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

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**FORM 10-Q**

(Mark One)



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

For the quarterly period ended March 31, 2021

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)

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

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Common stock, \$.01 par value	LTC	New York Stock Exchange

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 every Interactive Data File required to be submitted 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 such files). Yes ☒ No ☐

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

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐ Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

The number of shares of common stock outstanding on April 22, 2021 was 39,364,622.

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**LTC PROPERTIES, INC.**

**FORM 10-Q**

**March 31, 2021**

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

	March 31, 2021	December 31, 2020
<b>ASSETS</b>		
Investments:		
Land	\$ 126,331	\$ 127,774
Buildings and improvements	1,314,707	1,324,227
Accumulated depreciation and amortization	(354,623)	(349,643)
Operating real estate property, net	1,086,415	1,102,358
Properties held-for-sale, net of accumulated depreciation: 2021—\$3,512; 2020—\$0	4,512	—
Real property investments, net	1,090,927	1,102,358
Mortgage loans receivable, net of loan loss reserve: 2021—\$2,592; 2020—\$2,592	257,282	257,251
Real estate investments, net	1,348,209	1,359,609
Notes receivable, net of loan loss reserve: 2021—\$137; 2020—\$146	13,577	14,465
Investments in unconsolidated joint ventures	19,340	11,340
Investments, net	1,381,126	1,385,414
Other assets:		
Cash and cash equivalents	8,201	7,772
Debt issue costs related to bank borrowings	1,104	1,324
Interest receivable	34,491	32,746
Straight-line rent receivable	24,377	24,452
Lease incentives	2,349	2,462
Prepaid expenses and other assets	3,655	5,316
Total assets	<u>\$ 1,455,303</u>	<u>\$ 1,459,486</u>
<b>LIABILITIES</b>		
Bank borrowings	\$ 106,900	\$ 89,900
Senior unsecured notes, net of debt issue costs: 2021—\$619; 2020—\$658	552,521	559,482
Accrued interest	3,347	4,216
Accrued expenses and other liabilities	27,764	30,082
Total liabilities	690,532	683,680
<b>EQUITY</b>		
Stockholders' equity:		
Common stock: \$0.01 par value; 60,000 shares authorized; shares issued and outstanding: 2021—39,362; 2020—39,242	394	392
Capital in excess of par value	851,150	852,780
Cumulative net income	1,402,537	1,388,775
Cumulative distributions	(1,497,714)	(1,474,545)
Total LTC Properties, Inc. stockholders' equity	756,367	767,402
Non-controlling interests	8,404	8,404
Total equity	764,771	775,806
Total liabilities and equity	<u>\$ 1,455,303</u>	<u>\$ 1,459,486</u>

*See accompanying notes.*

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

	<b>Three Months Ended March 31,</b>	
	<b>2021</b>	<b>2020</b>
Revenues:		
Rental income	\$ 31,973	\$ 38,035
Interest income from mortgage loans	7,922	7,777
Interest and other income	385	598
Total revenues	<u>40,280</u>	<u>46,410</u>
Expenses:		
Interest expense	6,972	7,710
Depreciation and amortization	9,877	9,669
(Recovery) provision for credit losses	(9)	1
Transaction costs	92	70
Property tax expense	3,981	4,223
General and administrative expenses	5,033	5,100
Total expenses	<u>25,946</u>	<u>26,773</u>
Other operating income:		
(Loss) gain on sale of real estate, net	(773)	43,854
Operating income	<u>13,561</u>	<u>63,491</u>
Income from unconsolidated joint ventures	289	231
Net income	13,850	63,722
Income allocated to non-controlling interests	(88)	(89)
Net income attributable to LTC Properties, Inc.	13,762	63,633
Income allocated to participating securities	(120)	(263)
Net income available to common stockholders	<u>\$ 13,642</u>	<u>\$ 63,370</u>
Earnings per common share:		
Basic	\$ 0.35	\$ 1.60
Diluted	\$ 0.35	\$ 1.60
Weighted average shares used to calculate earnings per common share:		
Basic	39,100	39,539
Diluted	39,179	39,541
Dividends declared and paid per common share	\$ 0.57	\$ 0.57
Comprehensive Income:		
Net income	\$ 13,850	\$ 63,722
Comprehensive income	<u>\$ 13,850</u>	<u>\$ 63,722</u>

*See accompanying notes.*

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

	Common Stock		Capital in Excess of Par Value	Cumulative Net Income	Cumulative Distributions	Total Stockholder's Equity	Non-Controlling Interests	Total Equity
	Shares	Amount						
<b>Balance—December 31, 2019</b>	<b>39,752</b>	<b>\$ 398</b>	<b>\$ 867,346</b>	<b>\$ 1,293,482</b>	<b>\$ (1,384,283)</b>	<b>\$ 776,943</b>	<b>\$ 8,483</b>	<b>\$ 785,426</b>
Common Stock cash distributions (\$0.57 per share)	—	—	—	—	(22,581)	(22,581)	—	(22,581)
Vesting of performance-based stock units	82	—	—	—	(586)	(586)	—	(586)
Issuance of restricted stock	76	1	(1)	—	—	—	—	—
Repurchase of common stock	(616)	(6)	(18,006)	—	—	(18,012)	—	(18,012)
Stock-based compensation expense	—	—	1,777	—	—	1,777	—	1,777
Net income	—	—	—	63,633	—	63,633	89	63,722
Non-controlling interest distributions	—	—	—	—	—	—	(146)	(146)
Other	(76)	(1)	(3,544)	—	—	(3,545)	—	(3,545)
<b>Balance—March 31, 2020</b>	<b>39,218</b>	<b>\$ 392</b>	<b>\$ 847,572</b>	<b>\$ 1,357,115</b>	<b>\$ (1,407,450)</b>	<b>\$ 797,629</b>	<b>\$ 8,426</b>	<b>\$ 806,055</b>
Common Stock cash distributions (\$0.57 per share)	—	—	—	—	(22,359)	(22,359)	—	(22,359)
Issuance of restricted stock	25	—	(7)	—	—	(7)	—	(7)
Stock-based compensation expense	—	—	1,761	—	—	1,761	—	1,761
Net income	—	—	—	1,870	—	1,870	82	1,952
Non-controlling interest distributions	—	—	—	—	—	—	(97)	(97)
<b>Balance—June 30, 2020</b>	<b>39,243</b>	<b>\$ 392</b>	<b>\$ 849,326</b>	<b>\$ 1,358,985</b>	<b>\$ (1,429,809)</b>	<b>\$ 778,894</b>	<b>\$ 8,411</b>	<b>\$ 787,305</b>
Common Stock cash distributions (\$0.57 per share)	—	—	—	—	(22,368)	(22,368)	—	(22,368)
Stock-based compensation expense	—	—	1,693	—	—	1,693	—	1,693
Net income	—	—	—	12,217	—	12,217	121	12,338
Non-controlling interest distributions	—	—	—	—	—	—	(128)	(128)
Other	(1)	—	(19)	—	—	(19)	—	(19)
<b>Balance—September 30, 2020</b>	<b>39,242</b>	<b>\$ 392</b>	<b>\$ 851,000</b>	<b>\$ 1,371,202</b>	<b>\$ (1,452,177)</b>	<b>\$ 770,417</b>	<b>\$ 8,404</b>	<b>\$ 778,821</b>
Common Stock cash distributions (\$0.57 per share)	—	—	—	—	(22,368)	(22,368)	—	(22,368)
Issuance of restricted stock	—	—	(1)	—	—	(1)	—	(1)
Stock-based compensation expense	—	—	1,781	—	—	1,781	—	1,781
Net income	—	—	—	17,573	—	17,573	92	17,665
Non-controlling interest distributions	—	—	—	—	—	—	(92)	(92)
<b>Balance—December 31, 2020</b>	<b>39,242</b>	<b>\$ 392</b>	<b>\$ 852,780</b>	<b>\$ 1,388,775</b>	<b>\$ (1,474,545)</b>	<b>\$ 767,402</b>	<b>\$ 8,404</b>	<b>\$ 775,806</b>
Common Stock cash distributions (\$0.57 per share)	—	—	—	—	(22,405)	(22,405)	—	(22,405)
Vesting of performance-based stock units, including the payment of distributions	109	1	(1)	—	(764)	(764)	—	(764)
Stock-based compensation expense	—	—	1,852	—	—	1,852	—	1,852
Net income	—	—	—	13,762	—	13,762	88	13,850
Non-controlling interest distributions	—	—	—	—	—	—	(88)	(88)
Cash paid for taxes in lieu of common shares	(84)	—	(3,470)	—	—	(3,470)	—	(3,470)
Other	95	1	(11)	—	—	(10)	—	(10)
<b>Balance—March 31, 2021</b>	<b>39,362</b>	<b>\$ 394</b>	<b>\$ 851,150</b>	<b>\$ 1,402,537</b>	<b>\$ (1,497,714)</b>	<b>\$ 756,367</b>	<b>\$ 8,404</b>	<b>\$ 764,771</b>

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

	<b>Three Months Ended March 31,</b>	
	<b>2021</b>	<b>2020</b>
<b>OPERATING ACTIVITIES:</b>		
Net income	\$ 13,850	\$ 63,722
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	9,877	9,669
Stock-based compensation expense	1,852	1,777
Loss (gain) on sale of real estate, net	773	(43,854)
Income from unconsolidated joint ventures	(289)	(231)
Income distributions from unconsolidated joint ventures	164	231
Straight-line rental income	(682)	(839)
Adjustment for collectibility of rental income and lease incentives	758	—
Lease incentives funded	—	(13)
Amortization of lease incentives	112	101
(Recovery) provision for credit losses	(9)	1
Other non-cash items, net	260	256
Increase in interest receivable	(1,745)	(1,511)
Decrease in accrued interest payable	(869)	(1,480)
Net change in other assets and liabilities	(2,793)	(3,975)
Net cash provided by operating activities	<u>21,259</u>	<u>23,854</u>
<b>INVESTING ACTIVITIES:</b>		
Investment in real estate properties	—	(13,581)
Investment in real estate developments	—	(4,854)
Investment in real estate capital improvements	(1,044)	(1,119)
Capitalized interest	—	(191)
Proceeds from sale of real estate, net	1,765	71,905
Investment in real estate mortgage loans receivable	(158)	(366)
Principal payments received on mortgage loans receivable	125	65
Investments in unconsolidated joint ventures	(5,676)	(58)
Advances and originations under notes receivable	(1,656)	(141)
Principal payments received on notes receivable	2,553	—
Net cash (used in) provided by investing activities	<u>(4,091)</u>	<u>51,660</u>
<b>FINANCING ACTIVITIES:</b>		
Bank borrowings	17,000	24,000
Repayment of bank borrowings	—	(28,000)
Principal payments on senior unsecured notes	(7,000)	—
Stock repurchase plan	—	(18,012)
Distributions paid to stockholders	(23,169)	(23,167)
Distributions paid to non-controlling interests	(88)	(146)
Cash paid for taxes in lieu of shares upon vesting of restricted stock and performance-based stock units	(3,470)	(3,545)
Other	(12)	—
Net cash used in financing activities	<u>(16,739)</u>	<u>(48,870)</u>
Increase in cash, cash equivalents and restricted cash	429	26,644
Cash, cash equivalents and restricted cash, beginning of period	7,772	4,244
Cash, cash equivalents and restricted cash, end of period	<u>\$ 8,201</u>	<u>\$ 30,888</u>
Supplemental disclosure of cash flow information:		
Interest paid	\$ 7,582	\$ 8,935
Non-cash investing and financing transactions:		
Reclassification of notes receivable to lease incentives	\$ —	\$ 300
Preferred return reserve related to investments in unconsolidated joint venture (See Note 3)	\$ 2,324	\$ —

*See accompanying notes.*

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

**1. General**

LTC Properties, Inc., a health care real estate investment trust (“REIT”), was incorporated on May 12, 1992 in the State of Maryland and commenced operations on August 25, 1992. We invest primarily in seniors housing and health care properties primarily through sale-leaseback transactions, mortgage financing and structured finance solutions including mezzanine lending. 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 seniors housing and health care properties managed by experienced operators. Our primary seniors housing and health care property classifications include skilled nursing centers (“SNF”), assisted living communities (“ALF”), independent living communities (“ILF”), memory care communities (“MC”) and combinations thereof. To meet these objectives, we attempt to invest in properties that provide opportunity for additional value and current returns to our stockholders and diversify our investment portfolio by geographic location, operator, property classification and form of investment.

We have prepared consolidated financial statements included herein without audit and in the opinion of management have included all adjustments necessary for a fair presentation of the consolidated financial statements pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”). Certain information and note disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) have been condensed or omitted pursuant to rules and regulations governing the presentation of interim financial statements. The accompanying consolidated financial statements include the accounts of our company and its wholly-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation. The results of operations for the three months ended March 31, 2021 and 2020 are not necessarily indicative of the results for a full year.

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

***New Accounting Pronouncements***

In March 2020, the Financial Accounting Standards Board (“FASB”) issued guidance which provides temporary optional expedients and exceptions to the U.S. GAAP guidance on contract modifications and hedge accounting to ease the financial reporting burdens of the expected market transition from LIBOR and other interbank offered rates to alternative reference rates. The guidance is effective upon issuance and generally may be elected over time through December 31, 2022. The Company has not adopted any of the optional expedients or exceptions through March 31, 2021, but will continue to evaluate the possible adoption (including potential impact) of any such expedients or exceptions during the effective period as circumstances evolve.

**2. Real Estate Investments**

Assisted living communities, independent living communities, memory care communities and combinations thereof are included in the assisted living property classification (collectively “ALF”).

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

Any reference to the number of properties or facilities, number of units, number of beds, number of operators 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.* Our 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 2.5%;
- (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.

Our leases that contain fixed annual rental escalations and/or have annual rental escalations that are contingent upon changes in the Consumer Price Index, 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 gross operating revenues of the property. This revenue is not recognized until the appropriate contingencies have been resolved.

The following table summarizes our investments in owned properties at March 31, 2021 (*dollar amounts in thousands*):

Type of Property	Gross Investment	Percentage of Investment	Number of Properties <sup>(1)</sup>	Number of		Average Investment per Bed/Unit
				SNF Beds	ALF Units	
Assisted Living	\$ 877,233	60.5 %	106	—	6,103	\$ 143.74
Skilled Nursing	560,469	38.7 %	51	6,277	212	\$ 86.37
Other <sup>(2)</sup>	11,360	0.8 %	1	118	—	—
Total	<u>\$ 1,449,062</u>	<u>100.0 %</u>	<u>158</u>	<u>6,395</u>	<u>6,315</u>	

(1) We own properties in 27 states that are leased to 30 different operators.

(2) Includes three parcels of land held-for-use, and one behavioral health care hospital.



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

Future minimum base rents receivable under the remaining non-cancelable terms of operating leases excluding the effects of straight-line rent receivable, amortization of lease incentives and renewal options are as follows (*in thousands*):

	<b>Cash Rent <sup>(1)</sup></b>
2021	\$ 104,798
2022	144,536
2023	130,486
2024	131,146
2025	116,304
Thereafter	507,382

(1) Represents contractual cash rent, except for certain master leases which are based on estimated cash payments.

We monitor the collectability of our receivable balances, including deferred rent receivable balances, on an ongoing basis. We write-off uncollectible operator receivable balances, including straight line rent receivable balances, as a reduction to rental income in the period such balances are no longer probable of being collected. Therefore, recognition of rental income is limited to the lesser of the amount of cash collected or rental income reflected on a “straight-line” basis for those customer receivable balances deemed uncollectible. As of March 31, 2021, we have 16 operators that are being accounted for on a “cash-basis”. We wrote-off straight-line rent receivable of \$758,000 and \$0 for the three months ended March 31, 2021 and 2020, respectively.

We continue to take into account the current financial condition of our operators, including consideration of the impact of COVID-19, in our estimation of our uncollectible accounts and deferred rents receivable at March 31, 2021. We are closely monitoring the collectability of such rents and will adjust future estimations as appropriate as further information becomes known.

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

The following table summarizes components of our rental income for the three months ended March 31, 2021 and 2020 (*in thousands*):

<b>Rental Income</b>	<b>Three Months Ended March 31,</b>	
	<b>2021</b>	<b>2020</b>
Base cash rental income	\$ 28,623 <sup>(1)</sup>	\$ 33,015
Variable cash rental income	3,538 <sup>(2)</sup>	4,282 <sup>(2)</sup>
Straight-line rent	682 <sup>(3)</sup>	839
Adjustment for collectability of rental income and lease incentives	(758) <sup>(4)</sup>	—
Amortization of lease incentives	(112)	(101)
Total	<u>\$ 31,973</u>	<u>\$ 38,035</u>

- (1) Decreased primarily due to reduction of rent from Senior Lifestyle and abated and deferred rent partially offset by increased rent from acquisitions and completion of development projects and contractual rent increases.
- (2) The variable rental income for the three months ended March 31, 2021, includes reimbursement of real estate taxes by our lessees of \$3,538. The variable rental income for the three months ended March 31, 2020 includes contingent rental income of \$60 and \$4,222 related to reimbursement of real estate taxes by our lessees.
- (3) Decreased due to more leases accounted for on a cash basis and normal amortization partially offset by increases due to a 50% reduction in 2021 rent escalations for those leases accounted for on a straight-line basis.
- (4) Represents a straight-line rent receivable write-off.

Some of our lease agreements provide purchase options allowing the lessees to purchase the properties they currently lease from us. The following table summarizes information about purchase options included in our lease agreements (*dollar amount in thousands*):

<b>State</b>	<b>Type of Property</b>	<b>Number of Properties</b>	<b>Gross Investments</b>	<b>Carrying Value</b>	<b>Option Window</b>
California	ALF/MC	2	\$ 38,895	\$ 35,366	2024-2029
California	ALF	2	31,037	17,033	2021-TBD <sup>(1)</sup>
Florida	MC	1	14,986	13,076	2028-2029
Kentucky and Ohio	MC	2	30,342	27,116	2028-2029
Texas	MC	2	25,265	23,560	2025-2027
South Carolina	ALF/MC	1	11,680	10,067	2028-2029
Total			<u>\$ 152,205</u>	<u>\$ 126,218</u>	

- (1) The option window ending date will be either 24 months or 48 months after the option window commences, based on certain contingencies.

On March 11, 2020, the World Health Organization declared the outbreak of COVID-19 as a pandemic, and on March 13, 2020, the United States declared a national emergency with regard to COVID-19. At March 31, 2021, in conjunction with the continued levels of uncertainty related to the adverse effects of COVID-19, we assessed the probability of collecting substantially all of our lease payments through maturity and concluded that we did not have sufficient information available to evaluate the impact of COVID-19 on the collectability of our lease payments. The extent to which COVID-19 could impact our operators and the collectability of our future lease payments will depend on the future developments including the financial impact significance, government support and subsidies and the duration of the pandemic.

In recognition of the pandemic impact affecting our operators, we have agreed to rent abatements totaling \$600,000 and rent deferrals for certain operators totaling \$1,144,000 during the first quarter of 2021. The \$1,743,000 in rent abatements and deferrals during the three months ended March 31, 2021,

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

represented approximately 4% of our first quarter of 2021 contractual rent. Additionally, we reduced 2021 rent and interest escalations by 50% to support eligible operators during the continuing COVID-19 crisis. The rent and interest escalation reductions were given in the form of a rent and interest credit in recognition of operators' increased costs due to COVID-19. We have elected to recognize the rent credits given to the eligible operators where we accrue rent on a straight-line basis over the remaining life of those respective leases. During the first quarter of 2021, we recognized a decrease of \$292,000 of GAAP revenue and \$1,200,000 in funds available for distribution.

*Acquisitions and Developments:* The following table summarizes our acquisitions for the three months ended March 31, 2021 and 2020 (*dollar amounts in thousands*):

Year	Type of Property	Purchase Price	Transaction Costs	Total Acquisition Costs	Number of Properties	Number of Beds/Units
2021	n/a	\$ —	\$ —	\$ —	—	—
2020	Skilled Nursing <sup>(1)</sup>	\$ 13,500	\$ 81	\$ 13,581	1	140

(1) We acquired a SNF located in Texas.

During the three months ended March 31, 2021 and 2020, we invested the following in development and improvement projects (*in thousands*):

Type of Property	Three Months Ended March 31,			
	2021		2020	
	Developments	Improvements	Developments	Improvements
Assisted Living Communities	\$ —	\$ 1,044	\$ 2,386	\$ 1,116
Skilled Nursing Centers	—	—	2,468	3
Total	\$ —	\$ 1,044	\$ 4,854	\$ 1,119

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**(Unaudited)**

*Completed Developments.* We had no completed developments during the three months ended March 31, 2021. The following table summarized our completed developments during the three months ended March 31, 2020 (*dollar amounts in thousands*):

Year	Type of Project	Number of Properties	Type of Property	Number of Beds/Units	State	Total Investment
2020	Development	1	ALF/MC	78	Oregon	\$ 18,447

*Properties Sold.* The following table summarizes property sales during the three months ended March 31, 2021 and 2020 (*dollar amounts in thousands*):

Year	State	Type of Properties	Number of Properties	Number of Beds/Units	Sales Price	Carrying Value	Net (Loss) gain <sup>(1)</sup>
2021	Florida	ALF	1	—	\$ 2,000	\$ 2,625	\$ (861)
	n/a	n/a	—	—	—	—	88 <sup>(2) (3)</sup>
Total 2021			1	—	\$ 2,000	\$ 2,625	\$ (773)
2020	Arizona	SNF	1	194	\$ 12,550	\$ 2,229	\$ 10,293
	Colorado	SNF	3	275	15,000	4,271	10,365
	Iowa	SNF <sup>(3)</sup>	7	544	14,500	4,886	8,914
	Kansas	SNF	3	250	9,750	7,438	1,994
	Texas	SNF	7	1,148	23,000	10,260	12,288
Total 2020			21	2,411	\$ 74,800	\$ 29,084	\$ 43,854

(1) Calculation of net (loss) gain includes cost of sales.

(2) We recognized additional gain due to the reassessment adjustment of the holdbacks related to properties sold during 2019 and 2020, under the expected value model per ASC *Topic 606, Contracts with Customers* ("ASC 606").

(3) One of the transactions includes a holdback of \$838 which is held in an interest-bearing account with an escrow holder on behalf of the buyer for potential specific losses. During 2020, we received \$150 of the holdback. The remaining holdback expires in March 2022. Using the expected value model per ASC 606, we estimated and recorded the holdback value of \$471 at closing.

*Properties held-for-sale.* The following table summarizes our properties held-for-sale at March 31, 2021 and December 31, 2020 (*dollar amounts in thousands*):

	State	Type of Property	Number of Properties	Number of Beds/units	Gross Investment	Accumulated Depreciation
2021	WA	SNF	1	123	\$ 8,024	\$ 3,512
2020	n/a	n/a	—	—	\$ —	\$ —

**LTC PROPERTIES, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED**  
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*Mortgage Loans.* The following table summarizes our investments in mortgage loans secured by first mortgages at March 31, 2021 (*dollar amounts in thousands*):

Interest Rate <sup>(1)</sup>	Maturity	Gross Investment	Type of Property	Percentage of Investment	Number of Loans <sup>(2)</sup>	Number of Properties <sup>(3)</sup>	SNF Beds	Investment per Bed/Unit
10.1%	2043	\$ 186,362	SNF	71.7 %	1	15	1,941	\$ 96.01
9.3%	2045	38,862	SNF	15.0 %	1	4	501	\$ 77.57
9.4%	2045	19,750	SNF	7.6 %	1	2	205	\$ 96.34
9.6%	2045	14,900	SNF	5.7 %	1	1	157	\$ 94.90
Total		\$ 259,874		100.0 %	4	22	2,804	\$ 92.68

- (1) The majority of the mortgage loans provide for annual increases in the interest rate after a certain time period increasing by 2.25%.  
(2) Some loans contain certain guarantees, provide for certain facility fees and the majority of the mortgage loans have a 30-year term.  
(3) The properties securing these mortgage loans are located in one state and are operated by one operator.

The following table summarizes our mortgage loan activity for the three months ended March 31, 2021 and 2020 (*in thousands*):

	Three Months Ended March 31,	
	2021	2020
Originations and funding under mortgage loans receivable	\$ 158	\$ 366
Scheduled principal payments received	(125)	(65)
Mortgage loan premium amortization	(2)	(1)
Provision for loan loss reserve	—	(3)
Net increase in mortgage loans receivable	\$ 31	\$ 297

We apply ASU No. 2016-13, *Measurement of Credit Losses on Financial Instruments* (“ASU 2016-13”) and the “expected loss” model to estimate our loan losses on our mortgage loans and notes receivable. In determining the expected losses on these receivables, we utilize the probability of default and discounted cash flow methods. Further, we stress-test the results to reflect the impact of unknown adverse future events including recessions.

As of March 31, 2021, the accrued interest receivable of \$34,491,000 was not included in the measurement of expected credit losses on the mortgage loan receivable and notes receivable (see Note 4). We elected not to measure an allowance for expected credit losses on the related accrued interest receivable using the expected credit loss standard. Rather, we have elected to write-off accrued interest receivable by reversing interest income and/or recognizing credit loss expense as incurred. We review the collectability of the accrued interest receivable quarterly as part of our review of the mortgage loan or notes receivables including the performance of the underlying collateral. For the three months ended March 31, 2021 and 2020, the Company did not write-off any accrued interest receivable.

### 3. Investment in Unconsolidated Joint Ventures

We had a preferred equity investment in an unconsolidated joint venture (“JV”) that owned four communities located in Arizona, providing independent living, assisted living and memory care services. During 2020, the JV sold the four properties comprising the JV (“Properties”) and received liquidation proceeds totaling \$17,848,000 and incurred \$758,000 of losses.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED**  
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During 2020, we provided preferred capital contribution commitments to two joint ventures (“JVs”). We determined that each of these JVs meets the accounting criteria to be considered a variable interest entity (“VIE”). We are not the primary beneficiary of the JVs as we do not have the power to direct the activities that most significantly affect the JVs’ economic performance. However, we do have significant influence over the JVs. Therefore, we have accounted for the JVs using the equity method of accounting. The following table provides information regarding these preferred equity investments (*dollar amounts in thousands*):

State	Type of Properties	Type of Investment	Total Preferred Return	Contractual Cash Portion	Number of Beds/ Units	Investment Commitment	Carrying Value
Washington	UDP	Preferred Equity (1)	12 %	7 %	—	\$ — (1)	\$ 6,340 (1)
Washington	UDP	Preferred Equity (2)	12 %	8 %	—	— (2)	13,000 (2)
Total					—	\$ —	\$ 19,340

- (1) Invested \$6,340 of preferred equity in an entity that will develop and own a 95-unit ALF and MC in Washington and withheld \$1,425 as a reserve. Our investment represents 15.5% of the estimated total investment. The preferred equity investment earns an initial cash rate of 7% increasing to 9% in year four until the internal rate of return (“IRR”) is 8%. After achieving an 8% IRR, the cash rate drops to 8% until achieving an IRR ranging between 12% to 14%.
- (2) Invested \$13,000 of preferred equity in an entity that will develop and own a 267-unit ILF and ALF in Washington and withheld \$3,777 as a reserve. Our investment represents 11.6% of the estimated total investment. The preferred equity investment earns an initial cash rate of 8% until achieving an IRR ranging between 12% and 14%.

The following table summarizes our capital contributions, income recognized, and cash interest received related to our investments in unconsolidated joint ventures for the three months ended March 31, 2021 and 2020 (*in thousands*):

Year	Type of Properties	Capital Contribution	Income Recognized	Cash Interest Earned
2021	UDP (1)	\$ — (1)	\$ 112 (1)	\$ 75 (1)
	UDP (2)	8,000 (2)	177 (2)	89 (2)
Total		\$ 8,000	\$ 289	\$ 164
2020	ALF/MC/ILF (3)	\$ 58 (3)	\$ 231 (3)	\$ 231 (3)
Total		\$ 58	\$ 231	\$ 231

- (1) During 2020, we provided a total preferred equity investment of \$6,340 to a JV for the development of a 95-unit ALF and MC.
- (2) During the first quarter of 2021, we funded the remaining \$8,000 related to a \$13,000 preferred equity investment commitment in an entity that will develop and own a 267-unit ILF and ALF in Washington.
- (3) Relates to our preferred equity investment in Arizona discussed above. During 2020, the properties comprising the JV were sold.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED**  
**(Unaudited)**

**4. Notes Receivable**

Notes receivable consists of mezzanine loans and other loan arrangements. The following table is a summary of our notes receivable components as of March 31, 2021 and December 31, 2020 *(in thousands)*:

	March 31, 2021	December 31, 2020
Mezzanine loans	\$ 7,461	\$ 8,445
Other loans	6,253	6,166
Notes receivable loan loss reserve	(137)	(146)
Total	\$ 13,577	\$ 14,465

The following table summarizes our notes receivable activity for the three months ended March 31, 2021 and 2020 *(in thousands)*:

	Three Months Ended March 31,	
	2021	2020
Advances under notes receivable	\$ 1,656 (1)	\$ 141
Principal payments received under notes receivable	(2,553)	—
Reclassified to lease incentives	—	(300) (2)
Notes receivable loan loss reserve	9	1
Net decrease	\$ (888)	\$ (158)

- (1) Funding under working capital notes with interest ranging between 5% and 8% and maturities between 2022 and 2027.
- (2) Represents interim working capital loans related to development projects which matured upon completion of the development projects and commencement of the master leases.

**5. Lease Incentives**

Our lease incentive balances at March 31, 2021 and December 31, 2020 are as follows *(in thousands)*:

	March 31, 2021	December 31, 2020
Non-contingent lease incentives	\$ 2,349	\$ 2,462

The following table summarizes our lease incentives activity for the three months ended March 31, 2021 and 2020 *(in thousands)*:

	2021		2020	
	Funding	Amortization	Funding	Amortization
Non-contingent lease incentives	\$ —	\$ (112)	\$ 13	\$ (101)
				Reclassification
				300 (1)

- (1) We reclassified a \$300 interim working capital loan as lease incentive. See *Note 4. Notes Receivable* for further discussion.

Non-contingent lease incentives represent payments made to our lessees for various reasons including entering into a new lease or lease amendments and extensions. Contingent lease incentives represent potential contingent earn-out payments that may be made to our lessees in the future, as part of our lease agreements. From time to time, we may commit to provide contingent payments to our lessees, upon our properties achieving certain rent coverage ratios. Once the contingent payment becomes probable and estimable, the contingent payment is recorded as a lease incentive. Lease incentives are amortized as a yield adjustment to rental income over the remaining life of the lease.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED**  
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**6. Debt Obligations**

*Bank Borrowings.* We have an unsecured credit agreement that provides for a revolving aggregate commitment of the lenders of up to \$600,000,000 with the opportunity to increase the commitment size of the credit agreement up to a total of \$1,000,000,000. The unsecured credit agreement matures on June 27, 2022 and provides for a one-year extension option at our discretion, subject to customary conditions. Based on our leverage at March 31, 2021, the facility provides for interest annually at LIBOR plus 115 basis points and a facility fee of 20 basis points. At March 31, 2021, we were in compliance with all covenants.

*Senior Unsecured Notes.* We have senior unsecured notes held by institutional investors with interest rates ranging from 3.85% to 5.03%. The senior unsecured notes mature between 2021 and 2032.

The debt obligations by component as of March 31, 2021 and December 31, 2020 are as follows (*dollar amounts in thousands*):

Debt Obligations	Applicable Interest Rate <sup>(1)</sup>	At March 31, 2021		At December 31, 2020	
		Outstanding Balance	Available for Borrowing	Outstanding Balance	Available for Borrowing
Bank borrowings <sup>(2)</sup>	1.30%	\$ 106,900	\$ 493,100	\$ 89,900	\$ 510,100
Senior unsecured notes, net of debt issue costs	4.37%	552,521	—	559,482	—
<b>Total</b>	<b>3.87%</b>	<b>\$ 659,421</b>	<b>\$ 493,100</b>	<b>\$ 649,382</b>	<b>\$ 510,100</b>

(1) Represents weighted average of interest rate as of March 31, 2021.

(2) Subsequent to March 31, 2021, we paid down \$5,000 under our unsecured revolving line of credit. Accordingly, we have \$101,900 outstanding and \$498,100 available for borrowing under our unsecured revolving line of credit at April 29, 2021.

Our borrowings and repayments are as follows (*in thousands*):

Debt Obligations	Three Months Ended March 31,			
	2021		2020	
	Borrowings	Repayments	Borrowings	Repayments
Bank borrowings	\$ 17,000	\$ — <sup>(1)</sup>	\$ 24,000	\$ (28,000)
Senior unsecured notes	—	(7,000)	—	—
<b>Total</b>	<b>\$ 17,000</b>	<b>\$ (7,000)</b>	<b>\$ 24,000</b>	<b>\$ (28,000)</b>

(1) Subsequent to March 31, 2021, we paid down \$5,000 under our unsecured revolving line of credit. Accordingly, we have \$101,900 outstanding and \$498,100 available for borrowing under our unsecured revolving line of credit at April 29, 2021.

**7. Equity**

*Non-controlling Interests.* We have entered into partnerships to develop and/or own real estate. Given that our limited members do not have the substantive kick-out rights, liquidation rights, or participation rights, we have concluded that the partnerships are VIEs. As we exercise power over and receive benefits from the VIEs, we are considered the primary beneficiary. Accordingly, we consolidate the VIEs and record the non-controlling interests on the consolidated financial statements.



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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED**  
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As of March 31, 2021, we have the following consolidated VIEs (*in thousands*):

Investment Year	Purpose	Property Type	State	Gross Consolidated Assets	Non-Controlling Interests
2019	Owned real estate	ALF/MC	VA	\$ 16,895	\$ 919
2018	Owned real estate	ILF	OR	14,400	2,858
2018	Owned real estate and development	ALF/MC	OR	18,447	1,081
2017	Owned real estate and development	ILF/ALF/MC	WI	22,007	2,305
2017	Owned real estate	ALF/MC	SC	11,680	1,241
Total				<u>\$ 83,429</u>	<u>\$ 8,404</u>

*Common Stock.* We have separate equity distribution agreements (collectively, “Equity Distribution Agreements”) to offer and sell, from time to time, up to \$200,000,000 in aggregate offering price of shares of our common stock. As of March 31, 2021, no shares had been issued under the Equity Distribution Agreements. Accordingly, at March 31, 2021, we had \$200,000,000 available under the Equity Distribution Agreements.

During the three months ended March 31, 2021 and 2020, we acquired 84,616 shares and 76,067 shares, respectively, of common stock held by employees who tendered owned shares to satisfy tax withholding obligations.

*Stock Repurchase Plan.* On March 12, 2020, our Board of Directors authorized the repurchase of up to 5,000,000 outstanding shares of common stock. Due to the rising level of uncertainty in financial markets and the adverse effects of COVID-19 on the public health and our operators, our Board of Directors terminated the stock repurchase plan on March 25, 2020. During 2020, we purchased 615,827 shares at an average price of \$29.25 per share, including commissions, for a total purchase price of \$18,012,000.

*Available Shelf Registration.* We have an automatic shelf registration statement on file with the SEC, and currently have the ability to file additional automatic shelf registration statements, to provide us with capacity to publicly offer an indeterminate amount of common stock, preferred stock, warrants, debt, depositary shares, or units. We may from time to time raise capital under our automatic shelf registration statement in amounts, at prices, and on terms to be announced when and if the securities are offered. The specifics of any future offerings, along with the use of proceeds of any securities offered, will be described in detail in a prospectus supplement, or other offering materials, at the time of the offering. Our shelf registration statement expires on February 28, 2022.

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

	Three Months Ended March 31,			
	2021		2020	
	Declared	Paid	Declared	Paid
Common Stock <sup>(1)</sup>	<u>\$ 23,169 <sup>(2)</sup></u>	<u>\$ 23,169 <sup>(2)</sup></u>	<u>\$ 23,167 <sup>(3)</sup></u>	<u>\$ 23,167 <sup>(3)</sup></u>

(1) Represents \$0.19 per share per month for the three months ended March 31, 2021 and 2020.

(2) Includes \$764 of distributions that were paid as a result of the vesting of performance-based stock units.

(3) Includes \$586 of distributions that were paid as a result of the vesting of performance-based stock units.

In April 2021, we declared a monthly cash dividend of \$0.19 per share on our common stock for

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED**  
**(Unaudited)**

the months of April, May and June 2021, payable on April 30, May 28, and June 30, 2021, respectively, to stockholders of record on April 22, May 20, and June 22, 2021, respectively.

*Stock-Based Compensation.* Under our 2015 Equity Participation Plan (“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.

At March 31, 2021, we had 15,000 stock options outstanding and exercisable. During the three months ended March 31, 2021 and 2020, no stock options were granted or exercised.

The following table summarizes our restricted stock activity for the three months ended March 31, 2021 and 2020:

	<b>Three Months Ended March 31,</b>	
	<b>2021</b>	<b>2020</b>
Outstanding, January 1	180,440	163,569
Granted	95,293	76,464
Vested	(78,482)	(74,981)
Outstanding, March 31	<u>197,251</u>	<u>165,052</u>

During the three months ended March 31, 2021 and 2020, we granted 71,892 and 66,027, respectively, of performance-based stock units. Additionally, during the three months ended March 31, 2021 and 2020, the number of vested performance-based stock units were 108,720 and 81,574, respectively.

During the three months ended March 31, 2021 and 2020, we granted restricted stock and performance-based stock units under the 2015 Plan as follows:

<b>Year</b>	<b>No. of Shares/Units <sup>(1)</sup></b>	<b>Price per Share</b>	<b>Vesting Period</b>
2021	95,293	\$ 42.27	ratably over 3 years
	71,892	\$ 42.27	TSR targets <sup>(2)</sup>
	<u>167,185</u>		
2020	76,464	\$ 48.95	ratably over 3 years
	66,027	\$ 49.98	TSR targets <sup>(2)</sup>
	<u>142,491</u>		

(1) Subsequent to March 31, 2021, we granted 3,000 shares of restricted stock at \$43.14 per share vesting over one year.

(2) Vesting is based on achieving certain total shareholder return (“TSR”) targets in 4 years with acceleration opportunity in 3 years.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED**  
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Compensation expense recognized related to the vesting of restricted common stock and performance-based stock units for the three months ended March 31, 2021 and 2020 were \$1,852,000 and \$1,777,000, respectively. At March 31, 2021, the remaining compensation expense to be recognized related to the future service period of unvested outstanding restricted common stock and performance-based stock units are as follows (*in thousands*):

Vesting Date	Remaining Compensation Expense
2021	\$ 5,534
2022	5,216
2023	2,855
2023	303
Total	<u>\$ 13,908</u>

**8. Commitments and Contingencies**

At March 31, 2021, we had commitments as follows (*in thousands*):

	Investment Commitment	2021 Funding	Total Commitment Funded	Remaining Commitment
Real estate properties ( <i>Note 2. Real Estate Investments</i> )	\$ 16,085 <sup>(1)</sup>	\$ 829	\$ 8,176	\$ 7,909
Accrued incentives and earn-out liabilities ( <i>Note 5. Lease Incentives</i> )	9,000	—	—	9,000
Mortgage loans ( <i>Note 2. Real Estate Investments</i> )	21,000 <sup>(2)</sup>	32	3,413	17,587
Notes receivable ( <i>Note 4. Notes Receivable</i> )	1,845	353	1,090	755
Total	<u>\$ 47,930</u>	<u>\$ 1,214</u>	<u>\$ 12,679</u>	<u>\$ 35,251</u>

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

(2) Represents \$3,000 of commitments to expand and renovate the seniors housing and health care properties securing the mortgage loans and \$18,000 represents contingent funding upon the borrower achieving certain coverage ratios.

Also, some of our lease agreements provide purchase options allowing the lessee to purchase the properties they currently lease from us. See *Note 2. Real Estate Investments* for a table summarizing information about our purchase options.

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.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED**  
**(Unaudited)**

**9. Major Operators**

We have one operator that derives 10% or more of our combined rental revenue and interest income from mortgage loans. The following table sets forth information regarding our major operator as of March 31, 2021:

Operator	Number of		Number of		Percentage of	
	SNF	ALF	SNF Beds	ALF Units	Total Revenue <sup>(1)</sup>	Total Assets <sup>(2)</sup>
Prestige Healthcare <sup>(3)</sup>	24	—	2,922	93	20.6 %	18.3 %

(1) Includes rental income from owned properties and interest income from mortgage loans as of March 31, 2021 and excludes variable rental income from lessee reimbursement and sold properties.

(2) Represents the net carrying value of the properties divided by the *Total assets* on the *Consolidated Balance Sheets*.

(3) The majority of the revenue derived from this operator relates to interest income from mortgage loans.

Our financial position and ability to make distributions may be adversely affected if Prestige Healthcare 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, impact upon services or occupancy levels due to COVID-19, or in the event any such operator does not renew and/or extend its relationship with us.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED**  
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**10. Earnings per Share**

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

	<b>For the three months ended March 31,</b>	
	<b>2021</b>	<b>2020</b>
Net income	\$ 13,850	\$ 63,722
Less income allocated to non-controlling interests	(88)	(89)
Less income allocated to participating securities:		
Non-forfeitable dividends on participating securities	(120)	(94)
Income allocated to participating securities	—	(169)
Total net income allocated to participating securities	(120)	(263)
Net income available to common stockholders	13,642	63,370
Effect of dilutive securities:		
Participating securities <sup>(1)</sup>	—	—
Net income for diluted net income per share	\$ 13,642	\$ 63,370
Shares for basic net income per share	39,100	39,539
Effect of dilutive securities:		
Stock options	1	2
Performance-based stock units	78	— <sup>(2)</sup>
Participating securities <sup>(1)</sup>	—	—
Total effect of dilutive securities	79	2
Shares for diluted net income per share	39,179	39,541
Basic net income per share	\$ 0.35	\$ 1.60
Diluted net income per share	\$ 0.35	\$ 1.60

(1) For the three months ended March 31, 2021, and 2020, the participating securities have been excluded from the computation of diluted net income per share as such inclusion would be anti-dilutive.

(2) At March 31, 2020, no performance-based stock units would be earned based on TSR targets.

**11. Fair Value Measurements**

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

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED**  
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The carrying amount of cash and cash equivalents, prepaid expenses and other assets, accrued interest, accrued expenses and other liabilities 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 March 31, 2021 and December 31, 2020 assuming election of fair value for our financial assets and financial liabilities were as follows (*in thousands*):

	<b>At March 31, 2021</b>		<b>At December 31, 2020</b>	
	<b>Carrying Value</b>	<b>Fair Value</b>	<b>Carrying Value</b>	<b>Fair Value</b>
Mortgage loans receivable	\$ 257,282	\$ 301,097 <sup>(1)</sup>	\$ 257,251	\$ 299,751 <sup>(1)</sup>
Notes receivable	13,577	13,410 <sup>(2)</sup>	14,465	13,893 <sup>(2)</sup>
Bank borrowings	106,900	106,900 <sup>(3)</sup>	89,900	89,900 <sup>(3)</sup>
Senior unsecured notes, net of debt issue costs	552,521	573,095 <sup>(4)</sup>	559,482	560,140 <sup>(4)</sup>

- (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 March 31, 2021 and December 31, 2020 was 10.0%.
- (2) Our investments in notes receivable are classified as Level 3. 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 flows of the notes receivable at March 31, 2021 and December 31, 2020, were 6.0% and 6.6%, respectively.
- (3) Our bank borrowings bear interest at a variable interest rate. The estimated fair value of our bank borrowings approximated their carrying values at March 31, 2021 and December 31, 2020 based upon prevailing market interest rates for similar debt arrangements.
- (4) 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 March 31, 2021, the discount rate used to value our future cash outflow of our senior unsecured notes was 3.25% for those maturing before year 2026 and 3.50% for those maturing at or beyond year 2026. At December 31, 2020, the discount rate used to value our future cash outflow of our senior unsecured notes was 3.25% for those maturing before year 2026 and 3.50% for those maturing at or beyond year 2026.

## 12. Subsequent Events

Subsequent to March 31, 2021 the following events occurred:

*Debt:* We paid down \$5,000,000 under our unsecured revolving line of credit. Accordingly, we have \$101,900,000 outstanding and \$498,100,000 available for borrowing under our unsecured revolving line of credit at April 29, 2021.

*Equity:* We declared a monthly cash dividend of \$0.19 per share on our common stock for the months of April, May and June 2021, payable on April 30, May 28, and June 30, 2021, respectively to stockholders of record on April 22, May 20, and June 22, 2021, respectively.

## **Item 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

### **Cautionary Statement Regarding Forward-Looking Statements**

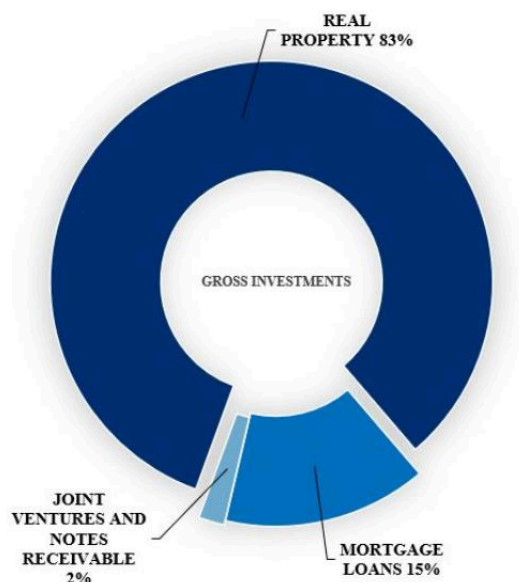
*This quarterly report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, adopted pursuant to the Private Securities Litigation Reform Act of 1995. Statements that are not 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,” “could,” “would,” “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, our dependence on our operators for revenue and cash flow; the duration and extent of the effects of the COVID-19 pandemic; government regulation of the health care industry; federal and state health care cost containment measures including reductions in reimbursement from third-party payors such as Medicare and Medicaid; required regulatory approvals for operation of health care facilities; a failure to comply with federal, state, or local regulations for the operation of health care facilities; the adequacy of insurance coverage maintained by our operators; our reliance on a few major operators; our ability to renew leases or enter into favorable terms of renewals or new leases; operator financial or legal difficulties; the sufficiency of collateral securing mortgage loans; an impairment of our real estate investments; the relative illiquidity of our real estate investments; our ability to develop and complete construction projects; our ability to invest cash proceeds for health care properties; a failure to qualify as a REIT; our ability to grow if access to capital is limited; and a failure to maintain or increase our dividend. 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, 2020 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 and Investment Strategy***

We are a real estate investment trust (“REIT”) that invests in seniors housing and health care properties through sale-leaseback transactions, mortgage financing, joint ventures, construction financing and structured finance solutions including mezzanine lending. Our primary objectives are to create, sustain and enhance stockholder equity value and provide current income for distribution to stockholders through real estate investments in seniors housing and health care properties managed by experienced operators.

The following graph summarizes our gross investments as of March 31, 2021:



Our primary seniors housing and health care property classifications include skilled nursing centers (“SNF”), assisted living communities (“ALF”), independent living communities (“ILF”), memory care communities (“MC”) and combinations thereof. We conduct and manage our business as one operating segment, rather than multiple operating segments, for internal reporting and internal decision-making purposes. For purposes of this quarterly report and other presentations, we generally include ALF, ILF, MC, and combinations thereof in the ALF classification. As of March 31, 2021, seniors housing and long-term health care properties comprised approximately 99.3% of our real estate investment portfolio. We have been operating since August 1992.

Substantially all of our revenues and sources of cash flows from operations are derived from operating lease rentals, interest earned on outstanding loans receivable and income from investments in unconsolidated joint ventures. Income from 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 property type and operator. Our monitoring process includes periodic review of financial statements for each facility, periodic review of operator credit, scheduled property inspections and review of covenant compliance.

In addition to our monitoring and research efforts, we also structure our investments to help mitigate payment risk. Some operating leases and loans are credit enhanced by guaranties and/or letters of credit. In addition, operating leases are typically structured as master leases and loans are generally cross-



defaulted and cross-collateralized with other loans, operating leases or agreements between us and the operator and its affiliates.

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

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

### ***COVID-19***

On March 11, 2020, the World Health Organization declared the outbreak of coronavirus ("COVID-19") as a pandemic, and on March 13, 2020, the United States declared a national emergency with regard to COVID-19. The COVID-19 pandemic has had repercussions across regional and global economies and financial markets. The outbreak of COVID-19 in many countries, including the United States, has significantly and adversely impacted public health and economic activity, and has contributed to significant volatility, dislocations and liquidity disruptions in financial markets.

The operations and occupancy levels at our properties have been adversely affected by COVID-19 and could be further adversely affected by COVID-19 or another pandemic especially if there are infections on a large scale at our properties. The impact of COVID-19 has included, and another pandemic could include, early resident move-outs, our operators delaying accepting new residents due to quarantines, potential occupants postponing moves to our operators' facilities, and/or hospitals cancelling or significantly reducing elective surgeries thereby there were fewer people in need of skilled nursing care. Additionally, as our operators have responded to the pandemic, operating costs have begun to rise. A decrease in occupancy, ability to collect rents from residents and/or increase in operating costs could have a material adverse effect on the ability of our operators to meet their financial and other contractual obligations to us, including the payment of rent. In recognition of the pandemic impact affecting our operators, we have agreed to rent abatements totaling \$1.7 million and rent deferrals for certain operators totaling \$3.7 million between April 2020 and March 2021, of which \$1.5 million subsequently has been repaid. The \$3.9 million in rent abatements and deferrals, net with repayments, represented approximately 2% of our April 2020 through March 2021 contractual rent and interest. The remaining balance of deferred rent is due to us over the next 24 months or upon receipt of government funds from the U.S. Coronavirus Aid, Relief, and Economic Security (the "CARES Act").

During the first quarter of 2021, we proactively provided additional financial support to the majority of our operators by reducing 2021 rent and interest escalations by 50%. The rent and interest escalation reduction were given in the form of a rent and interest credit in recognition of operators' increased costs due to COVID-19. During the first quarter of 2021, we recognized a decrease of \$0.3 million of GAAP revenue and a decrease of \$1.2 million in funds available for distribution. We expect the

escalation reductions to reduce GAAP revenue by approximately \$0.2 million, \$34,000 and \$32,000 during the second, third and fourth quarters of 2021, respectively, and to reduce funds available for distribution by approximately \$0.1 million in the second quarter of 2021.

## Real Estate Portfolio Overview

The following tables summarize our real estate investment portfolio by owned properties and mortgage loans and by type, as of March 31, 2021 (*dollar amounts in thousands*):

			Three Months Ended March 31, 2021				Number of	
	Gross Investments	Percentage of Investments	Rental Income <sup>(1)</sup>	Interest Income	Percentage of Revenues	Number of Properties <sup>(2)</sup>	SNF Beds <sup>(3)</sup>	ALF Units <sup>(3)</sup>
<b>Owned Properties</b>								
Assisted Living	\$ 877,233	51.3 %	\$ 13,267	\$ —	35.7 %	106	—	6,103
Skilled Nursing	560,469	32.8 %	15,684	—	42.3 %	51	6,277	212
Other <sup>(4)</sup>	11,360	0.7 %	242	—	0.7 %	1	118	—
<b>Total Owned Properties</b>	<b>1,449,062</b>	<b>84.8 %</b>	<b>29,193</b>	<b>—</b>	<b>78.7 %</b>	<b>158</b>	<b>6,395</b>	<b>6,315</b>
<b>Mortgage Loans</b>								
Skilled Nursing	259,874	15.2 %	—	7,922	21.3 %	22	2,804	—
<b>Total Mortgage Loans</b>	<b>259,874</b>	<b>15.2 %</b>	<b>—</b>	<b>7,922</b>	<b>21.3 %</b>	<b>22</b>	<b>2,804</b>	<b>—</b>
<b>Total Portfolio</b>	<b>\$ 1,708,936</b>	<b>100.0 %</b>	<b>\$ 29,193</b>	<b>\$ 7,922</b>	<b>100.0 %</b>	<b>180</b>	<b>9,199</b>	<b>6,315</b>

Summary of Properties by Type	Gross Investments	Percentage of Investments	Three Months Ended March 31, 2021		Percentage of Revenues	Number of Properties <sup>(2)</sup>	Number of	
			Rental Income <sup>(1)</sup>	Interest Income			SNF Beds <sup>(3)</sup>	ALF Units <sup>(3)</sup>
Assisted Living	\$ 877,233	51.3 %	\$ 13,267	\$ —	35.7 %	106	—	6,103
Skilled Nursing	820,343	48.0 %	15,684	7,922	63.6 %	73	9,081	212
Other <sup>(4)</sup>	11,360	0.7 %	242	—	0.7 %	1	118	—
<b>Total Portfolio</b>	<b>\$ 1,708,936</b>	<b>100.0 %</b>	<b>\$ 29,193</b>	<b>\$ 7,922</b>	<b>100.0 %</b>	<b>180</b>	<b>9,199</b>	<b>6,315</b>

(1) Excludes variable rental income from lessee reimbursement and sold properties.

(2) We have investments in 27 states leased or mortgaged to 30 different operators.

(3) See Item 1. Financial Statements – Note 2. *Real Estate Investments* for discussion of bed/unit count.

(4) Includes three parcels of land held-for-use and one behavioral health care hospital.

As of March 31, 2021, we had \$1.4 billion in net carrying value of real estate investments, consisting of \$1.1 billion or 80.9% invested in owned and leased properties and \$0.3 billion or 19.1% invested in mortgage loans secured by first mortgages. Our investment in mortgage loans mature in 2043 and beyond and contain interest rates between 9.3% and 10.1%.

For the three months ended March 31, 2021, rental income and interest income from mortgage loans represented 79.4% and 19.7%, respectively, of total gross revenues. In most instances, our lease structure contains fixed annual rental escalations and/or annual rental escalations that are contingent upon changes in the Consumer Price Index, 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 gross operating revenues of the property. This revenue is not recognized until the appropriate contingencies have been resolved.

For the three months ended March 31, 2021, we recorded \$0.7 million in straight-line rental income and amortization of lease incentive cost of \$0.1 million. During the three months ended March 31, 2021, we received \$32.2 million of cash rental income, which includes \$3.5 million of operator reimbursements for our real estate taxes. At March 31, 2021, the straight-line rent receivable balance, net of write-offs for uncollectible amounts, on the balance sheet was \$24.4 million.

Update on Certain Operators

Senior Care Centers, LLC

Senior Care Centers, LLC and affiliates and subsidiaries (“Senior Care”) filed for Chapter 11 bankruptcy in December 2018. During 2019, while in bankruptcy, Senior Care assumed LTC’s master lease and, in March 2020, Senior Care emerged from bankruptcy. Concurrent with their emergence from bankruptcy, in accordance with the order confirming Senior Care’s plan of reorganization, Abri Health Services, LLC (“Abri”) was formed as the parent company of reorganized Senior Care and became co-tenant and co-obligor with reorganized Senior Care under our master lease. In March 2021, as a result of Senior Care’s and Abri’s (collectively, the “Lessee”) non-payment of rent and additional obligations under the master lease, we sent a notice of default and applied the Lessee’s security deposit under the master lease to delinquent rent. Furthermore, on April 7, 2021, we sent the Lessee a notice of termination of the master lease to be effective April 17, 2021. On April 16, 2021, the Lessee filed for Chapter 11 bankruptcy. At the time of the April 16, 2021 bankruptcy filings by the Lessee, we were in the process of transitioning the portfolio to HMG Healthcare, LLC, with a goal to complete the transition by the end of the second quarter of 2021.

Brookdale Senior Living Communities, Inc

During the third quarter of 2020, we consolidated our four leases with Brookdale Senior Living Communities, Inc (“Brookdale”) into one master lease and extended the term by one year to December 31, 2021. The master lease provides three renewal options consisting of a four-year renewal option, a five-year renewal option and a 10-year renewal option. The economic terms of rent remain the same as the consolidated rent terms under the previous four separate lease agreements. During the first quarter of 2021, the Brookdale master lease was amended to extend the current term by one year to December 31, 2022. The notice period for this renewal option is January 1, 2022 to April 30, 2022. Brookdale is current on rent payments through April 2021.

Senior Lifestyle Corporation

An affiliate of Senior Lifestyle Corporation (“Senior Lifestyle”) operated 23 of our properties under a master lease with a combination of independent living, assisted living and memory care units. Senior Lifestyle failed to pay full rent to us during the second quarter of 2020. Accordingly, we wrote-off a total \$17.7 million of straight-line rent receivable and lease incentives related to this master lease and transitioned rental revenue recognition to cash basis effective July 2020. During 2020, Senior Lifestyle paid us \$13.8 million of their \$18.4 million contractual rent and we applied their letter of credit and deposits totaling \$3.7 million to past due rent of \$3.6 million and to their outstanding notes receivable of \$0.1 million. Accordingly, we recognized \$17.4 million of rental revenue from Senior Lifestyle in 2020. To date in 2021, Senior Lifestyle has not paid rent or its other obligations under the master lease.

During the first quarter of 2021, we transitioned 11 assisted living communities previously leased to Senior Lifestyle to two operators. These communities are located in Illinois, Ohio and Wisconsin. Total cash rent expected under these two master lease agreements is \$5.3 million for the first lease year, \$7.1 million for the second lease year and \$7.3 million for the third lease year, escalating 2% annually thereafter. In April 2021, we transitioned a memory care community in Colorado previously leased to Senior Lifestyle, to an operator new to us. The new master lease has a 5-year term with \$0.2 million of cash rent starting in the second lease year and \$0.3 million in the third lease year escalating 2% annually thereafter. For the remaining 11 assisted living communities, three communities are expected to be transferred to one of our existing operators by the end of the second quarter of 2021, three are expected to be sold by the end of the second quarter of 2021, subject to timely completion of due diligence, one is

expected to be transferred to an operator new to us by the end of July, one has been closed and will be sold for an alternative use, and options are currently being evaluated for the remaining communities.

#### Genesis Healthcare, Inc

On August 10, 2020, in the Quarterly Report on Form 10-Q, Genesis Healthcare, Inc. (“Genesis”) reported doubt regarding its ability to continue as a going concern. As a result, we wrote-off \$4.3 million of straight-line rent receivable related to this master lease during the third quarter of 2020 and transitioned rental revenue recognition to cash basis effective September 2020. On March 3, 2021, Genesis announced its three-part strategic restructuring plan to strengthen its liquidity position and capital structure. As part of its plan, Genesis delisted its Class A common stock from the New York Stock Exchange and deregistered its Class A Common Stock under the Securities Exchange Act of 1934, during the first quarter of 2021. Genesis is current on rent payments through April 2021.

#### Other Operators

During the third quarter of 2020, an operator failed to pay its full contractual rent. Accordingly, we wrote-off \$1.2 million of straight-line rent receivable related to this master lease. Effective September 1, 2020, we consolidated our two master leases with the operator into one combined master lease. Under the new combined master lease, we agreed to abate \$0.7 million of rent and allow the operator to defer rent as needed through March 31, 2021. During the first quarter of 2021, the new combined master lease was amended to extend the deferral period another three months starting April 1, 2021. During the first quarter of 2021, the operator deferred \$1.0 million of rent and, at March 31, 2021, the remaining deferred rent balance due from the operator was \$1.4 million. During 2020, we recorded an impairment charge of \$1.0 million related to an assisted living community that was operated by the operator. The community was closed in October 2020 and sold during the first quarter of 2021. As a result of this transaction, we recognized a net loss on sale of \$0.9 million during the first quarter of 2021.

#### 2021 Rent deferrals, net of repayments, and abatements (in thousands):

	January/ February	March	April
Rent deferrals, net of repayments	\$ 689	\$ 433	\$ 367
Rent abatements	360	240	319
50% reduction of 2021 rent & interest escalations	1,204	-	133
	<u>\$ 2,253</u>	<u>\$ 673</u>	<u>\$ 819</u>

We have agreed to provide rent deferrals and abatements up to \$0.8 million for each of May and June 2021.

## 2021 Activities Overview

The following tables summarize our transactions during the three months ended March 31, 2021 (*dollar amounts in thousands*):

### Investment in Development and Improvement projects

	Developments	Improvements
Assisted Living Communities	\$ —	\$ 1,044

### Properties Sold

State	Type of Properties	Number of Properties	Number of Beds/Units	Sales Price	Carrying Value	Net (Loss) gain <sup>(1)</sup>
Florida	ALF	1	—	\$ 2,000	\$ 2,625	\$ (861)
n/a	n/a	—	—	—	—	88 <sup>(2)</sup>
		<u>1</u>	<u>—</u>	<u>\$ 2,000</u>	<u>\$ 2,625</u>	<u>\$ (773)</u>

(1) Calculation of net (loss) gain includes cost of sales.

(2) We recognized additional gain due to the reassessment adjustment of the holdbacks related to properties sold in 2019 and 2020 under the expected value model per ASC Topic 606, *Contracts with Customers* (“ASC 606”).

### Investment in Mortgage Loans

Originations and funding under mortgage loans receivable	\$ 158
Scheduled principal payments received	(125)
Mortgage loan premium amortization	(2)
Net increase in mortgage loans receivable	<u>\$ 31</u>

### Investment in Unconsolidated Joint Ventures

State	Type of Properties	Type of Investment	Total Preferred Return	Contractual Cash Portion	Number of Beds/ Units	Investment Commitment	Carrying Value	2021 Capital Contribution	Income Recognized	Cash Interest Received
Washington <sup>(1)</sup>	UDP	Preferred Equity <sup>(1)</sup>	12 %	7 %	—	\$ —	\$ 6,340	\$ —	\$ 112	\$ 75
Washington <sup>(2)</sup>	UDP	Preferred Equity <sup>(2)</sup>	12 %	8 %	—	—	13,000	8,000	177	89
					<u>—</u>	<u>\$ —</u>	<u>\$ 19,340</u>	<u>\$ 8,000</u>	<u>\$ 289</u>	<u>\$ 164</u>

(1) Invested \$6,340 of preferred equity in an entity that will develop and own a 95-unit ALF/MC in Washington. Our investment represents 15.5% of the estimated total investment. The preferred equity investment earns an initial cash rate of 7% increasing to 9% in year four until the internal rate of return (“IRR”) is 8%. After achieving an 8% IRR, the cash rate drops to 8% until achieving an IRR ranging between 12% to 14%.

(2) Invested \$13,000 of preferred equity in an entity that will develop and own a 267-unit ILF/ALF in Washington. Our investment represents 11.6% of the estimated total investment. The preferred equity investment earns an initial cash rate of 8% until achieving an IRR ranging between 12% and 14%.

### Notes Receivable

Advances under notes receivable	\$ 1,656 <sup>(1)</sup>
Principal payments received under notes receivable	(2,553)
Notes receivable loan loss reserve	9
Net decrease in notes receivable	<u>\$ (888)</u>

(1) Funding under working capital notes with interest ranging between 5% and 8% and maturities between 2023 and 2027.

## Health Care Regulatory Climate

The Centers for Medicare & Medicaid Services (“CMS”) annually updates Medicare skilled nursing facility (“SNF”) prospective payment system rates and other policies. On July 30, 2019, CMS

issued its final fiscal year 2020 Medicare skilled nursing facility update. Under the final rule, CMS projected aggregate payments to SNFs would increase by \$851 million, or 2.4%, for fiscal year 2020 compared with fiscal year 2019. The final rule also addressed implementation of the new Patient-Driven Payment Model case mix classification system that became effective on October 1, 2019, changes to the group therapy definition in the skilled nursing facility setting, and various SNF Value-Based Purchasing and quality reporting program policies. On April 10, 2020, CMS issued a proposed rule to update SNF rates and policies for fiscal year 2021, which started October 1, 2020, and issued the final rule on July 31, 2020. CMS estimated that payments to SNFs would increase by \$750 million, or 2.2%, for fiscal year 2021 compared to fiscal year 2020. CMS also adopted revised geographic delineations to identify a provider's status as an urban or rural facility and to calculate the wage index, applying a 5% cap on any decreases in a provider's wage index from fiscal year 2020 to fiscal year 2021. Finally, CMS also finalized updates to the SNF value-based purchasing program to reflect previously finalized policies, updated the 30-day phase one review and correction deadline for the baseline period quality measure quarterly report, and announced performance periods and performance standards for the fiscal year 2023 program year. On April 8, 2021, CMS issued a proposed rule to update SNF rates and policies for fiscal year 2022, which starts October 1, 2021. CMS estimates that under the proposed rule, overall payments to SNFs under the SNF prospective payment system in FY 2022 are projected to increase by approximately \$444 million, or 1.3%, compared with those in FY 2021. The proposed rule also includes proposals for the SNF Quality Reporting Program, and the SNF Value-Based Program for FY 2022.

Since the announcement of the COVID-19 pandemic and beginning as of March 13, 2020, CMS has issued numerous temporary regulatory waivers and new rules to assist health care providers, including SNFs, respond to the COVID-19 pandemic. These include waiving the SNFs 3-day qualifying inpatient hospital stay requirement, flexibility in calculating a new Medicare benefit period, waiving timing for completing functional assessments, waiving requirements for health care professional licensure, survey and certification, provider enrollment, and reimbursement for services performed by telehealth, among many others. CMS also announced a temporary expansion of its Accelerated and Advance Payment Program to allow SNFs and certain other Medicare providers to request accelerated or advance payments in an amount up to 100% of the Medicare Part A payments they received from October–December 2019; this expansion was suspended April 26, 2020 in light of other CARES Act funding relief. The Continuing Appropriations Acts, 2021 and Other Extensions Act, enacted on October 1, 2020, amended the repayment terms for all providers and suppliers that requested and received accelerated and advance payments during the COVID-19 public health emergency. Specifically, Congress gave providers and suppliers that received Medicare accelerated and advance payment(s) one year from when the first loan payment was made to begin making repayments. In addition, CMS has also enhanced requirements for nursing facilities to report COVID-19 infections to local, state and federal authorities. On April 15, 2021, HHS Secretary Becerra announced that he had renewed, effective April 21, 2021, the declared public health emergency for an additional 90-day period.

On March 26, 2020, President Trump signed into law the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"), sweeping legislation intended to bolster the nation's response to the COVID-19 pandemic. In addition to offering economic relief to individuals and impacted businesses, the law expands coverage of COVID-19 testing and preventative services, addresses health care workforce needs, eases restrictions on telehealth services during the crisis, and increases Medicare regulatory flexibility, among many other provisions. Notably, the CARES Act temporarily suspends the 2% across-the-board "sequestration" reduction during the period May 1, 2020 through December 31, 2020, and extends the current Medicare sequester requirement through fiscal year 2030. In addition, the law provides \$100 billion in grants to eligible health care providers for health care related expenses or lost revenues that are attributable to COVID-19. On April 10, 2020, CMS announced the distribution of \$30 billion in funds to Medicare providers based upon their 2019 Medicare fee for service revenues. Eligible providers were required to agree to certain terms and conditions in receiving these grants. In addition, the

Department of Health and Human Services (“HHS”) authorized \$20 billion of additional funding for providers that have already received funds from the initial distribution of \$30 billion. Unlike the first round of funds, which came automatically, providers were required to apply for these additional funds and submit the required supporting documentation, using the online portal provided by HHS. Providers were required to attest to and agree to specific terms and conditions for the use of such funds. HHS expressed a goal of allocating the whole \$50 billion proportionally across all providers based on those providers’ proportional share of 2018 net Medicare fee-for-service revenue, so that some providers will not be eligible for additional funds. On May 22, 2020, HHS announced that it had begun distributing \$4.9 billion in additional relief funds to SNFs to offset revenue losses and assist nursing homes with additional costs related to responding to the COVID-19 public health emergency and the shipments of personal protective equipment provided to nursing homes by the Federal Emergency Management Agency. On June 9, 2020, HHS announced that it expected to distribute approximately \$15 billion to eligible providers that participate in state Medicaid and Children’s Health Insurance Program (“CHIP”) programs and have not received a payment from the Provider Relief Fund General Allocation. On July 22, 2020, President Trump announced that HHS would devote \$5 billion in Provider Relief Funds to Medicare-certified long-term care facilities and state veterans’ homes to build nursing home skills and enhance nursing homes’ response to COVID-19, including enhanced infection control. Nursing homes must participate in the Nursing Home COVID-19 training to be qualified to receive this funding. On August 27, 2020, HHS announced that it had distributed almost \$2.5 billion to nursing homes to support increased testing, staffing, and personal protective equipment needs. On September 3, 2020, HHS announced a \$2 billion performance-based incentive payment distribution to nursing homes and SNFs. Finally, on October 1, 2020, the Trump Administration announced \$20 billion in new funding for several types of providers, including those who previously received, rejected, or accepted a general distribution provider relief fund payment. The application deadline for these Phase 3 funds was November 6, 2020.

On December 27, 2020, President Trump signed the Consolidated Appropriations Act, 2021 (H.R. 133). The \$1.4 trillion omnibus appropriations legislation funds the government through September 30, 2021, and was attached to a \$900 billion COVID-19 relief package. Of the \$900 billion in COVID-19 relief, \$73 billion was allocated to HHS. Notably, the bill adds an additional \$3 billion to the Provider Relief Fund, includes language specific to reporting requirements, and allows providers to use any reasonable method to calculate lost revenue, including the difference between such provider’s budgeted and actual revenue budget if such budget had been established and approved prior to March 27, 2020. This change reverts to HHS’ previous guidance from June 2020 on how to calculate lost revenues. The Consolidated Appropriations Act, 2021, also extended the CARES Act’s sequestration suspension to March 31, 2021. On January 15, 2021, HHS announced that it would be amending the reporting timeline for Provider Relief Funds and indicated that it was working to update the Provider Relief Fund requirements to be consistent with the passage of the Consolidated Appropriations Act, 2021. On April 14, 2021, President Biden signed an Act to Prevent Across-the-Board Direct Spending Cuts, and for Other Purposes (H.R. 1868), which extended the sequestration suspension period to December 31, 2021.

On July 18, 2019, CMS published a final rule that eliminates the prohibition on pre-dispute binding arbitration agreements between long-term care facilities and their residents. The rule also strengthens the transparency of arbitration agreements and makes other changes to arbitration requirements for long-term care facilities. There can be no assurance that these rules or 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.

Congress periodically considers legislation revising Medicare and Medicaid policies, including legislation that could have the impact of reducing Medicare reimbursement for SNFs and other Medicare providers, limiting state Medicaid funding allotments, 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. Congress continues to consider further legislative action in response to the COVID-19 pandemic. There can be no assurances that enacted or future legislation will not have an adverse impact on the financial condition of our lessees and borrowers, 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 federal and 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. State Medicaid budgets may experience shortfalls due to increased costs in addressing the COVID-19 pandemic. 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 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, real estate investment mix, operator mix and geographic mix. Concentration risk is valuable to understand what portion of our real estate 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. The National Association of Real Estate Investment Trusts (“NAREIT”), an organization representing U.S. REITs and publicly traded real estate companies, classifies a company with 50% or more of assets directly or indirectly in the equity ownership of real estate as an equity REIT. Investment mix measures the portion of our investments that relate to our various property classifications. Operator mix measures the portion of our investments that relate to our top five operators. Geographic mix measures the portion of our real estate investment that relate to our top five states.



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

	3/31/21	12/31/20	9/30/20	6/30/20	3/31/20
Asset mix:					
Real property	\$ 1,449,062	\$ 1,452,001	\$ 1,448,764	\$ 1,445,691	\$ 1,438,177
Loans receivable	259,874	259,843	260,267	258,649	256,959
Real estate investment mix:					
Skilled nursing centers	\$ 820,343	\$ 820,312	\$ 817,364	\$ 812,637	\$ 807,457
Assisted living communities	877,233	880,172	880,307	880,343	876,319
Other <sup>(1)</sup>	11,360	11,360	11,360	11,360	11,360
Operator mix:					
Prestige Healthcare <sup>(1)</sup>	\$ 273,007	\$ 272,976	\$ 273,399	\$ 271,781	\$ 270,091
Senior Care Centers	138,109	138,109	138,109	138,109	138,109
Anthem Memory Care	136,483	136,483	136,483	136,483	136,483
Carespring Health Care Management	102,520	102,520	102,520	102,520	102,520
Brookdale Senior Living <sup>(2)</sup>	101,012	100,613	98,921	98,921	98,921
Remaining operators <sup>(2)</sup>	957,805	961,143	959,599	956,526	949,012
Geographic mix:					
Michigan	\$ 281,995	\$ 281,963	\$ 282,103	\$ 279,821	\$ 277,063
Texas	273,468	273,287	273,075	273,075	273,075
Wisconsin	149,403	149,403	149,403	149,403	149,405
California	105,352	105,163	104,924	104,687	103,970
Colorado	104,307	104,090	106,879	106,879	106,879
Remaining states	794,411	797,938	792,647	790,475	784,744

(1) As of March 31, 2021, we have three parcels of land located adjacent to properties securing the Prestige Healthcare mortgage loan and are managed by Prestige.

(2) During the three months ended March 31, 2021, we transitioned 11 ALFs from Senior Lifestyle to two operators. As a result of this transition, Senior Lifestyle is no longer a top five operator under our operator mix and is replaced by Brookdale Senior Living. Accordingly, our “Brookdale Senior Living properties” were reclassified from “Remaining operators” and our “Senior Lifestyle properties” were reclassified to “Remaining operators” for all periods presented.

**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 Sheets* 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). The coverage ratios are based on earnings before interest, taxes, depreciation and amortization for real estate (“EBITDA<sub>re</sub>”) as defined by NAREIT. EBITDA<sub>re</sub> is calculated as net income available to common stockholders (computed in accordance with GAAP) excluding (i) interest expense, (ii) income tax expense, (iii) real estate depreciation and amortization, (iv) impairment write-downs of depreciable real estate, (v) gains or losses on the sale of depreciable real estate, and (vi) adjustments for unconsolidated partnerships and joint ventures. 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

	Quarter Ended				
	3/31/21	12/31/20	9/30/20	6/30/20	3/31/20
Debt to gross asset value	36.3 % <sup>(1)</sup>	35.8 % <sup>(4)</sup>	36.5 % <sup>(4)</sup>	37.4 %	37.3 %
Debt to market capitalization ratio	28.7 % <sup>(2)</sup>	29.8 % <sup>(5)</sup>	32.7 % <sup>(7)</sup>	31.8 % <sup>(8)</sup>	36.3 %
Interest coverage ratio <sup>(9)</sup>	4.5 x <sup>(3)</sup>	5.3 x <sup>(6)</sup>	4.8 x	4.9 x	4.7 x
Fixed charge coverage ratio <sup>(9)</sup>	4.5 x	5.3 x <sup>(6)</sup>	4.8 x	4.9 x	4.7 x

(1) Increased due to increase in outstanding debt partially offset by increase in gross asset value.

(2) Decreased due to increase in market capitalization partially offset by increase in outstanding debt.

(3) Decreased due to decrease in rental income partially offset by decrease in interest expense.

(4) Decreased due to decrease in outstanding debt partially offset by decrease in gross value.

(5) Decreased due to decrease in outstanding debt and increase in market capitalization.

(6) Increased due to decrease in interest expense and increase in rental income.

(7) Increased due to decrease in market capitalization, partially offset by decrease in outstanding debt.

(8) Decreased due to increase in market capitalization.

(9) In calculating our interest coverage and fixed charge coverage ratios above, we use EBITDAre, which is a financial measure not derived in accordance with GAAP (non-GAAP financial measure). EBITDAre is not an alternative to net income, operating income or cash flows from operating activities as calculated and presented in accordance with GAAP. You should not rely on EBITDAre as a substitute for any such 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 EBITDAre.

	Quarter Ended				
	3/31/21	12/31/20	9/30/20	6/30/20	3/31/20
Net income	\$ 13,850	\$ 17,665	\$ 12,338	\$ 1,952	\$ 63,722
Less/Add: (Gain)/ loss on sale	773	(44)	(30)	(189)	(43,854)
Add: Loss on unconsolidated joint ventures	—	138	—	620	—
Add: Impairment loss	—	3,036	941	—	—
Add: Interest expense	6,972	7,088	7,361	7,546	7,710
Add: Depreciation and amortization	9,877	9,839	9,766	9,797	9,669
EBITDAre	\$ 31,472	\$ 37,722	\$ 30,376	\$ 19,726	\$ 37,247
Add (less): Non-recurring one-time items	—	—	5,099	17,742 <sup>(1)</sup>	—
Adjusted EBITDAre	\$ 31,472	\$ 37,722	\$ 35,475	\$ 37,468	\$ 37,247
Interest expense	\$ 6,972	\$ 7,088	\$ 7,361	\$ 7,546	\$ 7,710
Add: Capitalized interest	—	—	77	86	191
Interest incurred	\$ 6,972	\$ 7,088	\$ 7,438	\$ 7,632	\$ 7,901
Interest coverage ratio	4.5 x	5.3 x	4.8 x	4.9 x	4.7 x
Interest incurred	\$ 6,972	\$ 7,088	\$ 7,438	\$ 7,632	\$ 7,901
Total fixed charges	\$ 6,972	\$ 7,088	\$ 7,438	\$ 7,632	\$ 7,901
Fixed charge coverage ratio	4.5 x	5.3 x	4.8 x	4.9 x	4.7 x

(1) Represents write-off of Senior Lifestyle straight line rent receivable and lease incentives.

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 seniors housing industries; and
- Changes in federal, state and local legislation.

Additionally, as described in the Executive Overview above, COVID-19 is adversely affecting and is expected to continue to adversely affect our business, results of operations, cash flows and financial condition. Depending on the future developments regarding COVID-19, the duration, spread and severity of the outbreak, historical trends reflected in our balance sheet metrics may not be achieved in the future.

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** (unaudited, in thousands)

	Three Months Ended March 31,		
	2021	2020	Difference
<b>Revenues:</b>			
Rental income	\$ 31,973	\$ 38,035	\$ (6,062) <sup>(1)</sup>
Interest income from mortgage loans	7,922	7,777	145
Interest and other income	385	598	(213) <sup>(2)</sup>
Total revenues	40,280	46,410	(6,130)
<b>Expenses:</b>			
Interest expense	6,972	7,710	738 <sup>(3)</sup>
Depreciation and amortization	9,877	9,669	(208)
Impairment charges	—	—	—
Recovery (provision) for credit losses	(9)	1	10
Transaction costs	92	70	(22)
Property tax expense	3,981	4,223	242 <sup>(4)</sup>
General and administrative expenses	5,033	5,100	67
Total expenses	25,946	26,773	827
<b>Other operating income:</b>			
(Loss) gain on sale of real estate, net	(773) <sup>(5)</sup>	43,854 <sup>(6)</sup>	(44,627)
Operating income	13,561	63,491	(49,930)
Income from unconsolidated joint ventures	289	231	58
Net income	13,850	63,722	(49,872)
Income allocated to non-controlling interests	(88)	(89)	1
Net income attributable to LTC Properties, Inc.	13,762	63,633	(49,871)
Income allocated to participating securities	(120)	(263)	143
Net income available to common stockholders	\$ 13,642	\$ 63,370	\$ (49,728)

- (1) Decreased primarily due to Senior Lifestyle's failure to pay contractual rent, abated and deferred rent, straight-line rent receivable write-off, a decrease in property tax revenue and reduction of 2021 rent and interest escalations by 50%, partially offset by increased rent from acquisitions and completed development projects and contractual rent increases.
- (2) Decreased primarily due to the payoff of a mezzanine loan.
- (3) Decreased primarily due to lower interest rates on our line of credit and scheduled principal payments on our senior unsecured notes.
- (4) Decreased primarily due to timing of certain operators' property tax escrow receipts and the payment of related taxes partially offset by acquisitions and completed development projects.
- (5) Represents the net loss on sale of \$861 related to a closed property in Florida that was sold during the first quarter of 2021 partially offset by reassessment adjustment of the holdback related to properties sold in the prior years.
- (6) Represents the net gain on sale of 21 SNFs within the Preferred Care portfolio.

**Funds From Operations Available to Common Stockholders**

Funds from Operations ("FFO") attributable to common stockholders, basic FFO attributable to common stockholders per share and diluted FFO attributable to common stockholders per share are supplemental measures of a REIT's financial performance that are not defined by GAAP. Real estate values historically rise and fall with market conditions, but cost accounting for real estate assets in accordance with GAAP assumes that the value of real estate assets diminishes predictably over time. We believe that by excluding the effect of historical cost depreciation, which may be of limited relevance in evaluating current performance, FFO 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 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 NAREIT. FFO, as defined by NAREIT, means net income available to common stockholders (computed in accordance with GAAP) excluding gains or losses on the sale of real estate and impairment write-downs of depreciable real estate plus real estate depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures. 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 March 31,	
	2021	2020
GAAP net income available to common stockholders	\$ 13,642	\$ 63,370
Add: Depreciation and amortization	9,877	9,669
Add/(less): Loss (gain) on sale of real estate, net	773	(43,854)
NAREIT FFO attributable to common stockholders	\$ 24,292	\$ 29,185
NAREIT FFO attributable to common stockholders per share:		
Basic	\$ 0.62 <sup>(1)</sup>	\$ 0.74
Diluted	\$ 0.62 <sup>(1)</sup>	\$ 0.74
Weighted average shares used to calculate NAREIT FFO per share:		
Basic	39,100	39,539
Diluted	39,374 <sup>(2)</sup>	39,541 <sup>(2)</sup>

(1) Includes the effect of participating securities.

(2) Includes the effect of stock option equivalents, participating securities and performance-based stock units.

## Liquidity and Capital Resources

### Sources and Uses of Cash

As of March 31, 2021, we had a total of \$8.2 million of cash and cash equivalents, \$493.1 million available under our unsecured revolving line of credit and the potential ability to access the capital markets through the issuance of \$200.0 million of common stock under our Equity Distribution Agreements. Furthermore, we have the ability to access the capital markets through the issuance of debt and/ or equity securities under an automatic shelf registration statement.

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 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 used in financing and investing activities are sensitive to the capital markets environment, especially to changes in interest rates. In addition, as described in “Item 1A. Risk Factors”, COVID-19 has adversely affected and is expected to continue to adversely affect our operators’ business, results of operations, cash flows and financial condition which could, in turn, adversely affect our financial position.

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 health of the economy, changes in supply of or demand for competing seniors housing and health care facilities, ability to control rising operating costs, the potential for significant reforms in the health care industry, and the impact of COVID-19. 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 health care industry, and the impact of COVID-19. 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 seniors housing and 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.

Depending on the duration, spread and severity of the outbreak, our borrowing capacity, compliance with financial covenants, ability to access the capital markets, and the payment of dividends may be negatively impacted. We continuously evaluate the availability of cost-effective capital and believe we have sufficient liquidity for corporate expenses and additional capital investments in 2021.

Our investments, principally our investments in owned properties and mortgage loans, 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 leases have agreed upon annual increases and our loans have predetermined increases in interest rates. 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.

Our primary sources of cash include rent and interest receipts, borrowings under our unsecured credit facility, public and private 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* as summarized below (*in thousands*):

	Three Months Ended March 31,		Change
	2021	2020	\$
Cash provided by (used in):			
Operating activities	\$ 21,259	\$ 23,854	\$ (2,595)
Investing activities	(4,091)	51,660	(55,751)
Financing activities	(16,739)	(48,870)	32,131
Increase in cash, cash equivalents and restricted cash	429	26,644	(26,215)
Cash, cash equivalents and restricted cash, beginning of period	7,772	4,224	3,548
Cash, cash equivalents and restricted cash, end of period	\$ 8,201	\$ 30,868	\$ (22,667)

### Debt Obligations

**Bank Borrowings.** We have an Unsecured Credit Agreement that provides for a revolving line of credit up to \$600.0 million in aggregate commitment of the lenders and the opportunity to increase the commitment size of the credit agreement up to a total of \$1.0 billion. The Unsecured Credit Agreement matures on June 27, 2022 and provides for a one-year extension option at our discretion, subject to customary conditions. Based on our leverage at March 31, 2021, the facility provides for interest annually at LIBOR plus 115 basis points and a facility fee of 20 basis points. At March 31, 2021, we were in compliance with all covenants.

*Senior Unsecured Notes.* We have senior unsecured notes held by institutional investors with interest rates ranging from 3.85% to 5.03%. The senior unsecured notes mature between 2021 and 2032.

The debt obligations by component as of March 31, 2021 are as follows (*dollar amounts in thousands*):

Debt Obligations	Applicable Interest Rate <sup>(1)</sup>	Outstanding Balance	Available for Borrowing
Bank borrowings <sup>(2)</sup>	1.30%	\$ 106,900	\$ 493,100
Senior unsecured notes, net of debt issue costs	4.37%	552,521	—
Total	3.87%	\$ 659,421	\$ 493,100

(1) Represents weighted average of interest rate as of March 31, 2021.

(2) Subsequent to March 31, 2021, we paid down \$5,000 under our unsecured revolving line of credit. Accordingly, we have \$101,900 outstanding and \$498,100 available for borrowing under our unsecured revolving line of credit at April 29, 2021.

Our debt borrowings and repayments during the three months ended March 31, 2021 are as follows (*in thousands*):

Debt Obligations	Borrowings	Repayments
Bank borrowings	\$ 17,000	\$ —
Senior unsecured notes	—	(7,000)
Total	\$ 17,000	\$ (7,000)

### Equity

At March 31, 2021, we had 39,361,622 shares of common stock outstanding, equity on our balance sheet totaled \$764.8 million and our equity securities had a market value of \$1.6 billion. During the three months ended March 31, 2021, we declared and paid \$23.2 million of cash dividends.

Subsequent to March 31, 2021, we declared a monthly cash dividend of \$0.19 per share on our common stock for the months of April, May and June 2021, payable on April 30, May 28, and June 30, 2021, respectively, to stockholders of record on April 22, May 20, and June 22, 2021, respectively.

*At-The-Market Program.* We have separate equity distribution agreements (collectively, “Equity Distribution Agreements”) to offer and sell, from time to time, up to \$200.0 in aggregate offering price of shares of our common stock. As of March 31, 2021, no shares had been issued under the Equity Distribution Agreements. Accordingly, at March 31, 2021, we had \$200.0 available under the Equity Distribution Agreements.

*Available Shelf Registrations.* We have an automatic shelf registration statement on file with the SEC and currently have the ability to file additional automatic shelf registration statements to provide us with capacity to publicly offer an indeterminate amount of common stock, preferred stock, warrants, debt, depositary shares, or units. We may from time to time raise capital under our automatic registration statement in amounts, at prices, and on terms to be announced when and if the securities are offered. The specifics of any future offerings, along with the use of proceeds of any securities offered, will be described in detail in a prospectus supplement, or other offering materials, at the time of the offering. Our shelf registration statement expires on February 28, 2022.

*Stock-Based Compensation.* During the three months ended March 31, 2021, we granted restricted stock and performance-based stock units under the 2015 Plan as follows:

No. of Shares <sup>(1)</sup>	Price per Share	Vesting Period
95,293	\$ 42.27	ratably over 3 years
71,892	\$ 42.27	TSR targets <sup>(2)</sup>
167,185		

(1) Subsequent to March 31, 2021, we granted 3,000 shares of restricted stock at \$43.14 per share vesting over one year.

(2) Vesting is based on achieving certain total shareholder return ("TSR") targets in 4 years with an acceleration opportunity in 3 years.

### Critical Accounting Policies

Our consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q are prepared in conformity with U.S. generally accepted accounting principles for interim financial information set forth in the Accounting Standards Codification as published by the Financial Accounting Standards Board, which require us to make estimates and assumptions regarding future events that affect the amounts reported in our financial statements and accompanying footnotes. We base these estimates on our experience and assumptions regarding future events we believe to be reasonable under the circumstances. Actual results could differ from those estimates and such differences may be material to the consolidated financial statements. We have described our most critical accounting policies in our Annual Report on Form 10-K for the year ended December 31, 2020. There have been no material changes to our critical accounting policies or estimates since December 31, 2020.

### Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There were no material changes in our market risk during the three months ended March 31, 2021. For additional information, refer to Item 7A as presented in our Annual Report on Form 10-K for the year ended December 31, 2020.

### 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, 2020.

**Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

During the three months ended March 31, 2021, we did not make any unregistered sales of equity securities.

During the three months ended March 31, 2021, we acquired shares of common stock held by employees who tendered owned shares to satisfy tax withholding obligations. The average prices paid per share for each month in the quarter ended March 31, 2021 are as follows:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plan	Maximum Number of Shares that May Yet Be Purchased Under the Plan
January 1-January 31, 2021	—	\$ —	—	—
February 1 - February 28, 2021	84,616	\$ 41.01	—	—
March 1 - March 31, 2021	—	\$ —	—	—
Total	<u>84,616</u>		<u>—</u>	<u>—</u>

**Item 6. EXHIBITS**

- 3.1 [LTC Properties, Inc. Articles of Restatement \(incorporated by reference to Exhibit 3.1.2 to the registrant's Current Report on Form 8-K filed June 6, 2016\).](#)
- 3.2 [Bylaws of LTC Properties, Inc. \(incorporated by reference to Exhibit 3.2.2 to the registrant's Annual Report on Form 10-K filed February 18, 2021\).](#)
- 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.INS Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
- 101.SCH Inline XBRL Taxonomy Extension Schema Document
- 101.CAL Inline XBRL Taxonomy Extension Calculation Linkbase Document
- 101.DEF Inline XBRL Taxonomy Extension Definitions Linkbase Document
- 101.LAB Inline XBRL Taxonomy Extension Label Linkbase Document
- 101.PRE Inline XBRL Taxonomy Extension Presentation Linkbase Document
- 104 Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

## 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: April 29, 2021

By: /s/ Caroline Chikhale  
Caroline Chikhale  
Executive Vice President, Chief Accounting  
Officer and Treasurer  
(Principal Accounting Officer)

**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 and Chief Executive Officer

(Principal Executive Officer)

April 29, 2021

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**CERTIFICATION OF THE CHIEF FINANCIAL OFFICER  
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Pam 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/ PAM KESSLER

Pam Kessler  
Co-President, Chief Financial Officer  
and Corporate Secretary  
(Principal Financial Officer)  
April 29, 2021

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**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 March 31, 2021 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: April 29, 2021

/s/ WENDY L. SIMPSON

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Wendy L. Simpson  
Chairman and Chief Executive Officer

Date: April 29, 2021

/s/ PAM KESSLER

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Pam Kessler  
Co-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.*

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