LTC PROPERTIES INC
Form 10-Q
August 08, 2018

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, 2018

OR

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

For the Transition period from ____ to ____

Commission file number 1-11314

LTC PROPERTIES, INC.

(Exact name of Registrant as specified in its charter)

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

2829 Townsgate Road, Suite 350

Westlake Village, California 91361

(Address of principal executive offices, including zip code)

(805) 981-8655

(Registrant's telephone number, including area code)

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer a non-accelerated filer, 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 (Do not check if a smaller reporting company)	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 August 3, 2018 was 39,634,980.

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FORM 10-Q

June 30, 2018

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LTC PROPERTIES, INC.

CONSOLIDATED BALANCE SHEETS

(amounts in thousands, except per share)

	June 30, 2018 (unaudited)	December 31, 2017 (audited)
ASSETS		
Investments:		
Land	$ 125,882	$ 124,041
Buildings and improvements	1,269,675	1,262,335
Accumulated depreciation and amortization	(301,458)	(304,117)
Operating real estate property, net	1,094,099	1,082,259
Properties held-for-sale, net of accumulated depreciation: 2018—$1,916; 2017—$1,916	3,830	3,830
Real property investments, net	1,097,929	1,086,089
Mortgage loans receivable, net of loan loss reserve: 2018—$2,355; 2017—$2,255	233,823	223,907
Real estate investments, net	1,331,752	1,309,996
Notes receivable, net of loan loss reserve: 2018—$142; 2017—$166	14,074	16,402
Investments in unconsolidated joint ventures	30,397	29,898
Investments, net	1,376,223	1,356,296
Other assets:		
Cash and cash equivalents	4,260	5,213
Restricted cash	2,446	—
Debt issue costs related to bank borrowings	3,304	810
Interest receivable	17,864	15,050
Straight-line rent receivable, net of allowance for doubtful accounts: 2018—$707; 2017—$814	70,036	64,490
Lease incentives	21,407	21,481
Prepaid expenses and other assets	4,089	2,230
Total assets	$ 1,499,629	$ 1,465,570
LIABILITIES		
Bank borrowings	$ 85,500	$ 96,500
Senior unsecured notes, net of debt issue costs: 2018—$1,027; 2017—$1,131	566,940	571,002
Accrued interest	5,105	5,276
Accrued incentives and earn-outs	9,167	8,916
Accrued expenses and other liabilities	27,221	25,228
Total liabilities	693,933	706,922
EQUITY		
Stockholders’ equity:		
Common stock: $0.01 par value; 60,000 shares authorized; shares issued and outstanding: 2018—39,635; 2017—39,570	396	396

Capital in excess of par value	858,832	856,992
Cumulative net income	1,190,078	1,100,783
Cumulative distributions	(1,248,179)	(1,203,011)
Total LTC Properties, Inc. stockholders' equity	801,127	755,160
Non-controlling interests	4,569	3,488
Total equity	805,696	758,648
Total liabilities and equity	$ 1,499,629	$ 1,465,570

See accompanying notes.

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LTC PROPERTIES, INC.

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

(amounts in thousands, except per share, unaudited)

	Three Months Ended June 30, 2018	2017	Six Months Ended June 30, 2018	2017
Revenues:				
Rental income	$ 33,930	$ 35,265	$ 68,435	$ 70,300
Interest income from mortgage loans	7,007	6,625	13,823	13,373
Interest and other income	535	578	1,024	1,417
Total revenues	41,472	42,468	83,282	85,090
Expenses:				
Interest expense	7,655	7,151	15,484	14,622
Depreciation and amortization	9,268	9,308	18,712	18,667
Impairment charges	—	1,880	—	1,880
Recovery for doubtful accounts	(38)	(5)	(30)	(43)
Transaction costs	6	—	10	22
General and administrative expenses	4,716	4,386	9,513	9,126
Total expenses	21,607	22,720	43,689	44,274
Operating income	19,865	19,748	39,593	40,816
Income from unconsolidated joint ventures	726	575	1,357	1,020
Gain on sale of real estate, net	48,345	5,054	48,345	5,054
Net income	68,936	25,377	89,295	46,890
Income allocated to participating securities	(278)	(104)	(366)	(201)
Net income available to common stockholders	$ 68,658	$ 25,273	$ 88,929	$ 46,689
Earnings per common share:				
Basic	$ 1.74	$ 0.64	$ 2.25	$ 1.19
Diluted	$ 1.73	$ 0.64	$ 2.25	$ 1.18
Weighted average shares used to calculate earnings per common share:				
Basic	39,471	39,414	39,461	39,390
Diluted	39,765	39,794	39,750	39,769
Dividends declared and paid per common share	$ 0.57	$ 0.57	$ 1.14	$ 1.14
Comprehensive Income:				
Net income	$ 68,936	$ 25,377	$ 89,295	$ 46,890
Comprehensive income	$ 68,936	$ 25,377	$ 89,295	$ 46,890

See accompanying notes.

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LTC PROPERTIES, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in thousands, unaudited)

	Six Months Ended June 30, 2018	2017
OPERATING ACTIVITIES:		
Net income	$ 89,295	$ 46,890
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	18,712	18,667
Stock-based compensation expense	2,897	2,684
Impairment charges	—	1,880
Gain on sale of real estate, net	(48,345)	(5,054)
Income from unconsolidated joint ventures	(1,357)	(1,020)
Income distributions from unconsolidated joint ventures	1,256	754
Insurance proceeds for damaged property	2,619	—
Payment for remediation of damaged property	(173)	—
Straight-line rental income	(5,440)	(5,307)
Lease incentives funding	(1,017)	(5,172)
Amortization of lease incentives	1,091	1,111
Provision for doubtful accounts	(30)	(43)
Non-cash interest related to contingent liabilities	251	351
Other non-cash items, net	663	637
Increase in interest receivable	(2,814)	(2,572)
Decrease in accrued interest payable	(171)	(132)
Net change in other assets and liabilities	(1,966)	(6,336)
Net cash provided by operating activities	55,471	47,338
INVESTING ACTIVITIES:		
Investment in real estate properties	(25,902)	(54,740)
Investment in real estate developments	(18,623)	(9,155)
Investment in real estate capital improvements	(1,763)	(2,195)
Capitalized interest	(552)	(371)
Proceeds from sale of real estate, net	64,386	14,106
Investment in real estate mortgage loans receivable	(11,654)	(7,829)
Principal payments received on mortgage loans receivable	1,636	17,339
Investments in unconsolidated joint ventures	(497)	(3,734)
Payment of working capital reserve	—	(439)
Principal payments received on notes receivable	2,352	25
Net cash provided by (used in) investing activities	9,383	(46,993)
FINANCING ACTIVITIES:		
Bank borrowings	54,000	48,500
Repayment of bank borrowings	(65,000)	(110,600)

Proceeds from issuance of senior unsecured notes	—	100,000
Principal payments on senior unsecured notes	(4,166)	(4,167)
Proceeds from common stock issued	—	14,578
Stock option exercises	123	79
Distributions paid to stockholders	(45,168)	(45,110)
Contribution from non-controlling interests	1,081	—
Financing costs paid	(3,051)	(363)
Other	(1,180)	(1,954)
Net cash (used in) provided by financing activities	(63,361)	963
Increase in cash, cash equivalents and restricted cash	1,493	1,308
Cash, cash equivalents and restricted cash, beginning of period	5,213	7,991
Cash, cash equivalents and restricted cash, end of period	$ 6,706	$ 9,299
Supplemental disclosure of cash flow information:		
Interest paid	$ 14,994	$ 14,119

See accompanying notes.

LTC PROPERTIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1.General

LTC Properties, Inc., a health care real estate investment trust ("REIT"), was incorporated on May 12, 1992 in the State of Maryland and commenced operations on August 25, 1992. We invest primarily in seniors housing and health care properties primarily through sale-leaseback transactions, mortgage financing and structured finance solutions including mezzanine lending. We conduct and manage our business as one operating segment, rather than multiple operating segments, for internal reporting and internal decision making purposes. Our primary objectives are to create, sustain and enhance stockholder equity value and provide current income for distribution to stockholders through real estate investments in seniors housing and health care properties managed by experienced operators. Our primary seniors housing and health care property classifications include skilled nursing centers ("SNF"), assisted living communities ("ALF"), independent living communities ("ILF"), memory care communities ("MC") and combinations thereof. To meet these objectives, we attempt to invest in properties that provide opportunity for additional value and current returns to our stockholders and diversify our investment portfolio by geographic location, operator, property classification and form of investment.

We have prepared consolidated financial statements included herein without audit and in the opinion of management have included all adjustments necessary for a fair presentation of the consolidated financial statements pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). Certain information and note disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles ("GAAP") have been condensed or omitted pursuant to rules and regulations governing the presentation of interim financial statements. The accompanying consolidated financial statements include the accounts of our company and its wholly-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation. The results of operations for the three and six months ended June 30, 2018 and 2017 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.

Restricted Cash

During the third quarter of 2017, a 170-bed skilled nursing center in our portfolio was evacuated due to damages caused by Hurricane Harvey. This property is located in Texas and operated under a triple net master lease agreement. We periodically evaluate properties for impairment when events or changes in circumstances indicate that the asset may be impaired or the carrying amount of the asset may not be recoverable through future undiscounted cash flows. Based upon a quarterly assessment of this 170-bed property using the recoverability test, our management concluded the property has not been impaired.

As of June 30, 2018, the gross value and the carrying value of the property were $2,021,000 and $1,200,000, respectively.

The provisions of our triple net lease agreements impose certain obligations on our operators including:

- Acquire property insurance, subject to certain criteria;

Continue paying rent in the event of any property damage or destruction; and

· Return the leased property back to us at the end of the lease term, in the same condition originally received.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

(Unaudited)

During the second quarter of 2018, our operator provided us with insurance proceeds of $2,619,000 to be used for remediation of the property as noted in the provisions of our master lease agreement. Accordingly, we have classified the insurance proceeds as restricted cash on our consolidated financial statements.

New Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2014-09, Revenue from Contracts with Customers, which outlines a comprehensive model for entities to use in accounting for revenue arising from contracts with customers. ASU 2014-09 states that “an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.” While this ASU specifically references contracts with customers, it may apply to certain other transactions such as the sale of real estate. Additionally, the FASB has issued targeted updates to clarify specific implementation issues of ASU 2014-09. These updates include ASU 2016-08, Principal versus Agent Considerations (Reporting Revenue Gross versus Net), ASU 2016-10, Identifying Performance Obligations and Licensing, and ASU 2016-12, Narrow-Scope Improvements and Practical Expedients. The new standard and its amendments were effective on January 1, 2018 and permitted reporting entities to apply the standard using either a modified retrospective approach, by recording a cumulative-effect adjustment to equity as of the beginning of the fiscal year of adoption or full retrospective approach. We assessed our revenue streams to identify any differences in the timing, measurement or presentation of revenue recognition. We evaluated the provisions of ASU 2014-09 and its related additional guidance to determine the potential impact of the new standard. We concluded that adoption of this standard did not have an impact on our results of operations or financial condition, as our revenue consists of rental income from leasing arrangements and interest income from loan arrangements, both of which are specifically excluded from ASU 2014-09. We adopted this standard using the modified retrospective adoption method on January 1, 2018.

In February 2016, the FASB issued ASU No. 2016-02 (“ASU 2016-02”), Leases (Topic 842). The objective of this ASU is to establish the principles that lessees and lessors shall apply to report useful information to users of financial statements about the amount, timing, and uncertainty of cash flows arising from a lease. ASU 2016-02 modifies existing guidance by requiring lessees to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance of operating leases. ASU 2016-02 requires the lessors to identify lease and non-lease components of a lease agreement. ASU 2016-02 will govern the recognition of revenue for lease components. Revenue related to non-lease components under lease agreements will be subject to the revenue recognition standard, upon adoption of this ASU. Entities are required to use a modified retrospective approach for leases that exist or are entered into after January 1, 2017, the beginning of the earliest comparative period presented in the 2019 consolidated financial statements with a cumulative adjustment to the opening balance of retained earnings. In March 2018, the FASB approved to amend ASU 2016-02 allowing the lessors, as a practical expedient, an election to not separate the non-lease components from the related lease components and instead, to account for those components as a single lease component (if certain criteria are met). The practical expedient option is available as a single election that must be consistently applied to all existing leases at the date of adoption. Furthermore, in March 2018, the FASB agreed to issue an amendment to ASU 2016-02 that would provide an entity the optional transition method to make January 1, 2019, the initial application date of the ASU, rather than January 1, 2017. Consequently,

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(Unaudited)

entities that elect both the practical expedient and the optional transitional method will apply the new lease ASU prospectively to leases commencing or modified after January 1, 2019, and will not be required to apply the disclosures under the new lease ASU to comparative periods.

Consistent with present standards, we will continue to account for lease revenue on a straight-line basis when applicable. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early adoption is permitted. We have begun our process for implementing this guidance, including identifying any non-lease components in our lease arrangements. We will continue to evaluate this guidance and the impact to us, as both lessor and lessee, on our consolidated financial statements.

In August 2016, FASB issued ASU No. 2016-15 (“ASU 2016-15”), Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments (A Consensus of the Emerging Issues Task Force). ASU 2016-15 provides guidance that reduces the diversity in practice of the classification of certain cash receipts and cash payments within the statement of cash flows. This guidance is effective for fiscal periods beginning after December 15, 2017. We adopted this standard on January 1, 2018. The adoption of this guidance did not have a material impact on our financial statements.

In January 2017, the FASB issued ASU No. 2017-01(“ASU 2017-01”), Business Combinations (Topic 805): Clarifying Definition of a Business. ASU 2017-01 clarifies the framework for determining whether an integrated set of assets and activities meets the definition of a business. The revised framework establishes a screen for determining whether an integrated set of assets and activities is a business and narrows the definition of a business, which is expected to result in fewer transactions being accounted for as business combinations. Acquisitions of integrated sets of assets and activities that do not meet the definition of a business are accounted for as asset acquisitions. This update is effective for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2017, with early adoption permitted for transactions that have not been reported in previously issued (or available to be issued) financial statements. We adopted ASU 2017-01 during the second quarter of 2017. Historically, our acquisitions qualified as either a business combination or asset acquisition. The adoption of this ASU did not have a material impact on the company’s results of operations or financial condition as most of our acquisitions of investment properties will continue to qualify as asset acquisitions.

In February 2017, the FASB issued ASU No. 2017-05 (“ASU 2017-05”), Other Income-Gains and Losses from the Derecognition of Nonfinancial Assets. ASU 2017-05 defines an in-substance nonfinancial asset and clarifies guidance related to partial sales of nonfinancial assets. This standard is effective for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2017. The adoption of this ASU did not have a material impact on the consolidated financial statements and related notes.

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2.Real Estate Investments

Assisted living communities, independent living communities, memory care communities and combinations thereof are included in the assisted living property classification (or 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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

(Unaudited)

independent registered public accounting firm's review of our consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board.

Owned Properties. The following table summarizes our investments in owned properties at June 30, 2018 (dollar amounts in thousands):

Type of Property	Gross Investment	Percentage of Investment	Number of Properties (1)	Number of SNF Beds	Number of ALF Units	Average Investment per Bed/Unit
Assisted Living	$ 787,373	56.2 %	102	—	5,796	$ 135.85
Skilled Nursing	578,030	41.2 %	75	9,204	261	$ 61.07
Under Development (2)	25,077	1.8 %	—	—	—	—
Other (3)	10,823	0.8 %	1	118	—	—
Total	$ 1,401,303	100.0 %	178	9,322	6,057	

(1) We own properties in 28 states that are leased to 30 different operators.

(2) Represents three development projects, consisting of a 143-bed SNF in Kentucky, a 78-unit ALF/MC located in Oregon and a 110-unit ILF/ALF/MC in Wisconsin.

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

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

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

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(Unaudited)

Acquisitions and Developments: The following table summarizes our acquisitions for the six months ended June 30, 2018 and 2017 (dollar amounts in thousands):

Year	Type of Property	Purchase Price	Transaction Costs (1)	Total Acquisition Costs	Number of Properties	Number of Beds/Units
2018	Assisted Living (2)	$ 25,200	$ 66	$ 25,266	2	88
	Land (3)	600	36	636	—	—
	Total	$ 25,800	$ 102	$ 25,902	2	88
2017	Assisted Living (4)	$ 54,463	$ 277	$ 54,740	3	240
Total		$ 54,463	$ 277	$ 54,740	3	240

(1) Represents cost associated with our acquisitions; however, upon adoption of ASU 2017-01, our acquisitions meet the definition of an asset acquisition resulting in capitalization of transaction costs to the properties' basis. For our land purchases with forward development commitments, transaction costs are capitalized as part of construction in progress. Additionally, transaction costs may include costs related to the prior year due to timing and terminated transactions.

(2) We acquired two memory care communities in Texas.

(3) We entered into a partnership to own the real estate and develop a 78-unit assisted living and memory care community in Medford, OR for $18,108 and committed to purchase an existing operational 89-unit independent living community in Oregon. We anticipate acquiring the independent living community in the third quarter of 2018.

(4) We acquired a 107-unit ALF and a 73-unit MC for an aggregate purchase price of $38,813. Additionally, we acquired a 60-unit MC for $15,650.

During the six months ended June 30, 2018 and 2017, we invested the following in development and improvement projects (in thousands):

Six months ended June 30, 2018		Six months ended June 30, 2017	
Developments	Improvements	Developments	Improvements

Assisted Living Communities	$ 14,653	$ 1,048	$ 7,198	$ 839
Skilled Nursing Centers	3,970	500	1,957	1,356
Other	—	215	—	—
Total	$ 18,623	$ 1,763	$ 9,155	$ 2,195

Completed Developments. The following table summarizes our completed developments during the six months ended June 30, 2018 (dollar amounts in thousands):

Type of Project	Number of Properties	Type of Property	Number of Beds/Units	State	Total Investment
Development	1	MC	66	Illinois	$ 13,974

Properties held-for-sale. The following table summarizes our properties held-for-sale as of June 30, 2018 and December 31, 2017 (dollar amounts in thousands):

State	Type of Property	Number of Properties	Gross Investment	Accumulated Depreciation	Number of Beds/units
Texas	ILF	1	$ 5,746	$ 1,916	140

LTC PROPERTIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

(Unaudited)

Properties sold. The following table summarizes property sales during the six months ended June 30, 2018 and 2017(dollar amounts in thousands):

Year	State	Type of Properties	Number of Properties	Number of Beds	Sales Price	Carrying Value	Net Gain
2018	Ohio and Pennsylvania	ALF	6	320	$ 67,500	$ 16,352	$ 48,345
2017	Indiana and Iowa	ALF	4	175	$ 14,250	$ 8,726	$ 5,054

Mortgage Loans. The following table summarizes our investments in mortgage loans secured by first mortgages at June 30, 2018 (dollar amounts in thousands):

Interest Rate (1)	Maturity	Gross Investment	Type of Property	Percentage of Investment	Number of Loans (2)	Properties (3)	SNF Beds	Investment per Bed/Unit
9.5%	2043	$ 186,496	SNF	79.0 %	1	15	2,043	$ 91.29
9.2%	2045	25,326	SNF	10.7 %	1	3	375	$ 67.54
9.4%	2045	14,300	SNF	6.0 %	1	1	157	$ 91.08
9.5%	2020	10,056	SNF	4.3 %	1	2	205	$ 49.05
Total		$ 236,178		100.0 %	4	21	2,780	$ 84.96

(1) The majority of the mortgage loans provide for annual increases in the interest rate based upon a specified increase of 2.25%.

(2) Some loans contain certain guarantees, provide for certain facility fees and the majority of the mortgage loans have a 30-year term.

(3) We have investments in properties located in one state that includes mortgages to one operator.

The following table summarizes our mortgage loan activity for the six months ended June 30, 2018 and 2017 (in thousands):

	Six months ended June 30, 2018		Six months ended June 30, 2017
Originations and funding under mortgage loans receivable	$ 11,654	(1)	$ 7,829
Pay-offs received	(1,086)		(16,665)
Scheduled principal payments received	(550)		(674)
Net increase (decrease) in mortgage loans receivable	$ 10,018		$ (9,510)

(1) During 2018, we funded an additional $7,400 under an existing mortgage loan for the purchase of a 112-bed skilled nursing center in Michigan. The incremental funding bears interest at 8.7%, fixed for five years, and escalating by 2.25% thereafter.

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LTC PROPERTIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

(Unaudited)

3.Investment in Unconsolidated Joint Ventures

Our investment in unconsolidated joint ventures consists of a preferred equity investment and two mezzanine loans which are accounted for as unconsolidated joint ventures in accordance with GAAP. The following table summarizes our investment in unconsolidated joint ventures (dollar amounts in thousands):

State	Type of Properties	Type of Investment		Total Preferred Return		Currently Paid in Cash		Number of Beds/ Units	Investment Commitment		Carrying Value	
Arizona	ALF/MC/ILF	Preferred Equity	(1)	15	%	7	%	585	$ 25,650		$ 23,859	
Florida	ALF/IL/MC	Mezzanine	(2)	15	%	12	%	99	2,900	(3)	3,138	(3)
Florida	UDP-ALF/MC	Mezzanine	(2)	15	%	10	%	127	3,400		3,400	
Total								811	$ 31,950		$ 30,397	

(1) We have concluded that the JV is a variable interest entity ("VIE") in accordance with GAAP. However, because we do not control the entity, nor do we have any role in the day-to-day management, we are not the primary beneficiary of the JV. Therefore, we account for the JV investment using the equity method.

(2) We evaluated these acquisition, development and construction ("ADC") arrangements and determined that the characteristics are similar to jointly-owned investments or partnerships, and accordingly, these investments are accounted for as unconsolidated joint ventures under the equity method of accounting instead of loan accounting.

(3) Since interest payments were deferred and no interest was recorded for the first twelve months of the loan, we used the effective interest method in accordance with GAAP to recognize interest income and recorded the difference between the effective interest income and cash interest income to the loan principal balance.

The following table summarizes our capital contributions, income recognized, and cash interest received related to our investments in unconsolidated joint ventures (in thousands):

Type	Six Months Ended June 30, 2018			2017		
of Properties	Capital Contribution	Income Recognized	Cash Interest Received	Capital Contribution	Income Recognized	Cash Interest Received

ALF/MC/ILF	$ 497	$ 951	$ 1,062	$ 987	$ 719	$ 619
ALF/IL/MC	—	255	194	—	255	135
UDP-ALF/MC	—	151	— (1)	2,747	46	— (1)
Total	$ 497	$ 1,357	$ 1,256	$ 3,734	$ 1,020	$ 754

(1) We withheld $653 at the time of loan origination which is being applied to interest. As of June 30, 2018, we still hold $336 which will be applied to future interest.

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LTC PROPERTIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

(Unaudited)

4.Notes Receivable

Notes receivable consists of mezzanine loans and other loan arrangements. The following table is a summary of our notes receivable components as of June 30, 2018 and December 31, 2017 (in thousands):

	At June 30, 2018	At December 31, 2017
Mezzanine loans	$ 11,348	$ 13,700
Other loans	2,868	2,868
Notes receivable reserve	(142)	(166)
Total	$ 14,074	$ 16,402

The following tables summarizes our notes receivable activity for the six months ended June 30, 2018 and 2017 (dollar amounts in thousands):

	2018	2017
Principal payments received under notes receivable	$ (2,352)	$ (25)

5.Lease Incentives

The following summarizes lease incentives by component as of June 30, 2018 and December 31, 2017, (in thousands):

	At June 30, 2018	At December 31, 2017
Non-contingent lease incentives	$ 15,069	$ 14,904
Contingent lease incentives	6,338	6,577
Total	$ 21,407	$ 21,481

The following table summarizes our lease incentive activity for the six months ended June 30, 2018 and 2017(in thousands):

	Six months ended June 30,					
	2018		2017			
	Funding	Amortization	Funding	Amortization	Write off	
Non-contingent lease incentives	$ 1,017	$ (852)	$ 5,172	$ (777)	$ (1,205)	(1)
Contingent lease incentives	—	(239)	—	(334)	—	

Total	$ 1,017	$ (1,091)	$ 5,172	$ (1,111)	$ (1,205)

(1) Represents the write-off of lease incentives related to two properties due to negotiations to transition these properties to another operator in our portfolio that never materialized.

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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LTC PROPERTIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

(Unaudited)

6.Debt Obligations

Bank Borrowings. During the three months ended June 30, 2018, we amended and restated our unsecured credit agreement to replace the previous unsecured credit agreement, prior to its expiration on October 14, 2018. The amended credit agreement maintains the $600,000,000 aggregate commitment of the lenders under the prior agreement and provides for the opportunity to increase the commitment size of the credit agreement up to a total of $1,000,000,000. The amended credit agreement extends the maturity of the credit agreement to June 27, 2022 and provides for a one-year extension option at our discretion, subject to customary conditions. Additionally, the amended credit agreement decreases the interest rate margins and converts from the payment of unused commitment fees to a facility fee. Based on our leverage at June 30, 2018, the facility provides for interest annually at LIBOR plus 115 basis points and a facility fee of 20 basis points. At June 30, 2018, we were in compliance with all covenants.

Senior Unsecured Notes. During 2017, we amended our shelf agreement with affiliates and managed accounts of Prudential Investment Management, Inc. (“Prudential”) to increase our shelf commitment to $337,500,000.

The debt obligations by component as of June 30, 2018 and December 31, 2017 are as follows (dollar amounts in thousands):

		At June 30, 2018		At December 31, 2017	
Debt Obligations	Applicable Interest Rate (1)	Outstanding Balance	Available for Borrowing	Outstanding Balance	Available for Borrowing
Bank borrowings (2)	3.26%	$ 85,500	$ 514,500	$ 96,500	$ 503,500
Senior unsecured notes, net of debt issue costs (3)	4.49%	566,940	67,833	571,002	63,667
Total	4.33%	$ 652,440	$ 582,333	$ 667,502	$ 567,167

(1) Represents weighted average of interest rate as of June 30, 2018.

(2) Subsequent to June 30, 2018, we borrowed $14,500 under our unsecured revolving line of credit. Accordingly, we have $100,000 outstanding under our unsecured revolving line of credit with $500,000 available for borrowing.

(3) Subsequent to June 30, 2018, we paid $14,000 in regular scheduled principal payments. Accordingly, we have $552, 940 outstanding, net of debt issue costs and $77,833 available under our agreement with Prudential.

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

	Six months ended June 30,			
	2018		2017	
Debt Obligations	Borrowings	Repayments	Borrowings	Repayments
Bank borrowings	$ 54,000	$ (65,000)	$ 48,500	$ (110,600)
Senior unsecured notes	—	(4,166)	100,000 (1)	(4,167)
Total	$ 54,000	$ (69,166)	$ 148,500	$ (114,767)

[1] During 2017, we sold 15-year senior unsecured notes in the aggregate amount of $100,000 to a group of investors, which included Prudential, in a private placement transaction. The notes bear interest at an annual rate of 4.5%, have scheduled principal payments and mature on February 16, 2032.

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7.Equity

Equity activity was as follows (in thousands):

	Total Equity
Balance at December 31, 2017	$ 758,648
Net income	89,295
Stock-based compensation expense	2,897
Performance-based stock units	(8)
Stock option exercise	123
Non-controlling interest contribution	1,081
Common stock dividends	(45,168)
Other	(1,172)
Balance at June 30, 2018	$ 805,696

Common Stock. We have an equity distribution agreement to issue and sell, from time to time, up to $200,000,000 in aggregate offering price of our company common shares. During the six months ended June 30, 2017, we sold 312,881 shares of common stock for $14,578,000 in net proceeds under our equity distribution agreement. At June 30, 2018, and 2017, we had $185,162,000 available under our equity distribution agreement.

During the six months ended June 30, 2018 and 2017, we acquired 30,839 shares and 41,592 shares, respectively, of common stock held by employees who tendered owned shares to satisfy tax withholding obligations.

Non-controlling Interests. During 2018 and 2017, we 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. And since we exercise power over and receive benefits from the VIEs, we are considered the primary beneficiary. Accordingly, we consolidate the VIEs and carry the non-controlling interests at cost. As of June 30, 2018, we have the following consolidated VIEs (dollar amounts in thousands):

Investment Year	Purpose	Property Type	State	Gross Consolidated Assets		Non-Controlling Interests	
2018	Owned real estate and development	UDP	OR	$ 2,291	(1)	$ 1,081	(1)
2017	Owned real estate and development	UDP	WI	7,053	(2)	2,247	(2)
2017	Owned real estate	ALF	SC	10,463		1,241	
Total				$ 19,807		$ 4,569	

(1) We entered into a partnership to own the real estate and develop a 78-unit assisted living and memory care community in Medford, OR for $18,108 and committed to purchase an existing operational 89-unit independent

living community in Oregon. We anticipate acquiring the independent living community in the third quarter of 2018.

(2) We entered into a partnership to own the real estate and develop a 110-unit ILF/ALF/MC community in Wisconsin. The commitment totals approximately $22,471.

Available Shelf Registrations. We have an automatic shelf registration statement on file with the SEC, and currently have the ability to file additional automatic shelf registration statements, to provide us with capacity to publicly offer an indeterminate amount of common stock, preferred stock, warrants, debt, depositary shares, or units. We may from time to time raise capital under our automatic 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

LTC PROPERTIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

(Unaudited)

described in detail in a prospectus supplement, or other offering materials, at the time of the offering.

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

	Six Months Ended June 30,			
	2018		2017	
	Declared	Paid	Declared	Paid
Common Stock	$ 45,168 (1)	$ 45,168 (1)	$ 45,110 (1)	$ 45,110 (1)

(1) Represents $0.19 per share per month for the six months ended June 30, 2018 and 2017.

In July 2018, we declared a monthly cash dividend of $0.19 per share on our common stock for the months of July, August and September, payable on July 31, August 31, and September 28, 2018, respectively, to stockholders of record on July 23, August 23, and September 20, 2018, respectively.

Stock-Based Compensation. Under our 2015 Equity Participation Plan (“the 2015 Plan”), 1,400,000 shares of common stock have been reserved for awards, including nonqualified stock option grants and restricted stock grants to officers, employees, non-employee directors and consultants. The terms of the awards granted under the 2015 Plan are set by our compensation committee at its discretion.

During the six months ended June 30, 2018 and 2017, no stock options were granted. The stock options exercised during the six months ended June 30, 2018 and 2017 were as follows:

	Options Exercised	Weighted Average Exercise Price	Option Value	Market Value (1)
2018	5,000	$ 24.65	$ 123,000	$ 205,000
2017	3,334	$ 23.79	$ 79,000	$ 154,000

(1) As of exercise date.

At June 30, 2018, we had 20,000 stock options outstanding and exercisable. Compensation expense related to the vesting of stock options was $0 and $2,000 for the six months ended June 30, 2018 and 2017, respectively.

The following table summarizes our restricted stock and performance-based stock units activity for the six months ended June 30, 2018 and 2017:

Six months ended June

	30, 2018	2017
Outstanding, January 1	244,181	210,573
Granted	156,718	140,057
Vested	(74,149)	(84,363)
Canceled	—	(22,877)
Outstanding, June 30	326,750	243,390

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(Unaudited)

During the six months ended June 30, 2018 and 2017, we granted restricted stock and performance-based stock units under the 2015 Plan as follows:

Year	No. of Shares/Units	Price per Share	Vesting Period
2018	81,819	$ 38.18	ratably over 3 years
	66,171	$ 38.18	TSR targets (1)
	8,728	$ 41.25	May 30, 2019
	156,718		
2017	74,760	$ 45.76	ratably over 3 years
	57,881	$ 45.76	TSR targets (1)
	7,416	$ 48.55	June 1, 2018
	140,057		

(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, 2018 and 2017 were $2,897,000 and $2,682,000, respectively. At June 30, 2018, 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:

Vesting Date	Remaining Compensation Expense
2018	$ 2,973,000
2019	4,250,000
2020	2,210,000
2021	238,000
Total	$ 9,671,000

8.Commitments and Contingencies

At June 30, 2018, we had commitments as follows (in thousands):

	Investment Commitment		2018 Funding	Total Commitment Funded	Remaining Commitment
Real estate properties (Note 2. Real Estate Investments)	$ 92,971	(1)	$ 17,847	$ 42,846	$ 50,125
Accrued incentives and earn-out liabilities	23,000		—	—	23,000
Lease incentives and rent abatements (Note 5. Lease Incentives)	7,380		2,546	4,791	2,589
Mortgage loans (Note 2. Real Estate Investments)	58,700	(2)	4,254	21,505	37,195
Joint venture investments (Note 3. Investments in Unconsolidated Joint Ventures)	25,650		497	23,511	2,139
Notes receivable (Note 4. Notes Receivable)	500		—	—	500
Total	$ 208,201		$ 25,144	$ 92,653	$ 115,548

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

(2) Represents commitments to expand and renovate and contingent funding upon the borrower achieving certain coverage ratios.

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

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

9.Major Operators

We have four operators from each of which we derive approximately 10% or more of our combined rental revenue and interest income from mortgage loans. The following table sets forth information regarding our major operators as of June 30, 2018:

	Number of		Number of		Percentage of			
			SNF	ALF	Total		Total	
Operator	SNF	ALF	Beds	Units	Revenue (1)		Assets	
Prestige Healthcare	23	—	2,898	93	17.5	%	16.2	%
Senior Lifestyle Corporation	—	23	—	1,457	11.6	%	10.7	%
Brookdale Senior Living	—	37	—	1,702	9.9	%	4.7	%
Senior Care Centers	11	—	1,444	—	9.6	%	7.3	%
Total	34	60	4,342	3,252	48.6	%	38.9	%

(1) Includes rental income and interest income from mortgage loans.

Our financial position and ability to make distributions may be adversely affected if Prestige Healthcare, Senior Lifestyle Corporation, Brookdale Senior Living, Senior Care Centers, or any of our lessees and borrowers face financial difficulties, including any bankruptcies, inability to emerge from bankruptcy, insolvency or general downturn in business of any such operator, or in the event any such operator does not renew and/or extend its relationship with us.

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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,	
	2018	2017	2018	2017
Net income	$ 68,936	$ 25,377	$ 89,295	$ 46,890
Less net income allocated to participating securities:				
Non-forfeitable dividends on participating securities	(91)	(92)	(179)	(189)
Income allocated to participating securities	(187)	(12)	(187)	(12)
Total net income allocated to participating securities	(278)	(104)	(366)	(201)
Net income available to common stockholders	68,658	25,273	88,929	46,689
Effect of dilutive securities:				
Participating securities	278	104	366	201
Net income for diluted net income per share	$ 68,936	$ 25,377	$ 89,295	$ 46,890
Shares for basic net income per share	39,471	39,414	39,461	39,390
Effect of dilutive securities:				
Stock options	2	11	2	11
Performance-based stock units	132	207	132	207
Participating securities	160	162	155	161
Total effect of dilutive securities	294	380	289	379
Shares for diluted net income per share	39,765	39,794	39,750	39,769
Basic net income per share	$ 1.74	$ 0.64	$ 2.25	$ 1.19
Diluted net income per share	$ 1.73	$ 0.64	$ 2.25	$ 1.18

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LTC PROPERTIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

(Unaudited)

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.

The carrying amount of cash and cash equivalents approximates fair value because of the short-term maturity of these instruments. We do not invest our cash in auction rate securities. The carrying value and fair value of our financial instruments as of June 30, 2018 and December 31, 2017 assuming election of fair value for our financial assets and financial liabilities were as follows (in thousands):

	At June 30, 2018			At December 31, 2017		
	Carrying Value	Fair Value		Carrying Value	Fair Value	
Mortgage loans receivable	$ 233,823	$ 287,205	(1)	$ 223,907	$ 278,224	(1)
Bank borrowings	85,500	85,500	(2)	96,500	96,500	(2)
Senior unsecured notes, net of debt issue costs	566,940	547,905	(3)	571,002	577,126	(3)
Accrued incentives and earn-outs	9,167	9,167	(4)	8,916	8,916	(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, 2018 and December 31, 2017 was 8.8% and 8.7%, respectively.

(2) Our bank borrowings bear interest at a variable interest rate. The estimated fair value of our bank borrowings approximated their carrying values at June 30, 2018 and December 31, 2017 based upon prevailing market interest rates for similar debt arrangements.

(3) Our obligation under our senior unsecured notes is classified as Level 3 and thus the fair value is determined using a widely accepted valuation technique, discounted cash flow analysis on the expected cash flows. The discount rate is measured based upon management's estimates of rates currently prevailing for comparable loans available to us, and instruments of comparable maturities. At June 30, 2018, the discount rate used to value our future cash outflow of our senior unsecured notes was 4.90% for those maturing before year 2026 and 5.15% for those maturing at or beyond year 2026. At December 31, 2017, the discount rate used to value our future cash outflow of our senior

unsecured notes was 4.10% for those maturing before year 2026 and 4.30% for those maturing at or beyond year 2026.

(4) Our accrued incentives and earn-outs are classified as Level 3. We estimated the fair value of the accrued incentives and earn out payments using a discounted cash flow analysis. The discount rate that we use consists of a risk free U.S. Treasury rate plus a company specific credit spread which we believe is acceptable by willing market participants. The discount rate used to value our accrued incentives and earn-outs was 6.1% at June 30, 2018 and 6.2% at December 31, 2017.

12.Subsequent Events

Subsequent to June 30, 2018 the following events occurred:

Debt: We borrowed $14,500,000 under our unsecured revolving line of credit. Accordingly, we have $100,000,000 outstanding under our unsecured revolving line of credit with $500,000,000 available for borrowing. Additionally, we paid $14,000,000 in regular principal payments under our senior unsecured notes. Accordingly, we have $552,940,000, net of debt issue costs, and $77,833,000 available.

Equity: We declared a monthly cash dividend of $0.19 per share on our common stock for the months of July, August and September 2018, payable on July 31, August 31, and September 28, 2018, respectively to stockholders of record on July 23, August 23, and September 20, 2018, respectively.

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

Statement Regarding Forward Looking Disclosure

This quarterly report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, adopted pursuant to the Private Securities Litigation Reform Act of 1995. Statements that are not purely historical may be forward-looking. You can identify some of the forward-looking statements by their use of forward-looking words, such as "believes," "expects," "may," "will," "should," "seeks," "approximately," "intends," "plans," "estimates" or "anticipates," or the negative words or similar words. Forward-looking statements involve inherent risks and uncertainties regarding events, conditions and financial trends that may affect our future plans of operation, business strategy, results of operations and financial position. A number of important factors could cause actual results to differ materially from those included within or contemplated by such forward-looking statements, including, but not limited to, the status of the economy; the status of capital markets (including prevailing interest rates) and our access to capital; the income and returns available from investments in health care related real estate (including our ability to re-lease properties upon expiration of a lease term); the ability of our borrowers and lessees to meet their obligations to us; our reliance on a few major operators; competition faced by our borrowers and lessees within the health care industry; regulation of the health care industry by federal, state and local governments; changes in Medicare and Medicaid reimbursement amounts (including due to federal and state budget constraints); compliance with and changes to regulations and payment policies within the health care industry; debt that we may incur and changes in financing terms; our ability to continue to qualify as a real estate investment trust; the relative illiquidity of our real estate investments; potential limitations on our remedies when mortgage loans default; and risks and liabilities in connection with properties owned through limited liability companies and partnerships. For a discussion of these and other factors that could cause actual results to differ from those contemplated in the forward-looking statements, please see the discussion under "Risk Factors" contained in our Annual Report on Form 10-K for the fiscal year ended December 31, 2017 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 self-administered health care real estate investment trust ("REIT") that invests in seniors housing and health care properties primarily through sale-leaseback transactions, mortgage financing and structured finance solutions including mezzanine lending. We conduct and manage our business as one operating segment, rather than multiple operating segments, for internal reporting and internal decision making purposes. Our primary objectives are to create, sustain and enhance stockholder equity value and provide current income for distribution to stockholders through real estate investments in seniors housing and health care properties managed by experienced operators.

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The below graph summarizes our investments as of June 30, 2018:

Our 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. ALF, ILF, MC, and combinations thereof are included in the ALF property classification. As of June 30, 2018, seniors housing and long-term health care properties comprised approximately 99.3% of our real estate investment portfolio. We have been operating since August 1992.

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

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

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Portfolio Overview

The following tables summarize our real estate investment portfolio by owned properties and mortgage loans and by type, as of June 30, 2018 (dollar amounts in thousands):

Owned Properties	Gross Investments	Percentage of Investments	Six Months Ended June 30, 2018 Rental Income (5)	Interest Income (6)	Percentage of Revenues	Number of Properties (1)	Number of SNF Beds (2)	ALF Units (2)
Assisted Living	$ 787,373	48.1 %	$ 32,206	$ —	39.9 %	102	—	5,796
Skilled Nursing	578,030	35.3 %	34,280	—	42.5 %	75	9,204	261
Under Development (3)	25,077	1.5 %	—	—	— %	—	—	—
Other (4)	10,823	0.7 %	455	—	0.6 %	1	118	—
Total Owned Properties								