

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

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FILER

LTC PROPERTIES INC

CIK: **887905** | IRS No.: **710720518** | State of Incorporation: **MD** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **001-11314** | Film No.: **221115903**
SIC: **6798** Real estate investment trusts

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

FORM 10-Q

(Mark One)



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

For the quarterly period ended June 30, 2022

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 July 21, 2022 was 40,504,791.

LTC PROPERTIES, INC.

FORM 10-Q

June 30, 2022

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LTC PROPERTIES, INC.

CONSOLIDATED BALANCE SHEETS
(amounts in thousands, except per share)

	June 30, 2022 (unaudited)	December 31, 2021 (audited)
ASSETS		
Investments:		
Land	\$ 125,786	\$ 123,239
Buildings and improvements	1,284,151	1,285,318
Accumulated depreciation and amortization	(374,170)	(374,606)
Real property investments, net	1,035,767	1,033,951
Mortgage loans receivable, net of credit loss reserve: 2022—\$3,830; 2021—\$3,473	379,817	344,442
Real estate investments, net	1,415,584	1,378,393
Notes receivable, net of credit loss reserve: 2022—\$588; 2021—\$286	58,206	28,337
Investments in unconsolidated joint ventures	19,340	19,340
Investments, net	1,493,130	1,426,070
Other assets:		
Cash and cash equivalents	6,401	5,161
Debt issue costs related to revolving line of credit	2,681	3,057
Interest receivable	42,713	39,522
Straight-line rent receivable	22,689	24,146
Lease incentives	1,910	2,678
Prepaid expenses and other assets	8,703	4,191
Total assets	<u>\$ 1,578,227</u>	<u>\$ 1,504,825</u>
LIABILITIES		
Revolving line of credit	\$ 56,000	\$ 110,900
Term loans, net of debt issue costs: 2022—\$563; 2021—\$637	99,437	99,363
Senior unsecured notes, net of debt issue costs: 2022—\$1,549; 2021—\$524	579,431	512,456
Accrued interest	3,946	3,745
Accrued expenses and other liabilities	28,917	33,234
Total liabilities	767,731	759,698
EQUITY		
Stockholders' equity:		
Common stock: \$0.01 par value; 60,000 shares authorized; shares issued and outstanding: 2022—40,380; 2021—39,374	404	394
Capital in excess of par value	893,154	856,895
Cumulative net income	1,513,431	1,444,636
Accumulated other comprehensive income (loss)	6,139	(172)
Cumulative distributions	(1,610,154)	(1,565,039)
Total LTC Properties, Inc. stockholders' equity	802,974	736,714
Non-controlling interests	7,522	8,413
Total equity	810,496	745,127
Total liabilities and equity	<u>\$ 1,578,227</u>	<u>\$ 1,504,825</u>

See accompanying notes.

LTC PROPERTIES, INC.

CONSOLIDATED STATEMENTS OF INCOME

(amounts in thousands, except per share, unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Revenues:				
Rental income	\$ 31,628	\$ 29,804	\$ 61,952	\$ 61,777
Interest income from mortgage loans	10,097	7,933	19,733	15,855
Interest and other income	1,299	392	2,126	777
Total revenues	43,024	38,129	83,811	78,409
Expenses:				
Interest expense	7,523	6,860	14,666	13,832
Depreciation and amortization	9,379	9,508	18,817	19,385
Provision (recovery) for credit losses	305	—	659	(9)
Transaction costs	67	133	99	225
Property tax expense	4,019	3,800	8,001	7,781
General and administrative expenses	5,711	5,337	11,519	10,370
Total expenses	27,004	25,638	53,761	51,584
Other operating income:				
Gain on sale of real estate, net	38,094	5,463	38,196	4,690
Operating income	54,114	17,954	68,246	31,515
Income from unconsolidated joint ventures	376	376	751	665
Net income	54,490	18,330	68,997	32,180
Income allocated to non-controlling interests	(107)	(91)	(202)	(179)
Net income attributable to LTC Properties, Inc.	54,383	18,239	68,795	32,001
Income allocated to participating securities	(318)	(113)	(407)	(233)
Net income available to common stockholders	\$ 54,065	\$ 18,126	\$ 68,388	\$ 31,768
Earnings per common share:				
Basic	\$ 1.37	\$ 0.46	\$ 1.74	\$ 0.81
Diluted	\$ 1.36	\$ 0.46	\$ 1.73	\$ 0.81
Weighted average shares used to calculate earnings per common share:				
Basic	39,492	39,169	39,347	39,135
Diluted	39,665	39,170	39,520	39,136
Dividends declared and paid per common share	\$ 0.57	\$ 0.57	\$ 1.14	\$ 1.14

See accompanying notes.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Net income	\$ 54,490	\$ 18,330	\$ 68,997	\$ 32,180
Unrealized gain on cash flow hedges before reclassification	1,276	—	5,860	—
Losses reclassified from accumulated other comprehensive income to interest expense	159	—	451	—
Comprehensive income	<u>\$ 55,925</u>	<u>\$ 18,330</u>	<u>\$ 75,308</u>	<u>\$ 32,180</u>

LTC PROPERTIES, INC.

CONSOLIDATED STATEMENTS OF EQUITY

(In thousands)

	Common Stock		Capital in Excess of Par Value		Cumulative Net Income	Accumulated OCI	Cumulative Distributions	Total Stockholder's Equity	Non-Controlling Interests	Total Equity
	Shares	Amount								
Balance—December 31, 2020	39,242	\$ 392	\$852,780	\$1,388,775	\$ —	\$ (1,474,545)	\$ 767,402	\$ 8,404	\$775,806	
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)	
Balance—March 31, 2021	39,362	\$ 394	\$851,150	\$1,402,537	\$ —	\$ (1,497,714)	\$ 756,367	\$ 8,404	\$764,771	
Common Stock cash distributions (\$0.57 per share)	—	—	—	—	—	(22,439)	(22,439)	—	(22,439)	
Vesting of performance-based stock units, including the payment of distributions	—	—	—	—	—	—	—	—	—	
Stock-based compensation expense	—	—	1,958	—	—	—	1,958	—	1,958	
Net income	—	—	—	18,239	—	—	18,239	91	18,330	
Non-controlling interest distributions	—	—	—	—	—	—	—	(91)	(91)	
Cash paid for taxes in lieu of common shares	(3)	—	(103)	—	—	—	(103)	—	(103)	
Other	15	—	(46)	—	—	—	(46)	—	(46)	
Balance—June 30, 2021	39,374	\$ 394	\$852,959	\$1,420,776	\$ —	\$ (1,520,153)	\$ 753,976	\$ 8,404	\$762,380	
Common Stock cash distributions (\$0.57 per share)	—	—	—	—	—	(22,443)	(22,443)	—	(22,443)	
Stock-based compensation expense	—	—	1,975	—	—	—	1,975	—	1,975	
Net income	—	—	—	11,022	—	—	11,022	92	11,114	
Non-controlling interest distributions	—	—	—	—	—	—	—	(92)	(92)	
Non-controlling interest contributions	—	—	—	—	—	—	—	9	9	
Other	—	—	(13)	—	—	—	(13)	—	(13)	
Balance—September 30, 2021	39,374	\$ 394	\$854,921	\$1,431,798	\$ —	\$ (1,542,596)	\$ 744,517	\$ 8,413	\$752,930	
Common Stock cash distributions (\$0.57 per share)	—	—	—	—	—	(22,443)	(22,443)	—	(22,443)	
Stock-based compensation expense	—	—	1,975	—	—	—	1,975	—	1,975	
Net income	—	—	—	12,838	—	—	12,838	92	12,930	
Non-controlling interest distributions	—	—	—	—	—	—	—	(92)	(92)	
Fair market valuation adjustment for interest rate swap	—	—	—	—	(172)	—	(172)	—	(172)	
Other	—	—	(1)	—	—	—	(1)	—	(1)	
Balance—December 31, 2021	39,374	\$ 394	\$856,895	\$1,444,636	\$ (172)	\$ (1,565,039)	\$ 736,714	\$ 8,413	\$745,127	
Common Stock cash distributions (\$0.57 per share)	—	—	—	—	—	(22,480)	(22,480)	—	(22,480)	
Stock-based compensation expense	—	—	1,925	—	—	—	1,925	—	1,925	
Net income	—	—	—	14,412	—	—	14,412	95	14,507	
Cash paid for taxes in lieu of common shares	(37)	—	(1,255)	—	—	—	(1,255)	—	(1,255)	
Non-controlling interest distributions	—	—	—	—	—	—	—	(95)	(95)	
Fair market valuation adjustment for interest rate swap	—	—	—	—	4,876	—	4,876	—	4,876	
Other	123	1	(7)	—	—	—	(6)	—	(6)	
Balance—March 31, 2022	39,460	\$ 395	\$857,558	\$1,459,048	\$ 4,704	\$ (1,587,519)	\$ 734,186	\$ 8,413	\$742,599	
Issuance of common stock	910	9	33,684	—	—	—	33,693	—	33,693	
Common Stock cash distributions (\$0.57 per share)	—	—	—	—	—	(22,635)	(22,635)	—	(22,635)	
Stock-based compensation expense	—	—	2,012	—	—	—	2,012	—	2,012	
Net income	—	—	—	54,383	—	—	54,383	107	54,490	
Cash paid for taxes in lieu of common shares	(2)	—	(100)	—	—	—	(100)	—	(100)	
Non-controlling interest distributions	—	—	—	—	—	—	—	(998)	(998)	
Fair market valuation adjustment for interest rate swap	—	—	—	—	1,435	—	1,435	—	1,435	
Other	12	—	—	—	—	—	—	—	—	
Balance—June 30, 2022	40,380	\$ 404	\$893,154	\$1,513,431	\$ 6,139	\$ (1,610,154)	\$ 802,974	\$ 7,522	\$810,496	

LTC PROPERTIES, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(amounts in thousands, unaudited)

	Six Months Ended June 30,	
	2022	2021
OPERATING ACTIVITIES:		
Net income	\$ 68,997	\$ 32,180
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	18,817	19,385
Stock-based compensation expense	3,937	3,810
Gain on sale of real estate, net	(38,196)	(4,690)
Income from unconsolidated joint ventures	(751)	(665)
Straight-line rental adjustment (income)	527	(663)
Adjustment for collectability of rental income and lease incentives	173	758
Amortization of lease incentives	429	228
Provision (recovery) for credit losses	659	(9)
Application of interest reserve	(2,451)	—
Amortization of debt issue costs	547	518
Other non-cash items, net	4	3
Change in operating assets and liabilities		
Lease incentives funded	(8)	(180)
Increase in interest receivable	(3,191)	(3,231)
Increase (decrease) in accrued interest payable	201	(123)
Net change in other assets and liabilities	(1,250)	1,323
Net cash provided by operating activities	48,444	48,644
INVESTING ACTIVITIES:		
Investment in real estate properties	(51,815)	—
Investment in real estate capital improvements	(2,905)	(2,046)
Proceeds from sale of real estate, net	72,359	36,532
Investment in real estate mortgage loans receivable	(33,910)	(426)
Principal payments received on mortgage loans receivable	625	625
Investments in unconsolidated joint ventures	—	(5,676)
Advances and originations under notes receivable	(36,788)	(1,811)
Principal payments received on notes receivable	6,618	2,553
Net cash (used in) provided by investing activities	(45,816)	29,751
FINANCING ACTIVITIES:		
Borrowings from revolving line of credit	99,000	17,000
Repayment of revolving line of credit	(153,900)	(41,000)
Proceeds from issuance of senior unsecured notes	75,000	—
Principal payments on senior unsecured notes	(7,000)	(7,000)
Proceeds from common stock issued	34,203	—
Distributions paid to stockholders	(45,115)	(45,608)
Distributions paid to non-controlling interests	(1,093)	(179)
Financing costs paid	(1,122)	(35)
Cash paid for taxes in lieu of shares upon vesting of restricted stock and performance-based stock units	(1,355)	(3,573)
Other	(6)	(58)
Net cash used in financing activities	(1,388)	(80,453)
Increase (decrease) in cash and cash equivalents	1,240	(2,058)
Cash and cash equivalents, beginning of period	5,161	7,772
Cash and cash equivalents, end of period	\$ 6,401	\$ 5,714
Supplemental disclosure of cash flow information:		
Interest paid	\$ 13,918	\$ 13,437
Non-cash investing and financing transactions:		
Preferred return reserve related to investments in unconsolidated joint ventures (See Footnote 3)	\$ —	\$ 2,324
Application of interest reserve recorded as mortgage loan receivable	\$ 2,451	\$ —
Increase in fair value of interest rate swap agreements (See Footnote 6)	\$ 6,311	\$ —

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-leasebacks, mortgage financing, joint ventures and structured finance solutions including preferred equity and 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. We also invest in other (“OTH”) types of properties, such as land parcels, projects under development (“UDP”) and behavioral health care hospitals. 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 and six months ended June 30, 2022 and 2021 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.

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”).

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. 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 majority of our leases contain provisions for specified annual increases over the rents of the prior year.

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

The following table summarizes our investments in owned properties at June 30, 2022 (*dollar amounts in thousands*):

Type of Property	Gross Investment	Percentage of Investment	Number of Properties ⁽¹⁾	Number of		Average Investment per Bed/Unit
				SNF Beds	ALF Units	
Assisted Living	\$ 797,556	56.6 %	99	—	5,492	\$ 145.22
Skilled Nursing	600,701	42.6 %	53	6,348	236	\$ 91.24
Other ⁽²⁾	11,680	0.8 %	1	118	—	—
Total	<u>\$ 1,409,937</u>	<u>100.0 %</u>	<u>153</u>	<u>6,466</u>	<u>5,728</u>	

(1) We own properties in 26 states that are leased to 25 different operators.

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

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*):

	Cash Rent ⁽¹⁾
2022	\$ 57,820
2023	113,626
2024	93,786
2025	85,214
2026	68,753
Thereafter	269,038

(1) Represents contractual cash rent, except for certain master leases which are based on estimated cash payments. Includes rent from subsequent acquisitions and excludes rent from subsequent dispositions. See *Footnote 12* for more information.

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 and lease incentives 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. We wrote-off straight-line rent receivable and lease incentives balances of \$173,000 and \$758,000 for the six months ended June 30, 2022 and 2021, 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 uncollectible accounts and deferred rents receivable at June 30, 2022. 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 and six months ended June 30, 2022 and 2021 (*in thousands*):

Rental Income	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Base cash rental income	\$ 28,108 ⁽¹⁾	\$ 26,410	\$ 55,023 ⁽¹⁾	\$ 55,033
Variable cash rental income	4,019 ⁽²⁾	3,529 ⁽²⁾	8,058 ⁽²⁾	7,067 ⁽²⁾
Straight-line rent	(293) ⁽³⁾	(19) ⁽³⁾	(527) ⁽³⁾	663 ⁽³⁾
Adjustment for collectability of rental income and lease incentives	—	—	(173) ⁽⁴⁾	(758) ⁽⁵⁾
Amortization of lease incentives	(206)	(116)	(429)	(228)
Total	<u>\$ 31,628</u>	<u>\$ 29,804</u>	<u>\$ 61,952</u>	<u>\$ 61,777</u>

- (1) Increased primarily due to a \$1,181 lease termination fee received in connection with the sale of a 74-unit ALF, rent received from properties transitioned from the former Senior Care Centers, LLC (“Senior Care”) and Senior Lifestyle Corporation (“Senior Lifestyle”) portfolios and rental income from completed development projects and annual rent escalations.
- (2) The variable rental income for the three and six months ended June 30, 2022, includes reimbursement of real estate taxes by our lessees of \$4,019 and \$8,001, respectively and contingent rental income of \$0 and \$57, respectively. The variable rental income for the three and six months ended June 30, 2021, only includes reimbursement of real estate taxes by our lessees of \$3,529 and \$7,067. Increased primarily due to properties transitioned from Senior Care and new acquisitions.
- (3) Decreased primarily due to the impact of prior year’s 50% reduction of 2021 rent escalations for those leases accounted for on a straight-line basis.
- (4) Represents a lease incentive balance write-off related to a closed property and subsequent lease termination.
- (5) Represents a straight-line rent receivable write-off due to transitioning rental revenue recognition to cash basis for one lease in accordance with Accounting Standard Codification *Topic 842, Leases*.

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 amounts in thousands*):

State	Type of Property	Number of Properties	Gross Investments	Carrying Value	Option Window
California	ALF/MC	2	\$ 38,895	\$ 34,189	2024-2029
Florida	MC	1	15,201	12,728	2029
Kentucky and Ohio	MC	2	30,421	26,191	2025
Nebraska	ALF	3	7,633	3,067	TBD ⁽¹⁾
South Carolina	ALF/MC	1	11,680	9,341	2029
Texas	SNF	4	51,815	51,485	2027-2029 ⁽²⁾
Total			<u>\$ 155,645</u>	<u>\$ 137,001</u>	

- (1) Subject to the properties achieving certain coverage ratios.

- (2) During the second quarter of 2022, we purchased four skilled nursing centers and leased these properties under a 10-year lease with an existing operator. The lease provides either an earn-out payment or purchase option but not both. If neither option is elected within the timeframe defined in the lease, both elections are terminated. For more information regarding the earn-out see *Footnote 8*.

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 June 30, 2022, 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

LTC PROPERTIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
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the future developments including the financial impact significance, government support and subsidies and the duration of the pandemic.

In recognition of the pandemic's ongoing impact affecting our operators, we have agreed to rent abatements totaling \$1,891,000 and rent deferrals for certain operators totaling \$1,987,000, net of repayments of \$124,000, during the six months ended June 30, 2022. The \$3,878,000 in rent abatements and deferrals, net of repayments during the six months ended June 30, 2022, represented approximately 5.2% of our contractual rent for the six months ended June 30, 2022.

Acquisitions and Improvements: The following table summarizes our acquisitions for the six months ended June 30, 2022 and 2021 (*dollar amounts in thousands*):

Year	Type of Property	Purchase Price	Transaction Costs	Total Acquisition Costs	Number of Properties	Number of Beds/Units
2022	SNF ⁽¹⁾	\$ 51,534	\$ 281	\$ 51,815	4	339
2021	n/a	\$ —	\$ —	\$ —	—	—

(1) The properties are located in Texas and are leased to an affiliate of an existing operator under a 10-year lease with two 5-year renewal options. Additionally, the lease provides either an earn-out payment or purchase option but not both. If neither option is elected within the timeframe defined in the lease, both elections are terminated. The earn-out payment is available, contingent on achieving certain thresholds per the lease, beginning at the end of the second lease year through the end of the fifth lease year. The purchase option is available beginning in the sixth lease year through the end of the seventh lease year. The initial cash yield is 8% for the first year, increasing to 8.25% for the second year, then increases annually by 2.0% to 4.0% based on the change in the Medicare Market Basket Rate. In connection with the transaction, we provided the lessee a 10-year working capital loan for up to \$2,000, of which \$1,867 has been funded, at 8% for first year, increasing to 8.25% for the second year, then increasing annually with the lease rate.

During the six months ended June 30, 2022 and 2021, we invested the following in improvement projects (*in thousands*):

Type of Property	2022	2021
Assisted Living Communities	\$ 1,964	\$ 2,046
Skilled Nursing Centers	620	—
Other	321	—
Total	<u>\$ 2,905</u>	<u>\$ 2,046</u>

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Properties Sold. The following table summarizes property sales during the six months ended June 30, 2022 and 2021 (*dollar amounts in thousands*):

Year	State	Type of Properties	Number of Properties	Number of Beds/Units	Sales Price	Carrying Value	Net Gain (loss) ⁽¹⁾
2022	California	ALF	2	232	\$ 43,715	\$ 17,832	\$ 25,867
	California	SNF	1	121	13,250	1,846	10,849
	Virginia	ALF	1	74	16,895	15,549	1,336 ⁽²⁾
	n/a	n/a	—	—	—	—	144 ⁽³⁾
Total 2022			4	427	\$ 73,860	\$ 35,227	\$ 38,196
2021	Florida	ALF	1	—	\$ 2,000	\$ 2,625	\$ (858)
	Nebraska	ALF	1	40	900	1,079	(205)
	Wisconsin	ALF	3	263	35,000	28,295	5,594
	n/a	n/a	—	—	—	—	159 ⁽³⁾
Total 2021			5	303	\$ 37,900	\$ 31,999	\$ 4,690

- (1) Calculation of net gain (loss) includes cost of sales.
- (2) In connection with this sale, the former operator paid us a lease termination fee of \$1,181 which is not included in the gain on sale.
- (3) 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 Accounting Standard Codification (“ASC”) *Topic 606, Contracts with Customers* (“ASC 606”).

Mortgage Loans. The following table summarizes our investments in mortgage loans secured by first mortgages at June 30, 2022 (*dollar amounts in thousands*):

Interest Rate	Maturity	State	Gross Investment	Type of Property	Percentage of Investment	Loans ⁽¹⁾	Properties ⁽²⁾	SNF Beds	ALF Units	Investment per Bed/Unit
7.5%	2022	MO	\$ 1,780	OTH	0.5 %	1	— ⁽³⁾	—	—	\$ n/a
7.5%	2024	LA	27,347	SNF	7.1 %	1	1	189	—	\$ 144.69
7.8%	2025	FL	12,779	ALF	3.3 %	1	1	—	68	\$ 187.93
7.3% ⁽⁴⁾	2025	NC/SC	50,889	ALF	13.3 %	1	13	—	523	\$ 97.30
7.3%	2026	NC	31,539	ALF	8.2 %	1	4	—	217	\$ 145.34
7.3%	2026	NC	766	OTH	0.2 %	1	— ⁽⁵⁾	—	—	\$ —
10.4% ⁽⁶⁾	2043	MI	184,854	SNF	48.2 %	1	15	1,875	—	\$ 98.59
9.5% ⁽⁶⁾	2045	MI	39,068	SNF	10.2 %	1	4	501	—	\$ 77.98
9.8% ⁽⁶⁾	2045	MI	19,750	SNF	5.1 %	1	2	205	—	\$ 96.34
10% ⁽⁶⁾	2045	MI	14,875	SNF	3.9 %	1	1	146	—	\$ 101.88
Total			\$ 383,647		100.0 %	10	41	2,916	808	\$ 103.02

- (1) Some loans contain certain guarantees and provide for certain facility fees.
- (2) Our mortgage loans are secured by properties located in six states with five borrowers.
- (3) Represents a mortgage loan secured by a parcel of land for the future development of a 91-bed post-acute SNF.
- (4) Represents the initial rate. This loan has an IRR of 8%.

- (5) Represents a mortgage loan secured by a parcel of land in North Carolina held for future development of a seniors housing community.
- (6) Mortgage loans provide for 2.25% annual increases in the interest rate after a certain time period.

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The following table summarizes our mortgage loan activity for the six months ended June 30, 2022 and 2021 (*in thousands*):

	<u>Six Months Ended June 30,</u>	
	<u>2022</u>	<u>2021</u>
Originations and funding under mortgage loans receivable	\$ 33,910 ⁽¹⁾	\$ 426
Application of interest reserve	2,451	—
Scheduled principal payments received	(625)	(625)
Mortgage loan premium amortization	(3)	(3)
(Provision) recovery for loan loss reserve	(358)	2
Net increase (decrease) in mortgage loans receivable	<u>\$ 35,375</u>	<u>\$ (200)</u>

- (1) We originated two senior mortgage loans, secured by four ALFs operated by an existing operator, as well as a land parcel in North Carolina. The communities have a combined total of 217 units, with an average age of less than four years. The land parcel is approximately 7.6 acres adjacent to one of the ALFs and is being held for the future development of a seniors housing community. The mortgage loans have a four-year term, an interest rate of 7.25% and an IRR of 8%.

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 June 30, 2022, the accrued interest receivable of \$42,713,000 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 and net worth of the borrower. For the six months ended June 30, 2022 and 2021, the Company did not write-off any accrued interest receivable.

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3. Investment in Unconsolidated Joint Ventures

We have preferred equity investments in 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	Carrying Value
Washington	ALF/MC	Preferred Equity ⁽¹⁾	12 %	7 %	95	\$ 6,340 ⁽¹⁾
Washington	UDP	Preferred Equity ⁽²⁾	12 %	8 %	—	13,000 ⁽²⁾
Total					95	\$ 19,340

- (1) Represents preferred equity in an entity that developed and owns a 95-unit ALF and MC in Washington. Our investment represents 15.5% of the 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%, depending upon timing of redemption. During the fourth quarter of 2021, the entity completed the development project and received its certificate of occupancy. We have the option to require the JV partner to purchase our preferred equity interest at any time between August 17, 2031 and December 31, 2036.
- (2) Represents preferred equity in an entity that will develop and own a 267-unit ILF and ALF in Washington. Our investment represents 11.6% of the estimated total investment. The preferred equity investment earns an initial cash rate of 8% with an IRR of 12%. The JV partner has the option to buy out our investment at any time after August 31, 2023 at the IRR rate. Also, we have the option to require the JV partner to purchase our preferred equity interest at any time between August 31, 2027 and, upon project completion and leasing the property, prior to the end of the first renewal term of the lease.

The following table summarizes our capital contributions, income recognized, and cash interest received related to our investments in unconsolidated joint ventures for the six months ended June 30, 2022 and 2021 (*in thousands*):

Year	Type of Properties	Capital Contribution	Income Recognized	Cash Interest Earned
2022	ALF/MC	\$ —	\$ 224	\$ 224
	UDP ⁽¹⁾	—	527	527
Total		\$ —	\$ 751	\$ 751
2021	ALF/MC	\$ —	\$ 225	\$ 187
	UDP ⁽¹⁾	8,000	440	353
Total		\$ 8,000	\$ 665	\$ 540

- (1) During 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. Additionally, we withheld \$2,324 from the \$8,000 funding for a total reserve of \$3,777 related to this preferred equity investment.

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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 June 30, 2022 and December 31, 2021 (*in thousands*):

	June 30, 2022	December 31, 2021
Mezzanine loans ⁽¹⁾	\$ 36,815	\$ 11,815
Other loans	21,979	16,808
Notes receivable credit loss reserve	(588)	(286)
Total	<u>\$ 58,206</u>	<u>\$ 28,337</u>

- (1) During the first quarter of 2022, we originated a \$25,000 mezzanine loan for the recapitalization of a five-property seniors housing portfolio. The mezzanine loan has a term of approximately five years, with two one-year extension options and bears interest at 8% with an IRR of 11%. The five communities are located in Oregon and Montana, have a total of 621 units, and include independent living, assisted living and memory care.

The following table summarizes our notes receivable activity for the six months ended June 30, 2022 and 2021 (*in thousands*):

	Six Months Ended June 30, 2022	2021
Advances under notes receivable	\$ 36,788 ⁽¹⁾	\$ 1,811
Principal payments received under notes receivable	(6,618)	(2,553)
Provision for credit losses	(301)	7
Net increase (decrease) in notes receivable	<u>\$ 29,869</u>	<u>\$ (735)</u>

- (1) Includes origination of a \$25,000 mezzanine loan for the recapitalization of five assisted living communities located in Oregon and Montana. Additionally includes origination of a working capital loan for a commitment of up to \$2,000, of which \$1,867 has been funded and \$9,541 of funding under a working capital loan to HMG Healthcare, LLC ("HMG").

5. Lease Incentives

Our non-contingent lease incentive balances at June 30, 2022 and December 31, 2021 were \$1,910,000 and \$2,678,000. The following table summarizes our lease incentives activity for the six months ended June 30, 2022 and 2021 (*in thousands*):

	Six Months Ended June 30, 2022				2021	
	Adjustment	Funding	Amortization	Write-off	Funding	Amortization
Non-contingent lease incentives	\$ (174) ⁽¹⁾	\$ 8	\$ (429)	\$ (173) ⁽²⁾	\$ 180	\$ (228)

- (1) Primarily relates to the sale of two ALFs in California during the second quarter of 2022.
- (2) Represents the lease incentive balance write-off related to a closed property and subsequent lease termination.

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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6. Debt Obligations

Unsecured Credit Facility. We have an unsecured credit agreement (the “Credit Agreement”) that provides for an aggregate commitment of the lenders of up to \$500,000,000 comprising of a \$400,000,000 revolving credit facility (the “Revolving Line of Credit”) and two \$50,000,000 term loans (the “Term Loans”). The Credit Agreement permits us to request increases to the Revolving Line of Credit and Term Loans commitments up to a total of \$1,000,000,000. The Revolving Line of Credit matures November 19, 2025 and provides for a one-year extension option at our discretion, subject to customary conditions. The Term Loans mature on November 19, 2025 and November 19, 2026.

Based on our leverage at June 30, 2022, the facility provides for interest annually at LIBOR plus 115 basis points and a facility fee of 20 basis points. At June 30, 2022, we were in compliance with all covenants.

Interest Rate Swap Agreements. In connection with entering into the Term Loans described above, we entered into two receive variable/pay fixed interest rate swap agreements (the “Interest Rate Swaps”) with maturities of November 19, 2025 and November 19, 2026, respectively, that serve to lock-in the forecasted interest payments on the borrowings under the Term Loans over their four and five year terms. The Interest Rate Swaps are considered cash flow hedges and are recorded on our Consolidated Balance Sheets at fair value in prepaid expenses and other assets, with cumulative changes in the fair value of these instruments recognized in Accumulated other comprehensive income (loss) on our Consolidated Balance Sheets. During the six months ended June 30, 2022 and 2021, we recorded a \$6,311,000 and \$0 increase in fair value of Interest Rate Swaps.

As of June 30, 2022 and December 31, 2021, the terms of the Interest Rate Swaps are as follows (*dollar amounts in thousands*):

Date Entered	Maturity Date	Swap Rate	Rate Index	Notional Amount	Fair Value at	
					June 30, 2022	December 31, 2021
November 2021	November 19, 2025	2.56 %	1-month LIBOR	\$ 50,000	\$ 2,824	\$ (38)
November 2021	November 19, 2026	2.69 %	1-month LIBOR	50,000	3,315	(134)
				<u>\$ 100,000</u>	<u>\$ 6,139</u>	<u>\$ (172)</u>

Senior Unsecured Notes. We have senior unsecured notes held by institutional investors with interest rates ranging from 3.66% to 5.03%. The senior unsecured notes mature between 2024 and 2033. During the six months ended June 30, 2022, we sold \$75,000,000 aggregate principal amount of 3.66% senior unsecured notes. The notes have an average 10-year life, scheduled principal payments and mature in May 2033.

The senior unsecured notes and the Credit Agreement, including the Revolving Line of Credit and the Term Loans, contain financial covenants, which are measured quarterly, that require us to maintain, among other things:

- a ratio of total indebtedness to total asset value not greater than 0.6 to 1.0;
- a ratio of secured debt to total asset value not greater than 0.35 to 1.0;
- a ratio of unsecured debt to the value of the unencumbered asset value not greater than 0.6 to 1.0; and

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- a ratio of EBITDA, as calculated in the debt obligation, to fixed charges not less than 1.50 to 1.0.

At June 30, 2022, we were in compliance with all applicable financial covenants. These debt obligations also contain additional customary covenants and events of default that are subject to a number of important and significant limitations, qualifications and exceptions.

The following table sets forth information regarding debt obligations by component as of June 30, 2022 and December 31, 2021 (*dollar amounts in thousands*):

Debt Obligations	Applicable Interest Rate ⁽¹⁾	At June 30, 2022		At December 31, 2021	
		Outstanding Balance	Available for Borrowing	Outstanding Balance	Available for Borrowing
Revolving line of credit ⁽²⁾	2.67%	\$ 56,000	\$ 344,000	\$ 110,900	\$ 289,100
Term loans, net of debt issue costs	2.63%	99,437	—	99,363	—
Senior unsecured notes, net of debt issue costs ⁽³⁾	4.28%	579,431	—	512,456	—
Total	3.93%	<u>\$ 734,868</u>	<u>\$ 344,000</u>	<u>\$ 722,719</u>	<u>\$ 289,100</u>

- (1) Represents weighted average of interest rate as of June 30, 2022.
- (2) Subsequent to June 30, 2022, we borrowed \$20,500 under the Revolving Line of Credit. Accordingly, we currently have \$76,500 outstanding and \$323,500 available for borrowing under the Revolving Line of Credit.
- (3) Subsequent to June 30, 2022, we paid \$20,160 in regular scheduled principal payments under our senior unsecured notes. Accordingly, we currently have \$559,271 outstanding under our senior unsecured notes, net of debt issue costs.

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

Debt Obligations	Six Months Ended June 30,			
	2022		2021	
	Borrowings	Repayments	Borrowings	Repayments
Revolving line of credit ⁽¹⁾	\$ 99,000	\$ (153,900)	\$ 17,000	\$ (41,000)
Term loans	—	—	—	—
Senior unsecured notes ⁽²⁾	75,000	(7,000)	—	(7,000)
Total	<u>\$ 174,000</u>	<u>\$ (160,900)</u>	<u>\$ 17,000</u>	<u>\$ (48,000)</u>

- (1) Subsequent to June 30, 2022, we borrowed \$20,500 under the Revolving Line of Credit. Accordingly, we currently have \$76,500 outstanding and \$323,500 available for borrowing under the Revolving Line of Credit.
- (2) Subsequent to June 30, 2022, we paid \$20,160 in regular scheduled principal payments under our senior unsecured notes. Accordingly, we currently have \$559,271 outstanding under our senior unsecured notes, net of debt issue costs.

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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As of June 30, 2022, we have the following consolidated VIEs (*in thousands*):

Investment Year	Purpose	Property Type	State	Gross Consolidated Assets	Non-Controlling Interests
2018	Owned real estate	ILF	OR	\$ 14,470	\$ 2,857
2018	Owned real estate and development	ALF/MC	OR	18,447	1,119
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>\$ 66,604</u>	<u>\$ 7,522</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. During the six months ended June 30, 2022, we sold 909,800 shares of common stock for \$34,203,000 in net proceeds under our Equity Distribution Agreements. In conjunction with the sale of common stock, we paid \$609,000 as compensation to our sales agents and incurred \$511,000 of costs associated with this agreement which have been recorded in additional paid in capital as a reduction of proceeds received. Subsequent to June 30, 2022, we sold 125,200 shares of common stock for \$4,754,000 of net proceeds under our Equity Distribution Agreements. Accordingly, we have \$160,349,000 available under the Equity Distribution Agreements.

During the six months ended June 30, 2022 and 2021, we acquired 39,463 shares and 87,249 shares, respectively, of common stock held by employees who tendered owned shares to satisfy tax withholding obligations.

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 17, 2025.

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

	Six Months Ended June 30,			
	2022		2021	
	Declared	Paid	Declared	Paid
Common Stock ⁽¹⁾	<u>\$ 45,115</u>	<u>\$ 45,115</u>	<u>\$ 45,608 ⁽²⁾</u>	<u>\$ 45,608 ⁽²⁾</u>

(1) Represents \$0.19 per share per month for the six months ended June 30, 2022 and 2021.

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

In July 2022, we declared a monthly cash dividend of \$0.19 per share on our common stock for the months of July, August and September 2022, payable on July 29, August 31, and

September 30, 2022, respectively, to stockholders of record on July 21, August 23, and September 22, 2022, respectively.

Stock-Based Compensation. During the second quarter of 2021, we adopted and our shareholders approved the 2021 Equity Participation Plan (“the 2021 Plan”) which replaces the 2015 Equity

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Participation Plan (“the 2015 Plan”). Under the 2021 Plan, 1,900,000 shares of common stock have been authorized and reserved for awards, less one share for every one share that was subject to an award granted under the 2015 Plan after December 31, 2020 and prior to adoption. In addition, any shares that are not issued under outstanding awards under the 2015 Plan because the shares were forfeited or cancelled after December 31, 2020 will be added to and again be available for awards under the 2021 Plan. Under the 2021 Plan, the shares were authorized and reserved for awards to officers, employees, non-employee directors and consultants. The terms of the awards granted under the 2021 Plan and the 2015 Plan are set by our compensation committee at its discretion.

At June 30, 2022, we had 10,000 stock options outstanding and exercisable. During the six months ended June 30, 2022, 5,000 stock options expired and were cancelled. During the six months ended June 30, 2022 and 2021, no stock options were granted or exercised.

The following table summarizes our restricted stock activity for the six months ended June 30, 2022 and 2021:

	Six Months Ended June 30,	
	2022	2021
Outstanding, January 1	197,422	180,440
Granted	135,210	110,348
Vested	(103,396)	(93,366)
Outstanding, June 30	<u>229,236</u>	<u>197,422</u>

During the six months ended June 30, 2022 and 2021, we granted 86,332 and 71,892, respectively, of performance-based stock units. Additionally, no performance-based stock units vested during the six months ended June 30, 2022 and 108,720 performance-based stock units vested during the six months ended June 30, 2021.

During the six months ended June 30, 2022 and 2021, we granted restricted stock and performance-based stock units under the 2021 Plan and 2015 Plan as follows:

Year	No. of Shares/Units	Price per Share	Reward Type	Vesting Period
2022	122,865	\$ 33.94	Restricted stock	ratably over 3 years
	86,332	\$ 33.94	Performance-based stock units	TSR targets ⁽¹⁾
	<u>12,345</u>	<u>\$ 38.48</u>	Restricted stock	May 25, 2023
	<u>221,542</u>			
2021	95,293	\$ 42.27	Restricted stock	ratably over 3 years
	71,892	\$ 42.27	Performance-based stock units	TSR targets ⁽¹⁾
	12,055	\$ 39.40	Restricted stock	May 26, 2022
	<u>3,000</u>	<u>\$ 43.14</u>	Restricted stock	April 1, 2022
	<u>182,240</u>			

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

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Compensation expense recognized related to the vesting of restricted common stock and performance-based stock units for the six months ended June 30, 2022 and 2021 were \$3,937,000 and \$3,810,000, respectively. At June 30, 2022, 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
July - December 2022	\$ 4,026
2023	5,603
2024	2,853
2025	309
Total	<u>\$ 12,791</u>

8. Commitments and Contingencies

At June 30, 2022, we had commitments as follows (*in thousands*):

	Investment Commitment	2022 Funding	Total Commitment Funded	Remaining Commitment
Real estate properties (Footnote 2. <i>Real Estate Investments</i>)	\$ 15,593 ⁽¹⁾	\$ 2,133	\$ 3,771	\$ 11,822
Accrued incentives and earn-out liabilities (Footnote 5. <i>Lease Incentives</i>)	12,000 ⁽²⁾	—	—	12,000
Mortgage loans (Footnote 2. <i>Real Estate Investments</i>)	32,507 ⁽³⁾	858	4,598	27,909
Notes receivable (Footnote 4. <i>Notes Receivable</i>)	27,380	11,788	15,558	11,822
Total	<u>\$ 87,480</u>	<u>\$ 14,779</u>	<u>\$ 23,927</u>	<u>\$ 63,553</u>

- (1) Represents commitments to purchase land and improvements, if applicable, and to develop, re-develop, renovate or expand seniors housing and skilled nursing properties.
- (2) Additionally, during the six months ended June 30, 2022, we purchased four skilled nursing centers in Texas and leased these properties under a 10-year lease with an existing operator. The lease provides either an earn-out payment up to \$3,000 or a purchase option but not both. The earn-out payment is available, contingent on achieving certain thresholds per the lease, beginning at the end of the second lease year through the end of the fifth lease year. If neither option is elected within the timeframe defined in the lease, both elections are terminated. For more information regarding the purchase option see Footnote 2.
- (3) Represents \$14,507 of commitments for the expansion, renovation and working capital related to seniors housing and skilled nursing properties securing the mortgage loans and \$18,000 of commitments which are contingent upon the borrower achieving certain coverage ratios.

Also, during the second quarter of 2022, we committed to pay an operator a lease termination fee of \$500,000 contingent upon certain conditions including cooperation and assistance in facilitating an orderly transition. These conditions were satisfied and the lease termination fee was paid subsequent to June 30, 2022.

Additionally, some of our lease agreements provide purchase options allowing the lessee to purchase the properties they currently lease from us. See *Footnote 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

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

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.

9. Major Operators

We have one operator that represents 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 June 30, 2022:

Operator	Number of		Number of		Percentage of	
	SNF	ALF	SNF Beds	ALF Units	Total Revenue ⁽¹⁾	Total Assets ⁽²⁾
Prestige Healthcare ⁽³⁾	24	—	2,845	93	20.0 %	16.7 %

(1) Includes rental income from owned properties and interest income from mortgage loans as of June 30, 2022.

(2) Represents the net carrying value of the mortgage loans and properties we own 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, continuing 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.

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

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*):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Net income	\$54,490	\$18,330	\$68,997	\$32,180
Less income allocated to non-controlling interests	(107)	(91)	(202)	(179)
Less income allocated to participating securities:				
Non-forfeitable dividends on participating securities	(133)	(113)	(270)	(233)
Income allocated to participating securities	(185)	—	(137)	—
Total net income allocated to participating securities	(318)	(113)	(407)	(233)
Net income available to common stockholders	54,065	18,126	68,388	31,768
Effect of dilutive securities:				
Participating securities ⁽¹⁾	—	—	—	—
Net income for diluted net income per share	<u>\$54,065</u>	<u>\$18,126</u>	<u>\$68,388</u>	<u>\$31,768</u>
Shares for basic net income per share	39,492	39,169	39,347	39,135
Effect of dilutive securities:				
Stock options	— ⁽²⁾	1	— ⁽²⁾	1
Performance-based stock units	173	—	173	—
Participating securities ⁽¹⁾	—	—	—	—
Total effect of dilutive securities	<u>173</u>	<u>1</u>	<u>173</u>	<u>1</u>
Shares for diluted net income per share	<u>39,665</u>	<u>39,170</u>	<u>39,520</u>	<u>39,136</u>
Basic net income per share	\$ 1.37	\$ 0.46	\$ 1.74	\$ 0.81
Diluted net income per share	<u>\$ 1.36</u>	<u>\$ 0.46</u>	<u>\$ 1.73</u>	<u>\$ 0.81</u>

(1) For the three and six months ended June 30, 2022, and 2021, the participating securities have been excluded from the computation of diluted net income per share as such inclusion would be anti-dilutive.

(2) For the three and six months ended June 30, 2022, stock options have been excluded from the computation of diluted net income per share as such inclusion would be anti-dilutive.

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.

As of June 30, 2022, we had two interest rate swaps related to our term loans that were designated as cash flow hedges of interest rate risk with a total notional amount of \$100,000,000. See Footnote 6. Debt Obligations within our consolidated financial statements for further detail on our interest rate swaps. We record cash flow hedges either as an asset or a liability measured at fair value. We estimate the fair value of our interest rate swaps using the assistance of a third-party using inputs that are observable in the market which include

forward yield curves and other relevant information. Although we have determined that the majority of the inputs used to value our derivative instruments fall within level 2 of the fair value hierarchy, the credit valuation adjustments associated with our derivatives utilize level 3 inputs to evaluate the likelihood of default by us and our counterparties.

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

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 estimated fair value of our financial instruments as of June 30, 2022 and December 31, 2021 were as follows (*in thousands*):

	At June 30, 2022		At December 31, 2021	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Mortgage loans receivable, net of credit loss reserve	\$ 379,817	\$ 444,125 ⁽¹⁾	\$ 344,442	\$ 405,162 ⁽¹⁾
Notes receivable, net of credit loss reserve	58,206	63,008 ⁽²⁾	28,337	28,653 ⁽²⁾
Revolving line of credit	56,000	56,000 ⁽³⁾	110,900	110,900 ⁽³⁾
Term loans, net of debt issue costs	99,437	100,000 ⁽³⁾	99,363	100,000 ⁽³⁾
Senior unsecured notes, net of debt issue costs	579,431	531,880 ⁽⁴⁾	512,456	540,045 ⁽⁴⁾

- (1) Our investment in mortgage loans receivable is classified as Level 3. The fair value is determined using a widely accepted valuation technique, discounted cash flow analysis on the expected cash flows. The discount rate is determined using our assumption on market conditions adjusted for market and credit risk and current returns on our investments. The discount rate used to value our future cash inflows of the mortgage loans receivable at June 30, 2022 and December 31, 2021 was 9.3% and 9.5%, respectively.
- (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 June 30, 2022 and December 31, 2021, were 6.6% and 5.6%, respectively.
- (3) Our revolving line of credit and term loans bear interest at a variable interest rate. The estimated fair value of our revolving line of credit and term loans approximated their carrying values at June 30, 2022 and December 31, 2021 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 June 30, 2022, the discount rate used to value our future cash outflow of our senior unsecured notes was 5.75% for those maturing before year 2030 and 6.25% for those maturing at or beyond year 2030. At December 31, 2021, the discount rate used to value our future cash outflow of our senior unsecured notes was 3.00% for those maturing before year 2030 and 3.25% for those maturing at or beyond year 2030.

12. Subsequent Events

Subsequent to June 30, 2022 the following events occurred:

Real Estate Investments: We terminated a master lease agreement covering 12 assisted living communities with a total of 625 units and transitioned the communities to an existing operator. In connection with the lease termination, we abated rent for June 2022 and

have forgiven the former operator's \$7,066,000 outstanding unaccrued deferred rent balance. Subsequent to June 30, 2022, we paid the former operator a \$500,000 lease termination fee in exchange for cooperation and assistance in facilitating an orderly transition. The transitioned communities will be operated pursuant to a new two-year master lease with zero rent for the first four months. Thereafter, cash rent will be based on mutually agreed upon fair market rent. In connection with the new lease, we paid the new operator a \$410,000 lease incentive payment which will be amortized as a yield adjustment to rental income over the two-year lease term.

Abated and Deferred Rent: We agreed to defer \$150,000 of the \$445,000 monthly contractual rent for August and September of 2022 from a lessee that operates eight assisted living communities under a master lease. The operator requested rent assistance due to protracted lease-up of their portfolio

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(Unaudited)

during COVID. Additionally, we provided \$240,000 of abated rent in July 2022 and agreed to provide rent abatements up to \$240,000 for each of August and September of 2022 to an operator pursuant to a master lease covering two assisted living communities. We are evaluating options for these communities.

Debt: We borrowed \$20,500,000 under our revolving line of credit. Accordingly, we have \$76,500,000 outstanding and \$323,500,000 available for borrowing under our revolving line of credit. Additionally, we paid \$20,160,000 in regular scheduled principal payments under our senior unsecured notes. Accordingly, we have \$559,271,000 outstanding under our senior unsecured notes, net of debt issue costs.

Equity: We declared a monthly cash dividend of \$0.19 per share on our common stock for the months of July, August and September 2022, payable on July 29, August 31, and September 30, 2022, respectively to stockholders of record on July 21, August 23, and September 22, 2022, respectively. Additionally, we sold 125,200 shares of common stock for \$4,754,000 of net proceeds under our Equity Distribution Agreements. Accordingly, we have \$160,349,000 available under our Equity Distribution Agreements.

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

Cautionary Statement Regarding Forward-Looking Statements

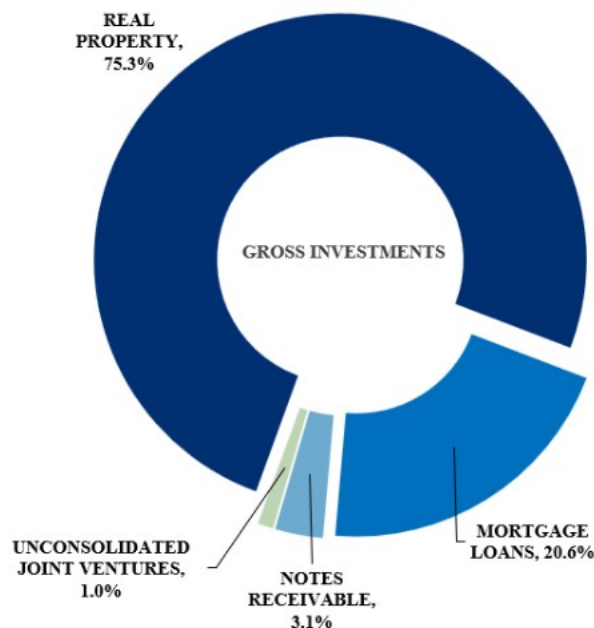
This quarterly report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, adopted pursuant to the Private Securities Litigation Reform Act of 1995. Statements that are not 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; the impact of inflation, 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, 2021 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 June 30, 2022:



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 June 30, 2022, seniors housing and health care properties comprised approximately 98.5% of our 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. We could also look to 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 ongoing pandemic impact affecting our operators, we have agreed to rent abatements totaling \$6.4 million and rent deferrals for certain operators totaling \$9.5 million between April 2020 and June 2022, of which \$1.8 million subsequently has been repaid. The \$14.1 million in rent abatements and deferrals, net of repayments, represented approximately 3.8% of our April 2020 through June 2022 contractual rent and interest. As of June 30, 2022, the outstanding balance of our deferred rent was \$7.7 million of which \$7.1 million represents the outstanding unaccrued deferred rent balance related to an operator of 12 assisted living communities that subsequent

to June 30, 2022 were transitioned to another operator. In connection with the termination of the master lease, the deferred rent balance was forgiven. The remaining balance of deferred rent of \$0.6 million is due to us over the next 36 months or upon receipt of government funds from the U.S. Coronavirus Aid, Relief, and Economic Security (the “CARES Act”).

During the six months ended June 30, 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 six months ended June 30, 2021, we recognized a Generally Accepted Accounting Principles ("GAAP") revenue decrease of \$0.5 million and a cash revenue decrease of \$1.3 million related to the 50% escalation reduction.

Real Estate Portfolio Overview

The following tables summarize our real estate investment portfolio by owned properties and mortgage loans and by property type, as of June 30, 2022 (*dollar amounts in thousands*):

	Number of Properties ⁽¹⁾	Number of		Gross Investments	Percentage of Investments	Six Months Ended June 30, 2022	
		SNF Beds	ALF Units			Rental Revenue	Percentage of Total Revenues
Owned Properties							
Assisted Living	99	—	5,492	\$ 797,556	42.6 %	\$ 26,296	35.7 %
Skilled Nursing	53	6,348	236	600,701	32.1 %	24,421	33.1 %
Other ⁽²⁾	1	118	—	11,680	0.6 %	489	0.7 %
Total Owned Properties	153	6,466	5,728	1,409,937	75.3 %	51,206 ⁽⁴⁾	69.5 %
	Number of Properties ⁽¹⁾	Number of		Gross Investments	Percentage of Investments	Interest Income from Mortgage Loans	Percentage of Total Revenues
		SNF Beds	ALF Units				
Mortgage Loans							
Assisted Living	18	—	808	95,207	5.1 %	2,813	3.8 %
Skilled Nursing	23	2,916	—	285,894	15.3 %	16,843	22.9 %
Other ⁽³⁾	—	—	—	2,546	0.2 %	77	0.1 %
Total Mortgage Loans	41	2,916	808	383,647	20.6 %	19,733	26.8 %
	Number of Properties ⁽¹⁾	Number of		Gross Investments	Percentage of Investments	Interest and other Income	Percentage of Total Revenues
		SNF Beds	ALF Units				
Notes Receivable							
Assisted Living ⁽⁵⁾	7	—	961	43,478	2.3 %	1,620	2.2 %
Skilled Nursing ⁽⁶⁾	—	—	—	15,316	0.8 %	364	0.5 %
Total Notes Receivable	7	—	961	58,794	3.1 %	1,984	2.7 %
	Number of Properties ⁽¹⁾	Number of		Gross Investments	Percentage of Investments	Income from Unconsolidated Joint Ventures	Percentage of Total Revenues
		SNF Beds	ALF Units				
Unconsolidated Joint Ventures							
Assisted Living ⁽⁷⁾	1	—	95	6,340	0.3 %	224	0.3 %
Under Development ⁽⁸⁾	—	—	—	13,000	0.7 %	527	0.7 %
Total Unconsolidated Joint Ventures	1	—	95	19,340	1.0 %	751	1.0 %
Total Portfolio	202	9,382	7,592	\$ 1,871,718	100.0 %	\$ 73,674	100.0 %

Summary of Properties by Type	Number of Properties ⁽¹⁾	Number of		Gross Investments	Percentage of Investments
		SNF Beds	ALF Units		
Assisted Living	125	—	7,356	\$ 942,581	50.3 %
Skilled Nursing	76	9,264	236	901,911	48.2 %
Under Development	—	—	—	13,000	0.7 %
Other ^{(2) (3)}	1	118	—	14,226	0.8 %
Total Portfolio	202	9,382	7,592	\$ 1,871,718	100.0 %

- (1) We have investments in owned properties, mortgage loans, notes receivable and unconsolidated joint ventures in 29 states to 32 operators.
- (2) Includes three parcels of land held-for-use and one behavioral health care hospital.
- (3) Includes one parcel of land in Missouri securing a first mortgage held for future development of a post-acute skilled nursing center and one parcel of land in North Carolina securing a first mortgage held for future development of a seniors housing community.
- (4) Excludes variable rental income from lessee reimbursement of \$8,001 and sold properties of \$2,745 .
- (5) Includes a mezzanine loan on a 204-unit combination ILF, ALF, and MC in Georgia, a mezzanine loan on a 136-unit ILF in Oregon, a mezzanine loan on five combination ILF, ALF and MC in Oregon and Montana, and seven working capital loans with interest rates between 5% and 7.5% and maturities between 2023 and 2031.

- (6) Includes three working capital loans with interest rates between 4% and 8% and maturities between 2022 and 2032.
- (7) Includes a preferred equity investment in an entity that developed and owns a 95-unit ALF and MC in Washington. Our investment represents 15.5% of the 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% with an IRR ranging between 12% to 14% depending on the timing of redemption.
- (8) Represents a preferred equity investment 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% with an IRR of 12%.

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As of June 30, 2022, we had \$1.4 billion in net carrying value of investments, consisting of \$1.0 billion or 69.4% invested in owned and leased properties and \$0.4 billion or 25.4% invested in mortgage loans secured by first mortgages. Our investment in mortgage loans mature between 2022 and 2045 and contain interest rates between 7.3% and 10.4%.

For the six months ended June 30, 2022, rental income represented 74.0% of total gross revenues, mortgage interest income represented 23.5% of total gross revenues and interest and other income represented 2.5% 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. 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 six months ended June 30, 2022, we recorded \$0.5 million in straight-line rental adjustment and amortization of lease incentive cost of \$0.4 million and an adjustment of \$0.2 million related to lease incentive balance of two assisted living communities in California which were sold during the second quarter of 2022. Also, during the six months ended June 30, 2022, we wrote-off a \$0.2 million lease incentive balance related to a property closure and subsequent lease termination. During the six months ended June 30, 2022, we received \$63.0 million of cash rental income, which includes \$8.0 million of operator reimbursements for our real estate taxes. At June 30, 2022, the straight-line rent receivable balance on the consolidated balance sheet was \$22.7 million.

For the six months ended June 30, 2022, we recorded \$19.7 million in *Interest income from mortgage loans* which includes \$14.5 million of interest received in cash, \$2.5 million of income from interest reserves and \$2.7 million in mortgage loans effective interest. At June 30, 2022, the mortgage loans effective interest receivable which is included in the *Interest receivable* line item in our Consolidated Balance Sheets was \$41.5 million.

Update on Certain Operators and Former Operators

Anthem Memory Care

Anthem Memory Care (“Anthem”) operates 11 memory care communities under a master lease and was placed in default in 2017 resulting from Anthem’s partial payment of its minimum rent. However, we did not enforce our rights and remedies pertaining to the event of default, under the stipulation that Anthem achieves sufficient performance and pays agreed upon rent. Anthem increased their rent payment every year between 2017 and 2021. Anthem paid us annual cash rent of \$10.8 million in 2021 and \$9.9 million in 2020. During the second quarter of 2022, we reduced the agreed upon 2022 second quarter rent of \$2.7 million to \$2.1 million. Additionally, we agreed to continue the reduced rent for third quarter of 2022 and expect to receive \$1.8 million. However, we expect receiving total cash rent from Anthem in 2022 of approximately \$10.8 million based on their anticipated receipt of Employee Retention Tax Credit funds in the fourth quarter of 2022. We receive regular financial performance updates from Anthem and continue to monitor their performance obligations under the master lease agreement. Anthem has paid their agreed upon rent through July 2022.

Brookdale Senior Living Communities, Inc

Brookdale Senior Living Communities, Inc.'s ("Brookdale") master lease was amended in the first quarter of 2021 to extend the term by one year through December 31, 2022. The renewal options under the amended master lease remained the same during the first quarter of 2022 and provided three renewal options consisting of a three-year renewal option, a five-year renewal option and a 10-year renewal

option. The notice period for the first renewal option was January 1, 2022 to April 30, 2022. During the second quarter of 2022, Brookdale's master lease was again amended to extend the maturity to December 31, 2023. The renewal options under the new amended master lease remained unchanged except the term of the first renewal option was reduced from three years to two. Also, the notice period for the first renewal option was changed to November 1, 2022 through February 28, 2023. During 2020, we extended to Brookdale a \$4.0 million capital commitment which was fully funded during 2021, and a \$2.0 million capital commitment which is available between January 1, 2022 through December 31, 2022. Under the new amendment, the \$2.0 million capital commitment was increased to \$4.0 million and the maturity was extended to February 28, 2023. The yield on these capital commitments is 7% with a reduced rate for qualified ESG projects. During the six months ended June 30, 2022, we funded \$0.9 million under the \$4.0 million capital commitment. Accordingly, we have a remaining commitment of \$3.1 million under this commitment. Brookdale is current on rent payments through July 2022.

Other Operators

During 2020, we consolidated our two master leases with an operator into one combined master lease and agreed to abate \$0.7 million of rent and allow the operator to defer rent as needed through March 31, 2021. The combined master lease covering 12 assisted living communities with a total of 625 units, was amended during 2021 and 2022 to extend the rent deferral period through April 30, 2022. The operator deferred rent of \$2.1 million during the six months ended June 30, 2022. Subsequent to June 30, 2022, we terminated the master lease and transitioned the communities to an existing operator. In connection with the lease termination, we abated rent for June 2022 and have forgiven the former operator's \$7.1 million outstanding unaccrued deferred rent balance. Subsequent to June 30, 2022, we paid the former operator a \$0.5 million lease termination fee in exchange for cooperation and assistance in facilitating an orderly transition. The transition of the communities will be pursuant to a new two-year master lease with zero rent for the first four months. Thereafter, cash rent will be based on mutually agreed upon fair market rent. In connection with the new lease, we paid the new operator a \$0.4 million lease incentive payment which will be amortized as a yield adjustment to rental income over the two-year lease term.

Additionally, we agreed to defer \$0.2 million of the \$0.4 million monthly contractual rent for August and September of 2022 from a lessee that operates eight assisted living communities under a master lease. The operator requested rent assistance due to protracted lease-up of their portfolio during COVID. We anticipate they will be able to repay the total \$0.3 million of deferred rent in 2023, upon receipt of additional stimulus funds from the Employee Retention Credit program. This operator is current on rent through July 2022.

Also, we provided \$0.2 million of abated rent in July 2022 and agreed to provide rent abatements up to \$0.2 million for each of August and September of 2022 to an operator pursuant to a master lease covering two assisted living communities. We are evaluating options for these communities.

Senior Lifestyle Corporation- Former Operator

During 2020, an affiliate of Senior Lifestyle ("Senior Lifestyle") failed to pay its contractual obligations under its master lease. As a result, we applied their letter of credit and deposits to past due rent and to their outstanding notes receivable. Senior Lifestyle has not

paid rent or its other obligations under the master lease since 2021. During 2021, we transitioned 18 assisted living communities previously leased to Senior Lifestyle to six operators. These communities are located in Illinois, Ohio, Wisconsin, Colorado, Pennsylvania and Nebraska. Also, during 2021, we sold three Wisconsin communities and a closed community in Nebraska previously leased to Senior Lifestyle for a combined total of \$35.9 million. We received total proceeds of \$34.8 million and recorded a net gain on sale of \$5.4

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million. During 2022, an assisted living community located in Colorado, which transitioned from Senior Lifestyle to a new operator during the first quarter of 2021, was closed and the lease was terminated. We have engaged a broker and intend to sell this assisted living community. Additionally, during 2022, we transitioned the remaining community located in New Jersey under the Senior Lifestyle master lease to an existing operator. Accordingly, as of June 30, 2022, Senior Lifestyle does not operate any properties in our portfolio.

Senior Care Centers, LLC – Former Operator

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 Health”) 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, Senior Care and Abri Health (collectively, “Lessee”) failed to pay rent and additional obligations owed under the master lease. Accordingly, we sent a notice of default and applied proceeds from letters of credit to certain obligations owed under the master lease. Furthermore, 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. In August 2021, the United States Bankruptcy Court approved a settlement agreement between Lessee and LTC. The settlement provided for, among other things, a one-time payment of \$3.3 million from LTC to the affiliates of Lessee in exchange for cooperation and assistance in facilitating an orderly transition of the 11 skilled nursing centers from the Lessee and its affiliates to affiliates of HMG Healthcare, LLC (“HMG”) which occurred on October 1, 2021. As of October 1, 2021, Senior Care and Abri Health no longer operate any properties in our portfolio.

2022 Activities Overview

The following tables summarize our transactions during the six months ended June 30, 2022 (*dollar amounts in thousands*):

Investment in Owned Properties

	Number of	Type of	Number of	Initial Cash	Purchase	Total Transaction	Total Acquisition
State	Properties	Properties	Beds/ Units	Yield	Price	Costs	Costs
Texas ⁽¹⁾	4	SNF	339	8.0 %	\$ 51,534	\$ 281	\$ 51,815

- (1) The properties are leased to an affiliate of an existing operator under a 10-year lease with two 5-year renewal options. Additionally, the lease provides for either an earn-out payment or purchase option but not both. If neither option is elected within the timeframe defined in the lease, both elections are terminated. The earn-out payment is available, contingent on achieving certain thresholds per the lease, beginning at the end of the second lease year through the end of the fifth lease year. The purchase option is available beginning at the end of the fifth lease year through the end of the seventh lease year. The initial cash yield is 8% for the first year, increasing to 8.25% for the second year, then increases annually by 2.0% to 4.0% based on the change in the Medicare Market Basket Rate. In connection with the transition, we provided the lease a 10-year working capital loan for up to \$2,000 of which \$1,867 has been funded at 8% for the first year, increasing to 8.25% for the second year, the increasing annually with the lease rate.



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Investment in Improvement projects

	Improvements
Assisted Living Communities	\$ 1,964
Skilled Nursing Centers	620
Other	321
Total	<u>\$ 2,905</u>

Properties Sold

State	Type of Properties	Number of Properties	Number of Beds/Units	Sales Price	Carrying Value	Net Gain ⁽¹⁾
California	ALF	2	232	\$ 43,715	\$ 17,832	\$ 25,867
California	SNF	1	121	13,250	1,846	10,849
Virginia	ALF	1	74	16,895	15,549	1,336 ⁽²⁾
n/a	n/a	—	—	—	—	144 ⁽³⁾
Total 2022		<u>4</u>	<u>427</u>	<u>\$ 73,860</u>	<u>\$ 35,227</u>	<u>\$ 38,196</u>

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

(2) In connection with this sale, the former operator paid us a lease termination fee of \$1,181 which is not included in the gain on sale.

(3) 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 Accounting Standard Codification (“ASC”) Topic 606, *Contracts with Customers* (“ASC 606”).

Investment in Mortgage Loans

Originations and funding under mortgage loans receivable	\$ 33,910 ⁽¹⁾
Application of interest reserve	2,451
Scheduled principal payments received	(625)
Mortgage loan premium amortization	(3)
Provision for loan loss reserve	(358)
Net increase in mortgage loans receivable	<u>\$ 35,375</u>

(1) We originated two senior mortgage loans, secured by four ALFs operated by an existing operator, as well as a land parcel in North Carolina. The communities have a combined total of 217 units, with an average age of less than four years. The land parcel is approximately 7.6 acres adjacent to one of the ALFs and is being held for the future development of a seniors housing community. The mortgage loans have a four-year term, an interest rate of 7.25% and an IRR of 8%.

Investment in Unconsolidated Joint Ventures

State	Type of Properties	Type of Investment	Total Preferred Return	Contractual Cash Portion	Number of Beds/ Units	Carrying Value	Income Recognized	Cash Interest Received
Washington ⁽¹⁾	ALF/MC	Preferred Equity ⁽¹⁾	12 %	7 %	95	\$ 6,340	\$ 224	\$ 224
Washington ⁽²⁾	UDP	Preferred Equity ⁽²⁾	12 %	8 %	—	13,000	527	527
					<u>95</u>	<u>\$ 19,340</u>	<u>\$ 751</u>	<u>\$ 751</u>

(1) Represents a preferred equity in an entity that developed and owns a 95-unit ALF and MC in Washington. Our investment represents 15.5% of the 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%, depending upon timing of

redemption. During the fourth quarter of 2021, the entity completed the development project and received its certificate of occupancy. We have the option to require the JV partner to purchase our preferred equity interest at any time between August 17, 2031 and December 31, 2036.

- (2) Represents a preferred equity in an entity that will develop and own a 267-unit ILF and ALF in Washington. Our investment represents 11.6% of the estimated total investment. The preferred equity investment earns an initial cash rate of 8% with an IRR of 12%. The JV partner has the option to buy out our investment at any time after August 31, 2023 at the IRR rate. Also, we have the option to require the JV partner to purchase our preferred equity interest at any time between August 31, 2027 and, upon project completion and leasing the property, prior to the end of the first renewal term of the lease.

Notes Receivable

Advances under notes receivable	\$ 36,788 ⁽¹⁾
Principal payments received under notes receivable	(6,618)
Provision for credit losses	(301)
Net increase in notes receivable	<u>\$ 29,869</u>

- (1) Includes the origination of a \$25,000 mezzanine loan for the recapitalization of five assisted living communities located in Oregon and Montana with a total of 621 units. The mezzanine loan has a term of approximately five years with two one-year extension options. It bears interest at 8% with IRR of 11%. Also includes origination of a working capital loan for a commitment of up to \$2,000, of which \$1,867 has been funded and \$9,541 of funding under a working capital loan to HMG.

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 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 started October 1, 2021, and issued the final rule on July 29, 2021. CMS estimated that the aggregate impact of the payment policies in the final rule would result in an increase of approximately \$410 million in Medicare Part A payments to SNFs in fiscal year 2022. The final rule also includes several policies that update the SNF Quality Reporting Program and the SNF Value-Based Program for fiscal year 2022. On April 11, 2022, CMS issued a proposed rule to update SNF rates and policies for fiscal year 2023. CMS estimated that the aggregate impact of the payment policies in the proposed rule would result in a decrease of approximately \$320 million in Medicare Part A payments to SNFs in fiscal year 2023 compared to fiscal year 2022. CMS also sought input on the effects of direct care staffing requirements to improve long-term care requirements for participation and promote thoughtful, informed staffing plans and decisions within facilities to meet residents’ needs, including maintaining or improving resident function and quality of life. Specifically, CMS sought input on establishing minimum staffing requirements for long-term care facilities. On June 29, 2022, CMS issued updates to guidance on minimum health and safety standards that long-term care facilities must meet to participate in Medicare and Medicaid, and updated and

developed new guidance in the State Operations Manual to address issues that significantly affect residents of 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.

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 SNF 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 enhanced requirements for nursing facilities to report COVID-19 infections to local, state and federal authorities. On July 15, 2022, HHS Secretary Becerra announced that he had renewed, effective July 15, 2022, 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 suspended the 2% across-the-board “sequestration” reduction during the period May 1, 2020 through December 31, 2020, and extended 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 would 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 were required to participate in the Nursing Home COVID-19 training to qualify for 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

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performance-based incentive payment distribution to nursing homes and SNFs. Finally, on October 1, 2020, HHS announced \$20 billion in additional 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, to demonstrate entitlement for these funds. 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 June 11, 2021, HHS issued revised reporting requirements for recipients of Provider Relief Fund payments. The announcement included expanding the amount of time providers would have to report information, aimed to reduce burdens on smaller providers, and extended key deadlines for expending Provider Relief Fund payments for recipients who received payments after June 30, 2020. The revised reporting requirements are applicable to providers who received one or more payments exceeding, in the aggregate, \$10,000 during a single Payment Received Period from the PRF General Distributions, Targeted Distributions, and/or Skilled Nursing Facility and Nursing Home Infection Control Distributions. On July 1, 2021, HHS, through the Health Resources and Services Administration ("HRSA"), notified recipients of Provider Relief Fund payments by e-mail that the Provider Relief Fund Reporting Portal was open for recipients who were required to report on the use of funds in Reporting Period 1, as described by HHS's June 11, 2021 update to the reporting requirements. On September 10, 2021, HHS announced a final 60-day grace period of the September 30, 2021 reporting deadline for Provider Relief Funds exceeding \$10,000 in aggregate payments received from April 10, 2020 to June 30, 2020. Although the September 30, 2021 reporting deadline remained in place, HHS explained that recoupment or other enforcement actions would not be initiated during the 60-day grace period, which began on October 1, 2021 and ended on November 30, 2021. Reporting Period 2, for providers who received one or more payments exceeding \$10,000, in the aggregate, from July 1, 2020 to December 31, 2020, was from January 1, 2022 to March 31, 2022. The Provider Relief Fund reporting portal opened for Reporting Period 3 on July 1, 2022 for providers who received one or more Provider Relief Fund payments exceeding \$10,000, in the aggregate, from January 1, 2021 to June 30, 2021.

On September 10, 2021, the Biden Administration announced \$25.5 billion in new funding for health care providers affected by the COVID-19 pandemic, including \$8.5 billion in American Rescue Plan ("ARP") resources for providers who serve rural Medicaid, CHIP,

or Medicare patients, and an additional \$17 billion for Phase 4 Provider Relief Funds for a broad range of providers who can document revenue loss and expenses associated with the pandemic, including assisted living facilities that were state-licensed/certified on or before December 31, 2020. Approximately 25% of the Phase 4 allocation was for bonus payments based on the amount and type of services provided to Medicaid, CHIP, and Medicare beneficiaries from January 1, 2019 through September 30, 2020. The deadline for submitting applications for Phase 4 funds was October 26, 2021.

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On December 10, 2021, President Biden signed the Protecting Medicare and American Farmers from Sequester Cuts Act, which suspended the Medicare 2% sequestration reduction through March 31, 2022, and then reduced the sequestration cuts to 1% from April through June 2022.

On December 14, 2021, HHS announced the distribution of approximately \$9 billion in Provider Relief Fund Phase 4 payments to health care providers who have experienced revenue losses and expenses related to the COVID-19 pandemic. Further, on January 25, 2022, HHS announced that it would be making more than \$2 billion in Provider Relief Fund Phase 4 General Distribution payments to more than 7,600 providers across the country that same week. On March 22, 2022, HHS announced more than \$413 million in Provider Relief Fund Phase 4 payments to more than 3,600 providers across the country. On April 13, 2022, HRSA announced the disbursement of more than \$1.75 billion in Provider Relief Fund payments to 3,680 providers across the country.

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.

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

	6/30/22	3/31/22	12/31/21	9/30/21	6/30/21
Asset mix:					
Real property	\$1,409,937	\$1,409,625	\$1,408,557	\$1,407,098	\$1,412,329
Loans receivable	383,647	350,037	347,915	261,437	259,641
Notes receivable	58,794	62,127	28,623	18,864	13,869
Unconsolidated joint ventures	19,340	19,340	19,340	19,340	19,340
Real estate investment mix:					
Assisted living communities	\$ 942,581	\$ 956,642	\$ 929,113	\$ 868,081	\$ 860,573
Skilled nursing centers	901,911	858,150	849,182	812,518	820,246
Under development	13,000	13,000	13,000	13,000	13,000
Other ⁽¹⁾	14,226	13,337	13,140	13,140	11,360
Operator mix:					
Prestige Healthcare ⁽¹⁾	\$ 271,853	\$ 272,326	\$ 272,453	\$ 272,789	\$ 272,773
HMG Healthcare	175,532	180,662	171,920	23,705	23,705
Anthem Memory Care	139,176	139,176	139,176	139,176	139,176
ALG Senior ⁽²⁾	110,075	76,715	74,888	26,881	26,853
Brookdale Senior Living	103,831	103,136	102,921	102,261	101,240
Remaining operators ⁽²⁾	1,071,251	1,069,114	1,043,077	1,141,927	1,141,432
Geographic mix:					
Texas	\$ 326,983	\$ 274,803	\$ 274,626	\$ 274,204	\$ 273,588
Michigan	280,934	281,407	281,512	282,022	281,762
Wisconsin	114,729	114,729	114,538	114,288	114,250
Colorado	104,651	104,514	104,514	104,445	104,347
North Carolina ⁽³⁾	92,639	59,217	57,521	13,602	13,487
Remaining states ⁽³⁾	951,782	1,006,459	971,724	918,178	917,745

- (1) Includes 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 June 30, 2022, as a result of recent transactions, ALG Senior is a top five operator under our operator mix and replaces Carespring Health Care Management. Accordingly, our ALG Senior properties were reclassified from “Remaining operators” and our “Carespring Health Care Management” properties were reclassified to “Remaining operators” for all periods presented.
- (3) During the three months ended June 30, 2022, as a result of recent transactions, California is no longer a top five state under our geographic mix and is replaced by North Carolina. Accordingly, our “North Carolina” properties were reclassified from “Remaining states” and our “California” properties were reclassified back to “Remaining States” 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_{re}”) as defined by NAREIT. EBITDA_{re} 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

	Year to Date	Quarter Ended				
	6/30/22	6/30/22	3/31/22	12/31/21	9/30/21	6/30/21
Debt to gross asset value	37.6 %	37.6 % ⁽¹⁾	39.6 % ⁽³⁾	38.4 % ⁽³⁾	36.3 % ⁽³⁾	34.8 %
Debt to market capitalization ratio	32.2 %	32.2 % ⁽²⁾	33.4 % ⁽⁴⁾	35.0 % ⁽⁵⁾	34.7 % ⁽⁵⁾	29.0 %
Interest coverage ratio ⁽⁶⁾	4.4 x	4.3 x	4.4 x	4.3 x	4.3 x	4.3 x
Fixed charge coverage ratio ⁽⁶⁾	4.4 x	4.3 x	4.4 x	4.3 x	4.3 x	4.3 x

- (1) Decreased due to decrease in outstanding debt and increase in gross asset value.
- (2) Decreased due to decrease in outstanding debt and increase in market capitalization.
- (3) Increased due to increase in outstanding debt partially offset by increase in gross asset value.
- (4) Decreased due to increase in market capitalization partially offset by increase in outstanding debt.
- (5) Increased due to decrease in market capitalization and increase in outstanding debt primarily related to investments.
- (6) In calculating our interest coverage and fixed charge coverage ratios above, we use EBITDA_{re}, which is a financial measure not derived in accordance with GAAP (non-GAAP financial measure). EBITDA_{re} 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 EBITDA_{re} 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 EBITDA_{re}.

	Year to Date	Quarter Ended				
	6/30/22	6/30/22	3/31/22	12/31/21	9/30/21	6/30/21
Net income	\$ 68,997	\$ 54,490	\$14,507	\$12,930	\$11,114	\$18,330
Less: Gain on sale	(38,196)	(38,094)	(102)	(70)	(2,702)	(5,463)
Add: Interest expense	14,666	7,523	7,143	6,933	6,610	6,860
Add: Depreciation and amortization	18,817	9,379	9,438	9,449	9,462	9,508
EBITDA _{re}	\$ 64,284	\$ 33,298	\$30,986	\$29,242	\$24,484	\$29,235
Add: Non-recurring one-time items	(436) ^{(1) (2)}	(859) ⁽¹⁾	423 ⁽²⁾	869 ⁽³⁾	3,895 ⁽⁴⁾	133 ⁽⁵⁾
Adjusted EBITDA _{re}	\$ 63,848	\$ 32,439	\$31,409	\$30,111	\$28,379	\$29,368
Interest expense	\$ 14,666	\$ 7,523	\$ 7,143	\$ 6,933	\$ 6,610	\$ 6,860
Interest incurred	\$ 14,666	\$ 7,523	\$ 7,143	\$ 6,933	\$ 6,610	\$ 6,860
Interest coverage ratio	4.4 x	4.3 x	4.4 x	4.3 x	4.3 x	4.3 x
Interest incurred	\$ 14,666	\$ 7,523	\$ 7,143	\$ 6,933	\$ 6,610	\$ 6,860
Total fixed charges	\$ 14,666	\$ 7,523	\$ 7,143	\$ 6,933	\$ 6,610	\$ 6,860
Fixed charge coverage ratio	4.4 x	4.3 x	4.4 x	4.3 x	4.3 x	4.3 x

- (1) Represents the \$1,181 lease termination fee received in connection with the sale of a 74-unit assisted living community partially offset by the \$322 provision for credit losses related to the origination of two mortgage loans during the second quarter of 2022.
- (2) Represents the provision for credit losses related to the origination of a \$25,000 mezzanine loan and a lease incentive balance write-off related to a closed property and subsequent lease termination.
- (3) Represents the provision for credit losses related to the origination of \$86,900 of mortgage loans.
- (4) Represents a settlement payment to Senior Care (See our Annual Report on Form 10-K).
- (5) Represents the 50% reduction of 2021 rent escalations.

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 June 30,		
	2022	2021	Difference
Revenues:			
Rental income	\$ 31,628	\$ 29,804	\$ 1,824 ⁽¹⁾
Interest income from mortgage loans	10,097	7,933	2,164 ⁽²⁾
Interest and other income	1,299	392	907 ⁽³⁾
Total revenues	43,024	38,129	4,895
Expenses:			
Interest expense	7,523	6,860	(663) ⁽⁴⁾
Depreciation and amortization	9,379	9,508	129
Provision for credit losses	305	—	(305) ⁽⁵⁾
Transaction costs	67	133	66
Property tax expense	4,019	3,800	(219)
General and administrative expenses	5,711	5,337	(374) ⁽⁶⁾
Total expenses	27,004	25,638	(1,366)
Other operating income:			
Gain on sale of real estate, net	38,094 ⁽⁷⁾	5,463 ⁽⁸⁾	32,631
Operating income	54,114	17,954	36,160
Income from unconsolidated joint ventures	376	376	—
Net income	54,490	18,330	36,160
Income allocated to non-controlling interests	(107)	(91)	(16)
Net income attributable to LTC Properties, Inc.	54,383	18,239	36,144
Income allocated to participating securities	(318)	(113)	(205)
Net income available to common stockholders	\$ 54,065	\$ 18,126	\$ 35,939

- (1) Increased primarily due to a \$1,181 lease termination fee received in connection with the sale of a 74-unit ALF, rent received from properties transitioned from the former Senior Care and Senior Lifestyle portfolios and rental income from completed development projects and annual rent escalations.
- (2) Increased primarily due to mortgage loan originations during the fourth quarter of 2021 and second quarter of 2022.
- (3) Increased primarily due to a mezzanine loan origination during the first quarter of 2022 and additional funding under working capital loans partially offset by loan payoffs.
- (4) Increased primarily due to the origination of two \$50,000 term loans in the fourth quarter of 2021, issuance of \$75,000 senior unsecured notes during the second quarter of 2022 and higher interest rates in 2022 partially offset by lower outstanding balance on our revolving line of credit and scheduled principal paydowns on our senior unsecured notes.

- (5) Increased primarily due to mortgage loan originations, mezzanine loan originations and capital improvement funding offset by scheduled principal paydowns.
- (6) Increased primarily due to increased costs related to conference sponsorships and travel, as well as higher non-cash compensation charges, and increases in overall costs due to inflationary pressures.
- (7) Represents the net gain on sale of \$38,052 related to a SNF located in California and three ALFs located in Virginia and California during the second quarter of 2022 and quarterly reassessment of prior years' sale holdbacks.
- (8) Represents the net gain on sale of \$5,594 related to three ALFs in Wisconsin and quarterly reassessment of prior years' sale holdbacks partially offset by net loss on sale of \$205 related to a closed ALF in Nebraska.

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	Six Months Ended June 30,		
	2022	2021	Difference
Revenues:			
Rental income	\$ 61,952	\$ 61,777	\$ 175
Interest income from mortgage loans	19,733	15,855	3,878 ⁽¹⁾
Interest and other income	2,126	777	1,349 ⁽²⁾
Total revenues	83,811	78,409	5,402
Expenses:			
Interest expense	14,666	13,832	(834) ⁽³⁾
Depreciation and amortization	18,817	19,385	568 ⁽⁴⁾
Provision (recovery) for credit losses	659	(9)	(668) ⁽⁵⁾
Transaction costs	99	225	126
Property tax expense	8,001	7,781	(220)
General and administrative expenses	11,519	10,370	(1,149) ⁽⁶⁾
Total expenses	53,761	51,584	(2,177)
Other operating income:			
Gain on sale of real estate, net	38,196 ⁽⁷⁾	4,690 ⁽⁸⁾	33,506
Operating income	68,246	31,515	36,731
Income from unconsolidated joint ventures	751	665	86
Net income	68,997	32,180	36,817
Income allocated to non-controlling interests	(202)	(179)	(23)
Net income attributable to LTC Properties, Inc.	68,795	32,001	36,794
Income allocated to participating securities	(407)	(233)	(174)
Net income available to common stockholders	\$ 68,388	\$ 31,768	\$ 36,620

- (1) Increased primarily due to mortgage loan originations during the fourth quarter of 2021 and second quarter of 2022.
- (2) Increased due to a mezzanine loan origination during the first quarter of 2022 and additional funding under working capital loans partially offset by loan payoffs.
- (3) Increased primarily due to the origination of two \$50,000 term loans in the fourth quarter of 2021, issuance of \$75,000 senior unsecured notes during the second quarter of 2022 and higher interest rates in 2022, partially offset by lower outstanding balance on revolving line of credit and scheduled principal paydowns on our senior unsecured notes.
- (4) Decreased due to property sales.
- (5) Increased primarily due to mortgage loan originations, mezzanine loan originations and capital improvement funding offset by scheduled principal paydowns.

- (6) Increased primarily due to higher incentive compensation and higher general costs due to inflation.
- (7) Represents the net gain on sale of \$38,052 related to a SNF located in California and three ALFs located in Virginia and California during the second quarter of 2022 and quarterly reassessment of prior years' sale holdbacks.
- (8) Represents the net gain on sale of \$5,594 related to three ALFs in Wisconsin and quarterly reassessment of the prior years' sale holdbacks partially offset by the net loss on sale of \$205 related to a closed ALF in Nebraska and the net loss on sale of \$858 related to a closed property in Florida.

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,

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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 June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
GAAP net income available to common stockholders	\$ 54,065	\$ 18,126	\$ 68,388	\$ 31,768
Add: Depreciation and amortization	9,379	9,508	18,817	19,385
Less: Gain on sale of real estate, net	(38,094)	(5,463)	(38,196)	(4,690)
NAREIT FFO attributable to common stockholders	\$ 25,350	\$ 22,171	\$ 49,009	\$ 46,463
NAREIT FFO attributable to common stockholders per share:				
Basic	\$ 0.64	\$ 0.57	\$ 1.25	\$ 1.19
Diluted	\$ 0.64	\$ 0.57	\$ 1.24	\$ 1.19 ⁽¹⁾
Weighted average shares used to calculate NAREIT FFO per share:				
Basic	39,492	39,169	39,347	39,135
Diluted	39,665 ⁽²⁾	39,170 ⁽³⁾	39,520 ⁽²⁾	39,333 ⁽⁴⁾

(1) Includes the effect of participating securities.

(2) Includes the effect of performance-based stock units.

(3) Includes the effect of stock option equivalents.

(4) Includes the effect of stock option equivalents and participating securities.

Liquidity and Capital Resources

Sources and Uses of Cash

As of June 30, 2022, we had a total of \$6.4 million of cash and cash equivalents, \$344.0 million available under our unsecured revolving line of credit and the potential ability to access the capital markets through the issuance of \$165.2 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 the Executive Overview above, 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 COVID-19 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 2022.

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

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administrative expenses. These sources and uses of cash are reflected in our *Consolidated Statements of Cash Flows* as summarized below (*in thousands*):

	Six Months Ended June 30,		Change
	2022	2021	\$
Cash provided by (used in):			
Operating activities	\$ 48,444	\$ 48,644	\$ (200)
Investing activities	(45,816)	29,751	(75,567)
Financing activities	(1,388)	(80,453)	79,065
Increase (decrease) in cash and cash equivalents	1,240	(2,058)	3,298
Cash and cash equivalents, beginning of period	5,161	7,772	(2,611)
Cash and cash equivalents, end of period	\$ 6,401	\$ 5,714	\$ 687

Debt Obligations

Unsecured Credit Facility. We have an unsecured credit agreement (the “Credit Agreement”) that provides for an aggregate commitment of the lenders of up to \$500.0 million comprising of a \$400.0 million revolving credit facility (the “Revolving Line of Credit”) and two \$50.0 million term loans (the “Term Loans”). The Credit Agreement permits us to request increases to the Revolving Line of Credit and Term Loans commitments up to a total of \$1.0 billion. The Revolving Line of Credit matures November 19, 2025 and provides for a one-year extension option at our discretion, subject to customary conditions. The Term Loans mature on November 19, 2025 and November 19, 2026.

Based on our leverage at June 30, 2022, the facility provides for interest annually at LIBOR plus 115 basis points and a facility fee of 20 basis points.

Interest Rate Swap Agreements. In connection with entering into the Term Loans as described above, we entered into two receive variable/pay fixed interest rate swap agreements (the “Interest Rate Swaps”) with maturities of November 19, 2025 and November 19, 2026, respectively, that serves to lock-in the forecasted interest payments on the borrowings under the Term Loans over their four and five year terms. The Interest Rate Swaps are considered cash flow hedges and are recorded on our *Consolidated Balance Sheets* at fair value, with changes in the fair value of these instruments recognized in *Accumulated other comprehensive income (loss)* on our *Consolidated Balance Sheets*. During the six months ended June 30, 2022, we recorded a \$6.3 million increase in fair value of Interest Rate Swaps.

As of June 30, 2022, the terms of the Interest Rate Swaps are as follows (*dollar amounts in thousands*):

Date Entered	Maturity Date	Swap Rate	Rate Index	Notional Amount	Fair Value at June 30, 2022
November 2021	November 19, 2025	2.56 %	1-month LIBOR	\$ 50,000	\$ 2,824
November 2021	November 19, 2026	2.69 %	1-month LIBOR	50,000	3,315
				\$ 100,000	\$ 6,139

Senior Unsecured Notes. We have senior unsecured notes held by institutional investors with interest rates ranging from 3.66% to 5.03%. The senior unsecured notes mature between 2024 and 2033. During the six months ended June 30, 2022, we sold \$75 million aggregate principal amount of 3.66% senior unsecured notes. The notes have an average 10-year life, scheduled principal payments and mature in May 2033.

The senior unsecured notes and the Credit Agreement, including the Revolving Line of Credit and the Terms Loans, contain financial covenants, which are measured quarterly, that require us to maintain, among other things:

- a ratio of total indebtedness to total asset value not greater than 0.6 to 1.0;
- a ratio of secured debt to total asset value not greater than 0.35 to 1.0;
- a ratio of unsecured debt to the value of the unencumbered asset value not greater than 0.6 to 1.0; and
- a ratio of EBITDA, as calculated in the debt obligation, to fixed charges not less than 1.50 to 1.0.

At June 30, 2022, we were in compliance with all applicable financial covenants. These debt obligations also contain additional customary covenants and events of default that are subject to a number of important and significant limitations, qualifications and exceptions.

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The debt obligations by component as of June 30, 2022 are as follows (*dollar amounts in thousands*):

Debt Obligations	Applicable Interest Rate ⁽¹⁾	Outstanding Balance	Available for Borrowing
Revolving line of credit ⁽²⁾	2.67%	\$ 56,000	\$ 344,000
Term loans, net of debt issue costs	2.63%	99,437	—
Senior unsecured notes, net of debt issue costs ⁽³⁾	4.28%	579,431	—
Total	3.93%	<u>\$ 734,868</u>	<u>\$ 344,000</u>

(1) Represents weighted average of interest rate as of June 30, 2022.

(2) Subsequent to June 30, 2022, we borrowed \$20,500 under the Revolving Line of Credit. Accordingly, we currently have \$76,500 outstanding and \$323,500 available for borrowing under the Revolving Line of Credit.

(3) Subsequent to June 30, 2022, we paid \$20,160 in regular scheduled principal payments under our senior unsecured notes. Accordingly, we currently have \$559,271 outstanding under our senior unsecured notes, net of debt issue costs.

Our debt borrowings and repayments during the six months ended June 30, 2022 are as follows (*in thousands*):

Debt Obligations	Borrowings	Repayments
Revolving line of credit	(1) \$ 99,000	\$ (153,900)
Senior unsecured notes	(2) 75,000	(7,000)
Total	<u>\$ 174,000</u>	<u>\$ (160,900)</u>

(1) Subsequent to June 30, 2022, we borrowed \$20,500 under the Revolving Line of Credit. Accordingly, we currently have \$76,500 outstanding and \$323,500 available for borrowing under the Revolving Line of Credit.

(2) Subsequent to June 30, 2022, we paid \$20,160 in regular scheduled principal payments under our senior unsecured notes. Accordingly, we have \$559,271 outstanding under our senior unsecured notes, net of debt issue costs.

Equity

At June 30, 2022, we had 40,379,591 shares of common stock outstanding, equity on our balance sheet totaled \$810.5 million and our equity securities had a market value of \$1.6 billion. During the six months ended June 30, 2022, we declared and paid \$45.1 million of cash dividends.

Subsequent to June 30, 2022, we declared a monthly cash dividend of \$0.19 per share on our common stock for the months of July, August and September 2022, payable on July 29, August 31, and September 30, 2022, respectively, to stockholders of record on July 21, August 23, and September 22, 2022, 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. During the six months

ended June 30, 2022, we sold 909,800 shares of common stock for \$34.2 million in net proceeds under our Equity Distribution Agreements. In conjunction with the sale of common stock, we paid \$0.6 million as compensation to our sales agents and we incurred \$0.5 million of costs associated with this agreement which have been recorded in additional paid in capital as a reduction of proceeds received. Subsequent to June 30, 2022, we sold 125,200 shares of common stock for \$4.8 million of net proceeds under our Equity Distribution Agreements. Accordingly, we have \$160.3 million available under our 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, depository shares, or units. We may from time to time raise capital under our automatic registration

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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 17, 2025.

Stock-Based Compensation. During the second quarter of 2021, we adopted and our shareholders approved the 2021 Equity Participation Plan (“the 2021 Plan”) which replaces the 2015 Equity Participation Plan (“the 2015 Plan”). Under the 2021 Plan, 1,900,000 shares of common stock have been authorized and reserved for awards, less one share for every one share that was subject to an award granted under the 2015 Plan after December 31, 2020 and prior to adoption. In addition, any shares that are not issued under outstanding awards under the 2015 Plan because the shares were forfeited or cancelled after December 31, 2020 will be added to and again be available for awards under the 2021 Plan. Under the 2021 Plan, the shares were authorized and reserved for awards to officers, employees, non-employee directors and consultants. The terms of the awards granted under the 2021 Plan and the 2015 Plan are set by our compensation committee at its discretion.

During the six months ended June 30, 2022, we granted restricted stock and performance-based stock units as follows:

No. of Shares	Price per Share	Award Type	Vesting Period
122,865	\$ 33.94	Restricted stock	ratably over 3 years
86,332	\$ 33.94	Performance-based stock units	TSR targets (1)
12,345	\$ 38.48	Restricted stock	May 25, 2023
221,542			

- (1) 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 the “Management’s Discussion and Analysis of Financial Condition and Results of Operations” section of our Annual Report on Form 10-K for the year ended December 31, 2021. There have been no material changes to our critical accounting policies or estimates since December 31, 2021.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There were no material changes in our market risk during the six months ended June 30, 2022. For additional information, refer to Item 7A as presented in our Annual Report on Form 10-K for the year ended December 31, 2021.

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, 2021.

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

During the three months ended June 30, 2022, we did not make any unregistered sales of equity securities.

During the three months ended June 30, 2022, 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 June 30, 2022 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	
			Announced Plan	Yet Be Purchased Under the Plan	Announced Plan	Yet Be Purchased Under the Plan
April 1 - April 30, 2022	—	\$ —	—	—	—	—
May 1 - May 31, 2022	2,583	\$ 38.69	—	—	—	—
June 1 - June 30, 2022	—	\$ —	—	—	—	—
Total	<u>2,583</u>		<u>—</u>	<u>—</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. \(incorporated by reference to Exhibit 3.2.2 to the registrant's Annual Report on Form 10-K filed February 18, 2021\)](#)
- 10.1 [Note Purchase Agreement dated May 17, 2022 \(incorporated by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K filed May 19, 2022\)](#)
- 10.2 [First Amendment \(dated May 17, 2022\) to Note Purchase Agreement to Amended and Restated Note Purchase and Private Shelf Agreement between LTC Properties, Inc. and AIG Asset Management \(U.S.\) LLC dated as of June 2, 2016](#)
- 10.3 [First Amendment \(dated May 17, 2022\) to Note Purchase Agreement dated as of July 19, 2012](#)
- 10.4 [First Amendment \(dated May 17, 2022\) to Note Purchase Agreement dated as of February 16, 2017 May 17, 2022](#)
- 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: July 28, 2022

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

EXHIBIT 10.2

May 17, 2022

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

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

Ladies and Gentlemen:

Reference is made to the Amended and Restated Note Purchase and Private Shelf Agreement, dated as of June 2, 2016 (as amended, amended and restated, supplemented or otherwise modified to the date hereof, the “**Agreement**”), by and between LTC Properties, Inc., a Maryland corporation (the “**Company**”), on the one hand, and the Purchasers named therein, on the other hand. Capitalized terms used and not otherwise defined herein shall have the meanings provided in the Agreement.

1. Amendments. Pursuant to the provisions of Section 17 of the Agreement, and subject to the terms and conditions of this letter agreement, the Purchasers hereby agree with the Company that the Agreement is modified, effective as of December 31, 2021, as follows:

1.1 Section 10.9 of the Agreement is amended and restated, as follows:

“10.9 Financial Covenants.

(a) **Maximum Total Indebtedness to Total Asset Value Ratio.** As of the last day of each Fiscal Quarter of the Company, the Company shall not permit the ratio of Total Indebtedness to Total Asset Value to be greater than 0.60 to 1.00.

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

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

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

(e) **Maintenance of Tangible Net Worth.** The Company shall not permit at any time Tangible Net Worth to be less than the sum of (a) \$834,451,000 plus (b) 75% of the aggregate net proceeds received by the Company or any of its Subsidiaries after December 31, 2020 in connection with any offering of capital stock or other equity interests of the Company or the Subsidiaries, but only to the extent that such net proceeds are not used to redeem existing capital stock or other equity interests of the Company or the Subsidiaries.”

1.2 The second paragraph of Section 10.10 of the Agreement is amended and restated, as follows:

“Notwithstanding anything to the contrary in the immediately preceding paragraph of this Section 10.10: (i) no such modification of a Financial Covenant that would be less beneficial to the holders of the Notes, and no such elimination of a Financial Covenant, shall be effective if a Default or Event of Default has occurred and is continuing immediately prior to the time such Modified Bank Financial Covenant or elimination of a Financial Covenant becomes effective; (ii) no modification or series of modifications effected pursuant to the provisions of this Section 10.10 shall be effective to: (A) increase the maximum permitted ratio of Total Indebtedness to Total Asset Value as set forth in Section 10.9(a) of this Agreement to a level greater than 0.60 to 1.00 (provided that such Financial Covenant shall be calculated on a basis consistent with the manner in which it was calculated on the First Amendment Effective Date) or eliminate such Financial Covenant set forth in Section 10.9(a) from this Agreement, (B) increase the maximum permitted ratio of Secured Debt to Total Asset Value as set forth in Section 10.9(b) of this Agreement to a level greater than 0.40 to 1.00 (provided that such Financial Covenant shall be calculated on a basis consistent with the manner in which it was calculated on the First Amendment Effective Date) or eliminate such Financial Covenant set forth in Section 10.9(b) from this Agreement, (C) (1) increase the maximum permitted ratio of Unsecured Debt of the Company and its Subsidiaries to Unencumbered Asset Value as set forth in Section 10.9(c) of this Agreement to a level greater than 0.6667 to 1.0000 (provided that such Financial Covenant shall be calculated on a basis consistent with the manner in which it was calculated on the First Amendment Effective Date), (2) modify the definition of “Capitalization Rate” such that the capitalization rate for: ALFs would be lower than 7.00% SNFs would be lower than 8.50%, Non-Government Reimbursed Properties that are independent living facilities would be lower than 6.50%, hospitals would be lower than 9.00%, Non-Government Reimbursed Properties that are not independent living facilities would be lower than 7.00%; or other Government Reimbursed Properties would be lower than 9.00%, or (3) eliminate such Financial Covenant set forth in Section 10.9(c) from this Agreement unless (x) such Financial Covenant is replaced with a Financial Covenant prohibiting the ratio of Total Asset Value (but computed solely for unencumbered assets of the Company and its Subsidiaries) to Unsecured Debt, or a formulation for such replacement Financial Covenant which is substantially similar thereto, from being less than 1.50 to 1.00 as of the last day of each Fiscal Quarter of the Company, (y) a customary priority debt covenant satisfactory to the Required Holders is added to Section 10.9 and (z) Section 10.1 is modified in a manner consistent with such newly added priority debt covenant and reasonably satisfactory to the Required Holders, provided that if such Financial Covenant set forth in Section 10.9(c) is eliminated as provided in this clause (C)(3), then, unless such Financial Covenant is subsequently reinstated, the immediately preceding clauses (C)(1) and (C)(2) will not be applicable, (D) decrease the minimum required ratio of EBITDA for any Rolling Period to Fixed Charges for such Rolling Period as set forth in Section 10.9(d) of this Agreement to a level less than 1.50 to 1.00 (provided that such Financial Covenant shall be calculated on a basis consistent with the manner in which it was calculated on the First Amendment Effective Date) or eliminate such Financial Covenant set forth in Section 10.9(d) from this Agreement, or (E) modify any defined terms applicable to or used in the calculation of any Financial Covenant; and (iii) in the event the Bank Facility is terminated, all Financial Covenants hereunder shall be unaffected and shall remain in effect in the same manner as they existed immediately prior to such termination. For the avoidance of doubt, (i) any proposed changes to any Financial Covenant pursuant to this Section 10.10 which exceed, or are less than (as applicable), the thresholds set forth in clause (ii) above (when calculated on a basis consistent with the manner in which such Financial Covenant was calculated on the First Amendment Effective Date and not according to any other method of calculation set forth in any Modified Bank Financial Covenant adopted after the First Amendment Effective Date), shall remain unmodified and shall not become effective and (ii) if, following the First Amendment Effective Date, any Financial Covenant remains unmodified in the circumstances described in clause (i) of this sentence

following the adoption of a Modified Bank Financial Covenant, such unmodified Financial Covenant shall continue to be calculated for purposes of Section 10.9 solely on a basis consistent with the manner in which such Financial Covenant was calculated on the First Amendment Effective Date and not according to any other method of calculation set forth in any Modified Bank Financial Covenant, and any breach of such unmodified Financial Covenant shall constitute an Event of Default, pursuant to the terms of Section 11 hereunder, notwithstanding the fact that the Company may be in compliance with such ineffective Modified Bank Financial Covenant at such time.”

1.3 Section 10.2 of the Agreement is hereby deleted in its entirety and replaced as follows:

“[Reserved.]”

1.4 The definition of “Permitted Acquisition” is hereby deleted in its entirety from Schedule B of the Agreement.

1.5 The following new definitions are added to Schedule B of the Agreement in their proper alphabetical order, as follows:

“**Cash Equivalents**” means (a) marketable direct obligations issued by, or unconditionally guaranteed by, the United States or issued by any agency thereof and backed by the full faith and credit of the United States, in each case maturing within one (1) year from the date of acquisition thereof, (b) marketable direct obligations issued or fully guaranteed by any state of the United States or any political subdivision of any such state or any public instrumentality thereof maturing within one (1) year from the date of acquisition thereof and, at the time of acquisition, having one of the two highest ratings obtainable from either S&P or Moody’s, (c) commercial paper maturing within one (1) year from the date of creation thereof and, at the time of acquisition, having a rating of at least A 1 from S&P or at least P 1 from Moody’s, (d) certificates of deposit, time deposits, overnight bank deposits or bankers’ acceptances maturing within one (1) year from the date of acquisition thereof issued by any bank organized under the laws of the United States or any state thereof or the District of Columbia having at the date of acquisition thereof combined capital and surplus of not less than \$250,000,000, (e) deposit accounts maintained with (i) any bank that satisfies the criteria described in clause (d) above, or (ii) any other bank organized under the laws of the United States or any state thereof so long as the full amount maintained with any such other bank is fully insured by the Federal Deposit Insurance Corporation, (f) repurchase obligations of any commercial bank satisfying the requirements of clause (d) of this definition or recognized securities dealer having combined capital and surplus of not less than \$250,000,000, having a term of not more than seven (7) days, with respect to securities satisfying the criteria in clauses (a) or (d) above, provided all such agreements require physical delivery of the securities securing such repurchase agreement, except those delivered through the Federal Reserve Book Entry System, and (g) investments in money market funds substantially all of whose assets are invested in the types of assets described in clauses (a) through (f) above.

“**First Amendment Effective Date**” means May 17, 2022.

“**Government Reimbursed Properties**” means Senior Housing Assets (other than hospitals) in respect of which 51% or more of revenues are generated from reimbursements under Medicare, Medicaid and other government programs for payment of services rendered by healthcare providers.

“**Non-Government Reimbursed Properties**” means Senior Housing Assets (other than hospitals) that are not Government Reimbursed Properties.

“Other Investments” means any investment other than the following: (a) an Investment in Cash Equivalents; (b) an investment by the Company in its Subsidiaries or by a Subsidiary in one or more of its Subsidiaries; (c) an intercompany advance made from time to time among the Company and its Subsidiaries in the ordinary course of business to finance working capital needs; (d) an investment held by the Company and its Subsidiaries as of the date hereof; (e) an investment in Unconsolidated Affiliates, Assets Under Development, or Redevelopment Assets; (f) an investment received in connection with a workout of any obligation owed to the Company or its Subsidiaries; or (g) an investment or acquisition with respect to real property or improvements on real property located in, or of a business with its primary operations in, the United States of America, which, in each case, is in an Eligible Line of Business and not a Hostile Acquisition (including, but not limited to, sale/leaseback transactions, mortgage loans, lines of credit or other financings).

“Qualified Loan” means, as of any date of determination, any mezzanine loan, mortgage loan, convertible debt or working capital loan that is held or owned by the Company or any Subsidiary (i) listed on the Officer’s Certificate delivered to the holders of the Notes on the date of this Agreement pursuant to the requirements of Section 4A(1), or (ii) thereafter, listed on Exhibit A to Schedule I of the certificate of a Senior Financial Officer after such loan’s designation by the Company as a Qualified Loan, so long as the Company shall fully comply with the requirements of Section 7.2(a) with regard to the reporting of such Qualified Loan, which loan (in the case of either the immediately preceding clause (i) or clause (ii)) meets the following criteria:

- (a) 100% held or owned by the Company or a Subsidiary;
- (b) with respect to a mortgage loan, secured by a first or second mortgage or a first or second deed of trust on Senior Housing Assets in favor of the Company or such Subsidiary and such Senior Housing Asset is not subject to any other Lien or negative pledge (other than Permitted Liens or, solely with respect to second mortgages or second deeds of trust, a first mortgage lien or first deed of trust);
- (c) the underlying Senior Housing Asset is currently in service (not under development);
- (d) the underlying Senior Housing Asset is located in the United States and the loan documents pertaining to the mortgage or deed of trust are governed by the law of a state of the United States;
- (e) neither the mezzanine loan, mortgage loan, convertible debt or working capital loan, nor the right to receive payments thereunder, is subject to any Lien (other than Permitted Liens) or to any negative pledge;
- (f) if such mezzanine loan, mortgage loan, convertible debt or working capital loan is owned by a Subsidiary, none of the Company’s beneficial ownership interest in such Subsidiary is subject to any Lien (other than Permitted Liens or Liens in favor of the Company) or to any negative pledge;
- (g) with respect to a mortgage loan, the underlying Property, based on the Company’s or its Subsidiary’s actual knowledge, is free of all material structural defects or major architectural deficiencies, material title defects, material environmental conditions or other adverse matters which, individually or collectively, materially impair the value of such Property; and
- (h) the borrower, mortgagor or grantor with respect to such mezzanine loan, mortgage loan, convertible debt or working capital loan is not delinquent sixty (60) days or more in interest or principal payments due thereunder.

“Reduced Lease Asset” means any Unencumbered Asset where any tenant of such Unencumbered Asset (i) has paid less than 100% of its minimum rental payments during the sixty (60) day period immediately preceding the applicable date of calculation and (ii) is otherwise performing all of its material obligations under its Lease.

“Unconsolidated Affiliate” means an Affiliate of the Company whose financial statements are not required to be consolidated with the financial statements of the Company in accordance with GAAP.

“Underpaid Lease Asset” means any Unencumbered Asset where any tenant of such Unencumbered Asset (i) has paid less than 90% of its minimum rental payments during the sixty (60) day period immediately preceding the applicable date of calculation and (ii) is otherwise performing all of its material obligations under its Lease.”

1.6 The following existing definitions in Schedule B of the Agreement are amended and restated, as follows:

“Capitalization Rate” means (a) 8.0% for ALFs, (b) 10.0% for SNFs, (c) 7.5% for Non-Government Reimbursed Properties that are independent living facilities, (d) 10.0% for hospitals, (e) 8.0% for Non-Government Reimbursed Properties that are not independent living facilities, and (f) 10.0% for other Government Reimbursed Properties.

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

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

“Property Income” means, with respect to any Unencumbered Asset, cash rents (excluding, as an abundance of caution, non-cash straight-line rent) and other cash revenues received by the Company or a Subsidiary in the ordinary course of business for such Unencumbered Asset, but excluding security deposits and prepaid rent except to the extent applied in satisfaction of tenants’ obligations for rent; provided, that for any Unencumbered Asset that (x) constituted an Underpaid Lease Asset in the twelve (12) months preceding any date of determination and (y) where the non-performing tenant has been replaced with a performing tenant, the Company or the applicable Subsidiary shall be permitted to include cash rents paid under such replacement lease on an annualized basis.

“Property NOI” means, as of any date of determination and with respect to any Unencumbered Asset, the aggregate amount of (i) Property Income for the Rolling Period (without duplication) minus (ii) Property Expenses for the Rolling Period (without duplication).

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

“Secured Debt” means, as of any date of determination and without duplication, the aggregate principal amount of all indebtedness outstanding of the Company and its Subsidiaries, evidenced by notes, bonds, debentures or similar instruments and capital lease obligations that are secured by a Lien.

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

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

“Total Asset Value” means, as of any date of determination, the Gross Book Value of all assets of the Company and its Subsidiaries less all amounts appearing on the assets side of its consolidated balance sheet separately identifiable as intangible assets under GAAP; provided that (A) to the extent the amount of Total Asset Value attributable to Assets Under Development exceeds 20% of Total Asset Value, such excess shall be excluded; (B) to the extent the amount of Total Asset Value attributable to Redevelopment Assets exceeds 20% of Total Asset Value, such excess shall be excluded; (C) to the extent the amount of Total Asset Value attributable to Unconsolidated Affiliates exceeds 15% of Total Asset Value, such excess shall be excluded; (D) to the extent the amount of Total Asset Value attributable to Other Investments exceeds 15% of Total Asset Value, such excess shall be excluded; and (E) to the extent the amount of Total Asset Value attributable to Assets Under Development, Redevelopment Assets, Unconsolidated Affiliates, and Other Investments in the aggregate exceed 30% of Total Asset Value, such excess shall be excluded.

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

- (a) is 100% owned in fee simple by the Company or a Subsidiary;
- (b) is currently in service (not under development) and generates cash rental income to the Company or such Subsidiary;
- (c) is a Senior Housing Asset located in the United States of America;
- (d) if such Property is owned by the Company, (i) neither the Company’s beneficial ownership interest in such Property nor the Property is subject to any Lien (other than Permitted Liens and Liens in favor of a collateral agent for the ratable benefit of the holders from time to time of the Notes, the Other Noteholders and the Lenders under (and as defined in) the Credit Agreement and other indebtedness (subject to compliance with Section 10.1)) or to any negative pledge other than the negative pledge set forth herein, in any Other Note Agreement or in the Credit Agreement and (ii) the Company has the unilateral right to (x) sell, transfer or otherwise dispose of such Property and (y) to create a Lien on such Property as

security for indebtedness of the Company (other than restrictions imposed by the negative pledge set forth herein, in any Other Note Agreement or in the Credit Agreement);

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

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

(g) either the tenants of such real Property are no more than sixty (60) days in arrears on 100% of the minimum rental payments due under their applicable Leases or such Unencumbered Asset constitutes a Reduced Lease Asset; and

(h) either the tenants of such real Property are no more than sixty (60) days in arrears on 90% of the minimum rental payments due under their applicable Leases or such Unencumbered Asset constitutes both a Reduced Lease Asset and an Underpaid Lease Asset.”

“Unencumbered Asset Value” means, as of any date of determination, an amount equal to the sum of:

(a) for all Unencumbered Assets owned by the Company or a Subsidiary for more than twenty-four months prior to the date of determination (excluding Underpaid Lease Assets), the quotient of (i) the Property NOI from such Unencumbered Assets divided by (ii) the Capitalization Rate, plus

(b) for all Unencumbered Assets owned by the Company or a Subsidiary for twenty-four months or less prior to the date of determination (excluding Underpaid Lease Assets), the Gross Book Value of such Unencumbered Assets; plus

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

(d) notwithstanding (a) and (b) above, for all Underpaid Lease Assets owned by the Company or a Subsidiary, (x) the greater of (i) the Gross Book Value of such Underpaid Lease Asset and (ii) the Property NOI from such Unencumbered Asset divided by the Capitalization Rate multiplied by (y) seventy-five percent (75%); plus

(e) notwithstanding (a) and (b) above, for any Unencumbered Asset that (x) constituted an Underpaid Lease Asset in the twelve (12) months preceding any date of determination and (y) where the non-performing tenant has been replaced with a performing tenant, the greater of (i) the Property NOI from such Unencumbered Asset divided by the Capitalization Rate; and (ii) the Gross Book Value of such Unencumbered Asset;

provided, that to the extent the amount of Unencumbered Asset Value attributable to Qualified Loans under clause (c) hereof would exceed 30% of Unencumbered Asset Value, such excess shall be excluded; provided further, that to the extent the amount of Unencumbered Asset Value attributable to Qualified Loans that are mezzanine loans, convertible debt, working capital loans, second mortgages or second deeds of trust under clause (c) hereof would exceed 5% of Unencumbered Asset Value, such excess shall be excluded; and provided further, that to the extent the amount of Unencumbered Asset Value attributable to Unencumbered Assets that constituted Reduced Lease Assets would exceed 15% of Unencumbered Asset Value, such excess shall be excluded. Unencumbered Asset Value attributable to any of the items listed above in this definition owned by any non-Wholly-owned Subsidiary shall be adjusted to be limited to (i) the percentage of Equity Interests in such non-Wholly-owned Subsidiary owned by the Company as of such date multiplied by (ii) the applicable Property NOI, Gross Book Value or book value.

1.7 Each of the definitions of “Eligible Property NOI” and “Qualified Mortgage Loan” is deleted, and each remaining reference to a “Qualified Mortgage Loan” or “Qualified Mortgage Loans” in the Agreement (including in the Schedules and Exhibits thereto) is replaced with a reference to a “Qualified Loan” or “Qualified Loans,” as applicable.

1.8 Schedule 10.2 of the Agreement is hereby deleted in its entirety.

1.9 Exhibit E to the Agreement is hereby deleted in its entirety and replaced with the Exhibit E attached hereto at Annex I.

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

3. Representations and Warranties. The Company hereby represents and warrants as follows: (i) No Default or Event of Default has occurred and is continuing; (ii) the Company’s execution, delivery and performance of the Agreement, as modified by this letter agreement, have been duly authorized by all necessary corporate and other action and do not and will not require any registration with, consent or approval of, or notice to or action by, any Person (including any Governmental Authority) in order to be effective and enforceable; (iii) the Agreement, as modified by this letter agreement, constitutes the legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its terms except as the enforceability thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws of general application relating to or affecting the enforcement of creditors’ rights or by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law); (iv) each of the representations and warranties set forth in Section 5 of the Agreement is true, correct and complete as of the date hereof (except to the extent such representations and warranties expressly relate to another date, in which case such representations and warranties are true, correct and complete as of such other date); and (v) other than an amendment fee equal to 0.05% (5 basis points) of the outstanding principal amount of the applicable notes under each Other Note Agreement, no lender under any of the Other Note Agreements is receiving any fee or other remuneration in connection with the amendments referenced in clause (iii) of Section 4 below.

4. Effectiveness. This letter agreement shall become effective on the date when (i) the holders of Notes shall have received a fully executed counterpart of this letter from the Company, (ii) the holders of Notes shall have received a corresponding fully executed amendment of each of the Other Note Agreements, (iii) each holder of a Note shall have received an amendment fee equal to 0.05% (5 basis

points) of the outstanding principal amount of the Notes held by such holder as of the date hereof, and (iv) the Company shall have paid Winston & Strawn LLP its accrued and unpaid legal fees and expenses, to the extent such fees and expenses have been invoiced.

5. Schedule of Investments. Attached hereto at Annex II is a schedule setting forth each investment by the Company and its Subsidiaries as of the date hereof.

6. Miscellaneous.

(a) This document may be executed in multiple counterparts, which together shall constitute a single document. Delivery of executed counterparts of this letter agreement by secure electronic format (pdf) shall be effective as an original.

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

[Remainder of the page intentionally left blank]

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

Sincerely,

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

**AMERICAN GENERAL LIFE INSURANCE COMPANY THE UNITED STATES LIFE
INSURANCE COMPANY IN THE CITY OF NEW YORK**

By: AIG Asset Management (U.S.), LLC in regard only to \$46,980,000 of the 4.26% Senior Notes due November 20, 2028 issued by LTC Properties, Inc. under the Agreement as defined in this letter agreement

By: /s/ Bryan Eells
Name: Bryan Eells
Title: Senior Vice President

AMERICAN GENERAL LIFE INSURANCE COMPANY

By: Blackstone ISG-I Advisors L.L.C., pursuant to powers of attorney now and hereafter granted to it

By: Blackstone Real Estate Special Situations Advisors L.L.C., pursuant to powers of attorney now and hereafter granted to it

By: /s/ Michael Wiebolt
Name: Michael Wiebolt
Title: Authorized Signatory

THE VARIABLE ANNUITY LIFE INSURANCE COMPANY

By: Blackstone ISG-I Advisors L.L.C., pursuant to powers of attorney now and hereafter granted to it

By: Blackstone Real Estate Special Situations Advisors L.L.C., pursuant to powers of attorney now and hereafter granted to it

By: /s/ Michael Wiebolt
Name: Michael Wiebolt
Title: Authorized Signatory

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

THE COMPANY:

LTC PROPERTIES, INC.

By: /s/ Wendy Simpson

Name: Wendy Simpson

Title: Chairman and Chief Executive Officer

By: /s/ Pamela J. Shelley-Kessler

Name: Pamela J. Shelley-Kessler

Title: Co-President, Chief Financial Officer and
Corporate Secretary

Annex I

EXHIBIT E

[FORM OF COMPLIANCE CERTIFICATE]

[Omitted pursuant to Item 601(a)(5) of Regulation S-K. The registrant will provide a copy to the Securities and Exchange Commission or its staff upon request.]

Annex II

May 17, 2022

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

Re: First Amendment to Note Purchase Agreement

Ladies and Gentlemen:

Reference is made to the Note Purchase Agreement, dated as of July 19, 2012 (as amended, amended and restated, supplemented or otherwise modified to the date hereof, the “**Agreement**”), by and between LTC Properties, Inc., a Maryland corporation (the “**Company**”), on the one hand, certain direct and indirect subsidiaries of the Company from time to time party thereto, as Guarantors, and the Purchasers named therein, on the other hand. Capitalized terms used and not otherwise defined herein shall have the meanings provided in the Agreement.

1. Amendments. Pursuant to the provisions of Section 17 of the Agreement, and subject to the terms and conditions of this letter agreement, the Purchasers hereby agree with the Company that the Agreement is modified, effective as of December 31, 2021, as follows:

1.1 Section 10.9 of the Agreement is amended and restated, as follows:

“10.9 Financial Covenants.

(a) **Maximum Total Indebtedness to Total Asset Value Ratio.** As of the last day of each Fiscal Quarter of the Company, the Company shall not permit the ratio of Total Indebtedness to Total Asset Value to be greater than 0.60 to 1.00.

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

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

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

(e) **Maintenance of Tangible Net Worth.** The Company shall not permit at any time Tangible Net Worth to be less than the sum of (a) \$834,451,000 plus (b) 75% of the aggregate net proceeds received by the Company or any of its Subsidiaries after December 31, 2020 in connection with any offering of capital stock or other equity interests of the Company or the Subsidiaries, but only to the extent that such net proceeds are not used to redeem existing capital stock or other equity interests of the Company or the Subsidiaries.”

1.2 The second paragraph of Section 10.10 of the Agreement is amended and restated, as follows:

“Notwithstanding anything to the contrary in the immediately preceding paragraph of this Section 10.10: (i) no such modification of a Financial Covenant that would be less beneficial to the holders of the Notes, and no such elimination of a Financial Covenant, shall be effective if a Default or Event of Default has occurred and is continuing immediately prior to the time such Modified Bank Financial Covenant or elimination of a Financial Covenant becomes effective; (ii) no modification or series of modifications effected pursuant to the provisions of this Section 10.10 shall be effective to: (A) increase the maximum permitted ratio of Total Indebtedness to Total Asset Value as set forth in Section 10.9(a) of this Agreement to a level greater than 0.60 to 1.00 (provided that such Financial Covenant shall be calculated on a basis consistent with the manner in which it was calculated on the First Amendment Effective Date) or eliminate such Financial Covenant set forth in Section 10.9(a) from this Agreement, (B) increase the maximum permitted ratio of Secured Debt to Total Asset Value as set forth in Section 10.9(b) of this Agreement to a level greater than 0.40 to 1.00 (provided that such Financial Covenant shall be calculated on a basis consistent with the manner in which it was calculated on the First Amendment Effective Date) or eliminate such Financial Covenant set forth in Section 10.9(b) from this Agreement, (C) (1) increase the maximum permitted ratio of Unsecured Debt of the Company and its Subsidiaries to Unencumbered Asset Value as set forth in Section 10.9(c) of this Agreement to a level greater than 0.6667 to 1.0000 (provided that such Financial Covenant shall be calculated on a basis consistent with the manner in which it was calculated on the First Amendment Effective Date), (2) modify the definition of “Capitalization Rate” such that the capitalization rate for: ALFs would be lower than 7.00%, SNFs would be lower than 8.50%, Non-Government Reimbursed Properties that are independent living facilities would be lower than 6.50%, hospitals would be lower than 9.00%, Non-Government Reimbursed Properties that are not independent living facilities would be lower than 7.00%; or other Government Reimbursed Properties would be lower than 9.00%, or (3) eliminate such Financial Covenant set forth in Section 10.9(c) from this Agreement unless (x) such Financial Covenant is replaced with a Financial Covenant prohibiting the ratio of Total Asset Value (but computed solely for unencumbered assets of the Company and its Subsidiaries) to Unsecured Debt, or a formulation for such replacement Financial Covenant which is substantially similar thereto, from being less than 1.50 to 1.00 as of the last day of each Fiscal Quarter of the Company, (y) a customary priority debt covenant satisfactory to the Required Holders is added to Section 10.9 and (z) Section 10.1 is modified in a manner consistent with such newly added priority debt covenant and reasonably satisfactory to the Required Holders, provided that if such Financial Covenant set forth in Section 10.9(c) is eliminated as provided in this clause (C)(3), then, unless such Financial Covenant is subsequently reinstated, the immediately preceding clauses (C)(1) and (C)(2) will not be applicable, (D) decrease the minimum required ratio of EBITDA for any Rolling Period to Fixed Charges for such Rolling Period as set forth in Section 10.9(d) of this Agreement to a level less than 1.50 to 1.00 (provided that such Financial Covenant shall be calculated on a basis consistent with the manner in which it was calculated on the First Amendment Effective Date) or eliminate such Financial Covenant set forth in Section 10.9(d) from this Agreement, or (E) modify any defined terms applicable to or used in the calculation of any Financial Covenant; and (iii) in the event the Bank Facility is terminated, all Financial Covenants hereunder shall be unaffected and shall remain in effect in the same manner as they existed immediately prior to such termination. For the avoidance of doubt, (i) any proposed changes to any Financial Covenant pursuant to this Section 10.10 which exceed, or are less than (as applicable), the thresholds set forth in clause (ii) above (when calculated on a basis consistent with the manner in which such Financial Covenant was calculated on the First Amendment Effective Date and not according to

any other method of calculation set forth in any Modified Bank Financial Covenant adopted after the First Amendment Effective Date), shall remain unmodified and shall not become effective and (ii) if, following the First Amendment Effective Date, any Financial Covenant remains unmodified in the circumstances described in clause (i) of this sentence following the adoption of a Modified Bank Financial Covenant, such unmodified Financial Covenant shall continue to be calculated for purposes of Section 10.9 solely on a basis consistent with the manner in which such Financial Covenant was calculated on the First Amendment Effective Date and not according to any other method of calculation set forth in any Modified Bank Financial Covenant, and any breach of such unmodified Financial Covenant shall constitute an Event of Default, pursuant to the terms of Section 11 hereunder, notwithstanding the fact that the Company may be in compliance with such ineffective Modified Bank Financial Covenant at such time.”

1.3 Section 10.2 of the Agreement is hereby deleted in its entirety and replaced as follows:

“[Reserved.]”

1.4 The definition of “Permitted Acquisition” is hereby deleted in its entirety from Schedule B of the Agreement.

1.5 The following new definitions are added to Schedule B of the Agreement in their proper alphabetical order, as follows:

“**Cash Equivalents**” means (a) marketable direct obligations issued by, or unconditionally guaranteed by, the United States or issued by any agency thereof and backed by the full faith and credit of the United States, in each case maturing within one (1) year from the date of acquisition thereof, (b) marketable direct obligations issued or fully guaranteed by any state of the United States or any political subdivision of any such state or any public instrumentality thereof maturing within one (1) year from the date of acquisition thereof and, at the time of acquisition, having one of the two highest ratings obtainable from either S&P or Moody’s, (c) commercial paper maturing within one (1) year from the date of creation thereof and, at the time of acquisition, having a rating of at least A 1 from S&P or at least P 1 from Moody’s, (d) certificates of deposit, time deposits, overnight bank deposits or bankers’ acceptances maturing within one (1) year from the date of acquisition thereof issued by any bank organized under the laws of the United States or any state thereof or the District of Columbia having at the date of acquisition thereof combined capital and surplus of not less than \$250,000,000, (e) deposit accounts maintained with (i) any bank that satisfies the criteria described in clause (d) above, or (ii) any other bank organized under the laws of the United States or any state thereof so long as the full amount maintained with any such other bank is fully insured by the Federal Deposit Insurance Corporation, (f) repurchase obligations of any commercial bank satisfying the requirements of clause (d) of this definition or recognized securities dealer having combined capital and surplus of not less than \$250,000,000, having a term of not more than seven (7) days, with respect to securities satisfying the criteria in clauses (a) or (d) above, provided all such agreements require physical delivery of the securities securing such repurchase agreement, except those delivered through the Federal Reserve Book Entry System, and (g) investments in money market funds substantially all of whose assets are invested in the types of assets described in clauses (a) through (f) above.

“**First Amendment Effective Date**” means May 17, 2022.

“**Government Reimbursed Properties**” means Senior Housing Assets (other than hospitals) in respect of which 51% or more of revenues are generated from reimbursements under

Medicare, Medicaid and other government programs for payment of services rendered by healthcare providers.

“Non-Government Reimbursed Properties” means Senior Housing Assets (other than hospitals) that are not Government Reimbursed Properties.

“Other Investments” means any investment other than the following: (a) an Investment in Cash Equivalents; (b) an investment by the Company in its Subsidiaries or by a Subsidiary in one or more of its Subsidiaries; (c) an intercompany advance made from time to time among the Company and its Subsidiaries in the ordinary course of business to finance working capital needs; (d) an investment held by the Company and its Subsidiaries as of the date hereof; (e) an investment in Unconsolidated Affiliates, Assets Under Development, or Redevelopment Assets; (f) an investment received in connection with a workout of any obligation owed to the Company or its Subsidiaries; or (g) an investment or acquisition with respect to real property or improvements on real property located in, or of a business with its primary operations in, the United States of America, which, in each case, is in an Eligible Line of Business and not a Hostile Acquisition (including, but not limited to, sale/leaseback transactions, mortgage loans, lines of credit or other financings).

“Qualified Loan” means, as of any date of determination, any mezzanine loan, mortgage loan, convertible debt or working capital loan that is held or owned by the Company or any Subsidiary (i) listed on the Officer’s Certificate delivered to the holders of the Notes on the date of this Agreement pursuant to the requirements of Section 4A(1), or (ii) thereafter, listed on Exhibit A to Schedule I of the certificate of a Senior Financial Officer after such loan’s designation by the Company as a Qualified Loan, so long as the Company shall fully comply with the requirements of Section 7.2(a) with regard to the reporting of such Qualified Loan, which loan (in the case of either the immediately preceding clause (i) or clause (ii)) meets the following criteria:

- (a) 100% held or owned by the Company or a Subsidiary;
- (b) with respect to a mortgage loan, secured by a first or second mortgage or a first or second deed of trust on Senior Housing Assets in favor of the Company or such Subsidiary and such Senior Housing Asset is not subject to any other Lien or negative pledge (other than Permitted Liens or, solely with respect to second mortgages or second deeds of trust, a first mortgage lien or first deed of trust);
- (c) the underlying Senior Housing Asset is currently in service (not under development);
- (d) the underlying Senior Housing Asset is located in the United States and the loan documents pertaining to the mortgage or deed of trust are governed by the law of a state of the United States;
- (e) neither the mezzanine loan, mortgage loan, convertible debt or working capital loan, nor the right to receive payments thereunder, is subject to any Lien (other than Permitted Liens) or to any negative pledge;
- (f) if such mezzanine loan, mortgage loan, convertible debt or working capital loan is owned by a Subsidiary, none of the Company’s beneficial ownership interest in such Subsidiary is subject to any Lien (other than Permitted Liens or Liens in favor of the Company) or to any negative pledge;

(g) with respect to a mortgage loan, the underlying Property, based on the Company's or its Subsidiary's actual knowledge, is free of all material structural defects or major architectural deficiencies, material title defects, material environmental conditions or other adverse matters which, individually or collectively, materially impair the value of such Property; and

(h) the borrower, mortgagor or grantor with respect to such mezzanine loan, mortgage loan, convertible debt or working capital loan is not delinquent sixty (60) days or more in interest or principal payments due thereunder.

"Reduced Lease Asset" means any Unencumbered Asset where any tenant of such Unencumbered Asset (i) has paid less than 100% of its minimum rental payments during the sixty (60) day period immediately preceding the applicable date of calculation and (ii) is otherwise performing all of its material obligations under its Lease.

"Unconsolidated Affiliate" means an Affiliate of the Company whose financial statements are not required to be consolidated with the financial statements of the Company in accordance with GAAP.

"Underpaid Lease Asset" means any Unencumbered Asset where any tenant of such Unencumbered Asset (i) has paid less than 90% of its minimum rental payments during the sixty (60) day period immediately preceding the applicable date of calculation and (ii) is otherwise performing all of its material obligations under its Lease."

1.6 The following existing definitions in Schedule B of the Agreement are amended and restated, as follows:

"Capitalization Rate" means (a) 8.0% for ALFs, (b) 10.0% for SNFs, (c) 7.5% for Non-Government Reimbursed Properties that are independent living facilities, (d) 10.0% for hospitals, (e) 8.0% for Non-Government Reimbursed Properties that are not independent living facilities, and (f) 10.0% for other Government Reimbursed Properties.

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

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

"Property Income" means, with respect to any Unencumbered Asset, cash rents (excluding, as an abundance of caution, non-cash straight-line rent) and other cash revenues received by the Company or a Subsidiary in the ordinary course of business for such Unencumbered Asset, but excluding security deposits and prepaid rent except to the extent applied in satisfaction of tenants' obligations for rent; provided, that for any Unencumbered Asset that (x) constituted an Underpaid Lease Asset in the twelve (12) months preceding any date of determination and (y) where the non-performing tenant has been replaced with a performing tenant, the Company or the applicable Subsidiary shall be permitted to include cash rents paid under such replacement lease on an annualized basis.

“Property NOI” means, as of any date of determination and with respect to any Unencumbered Asset, the aggregate amount of (i) Property Income for the Rolling Period (without duplication) minus (ii) Property Expenses for the Rolling Period (without duplication).

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

“Secured Debt” means, as of any date of determination and without duplication, the aggregate principal amount of all indebtedness outstanding of the Company and its Subsidiaries, evidenced by notes, bonds, debentures or similar instruments and capital lease obligations that are secured by a Lien.

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

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

“Total Asset Value” means, as of any date of determination, the Gross Book Value of all assets of the Company and its Subsidiaries less all amounts appearing on the assets side of its consolidated balance sheet separately identifiable as intangible assets under GAAP; provided that (A) to the extent the amount of Total Asset Value attributable to Assets Under Development exceeds 20% of Total Asset Value, such excess shall be excluded; (B) to the extent the amount of Total Asset Value attributable to Redevelopment Assets exceeds 20% of Total Asset Value, such excess shall be excluded; (C) to the extent the amount of Total Asset Value attributable to Unconsolidated Affiliates exceeds 15% of Total Asset Value, such excess shall be excluded; (D) to the extent the amount of Total Asset Value attributable to Other Investments exceeds 15% of Total Asset Value, such excess shall be excluded; and (E) to the extent the amount of Total Asset Value attributable to Assets Under Development, Redevelopment Assets, Unconsolidated Affiliates, and Other Investments in the aggregate exceed 30% of Total Asset Value, such excess shall be excluded.

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

- (a) is 100% owned in fee simple by the Company or a Subsidiary;
- (b) is currently in service (not under development) and generates cash rental income to the Company or such Subsidiary;
- (c) is a Senior Housing Asset located in the United States of America;

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

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

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

(g) either the tenants of such real Property are no more than sixty (60) days in arrears on 100% of the minimum rental payments due under their applicable Leases or such Unencumbered Asset constitutes a Reduced Lease Asset; and

(h) either the tenants of such real Property are no more than sixty (60) days in arrears on 90% of the minimum rental payments due under their applicable Leases or such Unencumbered Asset constitutes both a Reduced Lease Asset and an Underpaid Lease Asset."

"Unencumbered Asset Value" means, as of any date of determination, an amount equal to the sum of:

(a) for all Unencumbered Assets owned by the Company or a Subsidiary for more than twenty-four months prior to the date of determination (excluding Underpaid Lease Assets), the quotient of (i) the Property NOI from such Unencumbered Assets divided by (ii) the Capitalization Rate, plus

(b) for all Unencumbered Assets owned by the Company or a Subsidiary for twenty-four months or less prior to the date of determination (excluding Underpaid Lease Assets), the Gross Book Value of such Unencumbered Assets; plus

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

(d) notwithstanding (a) and (b) above, for all Underpaid Lease Assets owned by the Company or a Subsidiary, (x) the greater of (i) the Gross Book Value of such Underpaid Lease Asset and (ii) the Property NOI from such Unencumbered Asset divided by the Capitalization Rate multiplied by (y) seventy-five percent (75%); plus

(e) notwithstanding (a) and (b) above, for any Unencumbered Asset that (x) constituted an Underpaid Lease Asset in the twelve (12) months preceding any date of determination and (y) where the non-performing tenant has been replaced with a performing tenant, the greater of (i) the Property NOI from such Unencumbered Asset divided by the Capitalization Rate; and (ii) the Gross Book Value of such Unencumbered Asset;

provided, that to the extent the amount of Unencumbered Asset Value attributable to Qualified Loans under clause (c) hereof would exceed 30% of Unencumbered Asset Value, such excess shall be excluded; provided further, that to the extent the amount of Unencumbered Asset Value attributable to Qualified Loans that are mezzanine loans, convertible debt, working capital loans, second mortgages or second deeds of trust under clause (c) hereof would exceed 5% of Unencumbered Asset Value, such excess shall be excluded; and provided further, that to the extent the amount of Unencumbered Asset Value attributable to Unencumbered Assets that constituted Reduced Lease Assets would exceed 15% of Unencumbered Asset Value, such excess shall be excluded. Unencumbered Asset Value attributable to any of the items listed above in this definition owned by any non-Wholly-owned Subsidiary shall be adjusted to be limited to (i) the percentage of Equity Interests in such non-Wholly-owned Subsidiary owned by the Company as of such date multiplied by (ii) the applicable Property NOI, Gross Book Value or book value.

1.7 Each of the definitions of “Eligible Property NOI” and “Qualified Mortgage Loan” is deleted, and each remaining reference to a “Qualified Mortgage Loan” or “Qualified Mortgage Loans” in the Agreement (including in the Schedules and Exhibits thereto) is replaced with a reference to a “Qualified Loan” or “Qualified Loans,” as applicable.

1.8 Schedule 10.2 of the Agreement is hereby deleted in its entirety.

1.9 Exhibit E to the Agreement is hereby deleted in its entirety and replaced with the Exhibit E attached hereto at Annex I.

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

3. Representations and Warranties. The Company hereby represents and warrants as follows: (i) No Default or Event of Default has occurred and is continuing; (ii) the Company’s execution, delivery and performance of the Agreement, as modified by this letter agreement, have been duly authorized by all necessary corporate and other action and do not and will not require any registration with, consent or approval of, or notice to or action by, any Person (including any Governmental Authority) in order to be effective and enforceable; (iii) the Agreement, as modified by this letter agreement, constitutes the legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its terms except as the enforceability thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws of general application relating to or affecting the enforcement of creditors’ rights or by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law); (iv) each of the representations and warranties set forth in Section 5 of the Agreement is true, correct and complete as of the date hereof (except to the extent such representations and warranties expressly relate to another date, in which case such representations and warranties are true, correct and complete as of such other date); and (v) other than an amendment fee equal to 0.05% (5 basis points) of the outstanding principal amount of the applicable notes under each Other Note Agreement, no lender under any of the Other Note

Agreements is receiving any fee or other remuneration in connection with the amendments referenced in clause (iii) of Section 4 below.

4. Effectiveness. This letter agreement shall become effective on the date when (i) the holders of Notes shall have received a fully executed counterpart of this letter from the Company, (ii) the holders of Notes shall have received a corresponding fully executed amendment of each of the Other Note Agreements, (iii) each holder of a Note shall have received an amendment fee equal to 0.05% (5 basis points) of the outstanding principal amount of the Notes held by such holder as of the date hereof, and (iv) the Company shall have paid Winston & Strawn LLP its accrued and unpaid legal fees and expenses, to the extent such fees and expenses have been invoiced.

5. Schedule of Investments. Attached hereto at Annex II is a schedule setting forth each investment by the Company and its Subsidiaries as of the date hereof.

6. Miscellaneous.

(a) This document may be executed in multiple counterparts, which together shall constitute a single document. Delivery of executed counterparts of this letter agreement by secure electronic format (pdf) shall be effective as an original.

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

[Remainder of the page intentionally left blank]

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

Sincerely,

Sincerely,

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

**AMERICAN GENERAL LIFE INSURANCE COMPANY
LEXINGTON INSURANCE COMPANY
NATIONAL UNION FIRE INSURANCE COMPANY OF
PITTSBURGH, PA
THE UNITED STATES LIFE INSURANCE COMPANY IN THE CITY OF
NEW YORK**

By: AIG Asset Management (U.S.), LLC in regard only to \$30,000,000
of the 5.03% Senior Notes due July 19, 2024 issued by LTC Properties,
Inc. under the Agreement as defined in this letter agreement

By: /s/ Griffin Behncke
Name: G. Griffin Behncke
Title: Managing Director

THE VARIABLE ANNUITY LIFE INSURANCE COMPANY

By: Blackstone ISG-I Advisors L.L.C., pursuant to powers of attorney now and hereafter
granted to it

By: Blackstone Real Estate Special Situations Advisors L.L.C., pursuant to powers of
attorney now and hereafter granted to it

By: /s/ Michael Wiebolt
Name: Michael Wiebolt
Title: Authorized Signatory

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

THE COMPANY:

LTC PROPERTIES, INC.

By: /s/ Wendy Simpson

Name: Wendy Simpson

Title: Chairman and Chief Executive Officer

By: /s/ Pamela J. Shelley-Kessler

Name: Pamela J. Shelley-Kessler

Co-President, Chief Financial Officer and

Title: Corporate Secretary

Annex I

EXHIBIT E

[FORM OF COMPLIANCE CERTIFICATE]

[Omitted pursuant to Item 601(a)(5) of Regulation S-K. The registrant will provide a copy to the Securities and Exchange Commission or its staff upon request.]

Annex II

May 17, 2022

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

Re: First Amendment to Note Purchase Agreement

Ladies and Gentlemen:

Reference is made to the Note Purchase Agreement, dated as of February 16, 2017 (as amended, amended and restated, supplemented or otherwise modified to the date hereof, the “**Agreement**”), by and between LTC Properties, Inc., a Maryland corporation (the “**Company**”), on the one hand, and the Purchasers named therein, on the other hand. Capitalized terms used and not otherwise defined herein shall have the meanings provided in the Agreement.

1. Amendments. Pursuant to the provisions of Section 17 of the Agreement, and subject to the terms and conditions of this letter agreement, the Purchasers hereby agree with the Company that the Agreement is modified, effective as of December 31, 2021, as follows:

1.1 Section 10.9 of the Agreement is amended and restated, as follows:

“10.9 Financial Covenants.

(a) **Maximum Total Indebtedness to Total Asset Value Ratio.** As of the last day of each Fiscal Quarter of the Company, the Company shall not permit the ratio of Total Indebtedness to Total Asset Value to be greater than 0.60 to 1.00.

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

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

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

(e) **Maintenance of Tangible Net Worth.** The Company shall not permit at any time Tangible Net Worth to be less than the sum of (a) \$834,451,000 plus (b) 75% of the aggregate net proceeds received by the Company or any of its Subsidiaries after December 31, 2020 in connection with any offering of capital stock or other equity interests of the Company or the Subsidiaries, but only to the extent that such net proceeds are not used to redeem existing capital stock or other equity interests of the Company or the Subsidiaries.”

1.2 The second paragraph of Section 10.10 of the Agreement is amended and restated, as follows:

“Notwithstanding anything to the contrary in the immediately preceding paragraph of this Section 10.10: (i) no such modification of a Financial Covenant that would be less beneficial to the holders of the Notes, and no such elimination of a Financial Covenant, shall be effective if a Default or Event of Default has occurred and is continuing immediately prior to the time such Modified Bank Financial Covenant or elimination of a Financial Covenant becomes effective; (ii) no modification or series of modifications effected pursuant to the provisions of this Section 10.10 shall be effective to: (A) increase the maximum permitted ratio of Total Indebtedness to Total Asset Value as set forth in Section 10.9(a) of this Agreement to a level greater than 0.60 to 1.00 (provided that such Financial Covenant shall be calculated on a basis consistent with the manner in which it was calculated on the First Amendment Effective Date) or eliminate such Financial Covenant set forth in Section 10.9(a) from this Agreement, (B) increase the maximum permitted ratio of Secured Debt to Total Asset Value as set forth in Section 10.9(b) of this Agreement to a level greater than 0.40 to 1.00 (provided that such Financial Covenant shall be calculated on a basis consistent with the manner in which it was calculated on the First Amendment Effective Date) or eliminate such Financial Covenant set forth in Section 10.9(b) from this Agreement, (C) (1) increase the maximum permitted ratio of Unsecured Debt of the Company and its Subsidiaries to Unencumbered Asset Value as set forth in Section 10.9(c) of this Agreement to a level greater than 0.6667 to 1.0000 (provided that such Financial Covenant shall be calculated on a basis consistent with the manner in which it was calculated on the First Amendment Effective Date), (2) modify the definition of “Capitalization Rate” such that the capitalization rate for: ALFs would be lower than 7.00%, SNFs would be lower than 8.50%, Non-Government Reimbursed Properties that are independent living facilities would be lower than 6.50%, hospitals would be lower than 9.00%, Non-Government Reimbursed Properties that are not independent living facilities would be lower than 7.00%; or other Government Reimbursed Properties would be lower than 9.00%, or (3) eliminate such Financial Covenant set forth in Section 10.9(c) from this Agreement unless (x) such Financial Covenant is replaced with a Financial Covenant prohibiting the ratio of Total Asset Value (but computed solely for unencumbered assets of the Company and its Subsidiaries) to Unsecured Debt, or a formulation for such replacement Financial Covenant which is substantially similar thereto, from being less than 1.50 to 1.00 as of the last day of each Fiscal Quarter of the Company, (y) a customary priority debt covenant satisfactory to the Required Holders is added to Section 10.9 and (z) Section 10.1 is modified in a manner consistent with such newly added priority debt covenant and reasonably satisfactory to the Required Holders, provided that if such Financial Covenant set forth in Section 10.9(c) is eliminated as provided in this clause (C)(3), then, unless such Financial Covenant is subsequently reinstated, the immediately preceding clauses (C)(1) and (C)(2) will not be applicable, (D) decrease the minimum required ratio of EBITDA for any Rolling Period to Fixed Charges for such Rolling Period as set forth in Section 10.9(d) of this Agreement to a level less than 1.50 to 1.00 (provided that such Financial Covenant shall be calculated on a basis consistent with the manner in which it was calculated on the First Amendment Effective Date) or eliminate such Financial Covenant set forth in Section 10.9(d) from this Agreement, or (E) modify any defined terms applicable to or used in the calculation of any Financial Covenant; and (iii) in the event the Bank Facility is terminated, all Financial Covenants hereunder shall be unaffected and shall remain in effect in the same manner as they existed immediately prior to such termination. For the avoidance of doubt, (i) any proposed changes to any Financial Covenant pursuant to this Section 10.10 which exceed, or are less than (as applicable), the thresholds set forth in clause (ii) above (when calculated on a basis consistent with the manner in which such Financial Covenant was calculated on the First Amendment Effective Date and not according to any other method of calculation set forth in any Modified Bank Financial Covenant adopted after

the First Amendment Effective Date), shall remain unmodified and shall not become effective and (ii) if, following the First Amendment Effective Date, any Financial Covenant remains unmodified in the circumstances described in clause (i) of this sentence following the adoption of a Modified Bank Financial Covenant, such unmodified Financial Covenant shall continue to be calculated for purposes of Section 10.9 solely on a basis consistent with the manner in which such Financial Covenant was calculated on the First Amendment Effective Date and not according to any other method of calculation set forth in any Modified Bank Financial Covenant, and any breach of such unmodified Financial Covenant shall constitute an Event of Default, pursuant to the terms of Section 11 hereunder, notwithstanding the fact that the Company may be in compliance with such ineffective Modified Bank Financial Covenant at such time.”

1.3 Section 10.2 of the Agreement is hereby deleted in its entirety and replaced as follows:

“[Reserved.]”

1.4 The definition of “Permitted Acquisition” is hereby deleted in its entirety from Schedule B of the Agreement.

1.5 The following new definitions are added to Schedule B of the Agreement in their proper alphabetical order, as follows:

“**Cash Equivalents**” means (a) marketable direct obligations issued by, or unconditionally guaranteed by, the United States or issued by any agency thereof and backed by the full faith and credit of the United States, in each case maturing within one (1) year from the date of acquisition thereof, (b) marketable direct obligations issued or fully guaranteed by any state of the United States or any political subdivision of any such state or any public instrumentality thereof maturing within one (1) year from the date of acquisition thereof and, at the time of acquisition, having one of the two highest ratings obtainable from either S&P or Moody’s, (c) commercial paper maturing within one (1) year from the date of creation thereof and, at the time of acquisition, having a rating of at least A 1 from S&P or at least P 1 from Moody’s, (d) certificates of deposit, time deposits, overnight bank deposits or bankers’ acceptances maturing within one (1) year from the date of acquisition thereof issued by any bank organized under the laws of the United States or any state thereof or the District of Columbia having at the date of acquisition thereof combined capital and surplus of not less than \$250,000,000, (e) deposit accounts maintained with (i) any bank that satisfies the criteria described in clause (d) above, or (ii) any other bank organized under the laws of the United States or any state thereof so long as the full amount maintained with any such other bank is fully insured by the Federal Deposit Insurance Corporation, (f) repurchase obligations of any commercial bank satisfying the requirements of clause (d) of this definition or recognized securities dealer having combined capital and surplus of not less than \$250,000,000, having a term of not more than seven (7) days, with respect to securities satisfying the criteria in clauses (a) or (d) above, provided all such agreements require physical delivery of the securities securing such repurchase agreement, except those delivered through the Federal Reserve Book Entry System, and (g) investments in money market funds substantially all of whose assets are invested in the types of assets described in clauses (a) through (f) above.

“**First Amendment Effective Date**” means May 17, 2022.

“**Government Reimbursed Properties**” means Senior Housing Assets (other than hospitals) in respect of which 51% or more of revenues are generated from reimbursements under

Medicare, Medicaid and other government programs for payment of services rendered by healthcare providers.

“Non-Government Reimbursed Properties” means Senior Housing Assets (other than hospitals) that are not Government Reimbursed Properties.

“Other Investments” means any investment other than the following: (a) an Investment in Cash Equivalents; (b) an investment by the Company in its Subsidiaries or by a Subsidiary in one or more of its Subsidiaries; (c) an intercompany advance made from time to time among the Company and its Subsidiaries in the ordinary course of business to finance working capital needs; (d) an investment held by the Company and its Subsidiaries as of the date hereof; (e) an investment in Unconsolidated Affiliates, Assets Under Development, or Redevelopment Assets; (f) an investment received in connection with a workout of any obligation owed to the Company or its Subsidiaries; or (g) an investment or acquisition with respect to real property or improvements on real property located in, or of a business with its primary operations in, the United States of America, which, in each case, is in an Eligible Line of Business and not a Hostile Acquisition (including, but not limited to, sale/leaseback transactions, mortgage loans, lines of credit or other financings).

“Qualified Loan” means, as of any date of determination, any mezzanine loan, mortgage loan, convertible debt or working capital loan that is held or owned by the Company or any Subsidiary (i) listed on the Officer’s Certificate delivered to the holders of the Notes on the date of this Agreement pursuant to the requirements of Section 4A(1), or (ii) thereafter, listed on Exhibit A to Schedule I of the certificate of a Senior Financial Officer after such loan’s designation by the Company as a Qualified Loan, so long as the Company shall fully comply with the requirements of Section 7.2(a) with regard to the reporting of such Qualified Loan, which loan (in the case of either the immediately preceding clause (i) or clause (ii)) meets the following criteria:

- (a) 100% held or owned by the Company or a Subsidiary;
- (b) with respect to a mortgage loan, secured by a first or second mortgage or a first or second deed of trust on Senior Housing Assets in favor of the Company or such Subsidiary and such Senior Housing Asset is not subject to any other Lien or negative pledge (other than Permitted Liens or, solely with respect to second mortgages or second deeds of trust, a first mortgage lien or first deed of trust);
- (c) the underlying Senior Housing Asset is currently in service (not under development);
- (d) the underlying Senior Housing Asset is located in the United States and the loan documents pertaining to the mortgage or deed of trust are governed by the law of a state of the United States;
- (e) neither the mezzanine loan, mortgage loan, convertible debt or working capital loan, nor the right to receive payments thereunder, is subject to any Lien (other than Permitted Liens) or to any negative pledge;
- (f) if such mezzanine loan, mortgage loan, convertible debt or working capital loan is owned by a Subsidiary, none of the Company’s beneficial ownership interest in such Subsidiary is subject to any Lien (other than Permitted Liens or Liens in favor of the Company) or to any negative pledge;

(g) with respect to a mortgage loan, the underlying Property, based on the Company's or its Subsidiary's actual knowledge, is free of all material structural defects or major architectural deficiencies, material title defects, material environmental conditions or other adverse matters which, individually or collectively, materially impair the value of such Property; and

(h) the borrower, mortgagor or grantor with respect to such mezzanine loan, mortgage loan, convertible debt or working capital loan is not delinquent sixty (60) days or more in interest or principal payments due thereunder.

“Reduced Lease Asset” means any Unencumbered Asset where any tenant of such Unencumbered Asset (i) has paid less than 100% of its minimum rental payments during the sixty (60) day period immediately preceding the applicable date of calculation and (ii) is otherwise performing all of its material obligations under its Lease.

“Unconsolidated Affiliate” means an Affiliate of the Company whose financial statements are not required to be consolidated with the financial statements of the Company in accordance with GAAP.

“Underpaid Lease Asset” means any Unencumbered Asset where any tenant of such Unencumbered Asset (i) has paid less than 90% of its minimum rental payments during the sixty (60) day period immediately preceding the applicable date of calculation and (ii) is otherwise performing all of its material obligations under its Lease.”

1.6 The following existing definitions in Schedule B of the Agreement are amended and restated, as follows:

“Capitalization Rate” means (a) 8.0% for ALFs, (b) 10.0% for SNFs, (c) 7.5% for Non-Government Reimbursed Properties that are independent living facilities, (d) 10.0% for hospitals, (e) 8.0% for Non-Government Reimbursed Properties that are not independent living facilities, and (f) 10.0% for other Government Reimbursed Properties.

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

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

“Property Income” means, with respect to any Unencumbered Asset, cash rents (excluding, as an abundance of caution, non-cash straight-line rent) and other cash revenues received by the Company or a Subsidiary in the ordinary course of business for such Unencumbered Asset, but excluding security deposits and prepaid rent except to the extent applied in satisfaction of tenants' obligations for rent; provided, that for any Unencumbered Asset that (x) constituted an Underpaid Lease Asset in the twelve (12) months preceding any date of determination and (y) where the non-performing tenant has been replaced with a performing tenant, the Company or the applicable Subsidiary shall be permitted to include cash rents paid under such replacement lease on an annualized basis.

“Property NOI” means, as of any date of determination and with respect to any Unencumbered Asset, the aggregate amount of (i) Property Income for the Rolling Period (without duplication) minus (ii) Property Expenses for the Rolling Period (without duplication).

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

“Secured Debt” means, as of any date of determination and without duplication, the aggregate principal amount of all indebtedness outstanding of the Company and its Subsidiaries, evidenced by notes, bonds, debentures or similar instruments and capital lease obligations that are secured by a Lien.

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

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

“Total Asset Value” means, as of any date of determination, the Gross Book Value of all assets of the Company and its Subsidiaries less all amounts appearing on the assets side of its consolidated balance sheet separately identifiable as intangible assets under GAAP; provided that (A) to the extent the amount of Total Asset Value attributable to Assets Under Development exceeds 20% of Total Asset Value, such excess shall be excluded; (B) to the extent the amount of Total Asset Value attributable to Redevelopment Assets exceeds 20% of Total Asset Value, such excess shall be excluded; (C) to the extent the amount of Total Asset Value attributable to Unconsolidated Affiliates exceeds 15% of Total Asset Value, such excess shall be excluded; (D) to the extent the amount of Total Asset Value attributable to Other Investments exceeds 15% of Total Asset Value, such excess shall be excluded; and (E) to the extent the amount of Total Asset Value attributable to Assets Under Development, Redevelopment Assets, Unconsolidated Affiliates, and Other Investments in the aggregate exceed 30% of Total Asset Value, such excess shall be excluded.

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

- (a) is 100% owned in fee simple by the Company or a Subsidiary;
- (b) is currently in service (not under development) and generates cash rental income to the Company or such Subsidiary;
- (c) is a Senior Housing Asset located in the United States of America;

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

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

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

(g) either the tenants of such real Property are no more than sixty (60) days in arrears on 100% of the minimum rental payments due under their applicable Leases or such Unencumbered Asset constitutes a Reduced Lease Asset; and

(h) either the tenants of such real Property are no more than sixty (60) days in arrears on 90% of the minimum rental payments due under their applicable Leases or such Unencumbered Asset constitutes both a Reduced Lease Asset and an Underpaid Lease Asset."

"Unencumbered Asset Value" means, as of any date of determination, an amount equal to the sum of:

(a) for all Unencumbered Assets owned by the Company or a Subsidiary for more than twenty-four months prior to the date of determination (excluding Underpaid Lease Assets), the quotient of (i) the Property NOI from such Unencumbered Assets divided by (ii) the Capitalization Rate, plus

(b) for all Unencumbered Assets owned by the Company or a Subsidiary for twenty-four months or less prior to the date of determination (excluding Underpaid Lease Assets), the Gross Book Value of such Unencumbered Assets; plus

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

(d) notwithstanding (a) and (b) above, for all Underpaid Lease Assets owned by the Company or a Subsidiary, (x) the greater of (i) the Gross Book Value of such Underpaid Lease Asset and (ii) the Property NOI from such Unencumbered Asset divided by the Capitalization Rate multiplied by (y) seventy-five percent (75%); plus

(e) notwithstanding (a) and (b) above, for any Unencumbered Asset that (x) constituted an Underpaid Lease Asset in the twelve (12) months preceding any date of determination and (y) where the non-performing tenant has been replaced with a performing tenant, the greater of (i) the Property NOI from such Unencumbered Asset divided by the Capitalization Rate; and (ii) the Gross Book Value of such Unencumbered Asset;

provided, that to the extent the amount of Unencumbered Asset Value attributable to Qualified Loans under clause (c) hereof would exceed 30% of Unencumbered Asset Value, such excess shall be excluded; provided further, that to the extent the amount of Unencumbered Asset Value attributable to Qualified Loans that are mezzanine loans, convertible debt, working capital loans, second mortgages or second deeds of trust under clause (c) hereof would exceed 5% of Unencumbered Asset Value, such excess shall be excluded; and provided further, that to the extent the amount of Unencumbered Asset Value attributable to Unencumbered Assets that constituted Reduced Lease Assets would exceed 15% of Unencumbered Asset Value, such excess shall be excluded. Unencumbered Asset Value attributable to any of the items listed above in this definition owned by any non-Wholly-owned Subsidiary shall be adjusted to be limited to (i) the percentage of Equity Interests in such non-Wholly-owned Subsidiary owned by the Company as of such date multiplied by (ii) the applicable Property NOI, Gross Book Value or book value.

1.7 Each of the definitions of “Eligible Property NOI” and “Qualified Mortgage Loan” is deleted, and each remaining reference to a “Qualified Mortgage Loan” or “Qualified Mortgage Loans” in the Agreement (including in the Schedules and Exhibits thereto) is replaced with a reference to a “Qualified Loan” or “Qualified Loans,” as applicable.

1.8 Schedule 10.2 of the Agreement is hereby deleted in its entirety.

1.9 Exhibit E to the Agreement is hereby deleted in its entirety and replaced with the Exhibit E attached hereto at Annex I.

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

3. Representations and Warranties. The Company hereby represents and warrants as follows: (i) No Default or Event of Default has occurred and is continuing; (ii) the Company’s execution, delivery and performance of the Agreement, as modified by this letter agreement, have been duly authorized by all necessary corporate and other action and do not and will not require any registration with, consent or approval of, or notice to or action by, any Person (including any Governmental Authority) in order to be effective and enforceable; (iii) the Agreement, as modified by this letter agreement, constitutes the legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its terms except as the enforceability thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws of general application relating to or affecting the enforcement of creditors’ rights or by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law); (iv) each of the representations and warranties set forth in Section 5 of the Agreement is true, correct and complete as of the date hereof (except to the extent such representations and warranties expressly relate to another date, in which case such representations and warranties are true, correct and complete as of such other date); and (v) other than an amendment fee equal to 0.05% (5 basis points) of the outstanding principal amount of the applicable notes under each Other Note Agreement, no lender under any of the Other Note

Agreements is receiving any fee or other remuneration in connection with the amendments referenced in clause (iii) of Section 4 below.

4. Effectiveness. This letter agreement shall become effective on the date when (i) the holders of Notes shall have received a fully executed counterpart of this letter from the Company, (ii) the holders of Notes shall have received a corresponding fully executed amendment of each of the Other Note Agreements, (iii) each holder of a Note shall have received an amendment fee equal to 0.05% (5 basis points) of the outstanding principal amount of the Notes held by such holder as of the date hereof, and (iv) the Company shall have paid Vedder Price P.C. its accrued and unpaid legal fees and expenses, to the extent such fees and expenses have been invoiced.

5. Schedule of Investments. Attached hereto at Annex II is a schedule setting forth each investment by the Company and its Subsidiaries as of the date hereof.

6. Miscellaneous.

(a) This document may be executed in multiple counterparts, which together shall constitute a single document. Delivery of executed counterparts of this letter agreement by secure electronic format (pdf) shall be effective as an original.

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

[Remainder of the page intentionally left blank]

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

Sincerely,

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

THE PRUDENTIAL INSURANCE COMPANY OF AMERICA

By: PGIM, Inc., as investment advisor

By: _____
Vice President

THRIVENT FINANCIAL FOR LUTHERANS

By: /s/ Martin Rosacker
Name: Martin Rosacker
Title: Managing Director

**HARTFORD CASUALTY INSURANCE COMPANY
HARTFORD LIFE AND ACCIDENT INSURANCE
COMPANY
TALCOTT RESOLUTION LIFE AND ANNUITY
INSURANCE COMPANY
HARTFORD INSURANCE COMPANY OF ILLINOIS
TALCOTT RESOLUTION LIFE INSURANCE COMPANY
THE HARTFORD RETIREMENT PLAN TRUST FOR U.S.
EMPLOYEES**

By: Hartford Investment Management Company
Their Investment Manager

By: /s/ Kenneth Day
Name: Kenneth Day
Title: Vice President

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

THE COMPANY:

LTC PROPERTIES, INC.

By: /s/ Wendy Simpson

Name: Wendy Simpson

Title: Chairman and Chief Executive Officer

By: /s/ Pamela J. Shelley-Kessler

Name: Pamela J. Shelley-Kessler

Title: Co-President, Chief Financial Officer and
Corporate Secretary

Annex I

EXHIBIT E

[FORM OF COMPLIANCE CERTIFICATE]

[Omitted pursuant to Item 601(a)(5) of Regulation S-K. The registrant will provide a copy to the Securities and Exchange Commission or its staff upon request.]

Annex II

**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)
July 28, 2022

**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.

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

Pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, each of the undersigned officers of LTC Properties, Inc. (the “Company”) hereby certifies with respect to the Quarterly Report on Form 10-Q of the Company for the quarter ended June 30, 2022 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: July 28, 2022

/s/ WENDY L. SIMPSON

Wendy L. Simpson
Chairman and Chief Executive Officer

Date: July 28, 2022

/s/ PAM KESSLER

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.

**Document and Entity
Information - shares**

**6 Months Ended
Jun. 30, 2022**

Jul. 21, 2022

Document and Entity Information

<u>Document Type</u>	10-Q	
<u>Document Quarterly Report</u>	true	
<u>Document Transition Report</u>	false	
<u>Document Period End Date</u>	Jun. 30, 2022	
<u>Entity File Number</u>	1-11314	
<u>Entity Registrant Name</u>	LTC PROPERTIES INC	
<u>Entity Incorporation, State or Country Code</u>	MD	
<u>Entity Tax Identification Number</u>	71-0720518	
<u>Entity Address, Address Line One</u>	2829 Townsgate Road, Suite 350	
<u>Entity Address, City or Town</u>	Westlake Village	
<u>Entity Address, State or Province</u>	CA	
<u>Entity Address, Postal Zip Code</u>	91361	
<u>City Area Code</u>	805	
<u>Local Phone Number</u>	981-8655	
<u>Title of 12(b) Security</u>	Common stock, \$.01 par value	
<u>Trading Symbol</u>	LTC	
<u>Security Exchange Name</u>	NYSE	
<u>Entity Current Reporting Status</u>	Yes	
<u>Entity Interactive Data Current</u>	Yes	
<u>Entity Filer Category</u>	Large Accelerated Filer	
<u>Entity Small Business</u>	false	
<u>Entity Emerging Growth Company</u>	false	
<u>Entity Shell Company</u>	false	
<u>Entity Common Stock, Shares Outstanding</u>		40,504,791
<u>Current Fiscal Year End Date</u>	--12-31	
<u>Document Fiscal Year Focus</u>	2022	
<u>Document Fiscal Period Focus</u>	Q2	
<u>Entity Central Index Key</u>	0000887905	
<u>Amendment Flag</u>	false	

**CONSOLIDATED
BALANCE SHEETS - USD
(\$)**

Jun. 30, 2022 Dec. 31, 2021

Investments:

<u>Land</u>	\$ 125,786,000	\$ 123,239,000
<u>Buildings and improvements</u>	1,284,151,000	1,285,318,000
<u>Accumulated depreciation and amortization</u>	(374,170,000)	(374,606,000)
<u>Real property investments, net</u>	1,035,767,000	1,033,951,000
<u>Mortgage loans receivable, net of credit loss reserve: 2022-\$3,830; 2021-\$3,473</u>	379,817,000	344,442,000
<u>Real estate investments, net</u>	1,415,584,000	1,378,393,000
<u>Notes receivable, net of credit loss reserve: 2022-\$588; 2021-\$286</u>	58,206,000	28,337,000
<u>Investments in unconsolidated joint ventures</u>	19,340,000	19,340,000
<u>Investments, net</u>	1,493,130,000	1,426,070,000

Other assets:

<u>Cash and cash equivalents</u>	6,401,000	5,161,000
<u>Debt issue costs related to revolving line of credit</u>	2,681,000	3,057,000
<u>Interest receivable</u>	42,713,000	39,522,000
<u>Straight-line rent receivable</u>	22,689,000	24,146,000
<u>Lease incentives</u>	1,910,000	2,678,000
<u>Prepaid expenses and other assets</u>	8,703,000	4,191,000
<u>Total assets</u>	1,578,227,000	1,504,825,000

LIABILITIES

<u>Revolving line of credit</u>	56,000,000	110,900,000
<u>Term loans, net of debt issue costs: 2022-\$563; 2021-\$637</u>	99,437,000	99,363,000
<u>Senior unsecured notes, net of debt issue costs: 2022-\$1,549; 2021-\$524</u>	579,431,000	512,456,000
<u>Accrued interest</u>	3,946,000	3,745,000
<u>Accrued expenses and other liabilities</u>	28,917,000	33,234,000
<u>Total liabilities</u>	767,731,000	759,698,000

Stockholders' equity:

<u>Common stock: \$0.01 par value; 60,000 shares authorized; shares issued and outstanding: 2022-40,380; 2021-39,374</u>	404,000	394,000
<u>Capital in excess of par value</u>	893,154,000	856,895,000
<u>Cumulative net income</u>	1,513,431,000	1,444,636,000
<u>Accumulated other comprehensive income (loss)</u>	6,139,000	(172,000)
<u>Cumulative distributions</u>	(1,610,154,000)	(1,565,039,000)
<u>Total LTC Properties, Inc. stockholders' equity</u>	802,974,000	736,714,000
<u>Non-controlling interests</u>	7,522,000	8,413,000
<u>Total equity</u>	810,496,000	745,127,000
<u>Total liabilities and equity</u>	\$ 1,578,227,000	\$ 1,504,825,000

**CONSOLIDATED
BALANCE SHEETS**
(Parenthetical) - USD (\$)
shares in Thousands, \$ in
Thousands

Jun. 30, 2022 Dec. 31, 2021

<u>Mortgage loans receivable, loan loss reserve</u>	\$ 3,830	\$ 3,473
<u>Notes receivable, loan loss reserve</u>	\$ 588	\$ 286
<u>Common stock, par value (in dollars per share)</u>	\$ 0.01	\$ 0.01
<u>Common stock, shares authorized</u>	60,000	60,000
<u>Common stock, shares issued</u>	40,380	39,374
<u>Common stock, shares outstanding</u>	40,380	39,374
<u>Term loans</u>		
<u>Debt issue costs, net</u>	\$ 563	\$ 637
<u>Senior Unsecured Notes</u>		
<u>Debt issue costs, net</u>	\$ 1,549	\$ 524

**CONSOLIDATED
STATEMENTS OF
INCOME - USD (\$)**
shares in Thousands, \$ in
Thousands

3 Months Ended

6 Months Ended

**Jun. 30,
2022**

**Jun. 30,
2021**

**Jun. 30,
2022**

**Jun. 30,
2021**

Revenues:

<u>Rental income</u>	\$ 31,628	\$ 29,804	\$ 61,952	\$ 61,777
<u>Interest income from mortgage loans</u>	10,097	7,933	19,733	15,855
<u>Interest and other income</u>	1,299	392	2,126	777
<u>Total revenues</u>	43,024	38,129	83,811	78,409

Expenses:

<u>Interest expense</u>	7,523	6,860	14,666	13,832
<u>Depreciation and amortization</u>	9,379	9,508	18,817	19,385
<u>Provision (recovery) for credit losses</u>	305		659	(9)
<u>Transaction costs</u>	67	133	99	225
<u>Property tax expense</u>	4,019	3,800	8,001	7,781
<u>General and administrative expenses</u>	5,711	5,337	11,519	10,370
<u>Total expenses</u>	27,004	25,638	53,761	51,584

Other operating income:

<u>Gain on sale of real estate, net</u>	38,094	5,463	38,196	4,690
<u>Operating income</u>	54,114	17,954	68,246	31,515
<u>Income from unconsolidated joint ventures</u>	376	376	751	665
<u>Net income</u>	54,490	18,330	68,997	32,180
<u>Income allocated to non-controlling interests</u>	(107)	(91)	(202)	(179)
<u>Net income attributable to LTC Properties, Inc.</u>	54,383	18,239	68,795	32,001
<u>Income allocated to participating securities</u>	(318)	(113)	(407)	(233)
<u>Net income available to common stockholders</u>	\$ 54,065	\$ 18,126	\$ 68,388	\$ 31,768

Earnings per common share:

<u>Basic (in dollars per share)</u>	\$ 1.37	\$ 0.46	\$ 1.74	\$ 0.81
<u>Diluted (in dollars per share)</u>	\$ 1.36	\$ 0.46	\$ 1.73	\$ 0.81

Weighted average shares used to calculate earnings per common share:

<u>Basic (in shares)</u>	39,492	39,169	39,347	39,135
<u>Diluted (in shares)</u>	39,665	39,170	39,520	39,136
<u>Dividends declared and paid per common share (in dollars per share)</u>	\$ 0.57	\$ 0.57	\$ 1.14	\$ 1.14

**CONSOLIDATED
STATEMENTS OF
COMPREHENSIVE
INCOME - USD (\$)
\$ in Thousands**

3 Months Ended		6 Months Ended	
Jun. 30, 2022	Jun. 30, 2021	Jun. 30, 2022	Jun. 30, 2021

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE
INCOME**

<u>Net income</u>	\$ 54,490	\$ 18,330	\$ 68,997	\$ 32,180
<u>Unrealized gain on cash flow hedges before reclassification</u>	1,276		5,860	
<u>Losses reclassified from accumulated other comprehensive income to interest expense</u>	159		451	
<u>Comprehensive income</u>	\$ 55,925	\$ 18,330	\$ 75,308	\$ 32,180

CONSOLIDATED STATEMENTS OF EQUITY - USD (\$) shares in Thousands, \$ in Thousands	Parent	Common Stock	Capital in Excess of Par Value	Cumulative Net Income	Accumulated Other Comprehensive Income (Loss)	Cumulative Distributions	Non- controlling Interests	Total
<u>Balance at beginning of period</u> <u>at Dec. 31, 2020</u>	\$ 767,402	\$ 392	\$ 852,780	\$ 1,388,775		\$ (1,474,545)	\$ 8,404	\$ 775,806
<u>Balance (in shares) at Dec. 31,</u> <u>2020</u>		39,242						
<u>Equity activity</u>								
<u>Common stock cash</u> <u>distributions</u>	(22,405)					(22,405)		(22,405)
<u>Vesting of performance-based</u> <u>stock units, including the</u> <u>payment of distributions</u>	(764)	\$ 1	(1)			(764)		(764)
<u>Vesting of performance-based</u> <u>stock units, including the</u> <u>payment of distributions (in</u> <u>shares)</u>		109						
<u>Stock-based compensation</u> <u>expense</u>	1,852		1,852					1,852
<u>Net income</u>	13,762			13,762			88	13,850
<u>Non-controlling interest</u> <u>distributions</u>							(88)	(88)
<u>Cash paid for taxes in lieu of</u> <u>common shares</u>	(3,470)		(3,470)					(3,470)
<u>Cash paid for taxes in lieu of</u> <u>common shares (in shares)</u>		(84)						
<u>Other</u> <u>Other (in shares)</u>	(10)	\$ 1 95	(11)					(10)
<u>Balance (in shares) at Mar. 31,</u> <u>2021</u>		39,362						
<u>Balance at end of period at</u> <u>Mar. 31, 2021</u>	756,367	\$ 394	851,150	1,402,537		(1,497,714)	8,404	764,771
<u>Balance at beginning of period</u> <u>at Dec. 31, 2020</u>	767,402	\$ 392	852,780	1,388,775		(1,474,545)	8,404	775,806
<u>Balance (in shares) at Dec. 31,</u> <u>2020</u>		39,242						
<u>Equity activity</u>								
<u>Net income</u>								32,180
<u>Balance (in shares) at Jun. 30,</u> <u>2021</u>		39,374						
<u>Balance at end of period at</u> <u>Jun. 30, 2021</u>	753,976	\$ 394	852,959	1,420,776		(1,520,153)	8,404	762,380
<u>Balance at beginning of period</u> <u>at Mar. 31, 2021</u>	756,367	\$ 394	851,150	1,402,537		(1,497,714)	8,404	764,771
<u>Balance (in shares) at Mar. 31,</u> <u>2021</u>		39,362						
<u>Equity activity</u>								

Common stock cash distributions	(22,439)			(22,439)		(22,439)
Stock-based compensation expense	1,958	1,958				1,958
Net income	18,239		18,239		91	18,330
Non-controlling interest distributions					(91)	(91)
Cash paid for taxes in lieu of common shares	(103)	(103)				(103)
Cash paid for taxes in lieu of common shares (in shares)	(3)					
Other	(46)	(46)				(46)
Other (in shares)	15					
Balance (in shares) at Jun. 30, 2021	39,374					
Balance at end of period at Jun. 30, 2021	753,976 \$ 394	852,959	1,420,776	(1,520,153)	8,404	762,380
Equity activity						
Common stock cash distributions	(22,443)			(22,443)		(22,443)
Stock-based compensation expense	1,975	1,975				1,975
Net income	11,022		11,022		92	11,114
Non-controlling interest distributions					(92)	(92)
Non-controlling interests contributions					9	9
Other	(13)	(13)				(13)
Balance (in shares) at Sep. 30, 2021	39,374					
Balance at end of period at Sep. 30, 2021	744,517 \$ 394	854,921	1,431,798	(1,542,596)	8,413	752,930
Equity activity						
Common stock cash distributions	(22,443)			(22,443)		(22,443)
Stock-based compensation expense	1,975	1,975				1,975
Net income	12,838		12,838		92	12,930
Non-controlling interest distributions					(92)	(92)
Fair market valuation adjustment for interest rate swap	(172)		\$ (172)			(172)
Other	(1)	(1)				(1)
Balance (in shares) at Dec. 31, 2021	39,374					
Balance at end of period at Dec. 31, 2021	736,714 \$ 394	856,895	1,444,636 (172)	(1,565,039)	8,413	745,127
Equity activity						

<u>Common stock cash distributions</u>	(22,480)				(22,480)			(22,480)
<u>Stock-based compensation expense</u>	1,925		1,925					1,925
<u>Net income</u>	14,412		14,412			95		14,507
<u>Non-controlling interest distributions</u>						(95)		(95)
<u>Cash paid for taxes in lieu of common shares</u>	(1,255)		(1,255)					(1,255)
<u>Cash paid for taxes in lieu of common shares (in shares)</u>		(37)						
<u>Fair market valuation adjustment for interest rate swap</u>	4,876			4,876				4,876
<u>Other</u>	(6)	\$ 1	(7)					(6)
<u>Other (in shares)</u>		123						
<u>Balance (in shares) at Mar. 31, 2022</u>		39,460						
<u>Balance at end of period at Mar. 31, 2022</u>	734,186	\$ 395	857,558	1,459,048	4,704	(1,587,519)	8,413	742,599
<u>Balance at beginning of period at Dec. 31, 2021</u>	736,714	\$ 394	856,895	1,444,636	(172)	(1,565,039)	8,413	745,127
<u>Balance (in shares) at Dec. 31, 2021</u>		39,374						
<u>Equity activity</u>								
<u>Net income</u>								68,997
<u>Balance (in shares) at Jun. 30, 2022</u>		40,380						
<u>Balance at end of period at Jun. 30, 2022</u>	802,974	\$ 404	893,154	1,513,431	6,139	(1,610,154)	7,522	810,496
<u>Balance at beginning of period at Mar. 31, 2022</u>	734,186	\$ 395	857,558	1,459,048	4,704	(1,587,519)	8,413	742,599
<u>Balance (in shares) at Mar. 31, 2022</u>		39,460						
<u>Equity activity</u>								
<u>Issuance of common stock</u>	33,693	\$ 9	33,684					33,693
<u>Issuance of common stock (in shares)</u>		910						
<u>Common stock cash distributions</u>	(22,635)				(22,635)			(22,635)
<u>Stock-based compensation expense</u>	2,012		2,012					2,012
<u>Net income</u>	54,383		54,383			107		54,490
<u>Non-controlling interest distributions</u>						(998)		(998)
<u>Cash paid for taxes in lieu of common shares</u>	(100)		(100)					(100)
<u>Cash paid for taxes in lieu of common shares (in shares)</u>		(2)						

<u>Fair market valuation</u>									
<u>adjustment for interest rate</u>	1,435				1,435				1,435
<u>swap</u>									
<u>Other (in shares)</u>		12							
<u>Balance (in shares) at Jun. 30,</u>		40,380							
<u>2022</u>									
<u>Balance at end of period at</u>	\$		\$					\$	
<u>Jun. 30, 2022</u>	802,974	\$ 404	893,154	\$ 1,513,431	\$ 6,139	\$ (1,610,154)	\$ 7,522	\$	810,496

CONSOLIDATED STATEMENTS OF EQUITY (Parenthetical) - \$ / shares	3 Months Ended				6 Months Ended			
	Jun. 30, 2022	Mar. 31, 2022	Dec. 31, 2021	Sep. 30, 2021	Jun. 30, 2021	Mar. 31, 2021	Jun. 30, 2022	Jun. 30, 2021
<u>CONSOLIDATED</u> <u>STATEMENTS OF EQUITY</u> <u>Common Stock cash distributions</u>	\$ 0.57	\$ 0.57	\$ 0.57	\$ 0.57	\$ 0.57	\$ 0.57	\$ 1.14	\$ 1.14

**CONSOLIDATED
STATEMENTS OF CASH
FLOWS - USD (\$)
\$ in Thousands**

6 Months Ended

**Jun. 30,
2022 Jun. 30,
2021**

OPERATING ACTIVITIES:

Net income	\$ 68,997	\$ 32,180
<u>Adjustments to reconcile net income to net cash provided by operating activities:</u>		
Depreciation and amortization	18,817	19,385
Stock-based compensation expense	3,937	3,810
Gain on sale of real estate, net	(38,196)	(4,690)
Income from unconsolidated joint ventures	(751)	(665)
Straight-line rental adjustment (income)	527	(663)
Adjustment for collectability of rental income and lease incentives	173	758
Amortization of lease incentives	429	228
Provision (recovery) for credit losses	659	(9)
Application of interest reserve	(2,451)	
Amortization of debt issue costs	547	518
Non-cash interest related to contingent liabilities	547	518
Other non-cash items, net	4	3
<u>Change in operating assets and liabilities</u>		
Lease incentives funded	(8)	(180)
Increase in interest receivable	(3,191)	(3,231)
Increase (decrease) in accrued interest payable	201	(123)
Net change in other assets and liabilities	(1,250)	1,323
Net cash provided by operating activities	48,444	48,644

INVESTING ACTIVITIES:

Investment in real estate properties	(51,815)	
Investment in real estate capital improvements	(2,905)	(2,046)
Proceeds from sale of real estate, net	72,359	36,532
Investment in real estate mortgage loans receivable	(33,910)	(426)
Principal payments received on mortgage loans receivable	625	625
Investments in unconsolidated joint ventures		(5,676)
Advances and originations under notes receivable	(36,788)	(1,811)
Principal payments received on notes receivable	6,618	2,553
Net cash (used in) provided by investing activities	(45,816)	29,751

FINANCING ACTIVITIES:

Borrowings from revolving line of credit	99,000	17,000
Repayment of revolving line of credit	(153,900)	(41,000)
Proceeds from issuance of senior unsecured notes	75,000	
Principal payments on senior unsecured notes	(7,000)	(7,000)
Proceeds from common stock issued	34,203	
Distributions paid to stockholders	(45,115)	(45,608)
Distributions paid to non-controlling interests	(1,093)	(179)
Financing costs paid	(1,122)	(35)

<u>Cash paid for taxes in lieu of shares upon vesting of restricted stock and performance-based stock units</u>	(1,355)	(3,573)
<u>Other</u>	(6)	(58)
<u>Net cash used in financing activities</u>	(1,388)	(80,453)
<u>Increase (decrease) in cash and cash equivalents</u>	1,240	(2,058)
<u>Cash and cash equivalents, beginning of period</u>	5,161	7,772
<u>Cash and cash equivalents, end of period</u>	6,401	5,714
<u>Supplemental disclosure of cash flow information:</u>		
<u>Interest paid</u>	13,918	13,437
<u>Non-cash investing and financing transactions:</u>		
<u>Preferred return reserve related to investments in unconsolidated joint ventures (See Footnote 3)</u>		\$ 2,324
<u>Application of interest reserve recorded as mortgage loan receivable</u>	2,451	
<u>Increase in fair value of interest rate swap agreements (See Footnote 6)</u>	\$ 6,311	

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-leasebacks, mortgage financing, joint ventures and structured finance solutions including preferred equity and 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. We also invest in other (“OTH”) types of properties, such as land parcels, projects under development (“UDP”) and behavioral health care hospitals. 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 and six months ended June 30, 2022 and 2021 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.

Real Estate Investments

6 Months Ended
Jun. 30, 2022

[Real Estate Investments](#)
[Real Estate Investments](#)

2. Real Estate Investments

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

Any reference to the number of properties or facilities, number of units, number of beds, number of operators and yield on investment are unaudited and outside the scope of our independent registered public accounting firm’s review of our consolidated financial statements with the standards of the Public Company Accounting Oversight Board.

Owned Properties. Our owned properties are leased pursuant to non-cancelable operating leases. Each lease is a triple net lease requiring the lessee to pay all taxes, insurance, maintenance and repairs, capital and non-capital expenditures and other costs necessary in the operation of the property. Many of the leases contain renewal options. The majority of our leases contain provisions for specified annual increases over the term of the lease.

The following table summarizes our investments in owned properties at June 30, 2022 (*dollar amounts in thousands*):

Type of Property	Gross Investment	Percentage of Investment	Number of Properties ⁽¹⁾	Number of SNF Beds
Assisted Living	\$ 797,556	56.6 %	99	—
Skilled Nursing	600,701	42.6 %	53	6,348
Other ⁽²⁾	11,680	0.8 %	1	118
Total	<u>\$ 1,409,937</u>	<u>100.0 %</u>	<u>153</u>	<u>6,466</u>

(1) We own properties in 26 states that are leased to 25 different operators.

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

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

2022	\$
2023	
2024	
2025	
2026	
Thereafter	

(1) Represents contractual cash rent, except for certain master leases which are based on estimated cash payments. Includes rent from subsequent acquisitions and subsequent dispositions. See *Footnote 12* for more information.

We monitor the collectability of our receivable balances, including deferred rent receivable balances, on an ongoing basis. We also monitor operator receivable balances, including straight-line rent receivable and lease incentives balances, as a reduction to rental income in the period when the balances are no longer probable of being collected. Therefore, recognition of rental income is limited to the lesser of the amount of cash received and income reflected on a “straight-line” basis for those customer receivable balances deemed uncollectible. We wrote-off straight-line rent receivable and lease incentives balances of \$173,000 and \$758,000 for the six months ended June 30, 2022 and 2021, respectively.

We continue to take into account the current financial condition of our operators, including consideration of the impact of COVID-19 on the estimation of uncollectible accounts and deferred rents receivable at June 30, 2022. We are closely monitoring the collectability of such receivables and future estimations as appropriate as further information becomes known.

The following table summarizes components of our rental income for the three and six months ended June 30, 2022 and 2021 (*in thousands*):

Rental Income	Three Months Ended		
	2022	2021	2020
Base cash rental income	\$ 28,108 ⁽¹⁾	\$ 26,410	\$ 55,100
Variable cash rental income	4,019 ⁽²⁾	3,529 ⁽²⁾	8,100
Straight-line rent	(293) ⁽³⁾	(19) ⁽³⁾	(100)
Adjustment for collectability of rental income and lease incentives	—	—	(100)
Amortization of lease incentives	(206)	(116)	(100)
Total	<u>\$ 31,628</u>	<u>\$ 29,804</u>	<u>\$ 61,900</u>

(1) Increased primarily due to a \$1,181 lease termination fee received in connection with the sale of a 74-unit ALF, rent received from properties transitioned from the LLC (“Senior Care”) and Senior Lifestyle Corporation (“Senior Lifestyle”) portfolios and rental income from completed development projects and annual rent escalation.

- (2) The variable rental income for the three and six months ended June 30, 2022, includes reimbursement of real estate taxes by our lessees of \$4,019 and \$8,001, respectively, and income of \$0 and \$57, respectively. The variable rental income for the three and six months ended June 30, 2021, only includes reimbursement of real estate taxes of \$7,067. Increased primarily due to properties transitioned from Senior Care and new acquisitions.
- (3) Decreased primarily due to the impact of prior year's 50% reduction of 2021 rent escalations for those leases accounted for on a straight-line basis.
- (4) Represents a lease incentive balance write-off related to a closed property and subsequent lease termination.
- (5) Represents a straight-line rent receivable write-off due to transitioning rental revenue recognition to cash basis for one lease in accordance with Accounting Standards for Leases.

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

State	Type of Property	Number of Properties	Gross Investments	Carrying Value
California	ALF/MC	2	\$ 38,895	\$ 34,000
Florida	MC	1	15,201	12,000
Kentucky and Ohio	MC	2	30,421	26,000
Nebraska	ALF	3	7,633	3,000
South Carolina	ALF/MC	1	11,680	9,000
Texas	SNF	4	51,815	51,000
Total			\$ 155,645	\$ 137,000

- (1) Subject to the properties achieving certain coverage ratios.
- (2) During the second quarter of 2022, we purchased four skilled nursing centers and leased these properties under a 10-year lease with an existing operator. The lease includes a payment or purchase option but not both. If neither option is elected within the timeframe defined in the lease, both elections are terminated. For more information, see Footnote 8.

On March 11, 2020, the World Health Organization declared the outbreak of COVID-19 as a pandemic, and on March 13, 2020, the U.S. declared a national emergency with regard to COVID-19. At June 30, 2022, in conjunction with the continued levels of uncertainty and the effects of COVID-19, we assessed the probability of collecting substantially all of our lease payments through maturity and concluded that sufficient information available to evaluate the impact of COVID-19 on the collectability of our lease payments. The extent to which COVID-19 will 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's ongoing impact affecting our operators, we have agreed to rent abatements totaling \$1,891,000 for certain operators totaling \$1,987,000, net of repayments of \$124,000, during the six months ended June 30, 2022. The \$3,878,000 of rent deferrals, net of repayments during the six months ended June 30, 2022, represented approximately 5.2% of our contractual rent for the six months ended June 30, 2022.

Acquisitions and Improvements: The following table summarizes our acquisitions for the six months ended June 30, 2022 and 2021 (*dollar amounts in thousands*):

Year	Type of Property	Purchase Price	Transaction Costs	Total Acquisition Costs	P
2022	SNF ⁽¹⁾	\$ 51,534	\$ 281	\$ 51,815	
2021	n/a	\$ —	\$ —	\$ —	

- (1) The properties are located in Texas and are leased to an affiliate of an existing operator under a 10-year lease with two 5-year renewal options. Additionally, the lease includes a payment or purchase option but not both. If neither option is elected within the timeframe defined in the lease, both elections are terminated. The earn-out payment is based on the properties achieving certain thresholds per the lease, beginning at the end of the second lease year through the end of the fifth lease year. The purchase option is available beginning at the end of the sixth lease year through the end of the seventh lease year. The initial cash yield is 8% for the first year, increasing to 8.25% for the second year, then increases annually by 2.0% to the Medicare Market Basket Rate. In connection with the transaction, we provided the lessee a 10-year working capital loan for up to \$2,000, of which \$1,867 has been repaid as of June 30, 2022, increasing to 8.25% for the second year, then increasing annually with the lease rate.

During the six months ended June 30, 2022 and 2021, we invested the following in improvement projects (*in thousands*):

Type of Property	2022	2021
Assisted Living Communities	\$ 1,964	\$ 1,964
Skilled Nursing Centers	620	620
Other	321	321
Total	\$ 2,905	\$ 2,905

Properties Sold. The following table summarizes property sales during the six months ended June 30, 2022 and 2021 (*dollar amounts in thousands*):

Year	State	Type of Properties	Number of Properties	Number of Beds/Units	Sales Price	Carrying Value
2022	California	ALF	2	232	\$ 43,715	\$ 17,830

	California	SNF	1	121	13,250	1,84
	Virginia	ALF	1	74	16,895	15,54
	n/a	n/a	—	—	—	—
Total 2022			4	427	\$ 73,860	\$ 35,22
2021	Florida	ALF	1	—	\$ 2,000	\$ 2,62
	Nebraska	ALF	1	40	900	1,07
	Wisconsin	ALF	3	263	35,000	28,29
	n/a	n/a	—	—	—	—
Total 2021			5	303	\$ 37,900	\$ 31,99

- (1) Calculation of net gain (loss) includes cost of sales.
- (2) In connection with this sale, the former operator paid us a lease termination fee of \$1,181 which is not included in the gain on sale.
- (3) We recognized additional gain due to the reassessment adjustment of the holdbacks related to properties sold during 2019 and 2020, under the expected value method, as required by the new lease accounting standard, *Standard Codification (“ASC”) Topic 606, Contracts with Customers (“ASC 606”)*.

Mortgage Loans. The following table summarizes our investments in mortgage loans secured by first mortgages at June 30, 2022 (in thousands):

Interest Rate	Maturity	State	Gross Investment	Type of Property	Percentage of Investment	Number of		
						Loans ⁽¹⁾	Properties ⁽²⁾	SNF Beds
7.5%	2022	MO	\$ 1,780	OTH	0.5 %	1	— ⁽³⁾	—
7.5%	2024	LA	27,347	SNF	7.1 %	1	1	189
7.8%	2025	FL	12,779	ALF	3.3 %	1	1	—
7.3% ⁽⁴⁾	2025	NC/SC	50,889	ALF	13.3 %	1	13	—
7.3%	2026	NC	31,539	ALF	8.2 %	1	4	—
7.3%	2026	NC	766	OTH	0.2 %	1	— ⁽⁵⁾	—
10.4% ⁽⁶⁾	2043	MI	184,854	SNF	48.2 %	1	15	1,875
9.5% ⁽⁶⁾	2045	MI	39,068	SNF	10.2 %	1	4	501
9.8% ⁽⁶⁾	2045	MI	19,750	SNF	5.1 %	1	2	205
10% ⁽⁶⁾	2045	MI	14,875	SNF	3.9 %	1	1	146
Total			\$ 383,647		100.0 %	10	41	2,916

- (1) Some loans contain certain guarantees and provide for certain facility fees.
- (2) Our mortgage loans are secured by properties located in six states with five borrowers.
- (3) Represents a mortgage loan secured by a parcel of land for the future development of a 91-bed post-acute SNF.
- (4) Represents the initial rate. This loan has an IRR of 8%.
- (5) Represents a mortgage loan secured by a parcel of land in North Carolina held for future development of a seniors housing community.
- (6) Mortgage loans provide for 2.25% annual increases in the interest rate after a certain time period.

The following table summarizes our mortgage loan activity for the six months ended June 30, 2022 and 2021 (in thousands):

	Six Month
	2022
Originations and funding under mortgage loans receivable	\$ 33,910 ⁽¹⁾
Application of interest reserve	2,451
Scheduled principal payments received	(625)
Mortgage loan premium amortization	(3)
(Provision) recovery for loan loss reserve	(358)
Net increase (decrease) in mortgage loans receivable	\$ 35,375

- (1) We originated two senior mortgage loans, secured by four ALFs operated by an existing operator, as well as a land parcel in North Carolina. The communities have an average age of less than four years. The land parcel is approximately 7.6 acres adjacent to one of the ALFs and is being held for the future development of a post-acute SNF. The mortgage loans have a four-year term, an interest rate of 7.25% and an IRR of 8%.

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

As of June 30, 2022, the accrued interest receivable of \$42,713,000 was not included in the measurement of expected credit loss on mortgage loans 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 recognizing credit loss expense as incurred. We review the collectability of the accrued interest receivable quarterly as part of our review of mortgage loans or notes receivables including the performance of the underlying collateral and net worth of the borrower. For the six months ended June 30, 2021, the Company did not write-off any accrued interest receivable.

**Investment in
Unconsolidated Joint
Ventures**

6 Months Ended

Jun. 30, 2022

**Investment in
Unconsolidated Joint
Ventures**

**Investment in Unconsolidated
Joint Ventures**

3. Investment in Unconsolidated Joint Ventures

We have preferred equity investments in two joint ventures (“JVs”). We determined that each of these JVs meets the account 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 significantly affect the JVs’ economic performance. However, we do have significant influence over the JVs. Therefore, we have accounting using the equity method of accounting. The following table provides information regarding these preferred equity investments (*dollars in thousands*):

State	Type of Properties	Type of Investment		Total Preferred Return	Contractual Cash Portion	Number of Beds/ Units
Washington	ALF/MC	Preferred Equity	(1)	12 %	7 %	95
Washington	UDP	Preferred Equity	(2)	12 %	8 %	—
Total						95

- (1) Represents preferred equity in an entity that developed and owns a 95-unit ALF and MC in Washington. Our investment represents 15.5% of the total investment. The 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 increases to 12% until achieving an IRR ranging between 12% to 14%, depending upon timing of redemption. During the fourth quarter of 2021, the entity completed the development and received a certificate of occupancy. We have the option to require the JV partner to purchase our preferred equity interest at any time between August 17, 2031 and December 31, 2031.
- (2) Represents preferred equity in an entity that will develop and own a 267-unit ILF and ALF in Washington. Our investment represents 11.6% of the estimated total investment. The preferred equity investment earns an initial cash rate of 8% with an IRR of 12%. The JV partner has the option to buy out our investment at any time after August 31, 2027. Also, we have the option to require the JV partner to purchase our preferred equity interest at any time between August 31, 2027 and, upon project completion, prior to the end of the first renewal term of the lease.

The following table summarizes our capital contributions, income recognized, and cash interest received related to our investments in unconsolidated joint ventures for the six months ended June 30, 2022 and 2021 (*in thousands*):

Year	Type of Properties	Capital Contribution	Income Recognized
2022	ALF/MC	\$ —	\$ 22
	UDP (1)	—	52
Total		\$ —	\$ 74
2021	ALF/MC	\$ —	\$ 22
	UDP (1)	8,000	44
Total		\$ 8,000	\$ 66

- (1) During 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 project. Additionally, we withheld \$2,324 from the \$8,000 funding for a total reserve of \$3,777 related to this preferred equity investment.

Notes Receivable

**6 Months Ended
Jun. 30, 2022**

[Notes Receivable.](#)
[Notes Receivable](#)

4. Notes Receivable

Notes receivable consists of mezzanine loans and other loan arrangements. The following table is a summary of our notes receivable as of June 30, 2022 and December 31, 2021 *(in thousands)*:

	June 30, 2022	
Mezzanine loans ⁽¹⁾	\$	36,815
Other loans		21,979
Notes receivable credit loss reserve		(588)
Total	\$	58,206

⁽¹⁾ During the first quarter of 2022, we originated a \$25,000 mezzanine loan for the recapitalization of a five-property seniors housing portfolio. The mezzanine loan has a term of approximately five years, with two one-year extension options and bears interest at 8% with an IRR of 11%. The five communities are located in Oregon and include independent living, assisted living and memory care.

The following table summarizes our notes receivable activity for the six months ended June 30, 2022 and 2021 *(in thousands)*:

	Six Months Ended June 30, 2022	
	2022	
Advances under notes receivable	\$	36,788 ⁽¹⁾
Principal payments received under notes receivable		(6,618)
Provision for credit losses		(301)
Net increase (decrease) in notes receivable	\$	29,869

⁽¹⁾ Includes origination of a \$25,000 mezzanine loan for the recapitalization of five assisted living communities located in Oregon and Montana. Additionally includes a working capital loan for a commitment of up to \$2,000, of which \$1,867 has been funded and \$9,541 of funding under a working capital loan to HMG Health.

Lease Incentives

**6 Months Ended
Jun. 30, 2022**

[Lease Incentives](#)
[Lease Incentives](#)

5. Lease Incentives

Our non-contingent lease incentive balances at June 30, 2022 and December 31, 2021 were \$1,910,000 and \$2,678,000. The following table summarizes our lease incentives activity for the six months ended June 30, 2022 and 2021 (*in thousands*):

	Six Months Ended June 30,				
	2022		2021		
	Adjustment	Funding	Amortization	Write-off	Funding
Non-contingent lease incentives	\$ (174) ⁽¹⁾	\$ 8	\$ (429)	\$ (173) ⁽²⁾	\$ 18

(1) Primarily relates to the sale of two ALFs in California during the second quarter of 2022.

(2) Represents the lease incentive balance write-off related to a closed property and subsequent lease termination.

Non-contingent lease incentives represent payments made to our lessees for various reasons including entering into a new lease and extensions. Contingent lease incentives represent potential contingent earn-out payments that may be made to our lessees in the future under lease agreements. From time to time, we may commit to provide contingent payments to our lessees, upon our properties achieving certain performance 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.

Debt Obligations

[Debt Obligations](#) [Debt Obligations](#)

**6 Months Ended
Jun. 30, 2022**

6. Debt Obligations

Unsecured Credit Facility. We have an unsecured credit agreement (the “Credit Agreement”) that provides for an aggregate lenders of up to \$500,000,000 comprising of a \$400,000,000 revolving credit facility (the “Revolving Line of Credit”) and two \$50,000,000 term loans (the “Term Loans”). The Credit Agreement permits us to request increases to the Revolving Line of Credit and Term Loans commitments up to \$1,000,000,000. The Revolving Line of Credit matures November 19, 2025 and provides for a one-year extension option at our discretion under customary conditions. The Term Loans mature on November 19, 2025 and November 19, 2026.

Based on our leverage at June 30, 2022, the facility provides for interest annually at LIBOR plus 115 basis points and a facility fee of 0.50% on the revolving line of credit. At June 30, 2022, we were in compliance with all covenants.

Interest Rate Swap Agreements. In connection with entering into the Term Loans described above, we entered into two reciprocal interest rate swap agreements (the “Interest Rate Swaps”) with maturities of November 19, 2025 and November 19, 2026, respectively, to hedge the forecasted interest payments on the borrowings under the Term Loans over their four and five year terms. The Interest Rate Swaps are cash flow hedges and are recorded on our Consolidated Balance Sheets at fair value in prepaid expenses and other assets, with cumulative fair value of these instruments recognized in Accumulated other comprehensive income (loss) on our Consolidated Balance Sheets. During the six months ended June 30, 2022 and 2021, we recorded a \$6,311,000 and \$0 increase in fair value of Interest Rate Swaps.

As of June 30, 2022 and December 31, 2021, the terms of the Interest Rate Swaps are as follows (*dollar amounts in thousands*):

Date Entered	Maturity Date	Swap Rate	Rate Index	Notional Amount	Fair Value	
					June 30, 2022	December 31, 2021
November 2021	November 19, 2025	2.56 %	1-month LIBOR	\$ 50,000	\$ 2,824	\$ 2,824
November 2021	November 19, 2026	2.69 %	1-month LIBOR	50,000	3,315	3,315
				<u>\$ 100,000</u>	<u>\$ 6,139</u>	<u>\$ 6,139</u>

Senior Unsecured Notes. We have senior unsecured notes held by institutional investors with interest rates ranging from 3.60% to 4.28%. The senior unsecured notes mature between 2024 and 2033. During the six months ended June 30, 2022, we sold \$75,000,000 aggregate principal of senior unsecured notes. The notes have an average 10-year life, scheduled principal payments and mature in May 2033.

The senior unsecured notes and the Credit Agreement, including the Revolving Line of Credit and the Term Loans, contain certain covenants which are measured quarterly, that require us to maintain, among other things:

- a ratio of total indebtedness to total asset value not greater than 0.6 to 1.0;
- a ratio of secured debt to total asset value not greater than 0.35 to 1.0;
- a ratio of unsecured debt to the value of the unencumbered asset value not greater than 0.6 to 1.0; and
- a ratio of EBITDA, as calculated in the debt obligation, to fixed charges not less than 1.50 to 1.0.

At June 30, 2022, we were in compliance with all applicable financial covenants. These debt obligations also contain additional covenants and events of default that are subject to a number of important and significant limitations, qualifications and exceptions.

The following table sets forth information regarding debt obligations by component as of June 30, 2022 and December 31, 2021 (*in thousands*):

Debt Obligations	Applicable Interest Rate ⁽¹⁾	At June 30, 2022		Outstanding Balance December 31, 2021
		Outstanding Balance	Available for Borrowing	
Revolving line of credit ⁽²⁾	2.67%	\$ 56,000	\$ 344,000	\$ 11,000
Term loans, net of debt issue costs	2.63%	99,437	—	9,000
Senior unsecured notes, net of debt issue costs ⁽³⁾	4.28%	579,431	—	51,000
Total	3.93%	<u>\$ 734,868</u>	<u>\$ 344,000</u>	<u>\$ 71,000</u>

⁽¹⁾ Represents weighted average of interest rate as of June 30, 2022.

⁽²⁾ Subsequent to June 30, 2022, we borrowed \$20,500 under the Revolving Line of Credit. Accordingly, we currently have \$76,500 outstanding and \$323,500 available for borrowing under the Revolving Line of Credit.

⁽³⁾ Subsequent to June 30, 2022, we paid \$20,160 in regular scheduled principal payments under our senior unsecured notes. Accordingly, we currently have \$558,271 outstanding under senior unsecured notes, net of debt issue costs.

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

Six Months Ended June 30,

Debt Obligations	2022		
	Borrowings	Repayments	Borrowings
Revolving line of credit ⁽¹⁾	\$ 99,000	\$ (153,900)	\$ 17,000
Term loans	—	—	—
Senior unsecured notes ⁽²⁾	75,000	(7,000)	—
Total	<u>\$ 174,000</u>	<u>\$ (160,900)</u>	<u>\$ 17,000</u>

(1) Subsequent to June 30, 2022, we borrowed \$20,500 under the Revolving Line of Credit. Accordingly, we currently have \$76,500 outstanding and \$323,500 available under the Revolving Line of Credit.

(2) Subsequent to June 30, 2022, we paid \$20,160 in regular scheduled principal payments under our senior unsecured notes. Accordingly, we currently have \$54,840 of senior unsecured notes, net of debt issue costs.

Equity

**6 Months Ended
Jun. 30, 2022**

Equity Equity

7. Equity

Non-controlling Interests. We have entered into partnerships to develop and/or own real estate. Given that our limited members have substantive kick-out rights, liquidation rights, or participation rights, we have concluded that the partnerships are VIEs. As we exercise our rights to receive benefits from the VIEs, we are considered the primary beneficiary. Accordingly, we consolidate the VIEs and record the non-controlling interests in the consolidated financial statements.

As of June 30, 2022, we have the following consolidated VIEs (*in thousands*):

Investment Year	Purpose	Property Type	State	Gross Consolidated Assets	
2018	Owned real estate	ILF	OR	\$ 14,470	\$
2018	Owned real estate and development	ALF/MC	OR	18,447	
2017	Owned real estate and development	ILF/ALF/MC	WI	22,007	
2017	Owned real estate	ALF/MC	SC	11,680	
Total				\$ 66,604	\$

Common Stock. We have separate equity distribution agreements (collectively, “Equity Distribution Agreements”) to offer at any time, up to \$200,000,000 in aggregate offering price of shares of our common stock. During the six months ended June 30, 2022, we sold common stock for \$34,203,000 in net proceeds under our Equity Distribution Agreements. In conjunction with the sale of common stock, we incurred \$511,000 of costs associated with this agreement which have been recorded in addition to the net proceeds received as compensation to our sales agents and incurred \$511,000 of costs associated with this agreement which have been recorded in addition to the net proceeds received as a reduction of proceeds received. Subsequent to June 30, 2022, we sold 125,200 shares of common stock for \$4,754,000 of net proceeds under our Equity Distribution Agreements. Accordingly, we have \$160,349,000 available under the Equity Distribution Agreements.

During the six months ended June 30, 2022 and 2021, we acquired 39,463 shares and 87,249 shares, respectively, of common stock from employees who tendered owned shares to satisfy tax withholding obligations.

Available Shelf Registration. We have an automatic shelf registration statement on file with the SEC, and currently have the capacity to issue common stock, preferred stock, debt, depositary shares, or units. We may from time to time raise capital under our automatic shelf registration statement in amounts, which may be announced when and if the securities are offered. The specifics of any future offerings, along with the use of proceeds of any such offerings, 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 June 17, 2025.

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

	Six Months Ended June 30,		
	2022		2021
	Declared	Paid	Declared
Common Stock ⁽¹⁾	\$ 45,115	\$ 45,115	\$ 45,608

(1) Represents \$0.19 per share per month for the six months ended June 30, 2022 and 2021.

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

In July 2022, we declared a monthly cash dividend of \$0.19 per share on our common stock for the months of July, August and September 2022, payable on July 29, August 31, and September 30, 2022, respectively, to stockholders of record on July 21, August 23, and September 14, 2022.

Stock-Based Compensation. During the second quarter of 2021, we adopted and our shareholders approved the 2021 Equity Incentive Plan (“the 2021 Plan”) which replaces the 2015 Equity Incentive Plan (“the 2015 Plan”). Under the 2021 Plan, 1,900,000 shares of common stock have been authorized and reserved for awards under the 2021 Plan for every one share that was subject to an award granted under the 2015 Plan after December 31, 2020 and prior to adoption. In addition, 1,900,000 shares of common stock have been authorized and reserved for awards under the 2021 Plan because the shares were forfeited or cancelled after December 31, 2020 with respect to awards under the 2015 Plan. Under the 2021 Plan, the shares were authorized and reserved for awards to officers, employees, directors and consultants. The terms of the awards granted under the 2021 Plan and the 2015 Plan are set by our compensation committee.

At June 30, 2022, we had 10,000 stock options outstanding and exercisable. During the six months ended June 30, 2022, 5,000 stock options were exercised and were cancelled. During the six months ended June 30, 2022 and 2021, no stock options were granted or exercised.

The following table summarizes our restricted stock activity for the six months ended June 30, 2022 and 2021:

	Six Months Ended June 30, 2022	Six Months Ended June 30, 2021
Outstanding, January 1	197,421	197,421
Granted	135,211	135,211
Vested	(103,391)	(103,391)
Outstanding, June 30	229,241	229,241

During the six months ended June 30, 2022 and 2021, we granted 86,332 and 71,892, respectively, of performance-based stock units. 86,332 performance-based stock units vested during the six months ended June 30, 2022 and 108,720 performance-based stock units vested during the six months ended June 30, 2021.

During the six months ended June 30, 2022 and 2021, we granted restricted stock and performance-based stock units under the 2021 Incentive Plan, as follows:

Year	No. of Shares/Units	Price per Share	Reward Type	Vesting Period
2022	122,865	\$ 33.94	Restricted stock	ratably over 3 years
	86,332	\$ 33.94	Performance-based stock units	TSR targets ⁽¹⁾
	12,345	\$ 38.48	Restricted stock	May 25, 2023
	<u>221,542</u>			
2021	95,293	\$ 42.27	Restricted stock	ratably over 3 years
	71,892	\$ 42.27	Performance-based stock units	TSR targets ⁽¹⁾
	12,055	\$ 39.40	Restricted stock	May 26, 2022
	<u>3,000</u>	\$ 43.14	Restricted stock	April 1, 2022
	<u>182,240</u>			

⁽¹⁾ Vesting is based on achieving certain total shareholder return ("TSR") targets in 4 years with acceleration opportunity in 3 years.

Compensation expense recognized related to the vesting of restricted common stock and performance-based stock units for the six months ended June 30, 2022 and 2021 were \$3,937,000 and \$3,810,000, respectively. At June 30, 2022, the remaining compensation expense to be recognized over the future service period of unvested outstanding restricted common stock and performance-based stock units are as follows (*in thousands*):

	Vesting Date
	July - December 2022
	2023
	2024
	2025
Total	

Commitments and Contingencies

8. Commitments and Contingencies

	Investment Commitment	2022 Funding	Contractual Liability
Real estate properties (Footnote 2, <i>Real Estate Investments</i>)	\$ 15,593 ⁽¹⁾	\$ 2,133	\$ -
Accrued incentives and earn-out liabilities (Footnote 5, <i>Lease Incentives</i>)	12,000 ⁽²⁾	-	-
Mortgage loans (Footnote 2, <i>Real Estate Investments</i>)	32,507 ⁽³⁾	858	-
Notes receivable (Footnote 4, <i>Notes Receivable</i>)	27,380	11,788	-
Total	\$ 87,480	\$ 14,779	\$ -

- Also, during the second quarter of 2022, we committed to pay an operator a lease termination fee of \$500,000 contingent upon including cooperation and assistance in facilitating an orderly transition. These conditions were satisfied and the lease termination fee was paid to June 30, 2022.

We are a party from time to time to various general and professional liability claims and lawsuits asserted against the lessees or owners of properties, which in our opinion are not singularly or in the aggregate material to our results of operations or financial condition. The 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 do not represent our lessees' or borrowers' obligations pursuant to general legal principles and pursuant to insurance and indemnification provisions in the applicable leases and mortgages. We intend to continue to vigorously defend such claims.

Major Operators

6 Months Ended
Jun. 30, 2022

[Major Operators](#)
[Major Operators](#)

9. Major Operators

We have one operator that represents 10% or more of our combined rental revenue and interest income from mortgage loans sets forth information regarding our major operator as of June 30, 2022:

Operator	Number of		Number of		Total Revenue ⁽¹⁾
	SNF	ALF	SNF Beds	ALF Units	
Prestige Healthcare ⁽³⁾	24	—	2,845	93	20.0 %

(1) Includes rental income from owned properties and interest income from mortgage loans as of June 30, 2022.

(2) Represents the net carrying value of the mortgage loans and properties we own 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 lessee financial difficulties, including any bankruptcies, inability to emerge from bankruptcy, insolvency or general downturn in business or continuing impact upon services or occupancy levels due to COVID-19, or in the event any such operator does not renew and/or extend its lease with us.

Earnings per Share

[Earnings per Share](#) [Earnings per Share](#)

**6 Months Ended
Jun. 30, 2022**

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*):

	Three Months Ended June 30,		Six Months Ended June 30,
	2022	2021	2022
Net income	\$ 54,490	\$ 18,330	\$ 68,126
Less income allocated to non-controlling interests	(107)	(91)	(107)
Less income allocated to participating securities:			
Non-forfeitable dividends on participating securities	(133)	(113)	(133)
Income allocated to participating securities	(185)	—	(185)
Total net income allocated to participating securities	(318)	(113)	(318)
Net income available to common stockholders	54,065	18,126	68,126
Effect of dilutive securities:			
Participating securities ⁽¹⁾	—	—	—
Net income for diluted net income per share	\$ 54,065	\$ 18,126	\$ 68,126
Shares for basic net income per share	39,492	39,169	39,492
Effect of dilutive securities:			
Stock options	— ⁽²⁾	1	—
Performance-based stock units	173	—	173
Participating securities ⁽¹⁾	—	—	—
Total effect of dilutive securities	173	1	173
Shares for diluted net income per share	39,665	39,170	39,665
Basic net income per share	\$ 1.37	\$ 0.46	\$ 1.37
Diluted net income per share	\$ 1.36	\$ 0.46	\$ 1.36

⁽¹⁾ For the three and six months ended June 30, 2022, and 2021, the participating securities have been excluded from the computation of diluted net income per share as they would be anti-dilutive.

⁽²⁾ For the three and six months ended June 30, 2022, stock options have been excluded from the computation of diluted net income per share as such inclusion would be anti-dilutive.

Fair Value Measurements

6 Months Ended
Jun. 30, 2022

[Fair Value Measurements](#)
[Fair Value Measurements](#)

11. Fair Value Measurements

In accordance with the accounting guidance regarding the fair value option for financial assets and financial liabilities, entities choose to measure certain financial assets and liabilities at fair value, with the change in unrealized gains and losses reported in earnings. We have elected the fair value option for any of our financial assets and financial liabilities.

As of June 30, 2022, we had two interest rate swaps related to our term loans that were designated as cash flow hedges of interest rate risk. The total notional amount of \$100,000,000. See Footnote 6. Debt Obligations within our consolidated financial statements for further details. We record cash flow hedges either as an asset or a liability measured at fair value. We estimate the fair value of our interest rate swaps with the assistance of a third-party using inputs that are observable in the market which include forward yield curves and other relevant information. We have determined that the majority of the inputs used to value our derivative instruments fall within level 2 of the fair value hierarchy. The adjustments associated with our derivatives utilize level 3 inputs to evaluate the likelihood of default by us and our counterparties.

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 estimated fair value of our financial instruments as of June 30, 2022 and December 31, 2021 were as follows (*in thousands*):

	At June 30, 2022		At December 31, 2021
	Carrying Value	Fair Value	Carrying Value
Mortgage loans receivable, net of credit loss reserve	\$ 379,817	\$ 444,125 ⁽¹⁾	\$ 344,400
Notes receivable, net of credit loss reserve	58,206	63,008 ⁽²⁾	28,300
Revolving line of credit	56,000	56,000 ⁽³⁾	110,900
Term loans, net of debt issue costs	99,437	100,000 ⁽³⁾	99,300
Senior unsecured notes, net of debt issue costs	579,431	531,880 ⁽⁴⁾	512,400

- (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 flows. The discount rate is determined using our assumption on market conditions adjusted for market and credit risk and current returns on our investments. The discount rate used to value our future cash inflows of the mortgage loans receivable at June 30, 2022 and December 31, 2021 was 9.3% and 9.5%, respectively.
- (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 June 30, 2022 and December 31, 2021, were 6.6% and 6.6%, respectively.
- (3) Our revolving line of credit and term loans bear interest at a variable interest rate. The estimated fair value of our revolving line of credit and term loans approximates carrying value at June 30, 2022 and December 31, 2021 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 flows. The discount rate is measured based upon management's estimates of rates currently prevailing for comparable loans available to us with comparable maturities. At June 30, 2022, the discount rate used to value our future cash outflow of our senior unsecured notes was 5.75% for those maturing before year 2030 and 3.25% for those maturing at or beyond year 2030. At December 31, 2021, the discount rate used to value our future cash outflow of our senior unsecured notes was 5.75% for those maturing before year 2030 and 3.25% for those maturing at or beyond year 2030.

Subsequent Events

**6 Months Ended
Jun. 30, 2022**

Subsequent Events Subsequent Events

12. Subsequent Events

Subsequent to June 30, 2022 the following events occurred:

Real Estate Investments: We terminated a master lease agreement covering 12 assisted living communities with a total of 625 units and transitioned the communities to an existing operator. In connection with the lease termination, we abated rent for June 2022 and have forgiven the former operator's \$7,066,000 outstanding unaccrued deferred rent balance. Subsequent to June 30, 2022, we paid the former operator a \$500,000 lease termination fee in exchange for cooperation and assistance in facilitating an orderly transition. The transitioned communities will be operated pursuant to a new two-year master lease with zero rent for the first four months. Thereafter, cash rent will be based on mutually agreed upon fair market rent. In connection with the new lease, we paid the new operator a \$410,000 lease incentive payment which will be amortized as a yield adjustment to rental income over the two-year lease term.

Abated and Deferred Rent: We agreed to defer \$150,000 of the \$445,000 monthly contractual rent for August and September of 2022 from a lessee that operates eight assisted living communities under a master lease. The operator requested rent assistance due to protracted lease-up of their portfolio during COVID. Additionally, we provided \$240,000 of abated rent in July 2022 and agreed to provide rent abatements up to \$240,000 for each of August and September of 2022 to an operator pursuant to a master lease covering two assisted living communities. We are evaluating options for these communities.

Debt: We borrowed \$20,500,000 under our revolving line of credit. Accordingly, we have \$76,500,000 outstanding and \$323,500,000 available for borrowing under our revolving line of credit. Additionally, we paid \$20,160,000 in regular scheduled principal payments under our senior unsecured notes. Accordingly, we have \$559,271,000 outstanding under our senior unsecured notes, net of debt issue costs.

Equity: We declared a monthly cash dividend of \$0.19 per share on our common stock for the months of July, August and September 2022, payable on July 29, August 31, and September 30, 2022, respectively to stockholders of record on July 21, August 23, and September 22, 2022, respectively. Additionally, we sold 125,200 shares of common stock for \$4,754,000 of net proceeds under our Equity Distribution Agreements. Accordingly, we have \$160,349,000 available under our Equity Distribution Agreements.

General (Policies)

**6 Months Ended
Jun. 30, 2022**

General

Basis of Presentation

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.

Reclassifications

All significant intercompany accounts and transactions have been eliminated in consolidation. The results of operations for the three and six months ended June 30, 2022 and 2021 are not necessarily indicative of the results for a full year.

Income taxes

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.

Real Estate Investments (Tables)

**6 Months Ended
Jun. 30, 2022**

[Real Estate Investments Summary of investments in owned properties](#)

The following table summarizes our investments in owned properties at June 30, 2022 (*dollar amounts in thousands*):

Type of Property	Gross Investment	Percentage of Investment	Number of Properties ⁽¹⁾	Number of SNF Beds
Assisted Living	\$ 797,556	56.6 %	99	—
Skilled Nursing	600,701	42.6 %	53	6,348
Other ⁽²⁾	11,680	0.8 %	1	118
Total	<u>\$ 1,409,937</u>	<u>100.0 %</u>	<u>153</u>	<u>6,466</u>

(1) We own properties in 26 states that are leased to 25 different operators.

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

[Schedule of future minimum base rents receivable](#)

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

2022	\$
2023	
2024	
2025	
2026	
Thereafter	

(1) Represents contractual cash rent, except for certain master leases which are based on estimated cash payments. Includes rent from subsequent acquisitions and subsequent dispositions. See *Footnote 12* for more information.

[Summary of components of our rental income](#)

The following table summarizes components of our rental income for the three and six months ended June 30, 2022 and 2021 (*in thousands*):

Rental Income	Three Months Ended June 30,		2021
	2022	2021	
Base cash rental income	\$ 28,108 ⁽¹⁾	\$ 26,410	\$ 55,000
Variable cash rental income	4,019 ⁽²⁾	3,529 ⁽²⁾	8,000
Straight-line rent	(293) ⁽³⁾	(19) ⁽³⁾	(1)
Adjustment for collectability of rental income and lease incentives	—	—	(1)
Amortization of lease incentives	(206)	(116)	(1)
Total	<u>\$ 31,628</u>	<u>\$ 29,804</u>	<u>\$ 61,998</u>

(1) Increased primarily due to a \$1,181 lease termination fee received in connection with the sale of a 74-unit ALF, rent received from properties transitioned from the LLC ("Senior Care") and Senior Lifestyle Corporation ("Senior Lifestyle") portfolios and rental income from completed development projects and annual rent escalations.

(2) The variable rental income for the three and six months ended June 30, 2022, includes reimbursement of real estate taxes by our lessees of \$4,019 and \$8,001, respectively. The variable rental income for the three and six months ended June 30, 2021, only includes reimbursement of real estate taxes of \$7,067. Increased primarily due to properties transitioned from Senior Care and new acquisitions.

(3) Decreased primarily due to the impact of prior year's 50% reduction of 2021 rent escalations for those leases accounted for on a straight-line basis.

(4) Represents a lease incentive balance write-off related to a closed property and subsequent lease termination.

(5) Represents a straight-line rent receivable write-off due to transitioning rental revenue recognition to cash basis for one lease in accordance with Accounting Standards Codification 842, *Leases*.

[Summary of information about purchase options included in our lease agreements](#)

The following table summarizes information about purchase options included in our lease agreements (*dollar amounts in thousands*):

State	Type of Property	Number of Properties	Gross Investments	Carrying Value
California	ALF/MC	2	\$ 38,895	\$ 34,000
Florida	MC	1	15,201	12,000
Kentucky and Ohio	MC	2	30,421	26,000
Nebraska	ALF	3	7,633	3,000
South Carolina	ALF/MC	1	11,680	9,000
Texas	SNF	4	51,815	51,000
Total			<u>\$ 155,645</u>	<u>\$ 137,000</u>

(1) Subject to the properties achieving certain coverage ratios.

- (2) During the second quarter of 2022, we purchased four skilled nursing centers and leased these properties under a 10-year lease with an existing operator. The lease includes a payment or purchase option but not both. If neither option is elected within the timeframe defined in the lease, both elections are terminated. For more information, see Footnote 8.

Summary of acquisitions

Year	Type of Property	Purchase Price	Transaction Costs	Total Acquisition Costs	P
2022	SNF ⁽¹⁾	\$ 51,534	\$ 281	\$ 51,815	
2021	n/a	\$ —	\$ —	\$ —	

- (1) The properties are located in Texas and are leased to an affiliate of an existing operator under a 10-year lease with two 5-year renewal options. Additionally, the lease includes a payment or purchase option but not both. If neither option is elected within the timeframe defined in the lease, both elections are terminated. The earn-out payment is based on achieving certain thresholds per the lease, beginning at the end of the second lease year through the end of the fifth lease year. The purchase option is available beginning at the end of the seventh lease year. The initial cash yield is 8% for the first year, increasing to 8.25% for the second year, then increases annually by 2.0% to the Medicare Market Basket Rate. In connection with the transaction, we provided the lessee a 10-year working capital loan for up to \$2,000, of which \$1,867 has been repaid as of June 30, 2022, increasing to 8.25% for the second year, then increasing annually with the lease rate.

Schedule of improvement projects

During the six months ended June 30, 2022 and 2021, we invested the following in improvement projects (*in thousands*):

Type of Property	2022	2021
Assisted Living Communities	\$ 1,964	\$ 1,841
Skilled Nursing Centers	620	1,071
Other	321	1,071
Total	\$ 2,905	\$ 3,983

Schedule of property sold

Properties Sold. The following table summarizes property sales during the six months ended June 30, 2022 and 2021 (*dollars in thousands*):

Year	State	Type of Properties	Number of Properties	Number of Beds/Units	Sales Price	Carrying Value
2022	California	ALF	2	232	\$ 43,715	\$ 17,831
	California	SNF	1	121	13,250	1,841
	Virginia	ALF	1	74	16,895	15,541
	n/a	n/a	—	—	—	—
Total 2022			4	427	\$ 73,860	\$ 35,213
2021	Florida	ALF	1	—	\$ 2,000	\$ 2,621
	Nebraska	ALF	1	40	900	1,071
	Wisconsin	ALF	3	263	35,000	28,291
	n/a	n/a	—	—	—	—
Total 2021			5	303	\$ 37,900	\$ 31,993

- (1) Calculation of net gain (loss) includes cost of sales.
- (2) In connection with this sale, the former operator paid us a lease termination fee of \$1,181 which is not included in the gain on sale.
- (3) We recognized additional gain due to the reassessment adjustment of the holdbacks related to properties sold during 2019 and 2020, under the expected value method of ASC 606, *Contracts with Customers* (“ASC 606”).

Summary of investments in mortgage loans secured by first mortgages

Mortgage Loans. The following table summarizes our investments in mortgage loans secured by first mortgages at June 30, 2022 (*in thousands*):

Interest Rate	Maturity	State	Gross Investment	Type of Property	Percentage of Investment	Number of Loans ⁽¹⁾	Number of Properties ⁽²⁾	SNF Beds
7.5%	2022	MO	\$ 1,780	OTH	0.5 %	1	— ⁽³⁾	—
7.5%	2024	LA	27,347	SNF	7.1 %	1	1	189
7.8%	2025	FL	12,779	ALF	3.3 %	1	1	—
7.3% ⁽⁴⁾	2025	NC/SC	50,889	ALF	13.3 %	1	13	—
7.3%	2026	NC	31,539	ALF	8.2 %	1	4	—
7.3%	2026	NC	766	OTH	0.2 %	1	— ⁽⁵⁾	—
10.4% ⁽⁶⁾	2043	MI	184,854	SNF	48.2 %	1	15	1,875
9.5% ⁽⁶⁾	2045	MI	39,068	SNF	10.2 %	1	4	501
9.8% ⁽⁶⁾	2045	MI	19,750	SNF	5.1 %	1	2	205
10% ⁽⁶⁾	2045	MI	14,875	SNF	3.9 %	1	1	146
Total			\$ 383,647		100.0 %	10	41	2,916

- (1) Some loans contain certain guarantees and provide for certain facility fees.
- (2) Our mortgage loans are secured by properties located in six states with five borrowers.
- (3) Represents a mortgage loan secured by a parcel of land for the future development of a 91-bed post-acute SNF.
- (4) Represents the initial rate. This loan has an IRR of 8%.
- (5) Represents a mortgage loan secured by a parcel of land in North Carolina held for future development of a seniors housing community.
- (6) Mortgage loans provide for 2.25% annual increases in the interest rate after a certain time period.

[Schedule of mortgage loan activity](#)

The following table summarizes our mortgage loan activity for the six months ended June 30, 2022 and 2021 (*in thousands*):

	Six Months Ended	
	2022	2021
Originations and funding under mortgage loans receivable	\$ 33,910	(1)
Application of interest reserve	2,451	
Scheduled principal payments received	(625)	
Mortgage loan premium amortization	(3)	
(Provision) recovery for loan loss reserve	(358)	
Net increase (decrease) in mortgage loans receivable	\$ 35,375	

- (1) We originated two senior mortgage loans, secured by four ALFs operated by an existing operator, as well as a land parcel in North Carolina. The communities have with an average age of less than four years. The land parcel is approximately 7.6 acres adjacent to one of the ALFs and is being held for the future development of a residential community. The mortgage loans have a four-year term, an interest rate of 7.25% and an IRR of 8%.

**Investment in
Unconsolidated Joint
Ventures (Tables)**

6 Months Ended

Jun. 30, 2022

**Investment in
Unconsolidated Joint
Ventures**

**Summary of the preferred
equity investments**

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
Washington	ALF/MC	Preferred Equity	(1)	12 %	7 %	95
Washington	UDP	Preferred Equity	(2)	12 %	8 %	—
Total						95

- (1) Represents preferred equity in an entity that developed and owns a 95-unit ALF and MC in Washington. Our investment represents 15.5% of the total investment. The 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 increases to 10% until achieving an IRR ranging between 12% to 14%, depending upon timing of redemption. During the fourth quarter of 2021, the entity completed the development and received a certificate of occupancy. We have the option to require the JV partner to purchase our preferred equity interest at any time between August 17, 2031 and December 31, 2031.
- (2) Represents preferred equity in an entity that will develop and own a 267-unit ILF and ALF in Washington. Our investment represents 11.6% of the estimated total investment. The preferred equity investment earns an initial cash rate of 8% with an IRR of 12%. The JV partner has the option to buy out our investment at any time after August 31, 2027. Also, we have the option to require the JV partner to purchase our preferred equity interest at any time between August 31, 2027 and, upon project completion, prior to the end of the first renewal term of the lease.

**Summary of capital
contributions, income
recognized and cash interest
received from investments in
unconsolidated joint ventures**

The following table summarizes our capital contributions, income recognized, and cash interest received related to our investments in unconsolidated joint ventures for the six months ended June 30, 2022 and 2021 (*in thousands*):

Year	Type of Properties	Capital Contribution	Income Recognized
2022	ALF/MC	\$ —	\$ 22
	UDP (1)	—	52
Total		\$ —	\$ 75
2021	ALF/MC	\$ —	\$ 22
	UDP (1)	8,000	44
Total		\$ 8,000	\$ 66

- (1) During 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 ALF and MC in Washington. Additionally, we withheld \$2,324 from the \$8,000 funding for a total reserve of \$3,777 related to this preferred equity investment.

Notes Receivable (Tables)

**6 Months Ended
Jun. 30, 2022**

Notes Receivable.

Summary of mezzanine loans and other loan arrangements

The following table is a summary of our notes receivable components as of June 30, 2022 and December 31, 2021 (*in thousands*):

	June 30, 2022	
Mezzanine loans ⁽¹⁾	\$	36,815
Other loans		21,979
Notes receivable credit loss reserve		(588)
Total	\$	58,206

- (1) During the first quarter of 2022, we originated a \$25,000 mezzanine loan for the recapitalization of a five-property seniors housing portfolio. The mezzanine loan has a term of approximately five years, with two one-year extension options and bears interest at 8% with an IRR of 11%. The five communities are located in Oregon and include independent living, assisted living and memory care.

Summary of notes receivable activity

The following table summarizes our notes receivable activity for the six months ended June 30, 2022 and 2021 (*in thousands*):

	Six Months Ended June 30, 2022	
	2022	
Advances under notes receivable	\$	36,788 ⁽¹⁾
Principal payments received under notes receivable		(6,618)
Provision for credit losses		(301)
Net increase (decrease) in notes receivable	\$	29,869

- (1) Includes origination of a \$25,000 mezzanine loan for the recapitalization of five assisted living communities located in Oregon and Montana. Additionally includes a working capital loan for a commitment of up to \$2,000, of which \$1,867 has been funded and \$9,541 of funding under a working capital loan to HMG Health.

Lease Incentives (Tables)

**6 Months Ended
Jun. 30, 2022**

[Lease Incentives](#)

[Summary of lease incentive activity](#)

The following table summarizes our lease incentives activity for the six months ended June 30, 2022 and 2021 *(in thousands)*:

	Six Months Ended June 30,				
	2022				
	Adjustment	Funding	Amortization	Write-off	Funding
Non-contingent lease incentives	\$ (174) ⁽¹⁾	\$ 8	\$ (429)	\$ (173) ⁽²⁾	\$ 18

(1) Primarily relates to the sale of two ALFs in California during the second quarter of 2022.

(2) Represents the lease incentive balance write-off related to a closed property and subsequent lease termination.

Debt Obligations (Tables)

**6 Months Ended
Jun. 30, 2022**

Debt Obligations

Schedule of interest rate swaps

As of June 30, 2022 and December 31, 2021, the terms of the Interest Rate Swaps are as follows (*dollar amounts in thousands*):

Date Entered	Maturity Date	Swap Rate	Rate Index	Notional Amount	Fair Value at June 30, 2022
November 2021	November 19, 2025	2.56 %	1-month LIBOR	\$ 50,000	\$ 2,824
November 2021	November 19, 2026	2.69 %	1-month LIBOR	50,000	3,315
				<u>\$ 100,000</u>	<u>\$ 6,139</u>

Schedule of Debt Obligations

The following table sets forth information regarding debt obligations by component as of June 30, 2022 and December 31, 2021 (*dollar amounts in thousands*):

Debt Obligations	Applicable Interest Rate ⁽¹⁾	At June 30, 2022		Outstanding Balance at June 30, 2021
		Outstanding Balance	Available for Borrowing	
Revolving line of credit ⁽²⁾	2.67%	\$ 56,000	\$ 344,000	\$ 11,000
Term loans, net of debt issue costs	2.63%	99,437	—	9,000
Senior unsecured notes, net of debt issue costs ⁽³⁾	4.28%	579,431	—	51,000
Total	3.93%	<u>\$ 734,868</u>	<u>\$ 344,000</u>	<u>\$ 71,000</u>

(1) Represents weighted average of interest rate as of June 30, 2022.

(2) Subsequent to June 30, 2022, we borrowed \$20,500 under the Revolving Line of Credit. Accordingly, we currently have \$76,500 outstanding and \$323,500 available for borrowing under the Revolving Line of Credit.

(3) Subsequent to June 30, 2022, we paid \$20,160 in regular scheduled principal payments under our senior unsecured notes. Accordingly, we currently have \$558,271 outstanding under our senior unsecured notes, net of debt issue costs.

Schedule of borrowings and repayments

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

Debt Obligations	Six Months Ended June 30,		
	2022	2021	2020
	Borrowings	Repayments	Borrowings
Revolving line of credit ⁽¹⁾	\$ 99,000	\$ (153,900)	\$ 17,000
Term loans	—	—	—
Senior unsecured notes ⁽²⁾	75,000	(7,000)	—
Total	<u>\$ 174,000</u>	<u>\$ (160,900)</u>	<u>\$ 17,000</u>

(1) Subsequent to June 30, 2022, we borrowed \$20,500 under the Revolving Line of Credit. Accordingly, we currently have \$76,500 outstanding and \$323,500 available for borrowing under the Revolving Line of Credit.

(2) Subsequent to June 30, 2022, we paid \$20,160 in regular scheduled principal payments under our senior unsecured notes. Accordingly, we currently have \$558,271 outstanding under our senior unsecured notes, net of debt issue costs.

Equity (Tables)

**6 Months Ended
Jun. 30, 2022**

Equity

Schedule of consolidated VIEs

As of June 30, 2022, we have the following consolidated VIEs (*in thousands*):

Investment Year	Purpose	Property Type	State	Gross Consolidated Assets	
2018	Owned real estate	ILF	OR	\$ 14,470	\$
2018	Owned real estate and development	ALF/MC	OR	18,447	
2017	Owned real estate and development	ILF/ALF/MC	WI	22,007	
2017	Owned real estate	ALF/MC	SC	11,680	
Total				\$ 66,604	\$

Schedule of cash dividends declared and paid

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

	Six Months Ended June 30,		
	2022		
	Declared	Paid	Declared
Common Stock ⁽¹⁾	\$ 45,115	\$ 45,115	\$ 45,608

(1) Represents \$0.19 per share per month for the six months ended June 30, 2022 and 2021.

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

Schedule of restricted stock activity

The following table summarizes our restricted stock activity for the six months ended June 30, 2022 and 2021:

	Six Mo 2022
Outstanding, January 1	197,42
Granted	135,21
Vested	(103,39)
Outstanding, June 30	229,23

Schedule of restricted stock granted

Year	No. of Shares/Units	Price per Share	Reward Type	Vesting Period
2022	122,865	\$ 33.94	Restricted stock	ratably over 3 years
	86,332	\$ 33.94	Performance-based stock units	TSR targets ⁽¹⁾
	12,345	\$ 38.48	Restricted stock	May 25, 2023
	221,542			
2021	95,293	\$ 42.27	Restricted stock	ratably over 3 years
	71,892	\$ 42.27	Performance-based stock units	TSR targets ⁽¹⁾
	12,055	\$ 39.40	Restricted stock	May 26, 2022
	3,000	\$ 43.14	Restricted stock	April 1, 2022
	182,240			

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

Schedule of restricted common stock and performance-based stock unit scheduled to vest and remaining compensation expense

At June 30, 2022, the remaining compensation expense to be recognized related to the future service period of unvested outstanding restricted stock and performance-based stock units are as follows (*in thousands*):

Vesting Date
July - December 2022
2023
2024
2025
Total

**Commitments and
Contingencies (Tables)**

**6 Months Ended
Jun. 30, 2022**

**Commitments and
Contingencies**

Schedule of commitments

At June 30, 2022, we had commitments as follows (*in thousands*):

	Investment Commitment	2022 Funding	Con I
Real estate properties (Footnote 2. <i>Real Estate Investments</i>)	\$ 15,593 ⁽¹⁾	\$ 2,133	\$
Accrued incentives and earn-out liabilities (Footnote 5. <i>Lease Incentives</i>)	12,000 ⁽²⁾	—	
Mortgage loans (Footnote 2. <i>Real Estate Investments</i>)	32,507 ⁽³⁾	858	
Notes receivable (Footnote 4. <i>Notes Receivable</i>)	27,380	11,788	
Total	\$ 87,480	\$ 14,779	\$

- (1) Represents commitments to purchase land and improvements, if applicable, and to develop, re-develop, renovate or expand seniors housing and skilled nursing centers.
- (2) Additionally, during the six months ended June 30, 2022, we purchased four skilled nursing centers in Texas and leased these properties under a 10-year lease. The lease provides either an earn-out payment up to \$3,000 or a purchase option but not both. The earn-out payment is available, contingent on achieving certain performance metrics beginning at the end of the second lease year through the end of the fifth lease year. If neither option is elected within the timeframe defined in the lease, both options will expire. For more information regarding the purchase option see Footnote 2.
- (3) Represents \$14,507 of commitments for the expansion, renovation and working capital related to seniors housing and skilled nursing properties securing the commitments which are contingent upon the borrower achieving certain coverage ratios.

Major Operators (Tables)

6 Months Ended
Jun. 30, 2022

Major Operators Schedule of concentration of risk by major operators

Operator	Number of		Number of		Total Revenue ⁽¹⁾	P
	SNF	ALF	SNF Beds	ALF Units		
Prestige Healthcare ⁽³⁾	24	—	2,845	93	20.0 %	

(1) Includes rental income from owned properties and interest income from mortgage loans as of June 30, 2022.

(2) Represents the net carrying value of the mortgage loans and properties we own 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.

Earning per Share (Tables)

**6 Months Ended
Jun. 30, 2022**

Earnings per Share Schedule of basic and diluted net income per share

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

	Three Months Ended June 30,		Six Months Ended June 30,
	2022	2021	2022
Net income	\$ 54,490	\$ 18,330	\$ 68,330
Less income allocated to non-controlling interests	(107)	(91)	(107)
Less income allocated to participating securities:			
Non-forfeitable dividends on participating securities	(133)	(113)	(133)
Income allocated to participating securities	(185)	—	(185)
Total net income allocated to participating securities	(318)	(113)	(318)
Net income available to common stockholders	54,065	18,126	68,330
Effect of dilutive securities:			
Participating securities ⁽¹⁾	—	—	—
Net income for diluted net income per share	\$ 54,065	\$ 18,126	\$ 68,330
Shares for basic net income per share	39,492	39,169	39,492
Effect of dilutive securities:			
Stock options	— ⁽²⁾	1	—
Performance-based stock units	173	—	173
Participating securities ⁽¹⁾	—	—	—
Total effect of dilutive securities	173	1	173
Shares for diluted net income per share	39,665	39,170	39,665
Basic net income per share	\$ 1.37	\$ 0.46	\$ 1.37
Diluted net income per share	\$ 1.36	\$ 0.46	\$ 1.36

(1) For the three and six months ended June 30, 2022, and 2021, the participating securities have been excluded from the computation of diluted net income per share as their inclusion would be anti-dilutive.

(2) For the three and six months ended June 30, 2022, stock options have been excluded from the computation of diluted net income per share as such inclusion would be anti-dilutive.

**Fair Value Measurements
(Tables)**

**6 Months Ended
Jun. 30, 2022**

Fair Value Measurements

**Schedule of carrying value and
fair value of the entity's
financial instruments**

The carrying value and estimated fair value of our financial instruments as of June 30, 2022 and December 31, 2021 were as follows:

	At June 30, 2022		At December 31, 2021
	Carrying Value	Fair Value	Carrying Value
Mortgage loans receivable, net of credit loss reserve	\$ 379,817	\$ 444,125 ⁽¹⁾	\$ 344,400
Notes receivable, net of credit loss reserve	58,206	63,008 ⁽²⁾	28,300
Revolving line of credit	56,000	56,000 ⁽³⁾	110,900
Term loans, net of debt issue costs	99,437	100,000 ⁽³⁾	99,300
Senior unsecured notes, net of debt issue costs	579,431	531,880 ⁽⁴⁾	512,400

- (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 flows. The discount rate is determined using our assumption on market conditions adjusted for market and credit risk and current returns on our investments. The discount rate used to value our future cash inflows of the mortgage loans receivable at June 30, 2022 and December 31, 2021 was 9.3% and 9.5%, respectively.
- (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 June 30, 2022 and December 31, 2021, were 6.6% and 6.5%, respectively.
- (3) Our revolving line of credit and term loans bear interest at a variable interest rate. The estimated fair value of our revolving line of credit and term loans approximates their carrying values at June 30, 2022 and December 31, 2021 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 flows. The discount rate is measured based upon management's estimates of rates currently prevailing for comparable loans available to the company with comparable maturities. At June 30, 2022, the discount rate used to value our future cash outflow of our senior unsecured notes was 5.75% for those maturing before year 2030 and 3.25% for those maturing at or beyond year 2030. At December 31, 2021, the discount rate used to value our future cash outflow of our senior unsecured notes was 5.75% for those maturing before year 2030 and 3.25% for those maturing at or beyond year 2030.

General (Details)	6 Months Ended
\$ in Thousands	Jun. 30, 2022
	USD (\$)
	segment

General

Number of operating segments segment	1
Provision for federal or state income taxes \$	\$ 0

	6 Months Ended
	Jun. 30, 2022
Real Estate Investments -	USD (\$)
Owned Properties (Details)	item
\$ in Thousands	property
	state
	\$ / item

Real Estate [Line Items]

Number of beds/units 217

Real Estate Investment

Real Estate [Line Items]

Gross Investment | \$ \$ 1,409,937

Percentage of Investment 100.00%

Number of properties | property 153

Number of states | state 26

Number of operators 25

Real Estate Investment | SNF Beds

Real Estate [Line Items]

Number of beds/units 6,466

Real Estate Investment | ALF Units

Real Estate [Line Items]

Number of beds/units 5,728

ALF

Real Estate [Line Items]

Number of properties | property 4

Number of beds/units 74

ALF | Real Estate Investment

Real Estate [Line Items]

Gross Investment | \$ \$ 797,556

Percentage of Investment 56.60%

Number of properties | property 99

Average Investment per Bed/Unit | \$ / item 145.22

ALF | Real Estate Investment | ALF Units

Real Estate [Line Items]

Number of beds/units 5,492

SNF | Real Estate Investment

Real Estate [Line Items]

Gross Investment | \$ \$ 600,701

Percentage of Investment 42.60%

Number of properties | property 53

Average Investment per Bed/Unit | \$ / item 91.24

SNF | Real Estate Investment | SNF Beds

Real Estate [Line Items]

Number of beds/units 6,348

[SNF | Real Estate Investment | ALF Units](#)

[Real Estate \[Line Items\]](#)

[Number of beds/units](#) 236

[Other | Real Estate Investment](#)

[Real Estate \[Line Items\]](#)

[Gross Investment | \\$](#) \$ 11,680

[Percentage of Investment](#) 0.80%

[Number of properties | property](#) 1

[Number of parcels of land](#) 3

[Other | Real Estate Investment | SNF Beds](#)

[Real Estate \[Line Items\]](#)

[Number of beds/units](#) 118

[Hospital | Real Estate Investment](#)

[Real Estate \[Line Items\]](#)

[Number of properties | property](#) 1

**Real Estate Investments -
Base Rents (Details)
\$ in Thousands**

**Jun. 30, 2022
USD (\$)**

Future minimum base rents receivable

<u>2022</u>	\$ 57,820
<u>2023</u>	113,626
<u>2024</u>	93,786
<u>2025</u>	85,214
<u>2026</u>	68,753
<u>Thereafter</u>	\$ 269,038

Real Estate Investments - Lease (Details)	3 Months Ended		6 Months Ended		12 Months Ended
	Jun. 30, 2022 USD (\$) property item	Jun. 30, 2021 USD (\$)	Jun. 30, 2022 USD (\$) property item	Jun. 30, 2021 USD (\$)	Dec. 31, 2021 USD (\$)
<u>Real estate investments</u>					
<u>Write-off of straight-line rent and lease incentives balances</u>			\$ 173,000	\$ 758,000	
<u>Carrying value</u>	\$ 1,035,767,000		1,035,767,000		\$ 1,033,951,000
<u>Gain on sale of real estate, net</u>	\$ 38,094,000	\$ 5,463,000	\$ 38,196,000	4,690,000	
<u>Number of units item</u>	217		217		
<u>Income and Expenses, Lessor [Abstract]</u>					
<u>Base cash rental income</u>	\$ 28,108,000	26,410,000	\$ 55,023,000	55,033,000	
<u>Variable cash rental income</u>	4,019,000	3,529,000	8,058,000	7,067,000	
<u>Straight-Line Rent</u>	(293,000)	(19,000)	(527,000)	663,000	
<u>Adjustment for collectability of rental income and lease incentives</u>			(173,000)	(758,000)	
<u>Amortization of Lease Incentives</u>	(206,000)	(116,000)	(429,000)	(228,000)	
<u>Total Rental Income</u>	31,628,000	29,804,000	61,952,000	61,777,000	
<u>Real estate taxes reimbursed</u>	4,019,000	\$ 3,529,000	8,001,000	\$ 7,067,000	
<u>Contingent rental income</u>	0		57,000		
<u>Rent abatements</u>			1,891,000		
<u>Rent deferrals</u>	1,987,000		1,987,000		
<u>Repayments of rent deferrals</u>			124,000		
<u>Rent abatements and deferrals</u>			\$ 3,878,000		
<u>Percentage of contractual rent</u>			5.20%		
<u>Percentage of reduction in rent and interest escalations</u>					50.00%
<u>Purchase Option in Lease Arrangements</u>					
<u>Real estate investments</u>					
<u>Gross Investment</u>	155,645,000		\$ 155,645,000		
<u>Carrying value</u>	\$ 137,001,000		\$ 137,001,000		
<u>ALF</u>					
<u>Real estate investments</u>					
<u>Number of properties property</u>	4		4		
<u>Lease termination fee received</u>			\$ 1,181,000		
<u>Number of units item</u>	74		74		
<u>ALF Purchase Option in Lease Arrangements Nebraska</u>					
<u>Real estate investments</u>					

Number of properties property	3	3
Gross Investment	\$ 7,633,000	\$ 7,633,000
Carrying value	\$ 3,067,000	\$ 3,067,000
MC Purchase Option in Lease Arrangements Florida		
Real estate investments		
Number of properties property	1	1
Gross Investment	\$ 15,201,000	\$ 15,201,000
Carrying value	\$ 12,728,000	\$ 12,728,000
MC Purchase Option in Lease Arrangements Kentucky and Ohio		
Real estate investments		
Number of properties property	2	2
Gross Investment	\$ 30,421,000	\$ 30,421,000
Carrying value	\$ 26,191,000	\$ 26,191,000
ALF & MC Purchase Option in Lease Arrangements California		
Real estate investments		
Number of properties property	2	2
Gross Investment	\$ 38,895,000	\$ 38,895,000
Carrying value	\$ 34,189,000	\$ 34,189,000
ALF & MC Purchase Option in Lease Arrangements South Carolina		
Real estate investments		
Number of properties property	1	1
Gross Investment	\$ 11,680,000	\$ 11,680,000
Carrying value	\$ 9,341,000	\$ 9,341,000
SNF		
Income and Expenses, Lessor [Abstract]		
Number of properties acquired property		4
Acquisition Costs		\$ 51,815,000
Lease term	10 years	10 years
SNF Purchase Option in Lease Arrangements		
Income and Expenses, Lessor [Abstract]		
Number of properties acquired item	4	
Lease term	10 years	10 years
SNF Purchase Option in Lease Arrangements Texas		
Real estate investments		
Number of properties property	4	4
Gross Investment	\$ 51,815,000	\$ 51,815,000
Carrying value	\$ 51,485,000	\$ 51,485,000

**Real Estate Investments -
Acquisitions and
Improvements (Details)
\$ in Thousands**

**6 Months Ended
Jun. 30, 2022
USD (\$)
property
item**

Maximum

Real estate investments

Annual increase in cash yield percentage 4.00%

SNF

Real estate investments

Purchase Price \$ 51,534

Transaction Costs 281

Acquisition Costs \$ 51,815

Number of properties acquired | property 4

Number of beds/units acquired | item 339

Lease term 10 years

Renewal term 5 years

Number of options available for renewal | item 2

Working Capital Loan Funded \$ 1,867

Cash yield percentage 8.00%

Cash yield percentage year two 8.25%

SNF | Minimum

Real estate investments

Annual increase in cash yield percentage 2.00%

SNF | Maximum

Real estate investments

Working Capital Loan Funded \$ 2,000

Real Estate Investments - Types of property Improvement (Details) - USD (\$) \$ in Thousands	6 Months Ended	
	Jun. 30, 2022	Jun. 30, 2021
Real estate investments		
Invested in projects	\$ 14,779	
Improvements		
Real estate investments		
Invested in projects	2,905	\$ 2,046
ALF Improvements		
Real estate investments		
Invested in projects	1,964	\$ 2,046
SNF Improvements		
Real estate investments		
Invested in projects	620	
Other Improvements		
Real estate investments		
Invested in projects	\$ 321	

Real Estate Investments - Properties Sold (Details) \$ in Thousands	3 Months Ended		6 Months Ended		Dec. 31, 2021 USD (\$)
	Jun. 30, 2022 USD (\$) property	Jun. 30, 2021 USD (\$)	Jun. 30, 2022 USD (\$) item property	Jun. 30, 2021 USD (\$) item property	
<u>Disposals and other</u>					
<u>Carrying value</u>	\$ 1,035,767		\$ 1,035,767		\$ 1,033,951
<u>Net Gain (loss)</u>	\$ 38,094	\$ 5,463	\$ 38,196	\$ 4,690	
<u>ALF</u>					
<u>Disposals and other</u>					
<u>Number of properties property</u>	4		4		
<u>ALF Virginia</u>					
<u>Disposals and other</u>					
<u>Lease termination fee payable</u>	\$ 1,181		\$ 1,181		
<u>Properties sold</u>					
<u>Disposals and other</u>					
<u>Number of properties sold property</u>			4	5	
<u>Number of beds or units in property sold item</u>			427	303	
<u>Sales price</u>			\$ 73,860	\$ 37,900	
<u>Carrying value</u>	35,227	31,999	35,227	31,999	
<u>Net Gain (loss)</u>			38,196	4,690	
<u>Net Gain (loss)</u>			\$ 144	\$ 159	
<u>Properties sold SNF California</u>					
<u>Disposals and other</u>					
<u>Number of properties sold property</u>			1		
<u>Number of beds or units in property sold item</u>			121		
<u>Sales price</u>			\$ 13,250		
<u>Carrying value</u>	1,846		1,846		
<u>Net Gain (loss)</u>			\$ 10,849		
<u>Properties sold ALF Florida</u>					
<u>Disposals and other</u>					
<u>Number of properties sold property</u>				1	
<u>Sales price</u>				\$ 2,000	
<u>Carrying value</u>		2,625		2,625	
<u>Net Gain (loss)</u>				\$ (858)	
<u>Properties sold ALF Nebraska</u>					
<u>Disposals and other</u>					
<u>Number of properties sold property</u>				1	
<u>Number of beds or units in property sold item</u>				40	
<u>Sales price</u>				\$ 900	

<u>Carrying value</u>	1,079	1,079
<u>Net Gain (loss)</u>		\$ (205)
<u>Properties sold ALF Wisconsin</u>		
<u>Disposals and other</u>		
<u>Number of properties sold property</u>		3
<u>Number of beds or units in property sold item</u>		263
<u>Sales price</u>		\$ 35,000
<u>Carrying value</u>	\$ 28,295	28,295
<u>Net Gain (loss)</u>		\$ 5,594
<u>Properties sold ALF California</u>		
<u>Disposals and other</u>		
<u>Number of properties sold property</u>	2	
<u>Number of beds or units in property sold item</u>	232	
<u>Sales price</u>		\$ 43,715
<u>Carrying value</u>	17,832	17,832
<u>Net Gain (loss)</u>		\$ 25,867
<u>Properties sold ALF Virginia</u>		
<u>Disposals and other</u>		
<u>Number of properties sold property</u>	1	
<u>Number of beds or units in property sold item</u>	74	
<u>Sales price</u>		\$ 16,895
<u>Carrying value</u>	\$ 15,549	15,549
<u>Net Gain (loss)</u>		\$ 1,336

	6 Months Ended Jun. 30, 2022 USD (\$) loan item property state \$ / item
Real Estate Investments - Mortgage Loan (Details) \$ in Thousands	
<u>Real Estate [Line Items]</u>	
<u>Interest rate (as a percent)</u>	7.25%
<u>Number of beds/units</u>	217
<u>Internal Rate of Return</u>	8.00%
<u>ALF</u>	
<u>Real Estate [Line Items]</u>	
<u>Number of properties property</u>	4
<u>Number of beds/units</u>	74
<u>Mortgage loans with 7.3% Interest Maturing 2025 ALF</u>	
<u>Real Estate [Line Items]</u>	
<u>Internal Rate of Return</u>	8.00%
<u>Mortgage Loans</u>	
<u>Real Estate [Line Items]</u>	
<u>Gross Investment \$</u>	\$ 383,647
<u>Percentage of Investment</u>	100.00%
<u>Number of Loans loan</u>	10
<u>Number of properties property</u>	41
<u>Average Investment per Bed/Unit \$ / item</u>	103.02
<u>Number of states state</u>	6
<u>Number of operators</u>	5
<u>Mortgage Loans SNF Beds</u>	
<u>Real Estate [Line Items]</u>	
<u>Number of beds/units</u>	2,916
<u>Mortgage Loans ALF Units</u>	
<u>Real Estate [Line Items]</u>	
<u>Number of beds/units</u>	808
<u>Mortgage Loans SNF</u>	
<u>Real Estate [Line Items]</u>	
<u>Interest rate (as a percent)</u>	2.25%
<u>Mortgage Loans Mortgage loans with 7.5% Interest Maturing 2022 OTH</u>	
<u>Real Estate [Line Items]</u>	
<u>Interest rate (as a percent)</u>	7.50%
<u>Gross Investment \$</u>	\$ 1,780
<u>Percentage of Investment</u>	0.50%
<u>Number of Loans loan</u>	1
<u>Mortgage Loans Mortgage loans with 7.5% Interest Maturing 2022 OTH SNF Beds</u>	

Real Estate [Line Items]

Number of beds/units 91

Mortgage Loans | Mortgage loans with 7.5% Interest Maturing 2024 | SNF

Real Estate [Line Items]

Interest rate (as a percent) 7.50%

Gross Investment | \$ \$ 27,347

Percentage of Investment 7.10%

Number of Loans | loan 1

Number of properties | property 1

Average Investment per Bed/Unit | \$ / item 144.69

Mortgage Loans | Mortgage loans with 7.5% Interest Maturing 2024 | SNF | SNF Beds

Real Estate [Line Items]

Number of beds/units 189

Mortgage Loans | Mortgage loans with 7.8% Interest Maturing 2025 | ALF

Real Estate [Line Items]

Interest rate (as a percent) 7.80%

Gross Investment | \$ \$ 12,779

Percentage of Investment 3.30%

Number of Loans | loan 1

Number of properties | property 1

Average Investment per Bed/Unit | \$ / item 187.93

Mortgage Loans | Mortgage loans with 7.8% Interest Maturing 2025 | ALF | ALF Units

Real Estate [Line Items]

Number of beds/units 68

Mortgage Loans | Mortgage loans with 7.3% Interest Maturing 2025 | ALF

Real Estate [Line Items]

Interest rate (as a percent) 7.30%

Gross Investment | \$ \$ 50,889

Percentage of Investment 13.30%

Number of Loans | loan 1

Number of properties | property 13

Average Investment per Bed/Unit | \$ / item 97.30

Mortgage Loans | Mortgage loans with 7.3% Interest Maturing 2025 | ALF | ALF Units

Real Estate [Line Items]

Number of beds/units 523

Mortgage Loans | Mortgage loans with 7.3% Interest Maturing 2026 | OTH

Real Estate [Line Items]

Interest rate (as a percent) 7.30%

Gross Investment | \$ \$ 766

Percentage of Investment 0.20%

Number of Loans | loan 1

Mortgage Loans | Mortgage loans with 7.3% Interest Maturing 2026 | ALF

Real Estate [Line Items]

Interest rate (as a percent) 7.30%

Gross Investment \$	\$ 31,539
Percentage of Investment	8.20%
Number of Loans loan	1
Number of properties property	4
Average Investment per Bed/Unit \$ / item	145.34
Mortgage Loans Mortgage loans with 7.3% Interest Maturing 2026 ALF ALF Units	
Real Estate [Line Items]	
Number of beds/units	217
Mortgage Loans Mortgage loans with 10.4% Interest Maturing 2043 SNF	
Real Estate [Line Items]	
Interest rate (as a percent)	10.40%
Gross Investment \$	\$ 184,854
Percentage of Investment	48.20%
Number of Loans loan	1
Number of properties property	15
Average Investment per Bed/Unit \$ / item	98.59
Mortgage Loans Mortgage loans with 10.4% Interest Maturing 2043 SNF SNF Beds	
Real Estate [Line Items]	
Number of beds/units	1,875
Mortgage Loans Mortgage loans with 9.5% Interest Maturing 2045 SNF	
Real Estate [Line Items]	
Interest rate (as a percent)	9.50%
Gross Investment \$	\$ 39,068
Percentage of Investment	10.20%
Number of Loans loan	1
Number of properties property	4
Average Investment per Bed/Unit \$ / item	77.98
Mortgage Loans Mortgage loans with 9.5% Interest Maturing 2045 SNF SNF Beds	
Real Estate [Line Items]	
Number of beds/units	501
Mortgage Loans Mortgage loans with 9.8% Interest Maturing 2045 SNF	
Real Estate [Line Items]	
Interest rate (as a percent)	9.80%
Gross Investment \$	\$ 19,750
Percentage of Investment	5.10%
Number of Loans loan	1
Number of properties property	2
Average Investment per Bed/Unit \$ / item	96.34
Mortgage Loans Mortgage loans with 9.8% Interest Maturing 2045 SNF SNF Beds	
Real Estate [Line Items]	
Number of beds/units	205
Mortgage Loans Mortgage loans with 10.0% Interest Maturing 2045 SNF	
Real Estate [Line Items]	
Interest rate (as a percent)	10.00%

Gross Investment \$	\$ 14,875
Percentage of Investment	3.90%
Number of Loans loan	1
Number of properties property	1
Average Investment per Bed/Unit \$ / item	101.88
Mortgage Loans Mortgage loans with 10.0% Interest Maturing 2045 SNF SNF Beds	
Real Estate [Line Items]	
Number of beds/units	146

6 Months Ended
Jun. 30, 2022
USD (\$)
a
loan
item
property

**Real Estate Investments -
Mortgage Loans Activity
(Details)**

Mortgage Loans

<u>Originations and funding under mortgage loans receivable</u>	\$ 33,910,000	\$ 426,000	
<u>Application of interest reserve</u>	2,451,000		
<u>Scheduled principal payments received</u>	(625,000)	(625,000)	
<u>Mortgage loan premium amortization</u>	(3,000)	(3,000)	
<u>Provision (recovery) for loan loss reserve</u>	(358,000)	2,000	
<u>Net increase (decrease) in mortgage loans receivable</u>	\$ 35,375,000	(200,000)	
<u>Number of senior mortgage loans loan</u>	2		
<u>Number of beds/units item</u>	217		
<u>Area of land a</u>	7.6		
<u>Loan Term</u>	4 years		
<u>Interest rate (as a percent)</u>	7.25%		
<u>Internal Rate of Return</u>	8.00%		
<u>Interest receivable</u>	\$ 42,713,000		\$ 39,522,000
<u>Write-off of accrued interest receivable</u>	\$ 0	\$ 0	
<u>Maximum</u>			

Mortgage Loans

<u>Loan Term</u>	4 years
<u>ALF</u>	

Mortgage Loans

<u>Number of properties property</u>	4
<u>Number of beds/units item</u>	74

Investment in Unconsolidated Joint Ventures - Investment (Details)	6 Months Ended		
	Jun. 30, 2022 USD (\$) item	Jun. 30, 2021 USD (\$) item	Dec. 31, 2021 USD (\$)
<u>Investment in Unconsolidated Joint Ventures</u>			
<u>Number of beds/units item</u>	217		
<u>Carrying Value</u>	\$ 19,340,000		\$ 19,340,000
<u>Income Recognized</u>	751,000	\$ 665,000	
<u>Joint Venture Not primary beneficiary</u>			
<u>Investment in Unconsolidated Joint Ventures</u>			
<u>Capital Contributions</u>		8,000,000	
<u>Income Recognized</u>	751,000	665,000	
<u>Cash Interest Received</u>	\$ 751,000	540,000	
<u>Preferred Equity Investment Joint Venture Not primary beneficiary</u>			
<u>Investment in Unconsolidated Joint Ventures</u>			
<u>Number of beds/units item</u>	95		
<u>Carrying Value</u>	\$ 19,340,000		
<u>UDP Preferred Equity Investment Joint Venture Not primary beneficiary</u>			
<u>Investment in Unconsolidated Joint Ventures</u>			
<u>Capital Contributions</u>		8,000,000	
<u>Income Recognized</u>	527,000	440,000	
<u>Cash Interest Received</u>	\$ 527,000	353,000	
<u>UDP Preferred Equity Investment Joint Venture Not primary beneficiary Washington</u>			
<u>Investment in Unconsolidated Joint Ventures</u>			
<u>Preferred return percentage</u>	12.00%		
<u>Contractual cash portion</u>	8.00%		
<u>Number of beds/units item</u>	267		
<u>Carrying Value</u>	\$ 13,000,000		
<u>Percentage of Investment</u>	11.60%		
<u>Percentage of cash return</u>	8.00%		
<u>Percentage of internal rate of return</u>	12.00%		
<u>Combination ALF/MC Preferred Equity Investment Joint Venture Not primary beneficiary</u>			
<u>Investment in Unconsolidated Joint Ventures</u>			
<u>Income Recognized</u>	\$ 224,000	225,000	
<u>Cash Interest Received</u>	\$ 224,000	\$ 187,000	
<u>Combination ALF/MC Preferred Equity Investment Joint Venture Not primary beneficiary Internal Rate of Return is Until Eight Percent</u>			
<u>Investment in Unconsolidated Joint Ventures</u>			

Percentage of internal rate of return	8.00%
Combination ALF/MC Preferred Equity Investment Joint Venture Not primary beneficiary The Internal Rate of Return is Between Twelve and Fourteen Percent Minimum	
Investment in Unconsolidated Joint Ventures	
Percentage of internal rate of return	12.00%
Combination ALF/MC Preferred Equity Investment Joint Venture Not primary beneficiary The Internal Rate of Return is Between Twelve and Fourteen Percent Maximum	
Investment in Unconsolidated Joint Ventures	
Percentage of internal rate of return	14.00%
Combination ALF/MC Preferred Equity Investment Joint Venture Not primary beneficiary Washington	
Investment in Unconsolidated Joint Ventures	
Preferred return percentage	12.00%
Contractual cash portion	7.00%
Number of beds/units item	95
Carrying Value	\$
	6,340,000
Percentage of Investment	15.50%
Combination ALF/MC Preferred Equity Investment Joint Venture Not primary beneficiary Washington Internal Rate of Return is Until Eight Percent Minimum	
Investment in Unconsolidated Joint Ventures	
Percentage of cash return	7.00%
Combination ALF/MC Preferred Equity Investment Joint Venture Not primary beneficiary Washington Internal Rate of Return is Until Eight Percent Maximum	
Investment in Unconsolidated Joint Ventures	
Percentage of cash return	9.00%
Combination ILF/ALF Preferred Equity Investment Joint Venture Not primary beneficiary Washington	
Investment in Unconsolidated Joint Ventures	
Number of beds/units item	267
Reserve withheld	\$ 2,324
Additional preferred capital contributions in joint venture committed	8,000,000
Amount of joint venture investment	13,000,000
Reserve for preferred equity investment	\$ 3,777

**Notes Receivable -
Components (Details) - USD**

(**\$**) **Jun. 30, 2022 Dec. 31, 2021**

\$ in Thousands

Notes receivable activities

<u>Notes receivable loan loss reserve</u>	\$ (588)	\$ (286)
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<u>Total</u>	58,206	28,337
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Mezzanine loan

Notes receivable activities

<u>Mezzanine loan</u>	36,815	11,815
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Other loans

Notes receivable activities

<u>Mezzanine loan</u>	\$ 21,979	\$ 16,808
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**Notes Receivable - Notes
Receivable Activity (Details)
- USD (\$)
\$ in Thousands**

**6 Months Ended
Jun. 30, 2022 Jun. 30, 2021**

Notes receivable activities

<u>Advances under notes receivable</u>	\$ 36,788	\$ 1,811
<u>Principal payments received under notes receivable</u>	(6,618)	(2,553)
<u>Provision for credit losses</u>	(301)	7
<u>Net increase (decrease) in notes receivable</u>	\$ 29,869	\$ (735)

Notes Receivable (Details) \$ in Thousands	3 Months Ended Mar. 31, 2022	6 Months Ended Jun. 30, 2022	Jun. 30, 2021
	USD (\$) property item	USD (\$) item property	USD (\$) property
Notes receivable activities			
Amounts funded		\$ 36,788	\$ 1,811
Loan Term		4 years	
Interest rate (as a percent)		7.25%	
Number of units item		217	
Maximum			
Notes receivable activities			
Loan Term		4 years	
Mezzanine loan			
Notes receivable activities			
Amounts funded	\$ 25,000	\$ 25,000	
Number of property property	5	5	
Loan Term	5 years		
Extension term number of options item	2		
Extension term	1 year		
Interest rate (as a percent)	8.00%		
IRR on mortgage loan on real estate property	11.00%		
Number of real estate property communities property	5		
Number of units property	621		
Mezzanine loan Adjustment			
Notes receivable activities			
Working capital loan funded		\$ 1,867	
Mezzanine loan Maximum			
Notes receivable activities			
Working capital loan funded		2,000	
HMG Healthcare, LLC Mezzanine loan			
Notes receivable activities			
Funded under working capital		\$ 9,541	

Lease Incentives (Details)	3 Months Ended	6 Months Ended		
	Jun. 30, 2022 USD (\$) property	Jun. 30, 2022 USD (\$)	Jun. 30, 2021 USD (\$)	Dec. 31, 2021 USD (\$)
<u>Lease Incentives</u>				
<u>Non-contingent lease incentives</u>	\$ 1,910,000	\$ 1,910,000		\$ 2,678,000
<u>Non-contingent lease incentives, Adjustment</u>		(174,000)		
<u>Non-contingent lease incentives, funding</u>		8,000	\$ 180,000	
<u>Non-contingent lease incentives, Amortization</u>		(429,000)	\$ (228,000)	
<u>Contingent lease incentives, Write off</u>		\$ (173,000)		
<u>Number of properties with lease incentive adjustment property</u>	2			

**Debt Obligations - Bank
Borrowings (Details)**

**6 Months Ended
Jun. 30, 2022
USD (\$)**

[Revolving line of credit](#)

[Debt Obligations](#)

[Unused commitment fee \(as a percent\)](#) 0.20%

[Financial covenants](#)

[Maximum ratio of total indebtedness to total asset value](#) 0.6

[Maximum ratio of secured debt to total asset value](#) 0.35

[Maximum ratio of unsecured debt to the value of the unencumbered asset pool](#) 0.6

[Minimum ratio of EBITDA to fixed charges](#) 1.50

[Revolving line of credit | LIBOR](#)

[Debt Obligations](#)

[Basis spread over base rate \(as a percent\)](#) 1.15%

[Credit Agreement](#)

[Debt Obligations](#)

[Maximum available under facility](#) \$ 500,000,000

[Contingent increase in maximum borrowing capacity](#) \$ 1,000,000,000

[Additional extension period option](#) 1 year

[Revolving Credit Facility](#)

[Debt Obligations](#)

[Maximum available under facility](#) \$ 400,000,000

[Term loans](#)

[Debt Obligations](#)

[Maximum available under facility](#) \$ 50,000,000

Debt Obligations - Interest Rate Swap Agreement (Details)	6 Months Ended		
	Jun. 30, 2022 USD (\$) item	Jun. 30, 2021 USD (\$)	Dec. 31, 2021 USD (\$)
<u>Debt Obligations</u>			
Number of interest rate swaps item	2		
Notional Amount	\$ 100,000,000		
Fair Value	\$ 6,139,000		\$ 172,000
Interest Rate Swap			
<u>Debt Obligations</u>			
Number of interest rate swaps item	2		
Interest Rate Swap Minimum			
<u>Debt Obligations</u>			
Debt instrument term	4 years		
Interest Rate Swap Maximum			
<u>Debt Obligations</u>			
Debt instrument term	5 years		
Interest Rate Swap Cash Flow Hedging			
<u>Debt Obligations</u>			
Increase in fair value	\$ 6,311,000	\$ 0	
Interest Rate Swap Cash Flow Hedging Maturing on November 19, 2025			
<u>Debt Obligations</u>			
Notional Amount	50,000,000		
Fair Value	2,824,000		38,000
Interest Rate Swap Cash Flow Hedging Maturing on November 19, 2026			
<u>Debt Obligations</u>			
Notional Amount	50,000,000		
Fair Value	\$ 3,315,000		\$ 134
Interest Rate Swap Cash Flow Hedging LIBOR Maturing on November 19, 2025			
<u>Debt Obligations</u>			
Swap rate (in percentage)	2.56%		
Interest Rate Swap Cash Flow Hedging LIBOR Maturing on November 19, 2026			
<u>Debt Obligations</u>			
Swap rate (in percentage)	2.69%		

**Debt Obligations -
Component (Details) - USD
(\$)**

6 Months Ended

Jul. 29, 2022 Jun. 30, 2022 Jun. 30, 2021 Dec. 31, 2021

Debt Obligations

<u>Interest rate (as a percent)</u>	7.25%		
<u>Applicable Interest Rate (as a percent)</u>	3.93%		
<u>Amount borrowed</u>	\$ 99,000,000	\$ 17,000,000	
<u>Repayment paid</u>	153,900,000	41,000,000	
<u>Term loans, net of debt issue cost</u>	734,868,000		\$ 722,719,000
<u>Available for borrowing</u>	\$ 344,000,000		289,100,000
<u>Revolving line of credit</u>			

Debt Obligations

<u>Applicable Interest Rate (as a percent)</u>	2.67%		
<u>Amount borrowed</u>	\$ 99,000,000	17,000,000	
<u>Repayment paid</u>	153,900,000	\$ 41,000,000	
<u>Term loans, net of debt issue cost</u>	56,000,000		110,900,000
<u>Available for borrowing</u>	\$ 344,000,000		289,100,000

Term loans

Debt Obligations

<u>Applicable Interest Rate (as a percent)</u>	2.63%		
<u>Term loans, net of debt issue cost</u>	\$ 99,437,000		99,363,000

Senior Unsecured Notes

Debt Obligations

<u>Applicable Interest Rate (as a percent)</u>	4.28%		
<u>Term loans, net of debt issue cost</u>	\$ 579,431,000		\$ 512,456,000

Senior Unsecured Notes | Minimum

Debt Obligations

<u>Interest rate (as a percent)</u>	3.66%		
<u>Senior Unsecured Notes Maximum</u>			

Debt Obligations

<u>Interest rate (as a percent)</u>	5.03%		
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Subsequent Event | Revolving line of credit

Debt Obligations

<u>Amount borrowed</u>	\$ 20,500,000		
<u>Term loans, net of debt issue cost</u>	76,500,000		
<u>Available for borrowing</u>	323,500,000		

Subsequent Event | Senior Unsecured Notes

Debt Obligations

<u>Repayment paid</u>	20,160,000		
<u>Term loans, net of debt issue cost</u>	\$ 559,271,000		

**Debt Obligations -
Borrowings and Repayments
(Details) - USD (\$)**

6 Months Ended

Jul. 29, 2022 Jun. 30, 2022 Jun. 30, 2021 Dec. 31, 2021

Borrowings

Borrowings from revolving line of credit \$ 99,000,000 \$ 17,000,000

Total 174,000,000 17,000,000

Repayments

Revolving line of credit (153,900,000) (41,000,000)

Senior unsecured notes (7,000,000) (7,000,000)

Total (160,900,000) (48,000,000)

Term loans, net of debt issue cost 734,868,000 \$ 722,719,000

Repayment paid 153,900,000 41,000,000

Available for borrowing 344,000,000 289,100,000

Revolving line of credit

Borrowings

Borrowings from revolving line of credit 99,000,000 17,000,000

Repayments

Revolving line of credit (153,900,000) (41,000,000)

Term loans, net of debt issue cost 56,000,000 110,900,000

Repayment paid 153,900,000 41,000,000

Available for borrowing 344,000,000 289,100,000

Senior Unsecured Notes

Borrowings

Senior unsecured notes 75,000,000

Repayments

Senior unsecured notes (7,000,000) \$ (7,000,000)

Term loans, net of debt issue cost \$ 579,431,000 \$ 512,456,000

Debt instrument term 10 years

Face amount of debt \$ 75,000,000

Fixed interest rate (as a percent) 3.66%

Subsequent Event | Revolving line of credit

Borrowings

Borrowings from revolving line of credit \$ 20,500,000

Repayments

Term loans, net of debt issue cost 76,500,000

Available for borrowing 323,500,000

Subsequent Event | Senior Unsecured Notes

Repayments

Revolving line of credit (20,160,000)

Senior unsecured notes (20,160,000)

Term loans, net of debt issue cost 559,271,000

Repayment paid \$ 20,160,000

Equity - Noncontrolling Interest (Details) \$ in Thousands	6 Months Ended		
	Jun. 30, 2022 USD (\$) item	Jul. 29, 2022 item	Dec. 31, 2021 USD (\$)
<u>Noncontrolling interest</u>			
<u>Gross Consolidated Assets</u>	\$ 1,578,227		\$ 1,504,825
<u>Non-controlling interests</u>	\$ 7,522		8,413
<u>Number of units item</u>	217		
<u>Carrying value</u>	\$ 1,035,767		\$ 1,033,951
<u>SNF</u>			
<u>Noncontrolling interest</u>			
<u>Purchase Price</u>	\$ 51,534		
<u>ALF</u>			
<u>Noncontrolling interest</u>			
<u>Number of units item</u>	74		
<u>Partnership</u>			
<u>Noncontrolling interest</u>			
<u>Gross Consolidated Assets</u>	\$ 66,604		
<u>Non-controlling interests</u>	7,522		
<u>Oregon 2018 Acquisitions Partnership ALF & MC</u>			
<u>Noncontrolling interest</u>			
<u>Gross Consolidated Assets</u>	18,447		
<u>Non-controlling interests</u>	1,119		
<u>Oregon 2018 Acquisitions Partnership ILF</u>			
<u>Noncontrolling interest</u>			
<u>Gross Consolidated Assets</u>	14,470		
<u>Non-controlling interests</u>	2,857		
<u>Wisconsin 2017 Acquisitions Partnership ALF/ILF/MC</u>			
<u>Noncontrolling interest</u>			
<u>Gross Consolidated Assets</u>	22,007		
<u>Non-controlling interests</u>	2,305		
<u>South Carolina 2017 Acquisitions Partnership ALF & MC</u>			
<u>Noncontrolling interest</u>			
<u>Gross Consolidated Assets</u>	11,680		
<u>Non-controlling interests</u>	\$ 1,241		
<u>Subsequent Event ALF</u>			
<u>Noncontrolling interest</u>			
<u>Number of units item</u>		625	

Equity - Common Stock
(Details) - USD (\$)

6 Months Ended
Jul. 29, 2022 Jun. 30, 2022 Jun. 30, 2021

Equity

Proceeds from common stock issued \$ 34,203,000

Equity Distribution Agreements | Subsequent Event

Equity

Shares common stock sold 125,200

Proceeds from common stock issued \$ 4,754,000

Amount available under effective shelf registration statement \$ 160,349,000

Common Stock

Equity

Number of shares repurchased 39,463 87,249

Common Stock | Equity Distribution Agreements

Equity

Maximum offering capacity under shelf registration statement \$ 200,000,000

Shares common stock sold 909,800

Proceeds from common stock issued \$ 34,203,000

Compensation paid to sales agents 609,000

Reclassification of accumulated costs to additional paid in capital \$ 511,000

Common Stock | Equity Distribution Agreements | Subsequent Event

Equity

Shares common stock sold 125,200

Equity - Distributions (Details) - USD (\$) \$ / shares in Units, \$ in Thousands	1 Months Ended				3 Months Ended				6 Months Ended		
	Sep. 30, 2022	Aug. 31, 2022	Jul. 29, 2022	Jun. 30, 2022	Mar. 31, 2022	Dec. 31, 2021	Sep. 30, 2021	Jun. 30, 2021	Mar. 31, 2021	Jun. 30, 2022	Jun. 30, 2021
Dividend Distributions											
Paid										\$	\$
										45,115	45,608
Common Stock cash distributions					\$ 0.57	\$ 0.57	\$ 0.57	\$ 0.57	\$ 0.57	\$ 1.14	\$ 1.14
Subsequent Event Dividend											
Payable, July 29, 2022											
Dividend Distributions											
Dividends declared and paid per											
common share					\$ 0.19						
Subsequent Event Dividend											
Payable, August 31, 2022											
Dividend Distributions											
Dividends declared and paid per											
common share					\$ 0.19						
Common Stock											
Dividend Distributions											
Declared					\$		\$		\$	\$	
					45,115		45,608		45,115	45,608	
Paid										\$	\$
										45,115	45,608
Common Stock cash distributions										\$ 0.19	\$ 0.19
Common Stock Subsequent Event											
 Dividend Payable, July 29, 2022											
Dividend Distributions											
Dividends declared and paid per											
common share					\$ 0.19						
Common Stock Subsequent Event											
 Dividend Payable, August 31,											
2022											
Dividend Distributions											
Dividends declared and paid per											
common share					\$ 0.19						
Common Stock Subsequent Event											
 Dividend Payable, September 30,											
2022											

Dividend Distributions

Dividends declared and paid per
common share \$ 0.19

Common Stock | Performance-
based stock units

Dividend Distributions

Paid \$ 764

Equity - Stock-Based Compensation (Details)	6 Months Ended	
	Jun. 30, 2022 shares	Jun. 30, 2021 shares

Stock Based Compensation Plans

<u>Options outstanding (in shares)</u>	10,000	
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<u>Options exercisable (in shares)</u>	10,000	
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<u>Options expired and cancelled (in shares)</u>	5,000	
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<u>Stock options granted (in shares)</u>	0	0
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2015 Plan

Stock Based Compensation Plans

<u>Ratio of shares subject to award granted</u>	1	
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2021 Plan

Stock Based Compensation Plans

<u>Total shares reserved for issuance of common stock related to the conversion of preferred stock</u>	1,900,000	
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**Equity - Restricted Stock
and performance-based
stock units (Details) - shares**

**6 Months Ended
Jun. 30, 2022 Jun. 30, 2021**

Stock Based Compensation Plans

Stock options granted (in shares)

0

0

Restricted stock

Restricted stock and performance based stock units activity

Outstanding at the beginning of the period (in shares)

197,422

180,440

Granted (in shares)

135,210

110,348

Vested (in shares)

(103,396)

(93,366)

Outstanding at the end of the period (in shares)

229,236

197,422

**Equity - Restricted Stock
(Details) - USD (\$)**

**6 Months Ended
Jun. 30, Jun. 30,
2022 2021**

Restricted stock

Restricted stock awards

Number of shares granted 135,210 110,348

Number of vesting of performance-based stock units (in shares) 103,396 93,366

Performance-based stock units

Restricted stock awards

Number of shares granted 86,332 71,892

Number of vesting of performance-based stock units (in shares) 0 108,720

Restricted stock and performance-based stock units

Restricted stock awards

Number of shares granted 221,542 182,240

Compensation expense related to share-based award \$ 3,937,000 \$ 3,810,000

Nonvested awards

Remaining compensation expense 12,791,000

July - December 2022 | Restricted stock and performance-based stock units

Nonvested awards

Remaining compensation expense 4,026,000

2023 | Restricted stock and performance-based stock units

Nonvested awards

Remaining compensation expense 5,603,000

2024 | Restricted stock and performance-based stock units

Nonvested awards

Remaining compensation expense 2,853,000

2025 | Restricted stock and performance-based stock units

Nonvested awards

Remaining compensation expense \$ 309,000

Grant Date Price \$33.94 | Three year vesting | Restricted stock and performance-based stock units

Restricted stock awards

Number of shares granted 122,865

Granted (in dollars per share) \$ 33.94

Vesting period 3 years

Grant Date Price \$33.94 | TSR Targets | Restricted stock and performance-based stock units

Restricted stock awards

Number of shares granted 86,332

Granted (in dollars per share) \$ 33.94

Vesting period 4 years

Grant Date Price \$33.94 | Accelerated TSR Targets | Restricted stock and performance-based stock units

Restricted stock awards

<u>Vesting period</u>	3 years
<u>Grant Date Price \$38.48 Vesting Date, May 25, 2023 Restricted stock</u>	
<u>Restricted stock awards</u>	
<u>Number of shares granted</u>	12,345
<u>Granted (in dollars per share)</u>	\$ 38.48
<u>Grant Date Price \$42.27 Three year vesting Restricted stock and performance-based stock units</u>	
<u>Restricted stock awards</u>	
<u>Number of shares granted</u>	95,293
<u>Granted (in dollars per share)</u>	\$ 42.27
<u>Vesting period</u>	3 years
<u>Grant Date Price \$42.27 TSR Targets Restricted stock and performance-based stock units</u>	
<u>Restricted stock awards</u>	
<u>Number of shares granted</u>	71,892
<u>Granted (in dollars per share)</u>	\$ 42.27
<u>Vesting period</u>	4 years
<u>Grant Date Price \$42.27 Accelerated TSR Targets Restricted stock and performance-based stock units</u>	
<u>Restricted stock awards</u>	
<u>Vesting period</u>	3 years
<u>Grant Date Price \$39.40 Vesting Date, May 26, 20222 Restricted stock</u>	
<u>Restricted stock awards</u>	
<u>Number of shares granted</u>	12,055
<u>Granted (in dollars per share)</u>	\$ 39.40
<u>Grant Date Price \$43.14 Vesting Date, April 1, 20222 Restricted stock</u>	
<u>Restricted stock awards</u>	
<u>Number of shares granted</u>	3,000
<u>Granted (in dollars per share)</u>	\$ 43.14

**Commitments and
Contingencies - Summary of
Commitments (Details)**

**6 Months Ended
Jun. 30, 2022
USD (\$)
property**

Commitments and Contingencies

<u>Investment Commitment</u>	\$ 87,480,000
<u>2022 Funding</u>	14,779,000
<u>Total Commitment funded</u>	23,927,000
<u>Remaining commitment</u>	63,553,000

Skilled Nursing Centers

Commitments and Contingencies

<u>Fair value of earn-out liability</u>	3,000,000
<u>Lease termination fee payable</u>	\$ 500,000
<u>Number of properties acquired property</u>	4
<u>Initial lease term</u>	10 years

Real estate properties

Commitments and Contingencies

<u>Investment Commitment</u>	\$ 15,593,000
<u>2022 Funding</u>	2,133,000
<u>Total Commitment funded</u>	3,771,000
<u>Remaining commitment</u>	11,822,000

Accrued incentives and earn-out liabilities

Commitments and Contingencies

<u>Investment Commitment</u>	12,000,000
<u>Remaining commitment</u>	12,000,000

Mortgage loans

Commitments and Contingencies

<u>Investment Commitment</u>	32,507,000
<u>2022 Funding</u>	858,000
<u>Total Commitment funded</u>	4,598,000
<u>Remaining commitment</u>	27,909,000

Commitments To Expand and Renovate Properties

Commitments and Contingencies

<u>Investment Commitment</u>	14,507,000
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Contingent Funding Commitments

Commitments and Contingencies

<u>Investment Commitment</u>	18,000,000
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Notes receivable

Commitments and Contingencies

<u>Investment Commitment</u>	27,380,000
<u>2022 Funding</u>	11,788,000
<u>Total Commitment funded</u>	15,558,000
<u>Remaining commitment</u>	\$ 11,822,000

Major Operators (Details)	6 Months Ended Jun. 30, 2022 item property
<u>Major Operators</u>	
<u>Number of major operators</u>	1
<u>Number of beds/units</u>	217
<u>ALF</u>	
<u>Major Operators</u>	
<u>Number of beds/units</u>	74
<u>Prestige Healthcare SNF</u>	
<u>Major Operators</u>	
<u>Number of beds property</u>	24
<u>Number of beds/units</u>	2,845
<u>Prestige Healthcare ALF</u>	
<u>Major Operators</u>	
<u>Number of beds/units</u>	93
<u>Total Revenue Operator Concentration Risk Prestige Healthcare</u>	
<u>Major Operators</u>	
<u>Concentration risk (as a percent)</u>	20.00%
<u>Total Assets Credit Concentration Risk Prestige Healthcare</u>	
<u>Major Operators</u>	
<u>Concentration risk (as a percent)</u>	16.70%

Earnings per Share (Details) - USD (\$) \$ / shares in Units, shares in Thousands, \$ in Thousands	3 Months Ended				6 Months Ended			
	Jun. 30,	Mar. 31,	Dec. 31,	Sep. 30,	Jun. 30,	Mar. 31,	Jun. 30,	Jun. 30,
	2022	2022	2021	2021	2021	2021	2022	2021
<u>Net income</u>	\$ 54,490	\$ 14,507	\$ 12,930	\$ 11,114	\$ 18,330	\$ 13,850	\$ 68,997	\$ 32,180
<u>Less income allocated to non-controlling interests</u>	(107)				(91)		(202)	(179)
<u>Less income allocated to participating securities:</u>								
<u>Non-forfeitable dividends on participating securities</u>	(133)				(113)		(270)	(233)
<u>Income allocated to participating securities</u>	(185)						(137)	
<u>Total net income allocated to participating securities</u>	(318)				(113)		(407)	(233)
<u>Net income available to common stockholders</u>	54,065				18,126		68,388	31,768
<u>Net income for diluted net income per share</u>	\$ 54,065				\$ 18,126		\$ 68,388	\$ 31,768
<u>Reconciliation of shares</u>								
<u>Shares for basic net income per share</u>	39,492				39,169		39,347	39,135
<u>Effect of dilutive securities:</u>								
<u>Total effect of dilutive securities (in shares)</u>	173				1		173	1
<u>Shares for diluted net income per share</u>	39,665				39,170		39,520	39,136
<u>Basic net income per share (in dollars per share)</u>	\$ 1.37				\$ 0.46		\$ 1.74	\$ 0.81
<u>Diluted net income per share (in dollars per share)</u>	\$ 1.36				\$ 0.46		\$ 1.73	\$ 0.81
<u>Stock options</u>								
<u>Effect of dilutive securities:</u>								
<u>Stock options and performance-based stock units (in shares)</u>					1			1
<u>Performance-based stock units</u>								
<u>Effect of dilutive securities:</u>								
<u>Stock options and performance-based stock units (in shares)</u>	173						173	

Fair Value Measurements (Details)	Jun. 30, 2022	Dec. 31, 2021
	USD (\$) item	USD (\$) item
<u>Fair value measurements</u>		
<u>Number of interest rate swaps item</u>	2	
<u>Notional Amount</u>	\$ 100,000,000	
<u>Mortgage loans receivable, net of loan loss reserve</u>	379,817,000	\$ 344,442,000
<u>Notes receivable, net of loan loss reserve</u>	58,206,000	28,337,000
<u>Term loans, net of debt issue cost</u>	734,868,000	722,719,000
<u>Senior unsecured notes, net of debt issue costs</u>	\$ 579,431,000	\$ 512,456,000
<u>Level 3 Senior Unsecured Notes maturing before 2030 Discount Rate</u>		
<u>Fair value measurements</u>		
<u>Future cash outflows discount rate (as a percent) item</u>	0.0575	0.0300
<u>Level 3 Senior Unsecured Notes maturing 2030 and after Discount Rate</u>		
<u>Fair value measurements</u>		
<u>Future cash outflows discount rate (as a percent) item</u>	0.0625	0.0325
<u>Level 3 Mortgage Loans Receivable Discount Rate</u>		
<u>Fair value measurements</u>		
<u>Future cash inflows discount rate (as a percent)</u>	0.093	0.095
<u>Level 3 Notes Receivable Discount Rate</u>		
<u>Fair value measurements</u>		
<u>Future cash inflows discount rate (as a percent) item</u>	0.066	0.056
<u>Carrying Value</u>		
<u>Fair value measurements</u>		
<u>Mortgage loans receivable, net of loan loss reserve</u>	\$ 379,817,000	\$ 344,442,000
<u>Notes receivable, net of loan loss reserve</u>	58,206,000	28,337,000
<u>Revolving line of credit</u>	56,000,000	110,900,000
<u>Term loans, net of debt issue cost</u>	99,437,000	99,363,000
<u>Senior unsecured notes, net of debt issue costs</u>	579,431,000	512,456,000
<u>Fair Value</u>		
<u>Fair value measurements</u>		
<u>Revolving line of credit</u>	56,000,000	110,900,000
<u>Term loans, net of debt issue cost</u>	100,000,000	100,000,000
<u>Fair Value Level 3</u>		
<u>Fair value measurements</u>		
<u>Mortgage loans receivable, net of loan loss reserve</u>	444,125,000	405,162,000
<u>Notes receivable, net of loan loss reserve</u>	63,008,000	28,653,000
<u>Senior unsecured notes, net of debt issue costs</u>	\$ 531,880,000	\$ 540,045,000

Subsequent Events (Details)	1 Months Ended				2 Months Ended		6 Months Ended		
	Jul. 29, 2022 USD (\$) item property shares	Sep. 30, 2022 USD (\$) property shares	Aug. 31, 2022 USD (\$) property shares	Jul. 31, 2022 USD (\$)	Jul. 29, 2022 USD (\$) item property \$ / shares	Sep. 30, 2022 USD (\$) property	Jun. 30, 2022 USD (\$) item property shares	Jun. 30, 2021 USD (\$)	Dec. 31, 2021 USD (\$)
Real Estate Investments									
Number of Units in Real Estate Property item							217		
Deferred rent							\$ 22,689,000	\$ 24,146,000	
Debt:									
Amount borrowed							99,000,000	\$ 17,000,000	
Repayment paid							153,900,000	41,000,000	
Term loans, net of debt issue cost							734,868,000		722,719,000
Available for borrowing							344,000,000		289,100,000
Unsecured revolving line of credit							56,000,000		110,900,000
Equity									
Proceeds from common stock issued							\$ 34,203,000		
Common Stock Equity Distribution Agreements									
Equity									
Shares common stock sold shares							909,800		
Proceeds from common stock issued							\$ 34,203,000		
Revolving line of credit									
Debt:									
Amount borrowed							99,000,000	17,000,000	
Repayment paid							153,900,000	\$ 41,000,000	
Term loans, net of debt issue cost							56,000,000		110,900,000
Available for borrowing							344,000,000		289,100,000
Senior Unsecured Notes									
Debt:									
Term loans, net of debt issue cost							\$ 579,431,000	\$ 512,456,000	
ALF									
Real Estate Investments									
Number of properties property							4		
Number of Units in Real Estate Property item							74		
Subsequent Event Dividend Payable, July 29, 2022									

Equity

Dividends declared and paid
per common share | \$ / shares \$ 0.19
[Subsequent Event | Dividend
Payable, August 31, 2022](#)

Equity

Dividends declared and paid
per common share | \$ / shares \$ 0.19
[Subsequent Event | Dividend
Payable, September 30, 2022](#)

Equity

Dividends declared and paid
per common share | \$ / shares \$ 0.19
[Subsequent Event | Equity
Distribution Agreements](#)

Equity

[Shares common stock sold |
shares](#) 125,200
[Proceeds from common stock
issued](#) \$ 4,754,000
[Amount available under
effective shelf registration
statement](#) \$ 160,349,000

\$
160,349,000

[Subsequent Event | Common
Stock | Dividend Payable, July
29, 2022](#)

Equity

Dividends declared and paid
per common share | \$ / shares \$ 0.19
[Subsequent Event | Common
Stock | Dividend Payable,
August 31, 2022](#)

Equity

Dividends declared and paid
per common share | \$ / shares \$ 0.19
[Subsequent Event | Common
Stock | Dividend Payable,
September 30, 2022](#)

Equity

Dividends declared and paid
per common share | \$ / shares \$ 0.19
[Subsequent Event | Common
Stock | Equity Distribution
Agreements](#)

Equity

[Shares common stock sold |
shares](#) 125,200
[Subsequent Event | Revolving
line of credit](#)

Debt:

[Amount borrowed](#) \$
20,500,000

[Term loans, net of debt issue
cost](#) 76,500,000

\$
76,500,000

Available for borrowing	323,500,000		323,500,000
Subsequent Event Senior Unsecured Notes			
Debt:			
Repayment paid	20,160,000		
Term loans, net of debt issue cost	\$ 559,271,000		\$ 559,271,000
Subsequent Event ALF			
Real Estate Investments			
Number of properties property	12		12
Number of Units in Real Estate Property item	625		625
Deferred rent receivable forgiven	\$ 7,066,000		
Lease termination fee	\$ 500,000		
Master lease agreement term in a lessor operating lease	2 years		
Initial term of lessor operating lease with zero rent	4 months		
Lease incentive payment	\$ 410,000		
Deferred rent	\$ 150,000		\$ 150,000
Monthly contractual rent	445,000		\$ 445,000
Number of properties rent deferred property			8
Rent abated		\$ 240,000	
Rent abatements agreed	\$ 240,000	\$ 240,000	\$ 240,000
Number of property rent abatement agreed property	2	2	

