of any law or regulation applicable to such holder, or (ii) is prohibited by or subject to sanctions under any U.S. Economic Sanctions, or (c) to engage, nor shall any Affiliate of either engage, in any activity that could subject such Person or any holder to sanctions under CISADA or any similar law or regulation with respect to Iran or any other country that is subject to U.S. Economic Sanctions.

11 EVENTS OF DEFAULT.

An “**Event of Default**” shall exist if any of the following conditions or events shall occur and be continuing:

(a) the Company defaults in the payment of any principal or Make-Whole Amount, if any, on any Note when the same becomes due and payable, whether at maturity or at a date fixed for prepayment or by declaration or otherwise; or

(b) the Company defaults in the payment of any interest on any Note for more than three Business Days after the same becomes due and payable; or

(c) the Company defaults in the performance of or compliance with any term contained in Sections 9.5 (to the extent that Section 9.5 pertains to the maintenance and keeping in full force and effect of the Company’s existence), 9.9 or 10; or

(d) the Company defaults in the performance of or compliance with any term contained herein (other than those referred to in paragraphs (a), (b) and (c) of this Section 11) or in any other Transaction Document and such default is not remedied within 30 days after the earlier of (i) a Responsible Officer obtaining actual knowledge of such default, and (ii) the

Company receiving written notice of such default from any holder of a Note (any such written notice to be identified as a “notice of default” and to refer specifically to this paragraph (d) of Section 11); or

(e) any representation or warranty made in writing by or on behalf of the Company or by any officer of the Company in this Agreement or in any other Transaction Document or in any writing furnished in connection with the transactions contemplated hereby or thereby proves to have been false or incorrect in any material respect on the date as of which made; or

(f) (i) the Company or any Subsidiary is in default (as principal or as guarantor or other surety) in the payment of any principal of or premium or make-whole amount or interest on any Indebtedness for Borrowed Money that is outstanding beyond any period of grace provided with respect thereto, or (ii) the Company or any Subsidiary is in default in the performance of or compliance with any term of any evidence of any Indebtedness for Borrowed Money or of any mortgage, indenture or other agreement relating thereto or any other condition exists, and as a consequence of such default or condition such Indebtedness for Borrowed Money has become, or has been declared (or one or more Persons are entitled to declare such Indebtedness for Borrowed Money to be), due and payable before its stated maturity or before its regularly scheduled dates of payment, or (iii) as a consequence of the occurrence or continuation of any event or condition (other than the passage of time or the right of the holder of Indebtedness for Borrowed Money to convert such Indebtedness for Borrowed Money into equity interests), (x) the Company or any Subsidiary has become obligated to purchase or repay Indebtedness for Borrowed Money before its regular maturity or before its regularly scheduled dates of payment, or (y) one or more Persons have the right to require the Company or any Subsidiary so to purchase or repay such Indebtedness for Borrowed Money; provided that (i) the aggregate amount of all Indebtedness for Borrowed Money to which such a payment default shall occur and be continuing or such a failure or other event causing or permitting acceleration (or resale to the Company or any Subsidiary) shall occur and be continuing exceeds 3% of the Applicable Total Asset Value or (ii) if such default results solely from a payment not paid when due, there shall be a five (5) day cure period so long as the maturity date with respect to the subject Indebtedness for Borrowed Money has not been accelerated; or

(g) the Company or any Subsidiary (i) is generally not paying, or admits in writing its inability to pay, its debts as they become due, (ii) files, or consents by answer or otherwise to the filing against it of a petition for relief or reorganization or arrangement or any other petition in bankruptcy, for liquidation or to take advantage of any bankruptcy, insolvency, reorganization, moratorium or other similar law of any jurisdiction, (iii) makes an assignment for the benefit of its creditors, (iv) consents to the appointment of a custodian, receiver, trustee or other officer with similar powers with respect to it or with respect to any substantial part of its property, (v) is adjudicated as insolvent or to be liquidated, or (vi) takes corporate action for the purpose of any of the foregoing; or

(h) a court or Governmental Authority of competent jurisdiction enters an order appointing, without consent by the Company or any of the Subsidiaries, a custodian, receiver, trustee or other officer with similar powers with respect to it or with respect to any substantial part of its property, or constituting an order for relief or approving a petition for relief

or reorganization or any other petition in bankruptcy or for liquidation or to take advantage of any bankruptcy or insolvency law of any jurisdiction, or ordering the dissolution, winding-up or liquidation of the Company or any of the Subsidiaries, or any such petition shall be filed against the Company or any of the Subsidiaries and such petition shall not be dismissed within 60 days; or

(i) one or more final judgments or orders (including any such final order enforcing a binding arbitration decision) for the payment of money in an aggregate amount in excess of \$25,000,000 (except to the extent fully covered by insurance pursuant to which the insurer has accepted liability therefor in writing) are rendered against one or more of the Company and its Subsidiaries and which judgments or orders are not, within 30 days after entry thereof, bonded, discharged or stayed pending appeal, or are not discharged within 30 days after the expiration of such stay;

(j) if (i) any Plan shall fail to satisfy the minimum funding standards of the Pension Funding Rules for any plan year or part thereof or a waiver of such standards or extension of any amortization period is sought or granted under the Pension Funding Rules, (ii) a notice of intent to terminate any Plan shall have been or is reasonably expected to be filed with the PBGC or the PBGC shall have instituted proceedings under ERISA section 4042 to terminate or appoint a trustee to administer any Plan or the PBGC shall have notified the Company or any ERISA Affiliate that a Plan may become a subject of any such proceedings, (iii) the aggregate “amount of unfunded benefit liabilities” (within the meaning of section 4001(a)(18) of ERISA) under all Plans, determined in accordance with Title IV of ERISA, shall exceed \$25,000,000, (iv) the Company or any ERISA Affiliate shall have incurred or is reasonably expected to incur any liability pursuant to Title I or IV of ERISA or the penalty or excise tax provisions of the Code relating to employee benefit plans, (v) the Company or any ERISA Affiliate withdraws from any Multiemployer Plan, or (vi) the Company or any Subsidiary establishes or amends any employee welfare benefit plan that provides post-employment welfare benefits in a manner that would increase the liability of the Company or any Subsidiary thereunder; and any such event or events described in clauses (i) through (vi) above, either individually or together with any other such event or events, could reasonably be expected to have a Material Adverse Effect; or

(k) a Change of Control shall occur; or

(l) [Intentionally Omitted]; or

(m) there shall be a determination from the applicable Governmental Authority from which no appeal can be taken that the Company’s tax status as a REIT has been lost; or

(n) the Company at any time hereafter fails to cause its common stock to be duly listed on the New York Stock Exchange, the American Stock Exchange or the National Association of Securities Dealers Automated Quotation; or

(o) any provision of any Transaction Document shall for any reason (other than pursuant to the terms thereof) cease to be valid and binding on or enforceable in any material respect against the Company, or the Company shall so state in writing.

As used in Section 11(j), the terms “**employee benefit plan**” and “**employee welfare benefit plan**” shall have the respective meanings assigned to such terms in Section 3 of ERISA.

12 REMEDIES ON DEFAULT, ETC.

12.1 Acceleration.

(a) If an Event of Default with respect to the Company described in Section 11(g) or (h) (other than an Event of Default described in clause (i) of Section 11(g) or described in clause (vi) of Section 11(g) by virtue of the fact that such clause encompasses clause (i) of Section 11(g)) has occurred, all the Notes then outstanding shall automatically become immediately due and payable.

(b) If any Event of Default described in Section 11(a) or (b) has occurred and is continuing, in addition to any action that may be taken pursuant to Section 12.1(c), any holder or holders of Notes at the time outstanding affected by such Event of Default may at any time, at its or their option, by notice or notices to the Company, declare all the Notes held by it or them to be immediately due and payable.

(c) If any other Event of Default has occurred and is continuing, any holder or holders of a majority in principal amount of the Notes of any Series at the time outstanding may at any time at its or their option, by notice or notices to the Company, declare all the Notes of such Series then outstanding to be immediately due and payable.

Upon any Notes becoming due and payable under this Section 12.1, whether automatically or by declaration, such Notes will forthwith mature and the entire unpaid principal amount of such Notes, plus (x) all accrued and unpaid interest thereon (including, but not limited to, interest accrued thereon at the Default Rate) and (y) the Make-Whole Amount determined in respect of such principal amount (to the full extent permitted by applicable law), shall all be immediately due and payable, in each and every case without presentment, demand, protest or further notice, all of which are hereby waived. The Company acknowledges, and the parties hereto agree, that each holder of a Note has the right to maintain its investment in the Notes free from prepayment by the Company (except as herein specifically provided for) and that the provision for payment of a Make-Whole Amount by the Company in the event that the Notes are prepaid or are accelerated as a result of an Event of Default, is intended to provide compensation for the deprivation of such right under such circumstances.

12.2 Other Remedies.

If any Default or Event of Default has occurred and is continuing, and irrespective of whether any Notes have become or have been declared immediately due and payable under Section 12.1, the holder of any Note at the time outstanding may proceed to protect and enforce the rights of such holder by an action at law, suit in equity or other appropriate proceeding, whether for the specific performance of any agreement contained herein or in any Note, or for an injunction against a violation of any of the terms hereof or thereof, or in aid of the exercise of any power granted hereby or thereby or by law or otherwise.

12.3 Rescission.

At any time after any Notes of any Series have been declared due and payable pursuant to clause (b) or (c) of Section 12.1, the holders of not less than a majority in principal amount of the Notes of such Series then outstanding, by written notice to the Company, may rescind and annul any such declaration and its consequences if (a) the Company has paid all overdue interest on the Notes of such Series, all principal of and Make-Whole Amount, if any, on any Notes of such Series that are due and payable and are unpaid other than by reason of such declaration, and all interest on such overdue principal and Make-Whole Amount, if any, and (to the extent permitted by applicable law) any overdue interest in respect of the Notes of such Series, at the Default Rate, (b) neither the Company nor any other Person shall have paid any amounts which have become due solely by reason of such declaration, (c) all Events of Default and Defaults, other than non-payment of amounts that have become due solely by reason of such declaration, have been cured or have been waived pursuant to Section 17, and (d) no judgment or decree has been entered for the payment of any monies due pursuant hereto or to the Notes. No rescission and annulment under this Section 12.3 will extend to or affect any subsequent Event of Default or Default or impair any right consequent thereon.

12.4 No Waivers or Election of Remedies, Expenses, Etc.

No course of dealing and no delay on the part of any holder of any Note in exercising any right, power or remedy shall operate as a waiver thereof or otherwise prejudice such holder's rights, powers or remedies. No right, power or remedy conferred by this Agreement, any Note or any other Transaction Document upon any holder thereof shall be exclusive of any other right, power or remedy referred to herein or therein or now or hereafter available at law, in equity, by statute or otherwise. Without limiting the obligations of the Company under Section 15, the Company will pay to the holder of each Note on demand such further amount as shall be sufficient to cover all costs and expenses of such holder incurred in any enforcement or collection under this Section 12, including, without limitation, reasonable attorneys' fees, expenses and disbursements.

13 REGISTRATION; EXCHANGE; SUBSTITUTION OF NOTES.

13.1 Registration of Notes.

The Company shall keep at its principal executive office a register for the registration and registration of transfers of Notes. The name and address of each holder of one or more Notes, each transfer thereof and the name and address of each transferee of one or more Notes shall be registered in such register. Prior to due presentment for registration of transfer, the Person in whose name any Note shall be registered shall be deemed and treated as the owner and holder thereof for all purposes hereof, and the Company shall not be affected by any notice or knowledge to the contrary. The Company shall give to any holder of a Note that is an Institutional Investor promptly upon request therefor, a complete and correct copy of the names and addresses of all registered holders of Notes.

13.2 Transfer and Exchange of Notes.

Upon surrender of any Note to the Company at the address and to the attention of the designated officer (all as specified in Section 18(iii)), for registration of transfer or exchange (and in the case of a surrender for registration of transfer accompanied by a written instrument of transfer duly executed by the registered holder of such Note or such holder's attorney duly authorized in writing and accompanied by the relevant name, address and other information for notices of each transferee of such Note or part thereof), within ten Business Days thereafter, the Company shall execute and deliver, at the Company's expense (except as provided below), one or more replacement Notes (as requested by the holder thereof) in exchange therefor, in an aggregate principal amount equal to the unpaid principal amount of the surrendered Note. Each such replacement Note shall be payable to such Person as such holder may request and shall be substantially in the form of the Note so surrendered. Each such replacement Note shall be dated and bear interest from the date to which interest shall have been paid on the surrendered Note or dated the date of the surrendered Note if no interest shall have been paid thereon. The Company may require payment of a sum sufficient to cover any stamp tax or governmental charge imposed in respect of any such transfer of Notes. Notes shall not be transferred in denominations of less than \$1,000,000; provided that if necessary to enable the registration of transfer by a holder of its entire holding of Notes of a Series, one Note may be in a denomination of less than \$1,000,000. Any transferee, by its acceptance of a Note registered in its name (or the name of its nominee), shall be deemed to have made the representation set forth in Section 6.2.

13.3 Replacement of Notes.

Upon receipt by the Company at the address and to the attention of the designated officer (all as specified in Section 18(iii)) of evidence reasonably satisfactory to it of the ownership of and the loss, theft, destruction or mutilation of any Note (which evidence shall be, in the case of an Institutional Investor, notice from such Institutional Investor of such ownership and such loss, theft, destruction or mutilation), and

(a) in the case of loss, theft or destruction, of indemnity reasonably satisfactory to it (provided that if the holder of such Note is, or is a nominee for, an original Purchaser or another holder of a Note with a minimum net worth of at least \$5,000,000 or a Qualified Institutional Buyer, such Person's own unsecured agreement of indemnity shall be deemed to be satisfactory), or

(b) in the case of mutilation, upon surrender and cancellation thereof, within ten Business Days thereafter, the Company at its own expense shall execute and deliver, in lieu thereof, a replacement Note, dated and bearing interest from the date to which interest shall have been paid on such lost, stolen, destroyed or mutilated Note or dated the date of such lost, stolen, destroyed or mutilated Note if no interest shall have been paid thereon; provided, that in no event shall the Company be required to pay any interest or principal with respect to a replacement Note if such amounts have previously been paid with respect to the original Note.

14 PAYMENTS ON NOTES.

14.1 Place of Payment.

Subject to Section 14.2, payments of principal, Make-Whole Amount, if any, and interest becoming due and payable on the Notes shall be made in New York, New York at the principal office of JPMorgan Chase Bank in such jurisdiction. The holder of a Note may at any time, by notice to the Company, change the place of payment of the Notes so long as such place of payment shall be either the principal office of the Company in such jurisdiction or the principal office of a bank or trust company in such jurisdiction.

14.2 Home Office Payment.

So long as a Purchaser or its nominee shall be the holder of any Note, and notwithstanding anything contained in Section 14.1 or in such Note to the contrary, the Company will pay all sums becoming due on such Note for principal, Make-Whole Amount, if any, interest and all other amounts being due hereunder by the method and at the address specified for such purpose on the Purchaser Schedule attached to the Confirmation of Acceptance with respect to such Note, or by such other method or at such other address as such Purchaser shall have from time to time specified to the Company in writing for such purpose, without the presentation or surrender of such Note or the making of any notation thereon, except that upon written request of the Company made concurrently with or reasonably promptly after payment or prepayment in full of any Note, such Purchaser shall surrender such Note for cancellation, reasonably promptly after any such request, to the Company at its principal executive office or at the place of payment most recently designated by the Company pursuant to Section 14.1. Prior to any sale or other disposition of any Note held by any Purchaser or its nominee such Purchaser will, at its election, either endorse thereon the amount of principal paid thereon and the last date to which interest has been paid thereon or surrender such Note to the Company in exchange for a replacement Note or Notes pursuant to Section 13.2. The Company will afford the benefits of this Section 14.2 to any Institutional Investor that is the direct or indirect transferee of any Note purchased by any Purchaser under this Agreement and that has made the same agreement relating to such Note as each Purchaser has made in this Section 14.2.

15 EXPENSES, ETC.

15.1 Transaction Expenses.

Whether or not the transactions contemplated hereby are consummated, the Company will pay all costs and expenses (including reasonable attorneys' fees of a special counsel and, if reasonably required by the Required Holders, local or other counsel) incurred by AIG, the Purchasers or any holder of a Note in connection with such transactions and in connection with any amendments, waivers or consents under or in respect of this Agreement, the Notes or any of the other Transaction Documents (whether or not such amendment, waiver or consent becomes effective), including, without limitation: (a) the costs and expenses incurred in enforcing or defending (or determining whether or how to enforce or defend) any rights under this Agreement, the Notes or any of the other Transaction Documents or in responding to any subpoena or other legal process or informal investigative demand issued in connection with this Agreement, the Notes or any of the other Transaction Documents, or by reason of being a holder of any Note, and (b) the costs and expenses, including financial advisors' fees, incurred in connection with the insolvency or bankruptcy of the Company or any Subsidiary or in connection with any work-out or restructuring of the transactions contemplated hereby, by the Notes and the other Transaction Documents. The Company will pay, and will save AIG, each Purchaser and each other holder of a Note harmless from, all claims in respect of any fees, costs or expenses, if any, of brokers and finders.

15.2 Survival.

The obligations of the Company under this Section 15 will survive the payment or transfer of any Note, the enforcement, amendment or waiver of any provision of this Agreement or the Notes, and the termination of this Agreement.

16 SURVIVAL OF REPRESENTATIONS AND WARRANTIES; ENTIRE AGREEMENT.

All representations and warranties contained herein or in any of the other Transaction Documents shall survive the execution and delivery of this Agreement, the Notes and the other Transaction Documents, the purchase or transfer by any Purchaser of any Note or portion thereof or interest therein and the payment of any Note, and may be relied upon by any subsequent holder of a Note, regardless of any investigation made at any time by or on behalf of any Purchaser or any other holder of a Note. All statements contained in any certificate or other instrument delivered by or on behalf of the Company pursuant to this Agreement or any of the other Transaction Documents shall be deemed representations and warranties of the Company under this Agreement or such other Transaction Document. Subject to the preceding sentence, this Agreement, the Notes and the other Transaction Documents embody the entire agreement and understanding among AIG, the Purchasers and the Company and supersede all prior agreements and understandings relating to the subject matter hereof.

17 AMENDMENT AND WAIVER.

17.1 Requirements.

This Agreement, the Notes and the other Transaction Documents may be amended, and the Company may take any action herein or therein prohibited, or omit to perform any act herein required to be performed by it, if the Company shall obtain the written consent to such amendment, action or omission to act, of the Required Holder(s) of the Notes of each Series *except that*, (i) with the written consent of the holders of all Notes of a particular Series, and if an Event of Default shall have occurred and be continuing, of the holders of all Notes of all Series, at the time outstanding (and not without such written consents), the Notes of such Series may be amended or the provisions thereof waived to change the maturity thereof, to change or affect the principal thereof, or to change or affect the rate or time of payment of interest on or any Make-Whole Amount payable with respect to the Notes of such Series, (ii) without the written consent of the holder or holders of all Notes at the time outstanding, no amendment to or waiver of the provisions of this Agreement shall change or affect the provisions of Section 12 or this Section 17 insofar as such provisions relate to proportions of the principal amount of the Notes of any Series, or the rights of any individual holder of Notes, required with respect to any declaration of Notes to be due and payable or with respect to any consent, amendment, waiver or declaration, (iii) with the written consent of AIG (and not without the written consent of AIG) the provisions of Section 2B may be amended or waived (except insofar as any such amendment or waiver would affect any rights or obligations with respect to the purchase and sale of Notes which shall have become Accepted Notes prior to such amendment or waiver), and (iv) with the written consent of all of the Purchasers which shall have become obligated to purchase Accepted Notes of any Series (and not without the written consent of all such Purchasers), any of the provisions

of Sections 2B and 4 may be amended or waived insofar as such amendment or waiver would affect only rights or obligations with respect to the purchase and sale of the Accepted Notes of such Series or the terms and provisions of such Accepted Notes. Each holder of any Note at the time or thereafter outstanding shall be bound by any consent authorized by this Section 17, whether or not such Note shall have been marked to indicate such consent, but any Notes issued thereafter may bear a notation referring to any such consent.

17.2 Solicitation of Holders of Notes.

(a) **Solicitation.** The Company will provide each holder of the Notes (irrespective of the amount of Notes then owned by it) with sufficient information, sufficiently far in advance of the date a decision is required, to enable such holder to make an informed and considered decision with respect to any proposed amendment, waiver or consent in respect of any of the provisions hereof or of the Notes. The Company will deliver executed or true and correct copies of each amendment, waiver or consent effected pursuant to the provisions of this Section 17 to each holder of outstanding Notes promptly following the date on which it is executed and delivered by, or receives the consent or approval of, the requisite holders of Notes.

(b) **Payment.** The Company will not directly or indirectly pay or cause to be paid any remuneration, whether by way of supplemental or additional interest, fee or otherwise, or grant any security or provide other credit support, to any holder of Notes as consideration for or as an inducement to the entering into by any holder of Notes of any waiver or amendment of any of the terms and provisions hereof unless such remuneration is concurrently paid, or security is concurrently granted or other credit support concurrently provided, on the same terms, ratably to each holder of Notes then outstanding even if such holder did not consent to such waiver or amendment.

17.3 Binding Effect. Etc.

Any amendment or waiver consented to as provided in this Section 17 applies equally to all holders of Notes and is binding upon them and upon each future holder of any Note and upon the Company without regard to whether such Note has been marked to indicate such amendment or waiver. No such amendment or waiver will extend to or affect any obligation, covenant, agreement, Default or Event of Default not expressly amended or waived or impair any right consequent thereon. No course of dealing between the Company and the holder of any Note nor any delay in exercising any rights hereunder or under any Note shall operate as a waiver of any rights of any holder of such Note. As used herein, the term “this Agreement” and references thereto shall mean this Agreement as it may from time to time be amended or supplemented.

17.4 Notes Held by Company, Etc.

Solely for the purpose of determining whether the holders of the requisite percentage of the aggregate principal amount of Notes or any Series thereof then outstanding have approved or consented to any amendment, waiver or consent to be given under this Agreement or the Notes or any Series thereof, or have directed the taking of any action provided herein or in the Notes or any Series thereof to be taken upon the direction of the holders of a specified percentage of the aggregate principal amount of Notes or any Series thereof then outstanding, Notes directly or indirectly owned by the Company or any of its Affiliates shall be deemed not to be outstanding.

18 NOTICES.

All notices and communications provided for hereunder (other than communications provided for in Section 2) shall be in writing and sent (a) by facsimile if the sender on the same day sends a confirming copy of such notice by a recognized overnight delivery service (charges prepaid), or (b) by registered or certified mail with return receipt requested (postage prepaid), or (c) by a recognized overnight delivery service (with charges prepaid). Any such notice must be sent:

(i) if to any Purchaser of a Shelf Note or its nominee, to such Person at the address specified for such communications in the Purchaser Schedule attached to the Confirmation of Acceptance with respect to such Shelf Note, or at such other address as such Person or it shall have specified to the Company in writing; or

(ii) if to any other holder of any Note, to such holder at such address as such other holder shall have specified to the Company in writing;

(iii) if to the Company, at its address set forth at the beginning hereof to the attention of the Chief Financial Officer, or at such other address as the Company, shall have specified to the holder of each Note in writing; or

(iv) if to AIG, at its address and to the attention of the Authorized Officers set forth on the Information Schedule hereto.

Notices under this Section 18 will be deemed to have been given and received when delivered at the address so specified. Any communication pursuant to Section 2 shall be made by the method specified for such communication in Section 2, and shall be effective to create any rights or obligations under this Agreement only if, in the case of a telephone communication, an Authorized Officer of the party conveying the information and of the party receiving the information are parties to the telephone call, in the case of a facsimile communication, the communication is signed by an Authorized Officer of the party conveying the information, addressed to the attention of an Authorized Officer of the party receiving the information, and in fact received at the facsimile number that is listed for the party receiving the communication on the Information Schedule or at such other facsimile number as the party receiving the information shall have specified in writing to the party sending such information, and in the case of an electronic mail communication, a notice delivered by electronic mail by an Authorized Officer of the party conveying the information to a specific electronic mail address of an Authorized Officer of the party receiving the information is effective as to that electronic mail address if, but only if, the party being notified has expressly designated the specific electronic mail address in the Information Schedule or at such other electronic mail address as the party receiving the information shall have specified in writing to the party sending such information.

19 REPRODUCTION OF DOCUMENTS.

This Agreement, and all documents relating hereto, including, without limitation, (a) consents, waivers and modifications that may hereafter be executed, (b) documents received by any Purchaser on any Closing Day (except the Notes themselves), and (c) financial statements, certificates and other information previously or hereafter furnished to any Purchaser, may be reproduced by such Purchaser by any photographic, photostatic, microfilm, microcard, miniature photographic or other similar process and such Purchaser may destroy any original document so reproduced. To the extent permitted by applicable law, any such reproduction shall be admissible in evidence as the original itself in any judicial or administrative proceeding (whether or not the original is in existence and whether or not such reproduction was made by such Purchaser in the regular course of business) and any enlargement, facsimile or further reproduction of such reproduction shall likewise be admissible in evidence. This Section 19 shall not prohibit any party hereto from contesting any such reproduction to the same extent that it could contest the original, or from introducing evidence to demonstrate the inaccuracy of any such reproduction.

20 CONFIDENTIALITY.

For the purposes of this Section 20, “**Confidential Information**” means information delivered to any Purchaser by or on behalf of the Company or any Subsidiary in connection with the transactions contemplated by or otherwise pursuant to this Agreement that is proprietary in nature and that was clearly marked or labeled or otherwise adequately identified when received by such Purchaser as being confidential information of the Company or such Subsidiary, provided that such term does not include information that (a) was publicly known or otherwise known to such Purchaser prior to the time of such disclosure, (b) subsequently becomes publicly known through no act or omission by such Purchaser or any person acting on such Purchaser’s behalf, (c) otherwise becomes known to such Purchaser other than through disclosure by the Company or any Subsidiary, or (d) constitutes financial statements delivered to such Purchaser under Section 7.1 that are otherwise publicly available. Each Purchaser will maintain the confidentiality of such Confidential Information in accordance with procedures adopted by such Purchaser in good faith to protect confidential information of third parties delivered to such Purchaser, provided that such Purchaser may deliver or disclose Confidential Information to (i) its directors, officers, employees, agents, attorneys and affiliates (to the extent such disclosure reasonably relates to the administration of the investment represented by its Notes), (ii) its financial advisors and other professional advisors who agree to hold confidential the Confidential Information substantially in accordance with the terms of this Section 20, (iii) any other holder of any Note, (iv) any Institutional Investor to which it sells or offers to sell such Note or any part thereof or any participation therein (if such Person has agreed in writing prior to its receipt of such Confidential Information to be bound by the provisions of this Section 20), (v) any Person from which it offers to purchase any security of the Company (if such Person has agreed in writing prior to its receipt of such Confidential Information to be bound by the provisions of this Section 20), (vi) any federal or state regulatory authority having jurisdiction over such Purchaser, (vii) the NAIC or the SVO or, in each case, any similar organization, or any nationally recognized rating agency that requires access to information about such Purchaser’s investment portfolio, or (viii) any other Person to which such delivery or disclosure may be necessary or appropriate (w) to effect compliance with any law, rule, regulation or order applicable to such Purchaser, (x) in response to any subpoena or other legal process, (y) in connection with any litigation to which such Purchaser is a party, or (z) if an Event of Default has occurred and is

continuing, to the extent such Purchaser may reasonably determine such delivery and disclosure to be necessary or appropriate in the enforcement or for the protection of the rights and remedies under such Purchaser's Notes and this Agreement. Each holder of a Note, by its acceptance of a Note, will be deemed to have agreed to be bound by and to be entitled to the benefits of this Section 20 as though it were a party to this Agreement. On reasonable request by the Company in connection with the delivery to any holder of a Note of information required to be delivered to such holder under this Agreement or requested by such holder (other than a holder that is a party to this Agreement or its nominee), such holder will enter into an agreement with the Company embodying the provisions of this Section 20.

21 MISCELLANEOUS.

21.1 Successors and Assigns.

All covenants and other agreements contained in this Agreement by or on behalf of any of the parties hereto bind and inure to the benefit of their respective successors and assigns (including any subsequent holder of a Note) whether so expressed or not.

21.2 Payments Due on Non-Business Days.

Anything in this Agreement or the Notes to the contrary notwithstanding (but without limiting the requirement in Section 8.4 that the notice of any optional prepayment specify a Business Day as the date fixed for such prepayment), any payment of principal of or Make-Whole Amount or interest on any Note that is due on a date other than a New York Business Day shall be made on the next succeeding New York Business Day without including the additional days elapsed in the computation of the interest payable on such next succeeding New York Business Day; provided that if the maturity date of any Note is a date other than a Business Day, the payment otherwise due on such maturity date shall be made on the next succeeding Business Day and shall include the additional days elapsed in the computation of interest payable on such next succeeding Business Day.

21.3 Accounting Terms.

All accounting terms used herein which are not expressly defined in this Agreement have the meanings respectively given to them in accordance with GAAP. Except as otherwise specifically provided herein, (i) all computations made pursuant to this Agreement shall be made in accordance with GAAP, and (ii) all financial statements shall be prepared in accordance with GAAP. If, after the date of this Agreement, there shall occur any change in GAAP from those used in the preparation of the financial statements referred to in Section 7.1(b) hereof for the Fiscal Year ended December 31, 2012 and such change shall result in a change in the method of calculation of any financial covenant, standard or term found in this Agreement, either the Company or the Required Holders may by notice to the holders of the Notes and the Company, respectively, require that the holders of the Notes and the Company negotiate in good faith to amend such covenants, standards, and terms so as equitably to reflect such change in accounting principles, with the desired result being that the criteria for evaluating the financial condition of the Company and its Subsidiaries shall be the same as if such change had not been made. No delay by the Company or the Required Holders in requiring such negotiation shall limit their

right to so require such a negotiation at any time after such a change in accounting principles. Until any such covenant, standard, or term is amended in accordance with this Section 21.3, financial covenants shall be computed and determined in accordance with GAAP in effect prior to such change in accounting principles.

21.4 Severability.

Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall (to the full extent permitted by law) not invalidate or render unenforceable such provision in any other jurisdiction.

21.5 Construction.

Each covenant contained herein shall be construed (absent express provision to the contrary) as being independent of each other covenant contained herein, so that compliance with any one covenant shall not (absent such an express contrary provision) be deemed to excuse compliance with any other covenant. Where any provision herein refers to action to be taken by any Person, or which such Person is prohibited from taking, such provision shall be applicable whether such action is taken directly or indirectly by such Person.

For the avoidance of doubt, all Schedules and Exhibits attached to this Agreement shall be deemed to be a part hereof.

21.6 Counterparts.

This Agreement may be executed in any number of counterparts, each of which shall be an original but all of which together shall constitute one instrument. Each counterpart may consist of a number of copies hereof, each signed by less than all, but together signed by all, of the parties hereto.

21.7 Governing Law.

This Agreement shall be construed and enforced in accordance with, and the rights of the parties shall be governed by, the law of the State of New York excluding choice-of-law principles of the law of such state that would permit the application of the laws of a jurisdiction other than such state.

21.8 Jurisdiction and Process. (a) The Company irrevocably submits to the non-exclusive jurisdiction of any New York State or federal court sitting in the Borough of Manhattan, The City of New York, over any suit, action or proceeding arising out of or relating to this Agreement or the Notes. To the fullest extent permitted by applicable law, the Company irrevocably waives and agrees not to assert, by way of motion, as a defense or otherwise, any claim that it is not subject to the jurisdiction of any such court, any objection that it may now or hereafter have to the laying of the venue of any such suit, action or proceeding brought in any such court and any claim that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum.

(b) The Company consents to process being served by or on behalf of any holder of Notes in any suit, action or proceeding of the nature referred to in Section 21.8(a) by mailing a copy thereof by registered or certified mail (or any substantially similar form of mail), postage prepaid, return receipt requested, to it at its address specified in Section 18 or at such other address of which such holder shall then have been notified pursuant to said Section. The Company agrees that such service upon receipt (i) shall be deemed in every respect effective service of process upon it in any such suit, action or proceeding, and (ii) shall, to the fullest extent permitted by applicable law, be taken and held to be valid personal service upon and personal delivery to it. Notices hereunder shall be conclusively presumed received as evidenced by a delivery receipt furnished by the United States Postal Service or any reputable commercial delivery service.

(c) Nothing in this Section 21.8 shall affect the right of any holder of a Note to serve process in any manner permitted by law, or limit any right that the holders of any of the Notes may have to bring proceedings against the Company in the courts of any appropriate jurisdiction or to enforce in any lawful manner a judgment obtained in one jurisdiction in any other jurisdiction.

21.9 Waiver of Jury Trial. THE PARTIES HERETO HEREBY WAIVE TRIAL BY JURY IN ANY ACTION BROUGHT ON OR WITH RESPECT TO THIS AGREEMENT, THE NOTES OR ANY OTHER TRANSACTION DOCUMENT EXECUTED IN CONNECTION HERewith OR THEREWITH.

WITHOUT INTENDING IN ANY WAY TO LIMIT THE PARTIES' AGREEMENT TO WAIVE THEIR RESPECTIVE RIGHTS TO A TRIAL BY JURY, if an action or other proceeding is brought in the State of California and if the above waiver of the right to a trial by jury is not enforceable, the parties hereto agree that any and all disputes or controversies of any nature between them concerning this Agreement, the Notes, the other Transaction Documents and the matters contemplated hereby or thereby (each, a "**Claim**"), including any and all questions of law or fact relating thereto, shall be determined by judicial reference pursuant to the California Code of Civil Procedure ("**Reference**"). The parties shall select a single neutral referee, who shall be a retired state or federal judge. In the event that the parties cannot agree upon a referee, the referee shall be appointed by the court. The referee shall report a statement of decision to the court. Nothing in this paragraph shall limit the right of any party at any time to exercise any self-help remedies, foreclose against any collateral or obtain provisional remedies. The Company shall bear the fees and expenses of the referee unless the referee orders otherwise. The referee shall also determine all issues relating to the applicability, interpretation, and enforceability of this paragraph.

21.10 Transaction References. The Company agrees that AIG Asset Management (U.S.), LLC may (a) refer to its role in the origination of the purchase of the Notes from the Company, as well as the identity of the Company and the aggregate principal amount and issue date of the Notes, on its internet site or in marketing materials, press releases, published "tombstone" announcements or any other print or electronic medium, and (b) display the Company's corporate logo in conjunction with any such reference.

* * * * *

Very truly yours,

THE COMPANY:

LTC PROPERTIES, INC.

By: /s/ Wendy Simpson

Name: Wendy Simpson

Title: Chairman, Chief Executive Officer and President

By: /s/ Pam Kessler

Name: Pamela J. Shelley-Kessler

Title: Executive Vice President, Chief Financial Officer
and Secretary

The foregoing is hereby agreed to as of the date thereof.

AIG ASSET MANAGEMENT (U.S.), LLC

By: /s/ G. Griffin Behncke
Name: G. Griffin Behncke
Title: Vice President

SCHEDULE A
DEFINED TERMS

As used herein, the following terms have the respective meanings set forth below or set forth in the Section hereof following such term:

“2012 Note Agreement” means that certain Note Purchase Agreement, dated as of July 19, 2012, by and among the Company and the Purchasers (as defined therein), as amended, restated, supplemented, replaced or otherwise modified from time to time.

“2012 Noteholders” means the holders from time to time of the notes issued under the 2012 Note Agreement.

“Acceptance” is defined in Section 2B(5).

“Acceptance Day” is defined in Section 2B(5).

“Acceptance Window” is defined in Section 2B(5).

“Accepted Note” is defined in Section 2B(5).

“Affiliate” means any Person directly or indirectly controlling or controlled by, or under direct or indirect common control with, another Person. A Person shall be deemed to control another Person for the purposes of this definition if such Person possesses, directly or indirectly, the power to direct, or cause the direction of, the management and policies of the other Person, whether through the ownership of voting securities, common directors, trustees or officers, by contract or otherwise; provided that, in any event for purposes of this definition, any Person that owns, directly or indirectly, 20% or more of the securities having the ordinary voting power for the election of directors or other governing body of a corporation or 20% or more of the partnership or other ownership interest of any other Person (other than as a limited partner of such other Person) will be deemed to control such corporation or other Person.

“Agreement” means this Note Purchase and Private Shelf Agreement, dated as of August 4, 2015, between the Company, on the one hand, and AIG and each AIG Affiliate that now or hereafter is bound by certain provisions hereof, on the other hand, as it may from time to time be amended, supplemented or otherwise modified.

“AIG” means AIG Asset Management (U.S.), LLC and any successor thereto.

“AIG Affiliate” means (i) any corporation or other entity controlling, controlled by, or under common control with, AIG and (ii) any managed account or investment fund which is managed by AIG or an AIG Affiliate described in clause (i) of this definition. For purposes of this definition, the terms “control,” “controlling” and “controlled” shall mean the ownership, directly or through subsidiaries, of a majority of a corporation’s or other Person’s Voting Interests or equivalent voting securities or interests.

“ALFs” means assisted living facilities.

“Applicable Total Asset Value” means, at any time of determination thereof, the Total Asset

Value at such time as determined based on the most recent financial statements delivered pursuant to Section 7.1(b) (or, if no financial statements have yet been delivered pursuant to Section 7.1(b) at such time, the most recent audited financial statements of the Company and its Subsidiaries referenced in Section 5.5).

“Anti-Corruption Laws” is defined in Section 5.16.

“Anti-Money Laundering Laws” is defined in Section 5.16.

“Assets Under Development” means any real property under construction other than Redevelopment Assets.

“Authorized Officer” means (i) in the case of the Company, its President, Chief Financial Officer, Controller, Treasurer and any Vice President thereof designated as an “Authorized Officer” of the Company in the Information Schedule or designated as an “Authorized Officer” of the Company for purposes of this Agreement in an Officer’s Certificate executed by the Company’s President, Chief Financial Officer or Treasurer, and (ii) in the case of AIG, any officer of AIG designated as its “Authorized Officer” in the Information Schedule or any officer of AIG designated as its “Authorized Officer” for the purpose of this Agreement in a certificate executed by one of its Authorized Officers. Any action taken under this Agreement on behalf of the Company by any individual who on or after the date of this Agreement shall have been an Authorized Officer of the Company and whom AIG in good faith believes to be an Authorized Officer of the Company at the time of such action shall be binding on the Company even though such individual shall have ceased to be an Authorized Officer of the Company, and any action taken under this Agreement on behalf of AIG by any individual who on or after the date of this Agreement shall have been an Authorized Officer of AIG, and who the Company in good faith believes to be an Authorized Officer of AIG at the time of such action shall be binding on AIG even though such individual shall have ceased to be an Authorized Officer of AIG.

“Available Facility Amount” is defined in Section 2B(1).

“Bank Facility” means the credit facility or facilities from time to time provided in connection with the Credit Agreement.

“Blocked Person” is defined in Section 5.16.

“Business Day” means: (a) for the purposes of Section 2B(3) only, any day which is both a New York Business Day and a day on which AIG is open for business; and (b) for the purposes of any other provision of this Agreement, a New York Business Day.

“Cancellation Date” is defined in Section 2B(8)(iii)(b).

“Cancellation Event Delayed Delivery Fee” is defined in Section 2B(8)(iii)(b).

“Cancellation Fee” is defined in Section 2B(8)(iv).

“Capital Lease” means any Lease of Property which in accordance with GAAP is required to be capitalized on the balance sheet of the lessee.

“Capitalization Rate” means (a) 8% for ALFs, (b) 10% for SNFs, and (c) 11.5% for schools owned by the Company or a Subsidiary on October 14, 2014. The Capitalization Rates for continuum of care facilities will be 9% for facilities where <50% of beds are classified as SNF beds, and shall otherwise be 10%.

“Capitalized Lease Obligation” means, for any Person, the amount of the liability shown on the balance sheet of such Person in respect of a Capital Lease determined in accordance with GAAP.

“CERCLA” means the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended by the Superfund Amendments and Reauthorization Act of 1986, 42 U.S.C. §§9601 et seq., and any future amendments.

“Change of Control” means any of (a) the acquisition by any “person” or “group” (as such terms are used in sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended) at any time of beneficial ownership of 50% or more of the outstanding capital stock or other equity interests of the Company on a fully-diluted basis, (b) any “Change of Control” (or words of like import), as defined in any agreement or indenture relating to any issue of Indebtedness for Borrowed Money in excess of 5% of the Applicable Total Asset Value shall occur, or (c) during any twelve (12) month period on or after the date hereof, individuals who at the beginning of such period constituted the board of directors of the Company (together with any new directors whose election by the board of directors or whose nomination for election by the shareholders of the Company was approved by a vote of at least a majority of the members of the board of directors then in office who either were members of the board of directors at the beginning of such period or whose election or nomination for election was previously so approved) cease for any reason to constitute a majority of the members of the board of directors then in office.

“CISADA” is defined in Section 5.16.

“Closing Day” means, with respect to any Accepted Note, the Business Day specified for the closing of the purchase and sale of such Accepted Note in the Confirmation of Acceptance with respect to such Accepted Note; provided that (i) if the Company and the Purchaser which is obligated to purchase such Accepted Note agree on an earlier Business Day for such closing, the “Closing Day” for such Accepted Note shall be such earlier Business Day, and (ii) if the closing of the purchase and sale of such Accepted Note is rescheduled pursuant to Section 2B(7), the “Closing Day” for such Accepted Note, for all purposes of this Agreement except references to “original Closing Day” in Section 2B(8)(iii), shall mean the Rescheduled Closing Day with respect to such Accepted Note.

“Code” means the Internal Revenue Code of 1986, as amended from time to time, and the rules and regulations promulgated thereunder from time to time.

“Company” is defined in the introductory paragraph of this Agreement.

“Confirmation of Acceptance” is defined in Section 2B(5).

“Controlled Entity” means (i) any of the Subsidiaries of the Company and any of their or the Company’s respective Controlled Affiliates and (ii) if the Company has a parent company, such parent company and its Controlled Affiliates. As used in this definition, **“Controlled”** means the

possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

“Credit Agreement” means that certain Amended and Restated Credit Agreement, dated as of October 14, 2014, by and among the Company, the Lenders (as defined therein) and from time to time party thereto and the other parties from time to time party thereto, as amended, restated, supplemented, replaced or otherwise modified from time to time.

“Debt Service” means, for any Fiscal Quarter, the sum of (a) Interest Expense and (b) the greater of (i) zero or (ii) scheduled principal amortization paid on Secured Debt (exclusive of any balloon payments or prepayments of principal on Secured Debt) less amortized principal payments received on the Company’s and its Subsidiaries’ mortgage loans receivable (exclusive of any balloon payments or prepayments of principal received on the Company’s and its Subsidiaries’ mortgage loans receivable).

“Default” means an event or condition the occurrence or existence of which would, with the lapse of time or the giving of notice or both, become an Event of Default.

“Default Rate” means as to any Shelf Note, that rate of interest that is the greater of (1) 2% over the Interest Rate specified in the caption at set forth at the top of such Shelf Note, and (2) 2% over the rate of interest publicly announced by JPMorgan Chase Bank from time to time in New York City as its “base” or “prime” rate.

“Delayed Delivery Fee” is defined in Section 2B(8)(iii)(a).

“Dollars” and **“\$”** means lawful currency of the United States of America.

“Draw Fee” is defined in Section 2B(8)(i).

“EBITDA” means, for any period, determined on a consolidated basis for the Company and its Subsidiaries in accordance with GAAP, the sum of net income (or loss) plus, to the extent deducted in the calculation thereof: (i) depreciation and amortization expense; (ii) interest expense; (iii) income tax expense; (iv) extraordinary, unrealized or nonrecurring losses, including impairment charges and reserves, minus, to the extent included in the calculation thereof: (v) funds received by the Company or a Subsidiary as rent but which are reserved for capital expenses; (vi) unrealized gains on the sale of assets; and, (vii) income tax benefits.

“Eligible Line of Business” means any business engaged in as of the date of this Agreement by the Company or any of its Subsidiaries or any business reasonably related thereto.

“Eligible Property NOI” means, for any given period, the aggregate Property NOI attributable to Unencumbered Assets and Qualified Mortgage Loans.

“Environmental Claim” means any investigation, notice, violation, demand, allegation, action, suit, injunction, judgment, order, consent decree, penalty, fine, lien, proceeding or claim (whether administrative, judicial or private in nature) arising (a) pursuant to, or in connection with an actual or alleged violation of, any Environmental Law, (b) in connection with any Hazardous Material, (c) from any abatement, removal, remedial, corrective or response action in connection with

a Hazardous Material, Environmental Law or order of a Governmental Authority or (d) from any actual or alleged damage, injury, threat or harm to health, safety, natural resources or the environment.

“Environmental Law” means any current or future Legal Requirement pertaining to (a) the protection of health, safety and the indoor or outdoor environment, (b) the conservation, management or use of natural resources and wildlife, (c) the protection or use of surface water or groundwater, (d) the management, manufacture, possession, presence, use, generation, transportation, treatment, storage, disposal, Release, threatened Release, abatement, removal, remediation or handling of, or exposure to, any Hazardous Material or (e) pollution (including any Release to air, land, surface water or groundwater), and any amendment, rule, regulation, order or directive issued thereunder.

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended from time to time, and the rules and regulations promulgated thereunder from time to time in effect.

“ERISA Affiliate” means any trade or business (whether or not incorporated) that is treated as a single employer together with the Company or a Subsidiary under section 414 of the Code.

“Equity Interests” means shares of capital stock, partnership interests, membership interests in a limited liability company, beneficial interests in a trust or other equity ownership interests in a Person.

“Event of Default” is defined in Section 11.

“Exchange Act” means the Securities Exchange Act of 1934, as amended from time to time, and the rules and regulations promulgated thereunder from time to time in effect.

“Facility” is defined in Section 2B(l).

“Financial Covenant” means any covenant (whether set forth as a covenant, undertaking, event of default, restriction or other such provision, and including all defined terms used with respect thereto) similar in nature to the covenants set out in Section 10.9 of this Agreement or that otherwise provides for limitations on indebtedness or interest expense, or a minimum level of interest coverage, net worth or any other minimum or maximum metric of financial performance or financial position (however expressed and whether stated as a ratio or as a fixed threshold or otherwise).

“Fiscal Quarter” means each of the three-month periods ending on March 31, June 30, September 30 and December 31.

“Fiscal Year” means the twelve-month period ending on December 31.

“Fixed Charges” means, for any Fiscal Quarter, Debt Service for such quarter, plus Preferred Dividends for such quarter, plus \$400 per bed per annum for any Property on which the Lease of such Property does not require the tenant to pay for all capital expenditures.

“GAAP” means generally accepted accounting principles set forth from time to time in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting

Standards Board (or agencies with similar functions of comparable stature and authority within the United States of America accounting profession), which are applicable to the circumstances as of the date of determination; provided, that (except with respect to SEC filings referenced in Section 7.1(a) and (b)) “GAAP” shall exclude the effects of Accounting Standards Codification 825-10-25 (previously referred to as SFAS 159) or any successor or similar provision to the extent it relates to “fair value” accounting for liabilities.

“**Governmental Authority**” means the government of

- (a) the United States of America or any state or other political subdivision thereof, or
- (b) any other jurisdiction in which any of the Company or any Subsidiary conducts all or any part of its business, or which asserts jurisdiction over any properties of the Company or any Subsidiary, or
- (c) any entity exercising executive, legislative, judicial, regulatory or administrative functions of, or pertaining to, any such government.

“**Governmental Official**” means any governmental official or employee, employee of any government-owned or government-controlled entity, political party, any official of a political party, candidate for political office, official of any public international organization or anyone else acting in an official capacity.

“**Gross Book Value**” means book value without giving effect to depreciation.

“**Guaranty**” shall mean, with respect to any Person, any direct or indirect obligation or liability, contingent or otherwise, of such Person guaranteeing or having the economic effect of guaranteeing any Indebtedness for Borrowed Money, lease, dividend or other obligation payable or performable by another Person in any manner, including, without limitation, any obligation directly or indirectly guaranteed, endorsed (otherwise than for collection or deposit in the ordinary course of business) or discounted or sold with recourse by such Person, or in respect of which such Person is otherwise directly or indirectly liable or obligated, and including, without limitation, any obligation of such Person (contingent or otherwise, direct or indirect) to: (i) maintain working capital, equity capital, the solvency or any balance sheet condition or other financial condition or liquidity or level of income or cash flow of another Person in any manner; (ii) to purchase the obligations of or equity interests in another Person from the holders of such obligations or interests; (iii) to purchase or lease property, securities or services or supply or advance any funds, goods or services to or on behalf of another Person in any manner; (iv) to guarantee (a) the completion of any work or any other schedule or deliverable obligations or requirements of another Person in any manner, (b) the quality of any construction work, means or methods of another Person in any manner, (c) any warranty or indemnity obligations of another Person in any manner, or (d) any other payment, performance or contractual obligations of another Person in any manner; or (v) purchase or otherwise pay (or advance or supply funds for the purchase or payment of) any Indebtedness for Borrowed Money or other obligation of another Person or to purchase or otherwise make payment for (or advance or supply funds for the purchase or payment for) any products, materials, supplies or other property, or for any transportation or services, regardless of the non-delivery or non-furnishing thereof, in any such case if the purpose

or effect of such agreement is to provide assurance that such obligation will be paid or discharged, or that any agreements relating thereto will be complied with, or that the holders of such obligation will be protected against loss in respect thereof. Guaranties shall include (x) obligations of partnerships and joint ventures of which such Person is a general partner that are not expressly non-recourse to such Person, and (y) obligations of joint ventures of which such Person is a joint venturer (but not a general partner) to the extent such Person is obligated for the obligations of such joint ventures under their respective limited liability company agreements, limited partnership agreements or other similar constituent documents. In any computation of the indebtedness or other liabilities of the obligor under any Guaranty, the indebtedness or other obligations that are the subject of such Guaranty shall be assumed to be direct obligations of such obligor.

“Hazardous Material” means any substance, chemical, compound, product, solid, gas, liquid, waste, byproduct, pollutant, contaminant or material which is hazardous or toxic, and includes, without limitation, (a) asbestos, polychlorinated biphenyls and petroleum (including crude oil or any fraction thereof), and (b) any material classified or regulated as “hazardous” or “toxic” or words of like import pursuant to an Environmental Law.

“Hedge Treasury Note(s)” means, with respect to any Accepted Note, the United States Treasury Note or Notes whose average life (as determined by AIG) most closely matches the average life of such Accepted Note.

“holder” means, with respect to any Note, the Person in whose name such Note is registered in the register maintained by the Company pursuant to Section 13.1.

“Hostile Acquisition” means the acquisition of the capital stock or other equity interests of a Person through a tender offer or similar solicitation of the owners of such capital stock or other equity interests which has not been approved (prior to such acquisition) by resolutions of the board of directors of such Person or by similar action if such Person is not a corporation, and as to which such approval has not been withdrawn.

“include” or “including” means, unless the context clearly requires otherwise, “including without limitation.”

“Indebtedness for Borrowed Money” means for any Person (without duplication) (a) all indebtedness created, assumed or incurred in any manner by such Person representing money borrowed (including by the issuance of debt securities), (b) all indebtedness for the deferred purchase price of property or services (other than trade accounts payable arising in the ordinary course of business and contingent liabilities related to potential earn-out payments which do not meet the balance sheet recognition requirements of Accounting Standards Codification No. 450 – Contingencies), (c) all indebtedness secured by any Lien upon Property of such Person, whether or not such Person has assumed or become liable for the payment of such indebtedness, (d) all Capitalized Lease Obligations of such Person, (e) all obligations of such Person on or with respect to letters of credit, bankers’ acceptances and other extensions of credit whether or not representing obligations for borrowed money, and (f) all obligations of the sort described in the foregoing clauses with respect to which such Person has become liable by way of a Guaranty.

“Institutional Investor” means (a) any Purchaser of a Note, (b) any holder of a Note holding

(together with one or more of its affiliates) more than 5% of the aggregate principal amount of the Notes then outstanding, (c) any bank, trust company, savings and loan association or other financial institution, any pension plan, any investment company, any insurance company, any broker or dealer, or any other similar financial institution or entity, regardless of legal form, and (d) any Related Fund of any holder of any Note.

“Interest Expense” means, for any period of determination, the interest expense, whether paid, accrued or capitalized (without deduction of consolidated interest income) of the Company and its Subsidiaries on a consolidated basis for such period.

Interest Expense shall exclude any amortization of (i) deferred financing fees, including the write-off such fees relating to the early retirement of such related Indebtedness for Borrowed Money, and (ii) debt discounts (but only to the extent such discounts do not exceed 3.0% of the initial face principal amount of such debt).

“Issuance Period” is defined in Section 2B(2).

“Lease” means any lease, tenancy agreement, contract or other agreement for the use or occupancy of a Property or any portion thereof.

“Legal Requirement” means any treaty, convention, statute, law, regulation, ordinance, license, permit, governmental approval, injunction, judgment, order, consent decree or other requirement of any Governmental Authority, whether federal, state, or local.

“Lien” means any mortgage, lien, security interest, pledge, charge or encumbrance of any kind in respect of any Property, including the interests of a vendor or lessor under any conditional sale, Capital Lease or other title retention arrangement.

“Make-Whole Amount” is defined in Section 8.6.

“Material” means material in relation to the business, operations, affairs, financial condition, assets, properties, or prospects of the Company and its Subsidiaries taken as a whole.

“Material Adverse Effect” means a material and adverse effect on (a) the business, condition (financial or otherwise), operations, performance or properties of the Company and its Subsidiaries taken as a whole, (b) the ability of the Company to perform its obligations under the Transaction Documents to which it is a party, or (c) the validity or enforceability of any of the Transaction Documents or the rights or remedies of AIG or the holders of Notes thereunder; provided, however, that the sale of assets of one or more Subsidiaries in accordance with the terms of this Agreement shall not be deemed in and of itself to cause a Material Adverse Effect absent the presence of the factors set forth above.

“Moody’s” means Moody’s Investors Service, Inc. and any successor thereto.

“Multiemployer Plan” means any Plan that is a “multiemployer plan” (as such term is defined in section 4001(a)(3) of ERISA).

“NAIC” means the National Association of Insurance Commissioners or any successor thereto.

“New York Business Day” means any day other than a Saturday, a Sunday or a day on which commercial banks in New York City are required or authorized to be closed.

“Notes” is defined in Section 1A.

“OFAC” is defined in Section 5.16.

“OFAC Listed Person” is defined in Section 5.16.

“OFAC Sanctions Program” means any economic or trade sanction that OFAC is responsible for administering and enforcing. A list of OFAC Sanctions Programs may be found at <http://www.treasury.gov/resource-center/sanctions/Programs/Pages/Programs.aspx>.

“Officer’s Certificate” means a certificate of a Senior Financial Officer or of any other officer of the Company whose responsibilities extend to the subject matter of such certificate.

“Other Note Agreement” means any of (i) the 2012 Note Agreement, and (ii) any other agreement or instrument executed and delivered by the Company in connection with a financing, which constitutes unsecured Indebtedness for Borrowed Money of the Company and ranks pari passu with the obligations evidenced by the Notes, as such agreement or instrument may be amended, restated, supplemented, replaced or otherwise modified from time to time.

“Other Noteholders” means the holders from time to time of the notes issued under any Other Note Agreement.

“PBGC” means the Pension Benefit Guaranty Corporation referred to and defined in ERISA or any successor thereto.

“Pension Act” means the Pension Protection Act of 2006, as amended from time to time, and the rules and regulations promulgated thereunder from time to time in effect.

“Pension Funding Rules” means the rules of the Code and ERISA regarding minimum required contributions (including any installment payment thereof) to certain Plans and set forth in, with respect to plan years ending prior to the effective date as to such Plan of the Pension Act, Section 412 of the Code and Section 302 of ERISA, each as in effect prior to the Pension Act and, thereafter, Sections 412 and 430 of the Code and Sections 302 and 303 of ERISA.

“Permitted Acquisition” means any investment or acquisition with respect to which all of the following conditions shall have been satisfied:

(a) the investment or acquisition is with respect to real property or improvements on real property located in, or of a business with its primary operations in, the United States of America; and

(b) the acquisition shall not be a Hostile Acquisition; and

(c) the investment or acquisition is with respect to an asset or business associated with an Eligible Line of Business, which may include, but is not limited to, sale/leaseback transactions, mortgage loans, lines of credit or other financings, etc.; and

(d) after giving effect to the investment or acquisition, no Event of Default shall exist, including with respect to the financial covenants contained in Section 10.9 hereof, provided, that if such investment or acquisition, together with any other investments or acquisitions made during such Fiscal Quarter have an aggregate cost exceeding 20% of the Total Asset Value of the Company and its Subsidiaries as of the last day of the most recently ended Fiscal Quarter for which financial statements have been delivered pursuant to Section 7.1 hereof (or, if no financial statements have yet been delivered pursuant to Section 7.1 at such time, the most recent financial statements of the Company and its Subsidiaries referenced in Section 5.5), then for such investment or acquisition, the Company shall provide to the holders of Notes which are Institutional Investors an executed certificate of a Senior Financial Officer showing the Company's pro forma compliance with the covenants contained in Section 10.9 after giving effect to the proposed investment or acquisition, including giving effect in terms of additional asset value, liabilities incurred, if any, and additional revenues and expenses associated therewith which have been contemplated and have been projected into the expected operating results and financial position of the Company for the Fiscal Quarter in which the investment or acquisition occurs.

"Permitted Lien" means such of the following as to which no enforcement, collection, execution, levy or foreclosure proceeding has been commenced: (a) Liens for taxes, assessments and governmental charges or levies to the extent not required to be paid under Section 9.4; (b) Liens imposed by law, such as materialmen's, mechanics', carriers', workmen's and repairmen's Liens and other similar Liens arising in the ordinary course of business securing obligations that are not overdue or that are being contested in good faith and by proper proceedings and as to which appropriate reserves are being maintained; (c) pledges or deposits to secure obligations under workers' compensation laws or similar legislation or to secure public or statutory obligations; (d) easements, rights of way and other encumbrances on title to real property that do not materially and adversely affect the value of such property or the use of such property for its present purposes; (e) deposits to secure the performance of bids, trade contracts (other than for borrowed money), leases, statutory obligations, surety and appeal bonds, performance bonds and other obligations of like nature incurred in the ordinary course of business; (f) Liens in favor of the United States of America for amounts paid to the Company or any Subsidiary as progress payments under government contracts entered into by it; (g) attachment, judgment and other similar Liens arising in connection with court, reference or arbitration proceedings, provided that the same have been in existence less than 20 days, that the same have been discharged or that execution or enforcement thereof has been stayed pending appeal; (h) Liens on Properties not constituting Unencumbered Assets; and (i) cash collateral in an aggregate amount not to exceed \$25,000,000 at any time for letter of credit obligations under the Credit Agreement.

"Person" means an individual, partnership, corporation (including a business trust), limited liability company, joint stock company, trust, unincorporated association, joint venture or other entity, or a Governmental Authority.

"Plan" means an "employee benefit plan" (as defined in section 3(3) of ERISA) subject to Title I of ERISA that is or, within the preceding five years, has been established or maintained, or to which contributions are or, within the preceding five years, have been made or required to be made, by the Company, any Subsidiary or any ERISA Affiliate or with respect to which the Company, any Subsidiary or any ERISA Affiliate may have any liability.

“Preferred Dividends” means any dividend paid (or payable), as the case may be, in cash on any preferred equity security issued by the Company.

“Principal Credit Facility” means any loan agreement, credit agreement, note purchase agreement or similar agreement under which credit facilities in the aggregate original principal or commitment amount of at least \$50,000,000 are provided to the Company and/or any Subsidiary.

“Property” or **“Properties”** means, as to any Person, all types of real, personal, tangible, intangible or mixed property owned by such Person whether or not included in the most recent balance sheet of such Person and its subsidiaries under GAAP.

“Property Expenses” means, with respect to any Unencumbered Asset, the costs (including, but not limited to, payroll, taxes, assessments, insurance, utilities, landscaping and other similar charges) of operating and maintaining any Unencumbered Asset which are the responsibility of the Company or the applicable Subsidiary that are not paid directly by the tenant, but excluding depreciation, amortization, interest costs and maintenance capital expenditures to the extent such Unencumbered Asset is under a triple-net lease.

“Property Income” means (i) for Unencumbered Assets, cash rents (excluding, as an abundance of caution, non-cash straight-line rent) and other cash revenues received by the Company or a Subsidiary in the ordinary course of business for any Unencumbered Asset, but excluding security deposits and prepaid rent except to the extent applied in satisfaction of tenants’ obligations for rent, plus (ii) for Qualified Mortgage Loans, interest and fee payments received by the Company or a Subsidiary with respect to a Qualified Mortgage Loan (exclusive of any balloon payments or prepayments of principal paid on such Qualified Mortgage Loan).

“Property Net Operating Income” or **“Property NOI”** means, with respect to any Property and for the four most recently ended Fiscal Quarters the aggregate amount of (i) Property Income for such period minus (ii) Property Expenses for such period.

“Prudential Noteholders” means the holders from time to time of the notes issued from time to time under the Prudential Note Agreement.

“Prudential Note Agreement” means that certain Third Amended and Restated Note Purchase and Private Shelf Agreement, dated as of April 28, 2015 by and among the Company, Prudential Investment Management, Inc. and the other Prudential Affiliates (as defined therein) from time to time party thereto as amended, restated, supplemented, replaced or otherwise modified from time to time.

“Purchasers” the AIG Affiliate(s) which are purchasing any Accepted Notes or have purchased any Shelf Notes.

“Qualified Institutional Buyer” means any Person who is a “qualified institutional buyer” within the meaning of such term as set forth in Rule 144A(a)(1) under the Securities Act.

“Qualified Mortgage Loan” means, as of any date of determination, any mortgage loan that is held or owned by the Company or any Subsidiary (i) listed on the Officer’s Certificate delivered to the holders of the Notes on the date of this Agreement pursuant to the requirements of Section 4A(1),

and (ii) thereafter, listed on Exhibit A to Schedule I of the certificate of a Senior Financial Officer after such mortgage loan's designation by the Company as a Qualified Mortgage Loan, so long as the Company shall fully comply with the requirements of Section 7.2(a) with regard to the reporting of such Qualified Mortgage Loan, which mortgage loan (in the case of either the immediately preceding clause (i) or clause (ii)) meets the following criteria:

- (a) secured by a first mortgage or a first deed of trust on Senior Housing Assets in favor of the Company or such Subsidiary and such Senior Housing Asset is not subject to any other Lien or negative pledge (other than Permitted Liens);
- (b) the underlying Senior Housing Asset is currently in service (not under development);
- (c) the underlying Senior Housing Asset is located in the United States and the loan documents pertaining to the mortgage or deed of trust are governed by the law of a state of the United States;
- (d) neither the mortgage loan, nor the right to receive payments thereunder, is subject to any Lien (other than Permitted Liens) or to any negative pledge;
- (e) if such mortgage loan is owned by a Subsidiary, none of the Company's beneficial ownership interest in such Subsidiary is subject to any Lien (other than Permitted Liens or Liens in favor of the Company) or to any negative pledge;
- (f) the underlying Property, based on the Company's or its Subsidiary's actual knowledge, is free of all material structural defects or major architectural deficiencies, material title defects, material environmental conditions or other adverse matters which, individually or collectively, materially impair the value of such Property; and
- (g) the mortgagor or grantor with respect to such mortgage loan is not delinquent sixty (60) days or more in interest or principal payments due thereunder.

"RCRA" means the Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act of 1976 and Hazardous and Solid Waste Amendments of 1984, 42 U.S.C. §§6901 et seq., and any future amendments.

"Redevelopment Assets" means any real estate under major redevelopment.

"REIT" means a Person that is qualified to be treated for tax purposes as a real estate investment trust under Sections 856-860 of the Code.

"Related Fund" means, with respect to any holder of any Note, any fund or entity that (i) invests in Securities or bank loans, and (ii) is advised or managed by such holder, the same investment advisor as such holder or by an affiliate of such holder or such investment advisor.

"Release" means any spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, migration, dumping, or disposing into the indoor or outdoor environment, including, without limitation, the abandonment or discarding of barrels, drums, containers, tanks or other receptacles containing or previously containing any Hazardous Material.

“Request for Purchase” is defined in Section 2B(2).

“Required Holders” means, at any time, the holder or holders of a majority of the aggregate principal amount of the Notes or of a Series of Notes, as the context may require, from time to time outstanding (exclusive of Notes then owned by the Company, any Subsidiary or any of their respective Affiliates).

“Rescheduled Closing Day” is defined in Section 2B(7).

“Responsible Officer” means any Senior Financial Officer and any other officer with responsibility for the administration of the relevant portion of this Agreement or any other Transaction Document.

“Rolling Period” means, as of any date, the four consecutive Fiscal Quarters ending on or immediately preceding such date.

“Securities” or **“Security”** shall have the meaning specified in Section 2(1) of the Securities Act.

“Secured Debt” means, as of any given date, the aggregate principal amount of all Total Indebtedness outstanding at such date that is secured by a Lien.

“Securities Act” means the Securities Act of 1933, as amended from time to time, and the rules and regulations promulgated thereunder from time to time in effect.

“Senior Financial Officer” means the chief executive officer, chief financial officer, principal accounting officer, treasurer or controller of the Company.

“Senior Housing Assets” means any Properties on which the improvements consist only of one or more of the following: (a) senior apartments; (b) independent living facilities; (c) congregate communities; (d) assisted living facilities; (e) nursing homes; (f) hospitals; (g) memory care communities, (h) medical office buildings and (i) other Properties primarily used for senior citizen residences or health care services, together with other improvements incidental thereto.

“Series” is defined in Section 1A.

“Shelf Notes” is defined in Section 1A.

“SNFs” means skilled nursing facilities.

“S&P” means Standard & Poor’s Ratings Group, a Standard & Poor’s Financial Services LLC business and any successor thereto.

“Structuring Fee” is defined in Section 2B(8)(ii).

“Subsidiary” of any Person means any corporation, partnership, joint venture, limited liability company, trust, estate or other entity (i) of which (or in which), in the case of a corporation, more than 50% of the issued and outstanding capital stock having ordinary voting power to elect a majority

of the board of directors of such corporation (irrespective of whether at the time capital stock of any other class or classes of such corporation shall or might have voting power upon the occurrence of any contingency), (ii) the Controlling interest in the capital or profits of such partnership, joint venture or limited liability company, or (iii) the Controlling beneficial interest in such trust or estate, in each case, is at the time directly or indirectly owned by such Person, or (iv) the accounts of which would appear on the consolidated financial statements of such Person in accordance with GAAP. As used in this definition, “**Controlling**” means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of any entity referred to in this definition, whether through the ownership of the interest in the capital or profits of such entity, through the ownership of the beneficial interest therein or through the ownership of any other Voting Interests, by contract or otherwise. Unless the context otherwise clearly requires, any reference to a “Subsidiary” is a reference to a Subsidiary of the Company.

“**SVO**” means the Securities Valuation Office of the National Association of Insurance Commissioners (or any successor organization acceding to the authority thereof).

“**Tangible Net Worth**” means, as of any time of determination, total stockholders’ equity on the Company’s consolidated balance sheet as reported in its Form 10-K or 10-Q less all amounts appearing on the assets side of its consolidated balance sheet representing an intangible asset under GAAP.

“**Total Asset Value**” means, as of any time of determination, the book value, without giving effect to depreciation, of all assets of the Company and its Subsidiaries, less (a) the amount, if any, of any investments in any unconsolidated subsidiaries, joint ventures or other similar entities, and (b) all amounts appearing on the assets side of its consolidated balance sheet separately identifiable as intangible assets under GAAP.

“**Total Indebtedness**” means, as of any date of determination and without duplication, all Indebtedness for Borrowed Money of the Company and its Subsidiaries on a consolidated basis.

“**Transaction Documents**” means this Agreement, the Notes, and any and all other agreements, documents, certificates and instruments from time to time executed and delivered by or on behalf of the Company related thereto.

“**Unencumbered Asset Subsidiary**” means any Subsidiary that owns an asset that is included in the calculation of the financial covenants contained in Sections 10.9(c) and (f) hereof.

“**Unencumbered Asset Value**” means an amount equal to the sum of:

(a) for all Unencumbered Assets of the types for which an applicable capitalization rate is provided in the definition of the term “Capitalization Rate” which are owned by the Company or a Wholly-owned Subsidiary for more than twenty-four months prior to the date of determination, the quotient of (i) the Property NOI from such Unencumbered Assets divided by (ii) the Capitalization Rate, plus

(b) for all Unencumbered Assets of the types for which no capitalization rate is provided in the definition of the term “Capitalization Rate” which are owned by the Company or a Wholly-owned Subsidiary for more than twenty-four months prior to the date of determination, the Gross

Book Value of any such Unencumbered Asset; plus

(c) for all Unencumbered Assets owned for twenty-four months or less prior to the date of determination by the Company or a Wholly-owned Subsidiary, the Gross Book Value of any such Unencumbered Asset; plus

(d) for all Unencumbered Assets of the types for which an applicable capitalization rate is provided in the definition of the term “Capitalization Rate” which are owned for more than twenty-four months prior to the date of determination by any Subsidiary that is not a Wholly-owned Subsidiary, the result of (A) the quotient of (i) the Property NOI from such Unencumbered Asset divided by (ii) the Capitalization Rate, multiplied by (B) the percentage of Equity Interests in such non-Wholly-owned Subsidiary owned by the Company as of such date of determination; plus

(e) for all Unencumbered Assets of the types for which no capitalization rate is provided in the definition of the term “Capitalization Rate” which are owned for more than twenty-four months prior to the date of determination by any Subsidiary that is not a Wholly-owned Subsidiary, the result of (i) the Gross Book Value of such Unencumbered Asset, multiplied by (ii) the percentage of Equity Interests in such non-Wholly-owned Subsidiary owned by the Company as of such date of determination; plus

(f) for all Unencumbered Assets owned for twenty-four months or less prior to the date of determination by any Subsidiary that is not a Wholly-owned Subsidiary, the result of (i) the Gross Book Value of such Unencumbered Asset, multiplied by (ii) the percentage of Equity Interests in such non-Wholly-owned Subsidiary owned by the Company as of such date of determination; plus

(g) for all Qualified Mortgage Loans owned by the Company or a Wholly-owned Subsidiary, the book value of such Qualified Mortgage Loans as of the date of such determination; plus

(h) for all Qualified Mortgage Loans owned by any Subsidiary that is not a Wholly-owned Subsidiary, the result of (i) the book value of such Qualified Mortgage Loans as of the date of such determination, multiplied by (ii) the percentage of Equity Interests in such non-Wholly-owned Subsidiary owned by the Company as of such date of determination; provided that the Unencumbered Asset Value of all Qualified Mortgage Loans under clause (e) and clause (f) of this definition shall at no time exceed, in the aggregate at any one time outstanding, 30% of the Unencumbered Asset Value of the Company and its Subsidiaries at such time.

“**Unencumbered Assets**” means those unencumbered Properties (each an “**Unencumbered Asset**”) owned by the Company or a Subsidiary, and (i) listed on the Officer’s Certificate delivered to the holders of the Notes on the date of this Agreement pursuant to the requirements of Section 4A(1), and (ii) thereafter, listed on Exhibit A to Schedule I of the certificate of a Senior Financial Officer after such properties’ designation by the Company as an Unencumbered Asset, so long as the Company shall fully comply with the requirements of Section 7.2(a) with regard to the reporting of such Unencumbered Asset, which unencumbered Properties (in the case of either the immediately preceding clause (i) or clause (ii)) meets the following criteria:

(a) is real property 100% owned in fee simple by the Company or a Subsidiary;

(b) is currently in service (not under development) and generates cash rental income to the Company or such Subsidiary;

(c) is a Senior Housing Asset or school located in the United States of America;

(d) if such Property is owned by the Company, (i) neither the Company's beneficial ownership interest in such Property nor the Property is subject to any Lien (other than Permitted Liens and Liens in favor of a collateral agent for the ratable benefit of the holders from time to time of the Notes, the Other Noteholders, the Prudential Noteholders and the Lenders under (and as defined in) the Credit Agreement and other indebtedness (subject to compliance with Section 10.1)) or to any negative pledge other than the negative pledge set forth herein, in any Other Note Agreement, the Prudential Note Agreement, the Credit Agreement or agreement governing such other indebtedness and (ii) the Company has the unilateral right to (x) sell, transfer or otherwise dispose of such Property and (y) to create a Lien on such Property as security for indebtedness of the Company (other than restrictions imposed by the negative pledge set forth herein, in any Other Note Agreement, the Prudential Note Agreement, the Credit Agreement or agreement governing such other indebtedness);

(e) if such Property is owned by a Subsidiary, (i) none of the Company's beneficial ownership interest in such Subsidiary or the Property is subject to any Lien (other than Permitted Liens and Liens in favor of the Company) or to any negative pledge other than the negative pledge set forth herein, in any Other Note Agreement, the Prudential Note Agreement, the Credit Agreement or agreement governing such other indebtedness and (ii) the Subsidiary has the unilateral right to (x) sell, transfer or otherwise dispose of such Property and (y) to create a Lien on such Property as security for indebtedness of the Company or such Subsidiary (other than restrictions imposed by the negative pledge set forth herein, in any Other Note Agreement, the Prudential Note Agreement, the Credit Agreement or agreement governing such other indebtedness);

(f) such Property, based on the Company's or the Subsidiary's actual knowledge, is free of all material structural defects or major architectural deficiencies, material title defects, material environmental conditions or other adverse matters which, individually or collectively, materially impair the value of such Property; and

(g) the lessee of such Property under its lease is not more than 60 days past due with respect to any monthly minimum rent payment obligations under such Lease.

"Unsecured Debt" means, as of any date of determination, the aggregate principal amount of all Total Indebtedness outstanding at such date that is not Secured Debt.

"USA PATRIOT Act" means United States Public Law 107-56, Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism (USA) PATRIOT ACT) Act of 2001, as amended from time to time, and the rules and regulations promulgated thereunder from time to time in effect.

"U.S. Economic Sanctions" is defined in Section 5.16.

"Voting Interests" means shares of capital stock issued by a corporation, or equivalent equity interests in any other Person, the holders of which are ordinarily, in the absence of contingencies,

entitled to vote for the election of directors (or persons performing similar functions) of such Person, even if the right so to vote has been suspended by the happening of such a contingency.

“**Wholly-owned Subsidiary**” means, at any time, any Subsidiary one hundred percent of all of the equity interests (except directors’ qualifying shares) and Voting Interests of which are owned by any one or more of the Company and the Company’s other Wholly-Owned Subsidiaries at such time.

**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 quarterly report on Form 10-Q 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 quarterly 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)

August 5, 2015

**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 quarterly report on Form 10-Q 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 quarterly 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)
August 5, 2015

**CERTIFICATIONS PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

Pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, each of the undersigned officers of LTC Properties, Inc. (the "Company") hereby certifies with respect to the Quarterly Report on Form 10-Q of the Company for the quarter ended June 30, 2015 as filed with the Securities and Exchange Commission (the "Report") that to her 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: August 5, 2015

/s/ Wendy L. Simpson

Wendy L. Simpson
Chairman, Chief Executive Officer and President

Date: August 5, 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.
