

LTC PROPERTIES INC  
Form DEF 14A  
April 19, 2013

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

**SCHEDULE 14A**

Proxy Statement Pursuant to Section 14(a) of  
the Securities Exchange Act of 1934 (Amendment No.        )

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material under §240.14a-12

**LTC Properties, Inc.**

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(Name of Registrant as Specified In Its Charter)

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(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
  - (1) Title of each class of securities to which transaction applies:
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(1) Amount Previously Paid:

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(3) Filing Party:

(4) Date Filed:

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**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS  
TO BE HELD MAY 21, 2013**

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The 2013 Annual Meeting of Stockholders of LTC Properties, Inc. will be held on Tuesday, May 21, 2013 at 9:00 a.m., local time, at the Surf and Sand Resort, 1555 South Coast Highway, Laguna Beach, California 92651 to conduct the following items of business:

- (1) To elect six directors to serve on the Board of Directors for the ensuing year and until the election and qualification of their respective successors;
- (2) To ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm for fiscal 2013;
- (3) To approve, on an advisory basis, the compensation of our named executive officers;
- (4) To transact such other business as may properly come before the meeting.

Only stockholders whose names appear of record on our books at the close of business on **April 8, 2013** are entitled to notice of, and to vote at, such 2013 Annual Meeting or any adjournments of such 2013 Annual Meeting.

By Order of the Board of Directors

PAMELA J. SHELLEY-KESSLER  
Executive Vice President, Chief Financial Officer and  
Corporate Secretary

Westlake Village, California  
April 19, 2013

**IMPORTANT:** Whether or not you plan to attend the 2013 Annual Meeting in person, please vote as promptly as possible (a) via the internet or telephone, if and as instructed by your broker or other nominee holder, or (b) if this proxy statement was mailed to you by completing, dating and signing the enclosed proxy card and mailing it in the accompanying postage paid envelope.

**Important Notice Regarding the Availability of Proxy Materials for the Shareholder Meeting to Be Held on May 21, 2013 the Proxy Statement and the Annual Report are available at**

***<http://www.amstock.com/ProxyServices/ViewMaterial.asp?CoNumber=26002>***

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**LTC PROPERTIES, INC.**

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**PROXY STATEMENT**

**Solicitation**

This proxy statement is furnished to the stockholders of LTC Properties, Inc., a Maryland corporation, in connection with the solicitation of proxies by our Board of Directors for use at our 2013 Annual Meeting of Stockholders to be held on Tuesday, May 21, 2013 at 9:00 a.m., local time, at the Surf and Sand Resort, 1555 South Coast Highway, Laguna Beach, California 92651 and at any and all adjournments of our 2013 Annual Meeting. The approximate date on which this proxy statement and the form of proxy are first being sent to our stockholders is April 19, 2013.

The cost of the solicitation of proxies will be borne by us. In addition to solicitation by mail, our directors and officers, without receiving any additional compensation, may solicit proxies personally, by telephone, by facsimile or electronically. We will request brokers, banks, and other nominees holding stock in their names for others to forward proxy materials to their customers or principals who are the beneficial owners of common shares and will reimburse them for their expenses in doing so. We have retained the services of Georgeson Shareholder, Inc. for a fee of \$8,000 plus out-of-pocket expenses, to assist in the solicitation of proxies.

*We will provide without charge to any person solicited hereby, upon the written request of any such person, a copy of our Annual Report on our Form 10-K for the year ended December 31, 2012 filed with the Securities and Exchange Commission (or SEC). Such requests should be directed to our Investor Relations Department, at 2829 Townsgate Road, Suite 350, Westlake Village, CA 91361. Also, our Annual Report is available on our website at [www.LTCproperties.com](http://www.LTCproperties.com). We are not including the information contained on our website as part of, or incorporating it by reference into this proxy statement.*

**Voting Rights**

At the close of business on April 8, 2013, there were 30,712,510 shares of common stock outstanding and eligible for voting at the 2013 Annual Meeting. Only stockholders of record at the close of business on April 8, 2013, are entitled to notice of, and to vote at, the 2013 Annual Meeting. The presence, in person or by proxy, of stockholders entitled to cast a majority of all the votes entitled to be cast constitutes a quorum for the transaction of business at the 2013 Annual Meeting.

**Voting of Proxy**

You may vote by attending the 2013 Annual Meeting and voting in person, or you may vote by submitting a proxy. The method of voting by proxy differs depending on whether (1) you are viewing this proxy statement on the internet or receiving a paper copy, and (2) you hold your shares as a record holder or in "street name".

If you are the record holder of your stock and you are receiving a paper copy of this proxy statement, you may vote by completing, dating and signing the proxy card that was included with the proxy statement and promptly returning it in the pre-addressed, postage paid envelope provided to you. If you do not have a postage-prepaid envelope, please mail your completed proxy card to the following address: American Stock Transfer and Trust Company, Proxy Department, 6201 15th Avenue, Brooklyn, NY 11219.

If you hold your shares of common stock in "street name", you will receive instructions from your broker, bank or other nominee on how to vote your shares. Your broker, bank or other nominee may allow you to deliver your voting instructions via the internet and may also permit you to submit your voting instructions by telephone. Please note that, if you hold your shares in "street name" and you

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wish to vote in person at the 2013 Annual Meeting, you must obtain and present a proxy card issued in your name from your broker, bank or other nominee.

**Broker Non-Votes**

If you are a "street name" beneficial owner whose shares are held of record by a broker, the rules of the New York Stock Exchange (or NYSE) require your broker to ask you for instructions on how to vote. If you do not provide voting instructions to your broker, then your broker may only exercise discretionary authority to vote on routine matters. Of the items described in this proxy statement, routine matters consist of Proposal 2, ratification of independent registered public accounting firm. Your broker may not exercise discretionary authority to vote on non-routine matters. This lack of discretionary authority is called a "broker non-vote." Of the items described in this proxy statement, non-routine matters consist of Proposal 1, election of directors, and Proposal 3, advisory vote to approve named executive officer compensation. The effect of broker non-votes is set forth in the description of each item in this proxy statement. Despite limitations impacting broker non-votes, your broker can register your shares as being present at the 2013 Annual Meeting for purposes of determining the presence of a quorum.

**Board of Director's Recommendations**

The Board of Directors' recommendations are set forth together with the description of each item in this proxy statement. In summary, the Board of Directors recommends a vote:

**For** the election of each of the Board of Directors' nominees for director;

**For** the ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for fiscal 2013;

**For** the approval of the compensation of our named executive officers, as disclosed in this proxy statement; and

**Revocability of Proxy**

The giving of a proxy does not preclude the right to revoke the proxy or vote in person should the stockholder giving the proxy so desire.

If you are a stockholder of record, you have the power to revoke your proxy at any time prior to its exercise by: (a) delivering a written statement to our Investor Relations Department that the proxy is revoked; (b) by delivering to us a later-dated proxy executed by the person executing the prior proxy; or (c) by attending the 2013 Annual Meeting and voting in person.

If you hold your shares in "street name" through a broker, bank or other nominee, you may change your vote by submitting new voting instructions to your broker, bank or other nominee. Please note that voting in person at the 2013 Annual Meeting will only act to revoke prior voting instructions if you have obtained and present a proxy card issued in your name from your broker, bank or other nominee.

**ALL STOCKHOLDERS ARE URGED TO VOTE AS PROMPTLY AS POSSIBLE VIA (A) THE INTERNET OR TELEPHONE, IF AND AS INSTRUCTED BY YOUR BROKER OR OTHER NOMINEE, OR (B) IF THIS PROXY STATEMENT WAS MAILED TO YOU, BY COMPLETING, DATING AND SIGNING THE ENCLOSED PROXY CARD AND MAILING IT IN THE ACCOMPANYING POSTAGE PAID ENVELOPE.**

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**CORPORATE GOVERNANCE PRINCIPLES AND BOARD MATTERS**

**Code of Ethics**

LTC Properties, Inc. (or LTC) is committed to having sound corporate governance principles. To that end, we have adopted a Code of Business Conduct, Ethics and Corporate Governance applicable to our Board of Directors, principal executive officer, principal financial officer, principal accounting officer or controller and other officers and employees. Our Code of Business Conduct, Ethics and Corporate Governance is available on our website ([www.LTCproperties.com](http://www.LTCproperties.com)). If we amend or waive the Code of Business Conduct, Ethics and Corporate Governance with respect to our directors, principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions, we will post the amendment or waiver on our website.

**Corporate Governance Policies**

To guide us in director independence and other governance matters, we have adopted Corporate Governance Policies as required by the listing standards of the NYSE. The matters addressed in our Corporate Governance Policies include Board composition, Board meetings, Board committees, management responsibility, and stock ownership guidelines. A copy of our Corporate Governance Policies is available on our website at [www.LTCproperties.com](http://www.LTCproperties.com).

**Board Structure and Committee Composition**

The business of LTC is managed under the direction of the Board of Directors (or Board), which is elected by our stockholders. The basic responsibility of the Board is to lead our company by exercising its business judgment to act in what each director reasonably believes to be the best interests of our company and its stockholders. Leadership is important to facilitate the Board acting effectively as a working group so that our company and its performance may benefit. Our Corporate Governance Policies contemplate that the Chief Executive Officer shall be nominated annually to serve on the Board.

Our Board currently separates the positions of Executive Chairman and Chief Executive Officer. Our Executive Chairman, Mr. Dimitriadis, founded LTC in 1992 and until March 2007 served as Chief Executive Officer. As Executive Chairman, he is able to make a time commitment to advise on our company's operations, has an extensive knowledge of our company, its challenges, and opportunities, and has a productive working relationship with the company's officers and employees. The role of Executive Chairman includes providing continuous feedback on the direction, performance and strategy of our company, serving as chairman of regular and executive sessions of the Board, setting the Board's agenda with the Chief Executive Officer, and leading the Board in anticipating and responding to key company developments. Separation of the positions of Executive Chairman and Chief Executive Officer is not mandated by our company's articles, bylaws, or Corporate Governance Policies. The Board believes that the advisability of having a separate or combined Executive Chairman and Chief Executive Officer is dependent upon the strengths of the individuals that hold these positions and the most effective means of leveraging these strengths. At this time, given the composition of our Board, the effective interaction between Mr. Dimitriadis, as Executive Chairman, and Ms. Simpson, as Chief Executive Officer, the Board believes that separating the Chief Executive Officer and Executive Chairman positions provides our company with the right foundation to pursue strategic and operational objectives, while maintaining effective oversight and objective evaluation of the performance of our company.

Aside from Mr. Dimitriadis and Ms. Simpson, the four remaining members of our Board are independent directors. Our Corporate Governance Policies provide that, where the chairman is not independent, one independent director may be appointed "lead independent director." If no "lead independent director" has been appointed by the Board, the designation of the presiding director at



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independent directors' meetings will rotate among the Chairmen of each committee. The "lead independent director" will periodically and no less frequently than annually, schedule and conduct separate meetings of the independent directors only. Currently, Mr. Hendrickson is designated "lead independent director." In accordance with our Corporate Governance Policies, the independent members of the Board meet separately without management directors at least once per year to discuss such matters as the independent directors consider appropriate.

As of the date of this proxy statement, our Board has six directors and the following three committees: (1) Audit; (2) Compensation; and (3) Nominating and Corporate Governance. The function of each of the committees and the membership of the committees currently and during the last year are described below. Each of the committees operates under a written charter adopted by the Board. All of the committee charters are available on our website ([www.LTCproperties.com](http://www.LTCproperties.com)). During fiscal 2012, the Board held seven meetings. Each Board member attended 100% of Board and Committee meetings in 2012. Our policy is to schedule our annual meeting of stockholders after consulting with each director regarding their availability to help ensure their ability to attend. All Board members attended our 2012 Annual Meeting of Stockholders.

The following table reflects the current composition of each committee:

Director	Audit Committee	Compensation Committee	Nominating and Corporate Governance Committee
Andre C. Dimitriadis			
Boyd W. Hendrickson	*		*
Edmund C. King		*	*
Devra G. Shapiro	*	*	
Wendy L. Simpson			
Timothy J. Triche, MD	*		*

\*  
Member  
Chairman

*Audit Committee*

The Audit Committee has oversight of all compliance related to financial matters, SEC reporting and auditing. The "Report of the Audit Committee of the Board of Directors" is contained herein on page 1. The Audit Committee Charter is available on our website ([www.LTCproperties.com](http://www.LTCproperties.com)). The Audit Committee met seven times during 2012.

The Board has determined that each member of the Audit Committee is independent within the meaning of the Securities Exchange Act of 1934, as amended (or Exchange Act) and the listing standards of the NYSE. The Board also has determined that Mr. King, the current chair of the Audit Committee, and Ms. Shapiro each qualify as an "audit committee financial expert" as defined by SEC rules and that they each have accounting and related financial management expertise within the meaning of the listing standards of the NYSE.

*Compensation Committee*

The Compensation Committee is responsible for overseeing, reviewing, and administering our compensation and benefit practices. The Compensation Committee oversees our general compensation policies, reviews and approves compensation of our executive officers and administers all of our employee benefit plans. The Compensation Committee Charter is available on our website ([www.LTCproperties.com](http://www.LTCproperties.com)). The Compensation Committee met three times during 2012. The Board has

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determined that each member of the Compensation Committee is independent within the meaning of the listing standards of the NYSE.

*Nominating and Corporate Governance Committee*

The Nominating and Corporate Governance Committee is responsible for (i) identifying, screening and reviewing individuals qualified to serve as directors and recommending to the Board candidates for nomination for election at our Annual Meeting of Stockholders or to fill Board vacancies; (ii) overseeing our policies and procedures for the receipt of stockholder suggestions regarding Board composition and recommendations of candidates for nomination by the Board; (iii) developing, recommending to the Board and overseeing implementation of our Code of Business Conduct, Ethics and Corporate Governance; and (iv) reviewing on a regular basis our overall corporate governance policies and procedures and recommending improvements when necessary. The Nominating and Corporate Governance Committee Charter is available on our website ([www.LTCproperties.com](http://www.LTCproperties.com)).

The Nominating and Corporate Governance Committee met three times during 2012. The Board has determined that each member of the Nominating and Corporate Governance Committee is independent within the meaning of the listing standards of the NYSE.

**Communications with the Board**

Stockholders and all other parties interested in contacting the Board, its committees, the independent directors as a group, the presiding director, or individual directors may send written correspondence to the Audit Committee Chairman of LTC Properties, Inc. at 2829 Townsgate Road, Suite 350, Westlake Village, California 91361. All such communications will be forwarded to the relevant director(s), except for solicitations or other matters unrelated to our company.

**Consideration of Director Nominees**

The Board is responsible for the selection of candidates for the nomination or appointment of all Board members. The Nominating and Corporate Governance Committee, in consultation with the Chief Executive Officer, recommends candidates for election to our Board and considers recommendations for Board candidates submitted by stockholders using the same criteria it applies to recommendations from Nominating and Corporate Governance Committee members, directors and members of management. The Nominating and Corporate Governance Committee will also consider whether to nominate any person nominated by a stockholder pursuant to the provisions of our Bylaws relating to stockholder nominations as described immediately below. Since 2012, there have been no material changes to the procedures by which stockholders may recommend nominees. Stockholders may submit recommendations in writing addressed to the Nominating and Corporate Governance Committee, LTC Properties, Inc., 2829 Townsgate Road, Suite 350, Westlake Village, CA 91361.

Stockholders may directly nominate persons for director only by complying with the procedure set forth in our Bylaws, which in summary requires that the stockholder submit the names of such persons in writing to our Corporate Secretary not less than 60 days nor more than 150 days prior to the first anniversary of the date of the preceding year's Annual Meeting. The nominations must set forth (i) as to each person whom the stockholder proposes to nominate for election or reelection as a director and as to the stockholder giving the notice (a) the name, age, business address and residence address of such person, (b) the principal occupation or employment of such person, (c) the class and number of shares of our capital stock which are beneficially owned by such person on the date of such stockholder notice, (d) such nominee's consent to serve as a director if elected and (ii) as to the stockholder giving the notice (a) the name and address, as they appear on our books, of such stockholder to be supporting such nominees and (b) the class and number of shares of our capital stock which are beneficially owned by such stockholder on the date of such stockholder notice and by any other

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stockholders known by such stockholder to be supporting such nominees on the date of such stockholder notice.

Once a prospective nominee has been identified, by either the Nominating and Corporate Governance Committee or proposed by the stockholders, the Nominating and Corporate Governance Committee makes an initial determination as to whether to conduct a full evaluation of the prospective candidate. This initial determination would include whatever information is provided with the recommendation of the prospective candidate and the Nominating and Corporate Governance Committee's own knowledge of the prospective candidate. The Nominating and Corporate Governance Committee may make inquiries of the person making the recommendation or of others regarding the qualifications of the prospective candidate. The preliminary determination is based primarily on the need for additional Board members to fill vacancies or expand the size of the Board. The Board's policy is to encourage selection of directors who will contribute to our overall corporate goals and to the discharge of the Board's responsibility to our stockholders. The Nominating and Corporate Governance Committee may, at the request of the Board from time to time, review the appropriate skills and characteristics required of Board members in the context of the current makeup of the Board. Board members are expected to prepare for, attend and participate in meetings of the Board and the committees on which they serve; therefore, a prospective candidate must have the ability to dedicate sufficient time, energy and attention to the diligent performance of his or her duties as a Board member.

The Nominating and Corporate Governance Committee may conduct interviews with prospective nominees in person or by telephone. After completing the evaluation and interviews, the Nominating and Corporate Governance Committee makes a recommendation to the full Board as to the persons who should be nominated by the Board, and the Board determines the nominees after considering the recommendation and report of the Nominating and Corporate Governance Committee.

The Nominating and Governance Committee does not have a specific policy with regard to the consideration of diversity in identifying director nominees. As part of its periodic review of the composition of the Board, the Nominating and Governance Committee considers whether the composition of the Board reflects the appropriate balance of independence, sound judgment, business specialization, technical skills, diversity, and other desired qualities. The Nominating and Governance Committee does not have formal objective criteria for determining the amount of diversity needed or present on the Board. Instead, the Nominating and Governance Committee seeks to have a Board with a diversity of background and experience.

**Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Exchange Act requires our directors and executive officers, and persons who own more than ten percent of a registered class of our equity securities to file with the SEC initial reports of ownership and reports of changes in ownership of common stock and other equity securities of our company.

To our knowledge, based solely on review of the copies of such reports and written representations that no other reports were required, during the year ended December 31, 2012 all directors, executive officers and persons who beneficially own more than 10% of our common stock have complied with the reporting requirements of Section 16(a); except that (i) one report, covering two transactions, was filed late for Ms. Simpson due to our administrative oversight and (ii) one report, covering sixteen transactions, was filed late for Mr. Lyew.

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**PROPOSAL 1  
ELECTION OF DIRECTORS**

Six directors will be elected at the 2013 Annual Meeting of Stockholders. Each person elected as director will hold office until the 2014 Annual Meeting of Stockholders and, in each case, until their respective successors have been duly elected and qualified. Each nominee listed below is currently a director of our company. The names of the six director nominees, their business experience, and specific qualifications, attributes, or skills to serve as director, are set forth below:

**Andre C. Dimitriadis**  
Director since 1992  
Age 72

Mr. Dimitriadis founded LTC Properties, Inc. in 1992 and was our Chairman and Chief Executive Officer from inception through March 2007. In March 2007, Mr. Dimitriadis assumed the position of Executive Chairman.

As founder and former Chief Executive Officer, Mr. Dimitriadis brings to the Board of LTC Properties, Inc. a deep understanding of our company's business, a historical perspective on our company's strategy, and experience in long term care and capital markets. These factors, and Mr. Dimitriadis' prior service as director of LTC Properties, Inc., led the Board to conclude he should be nominated to serve another term as director.

**Boyd W. Hendrickson**  
Director since 2005  
Age 68

Mr. Hendrickson is Chief Executive Officer and Chairman and Member of the Board of Skilled Healthcare Group, Inc. (or SHG). Mr. Hendrickson has been the Chief Executive Officer of SHG since April 2002. SHG is located in Foothill Ranch, California and is a publicly-traded company with subsidiaries that own and operate skilled nursing and assisted living facilities. Since 2005, Mr. Hendrickson also has served as a managing member of Executive Search Solutions, LLC, a provider of recruiting services to the healthcare services industry. Previously, Mr. Hendrickson was the President and Chief Executive Officer of Evergreen Healthcare, LLC, an operator of long-term healthcare facilities, from January 2000 through April 2002. Mr. Hendrickson is a former member of senior management and the Boards of Directors of Beverly Enterprises, Inc. and Hallmark Health Services.

Mr. Hendrickson's prior service as an independent director of LTC Properties, Inc., current and past executive and director experience with other public companies, and his multi-decade involvement in the understanding of the health care industry led the Board to conclude he should be nominated to serve another term as director.

**Edmund C. King**  
Director since 1992  
Age 78

Mr. King has served as Chief Financial Officer and on the Board of Directors of Invisa, Inc., a publicly-held industrial instrument company, since February 2000, and currently serves as their Chief Executive Officer. He also has been the general partner of Trouver Capital Partners, an investment banking firm with locations in the Western United States, since 1997. Previously, Mr. King was Ernst & Young LLP's Southern California senior health care partner from 1973 through September 1991. He is on the Board of Directors of Biovest International, Inc., a publicly-traded biopharmaceutical company.

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Mr. King's prior service as an independent director of LTC Properties, Inc., financial management background, history of working with public companies, knowledge of health care matters, and multi-decade experience with accounting-related reporting and controls led the Board to conclude he should be nominated to serve another term as director.

**Devra G. Shapiro**  
Director since 2009  
Age 66

Ms. Shapiro is the Chief Administrative Officer of IPC The Hospitalist Company (or IPC) and was previously IPC's Chief Financial Officer from the time she joined IPC in March 1998 through October 2011. IPC is a publicly-traded national physician group practice company focused on the delivery of hospitalist medicine services and is located in North Hollywood, California. Prior to joining IPC, Ms. Shapiro served as chief financial officer and other executive financial positions with several health care companies and was in the health care practice of an international accounting firm. Ms. Shapiro is a licensed CPA.

Ms. Shapiro's prior service as an independent director of LTC Properties, Inc., her current position as an executive officer of a public health care company, her many years of experience in financial and executive positions with health care companies and in public accounting, and her expertise in accounting, financial reporting and controls led the Board to conclude that she should be nominated to serve a another term as director.

**Wendy L. Simpson**  
Director since 1995  
Age 64

Ms. Simpson was appointed Chief Executive Officer and President in March 2007. She also served as Chief Financial Officer from July 2000 through March 2007, Treasurer from January 2005 through March 2007, and President and Chief Operating Officer from October 2005 through March 2007. She also was Vice Chairman of the Board from April 2000 through October 2005.

Having served as a senior executive officer of LTC Properties, Inc. for more than a decade, including currently as President and Chief Executive Officer, Ms. Simpson brings a deep understanding of our company's historical and current business and financial operations. In addition, our Corporate Governance Policies contemplate that our Chief Executive Officer shall be nominated to serve on the Board of Directors. These factors, and Ms. Simpson's prior service as director of LTC Properties, Inc., led the Board to conclude that she should be nominated to serve another term as director.

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**Timothy J. Triche, MD**  
Director since 2000  
Age 68

Dr. Triche has been the Director of the Center for Personalized Medicine at Children's Hospital Los Angeles since July 2010 and previously served as the Chairman of the Department of Pathology and Laboratory Medicine at Children's Hospital Los Angeles since 1988. He has also been a Professor of Pathology and Pediatrics at the University of Southern California Keck School of Medicine in Los Angeles, California since 1988. He also serves on the Board of Directors of Novelix Pharmaceuticals, Inc., a private California-based biotechnology company, NanoValent Pharmaceuticals, Inc., a private nanotechnology company, and WaferGen Biosystems, Inc., a publicly-traded biotechnology company developing molecular diagnostics technology, and GenomeDx, a private Canadian biotechnology company developing prognostic tests for cancer and Silicon Valley Biosystems, a private California-based biotechnology company.

Dr. Triche's prior service as an independent director of LTC Properties, Inc., current and past executive and director experience with other health care companies, and his overall background in the health care industry led the Board to conclude he should be nominated to serve another term as director.

If any nominee becomes unavailable to serve as a director for any reason (which event is not anticipated), the shares of common stock represented by proxy may (unless such proxy contains instructions to the contrary) be voted for such other person or persons as may be determined by the holders of such proxies.

**Required Vote and Recommendations**

The six nominees receiving the most votes (providing a quorum is present) will be elected as directors. For purposes of the vote on Proposal 1, abstentions and broker non-votes will not be counted as votes cast and will have no effect on the result of the vote, although they will count towards the presence of a quorum for Proposal 1. Properly executed and unrevoked proxies will be voted FOR the Board's nominees unless contrary instructions or an abstention are indicated in the proxy.

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR EACH OF  
THE BOARD OF DIRECTORS' NOMINEES FOR DIRECTOR.**

**PROPOSAL 2  
RATIFICATION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Audit Committee of the Board has appointed Ernst & Young LLP as the independent registered public accounting firm to audit LTC Properties, Inc.'s consolidated financial statements for the year ended December 31, 2013. During 2012, Ernst & Young LLP served as our independent registered public accounting firm and also provided certain tax and other audit related services. See the "Independent Registered Public Accounting Firm Fees and Services" on page 1. A representative of Ernst & Young LLP is expected to be present at the 2013 Annual Meeting.

Although ratification is not required by our Bylaws or otherwise, the Board is submitting the selection of Ernst & Young LLP to our stockholders for ratification as a matter of good corporate practice. If the selection is not ratified, the Audit Committee will consider whether it is appropriate to select another registered public accounting firm. Even if the selection is ratified, the Audit Committee in its discretion may select a different registered public accounting firm at any time during the year if it determines that such a change would be in the best interests of the company and our stockholders.

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**Required Vote and Recommendation**

Ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for the year ending December 31, 2013 requires the affirmative vote of a majority of all the votes cast at a meeting at which a quorum is present. For purposes of the vote on Proposal 2, abstentions and broker non-votes will not be counted as votes cast and this will have no effect on the result of the vote although they will count towards the presence of a quorum for Proposal 2. Properly executed, unrevoked proxies will be voted FOR Proposal 2 unless a vote against Proposal 2 or abstention is specifically indicated in the proxy.

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE RATIFICATION OF THE  
APPOINTMENT OF ERNST & YOUNG LLP AS LTC PROPERTIES, INC.'S  
INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM  
FOR THE YEAR ENDING DECEMBER 31, 2013.**

**PROPOSAL 3  
ADVISORY VOTE TO APPROVE NAMED EXECUTIVE OFFICER COMPENSATION**

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (or Dodd-Frank Act) requires that we provide our stockholders with the opportunity to vote to approve, on a nonbinding, advisory basis, the compensation of our named executive officers as disclosed in this proxy statement in accordance with the compensation disclosure rules of the SEC. This proposal, commonly known as a "say-on-pay" proposal, gives stockholders the opportunity to express their views on our named executive officers' compensation. As previously reported in the Current Report on Form 8-K that we filed with the SEC on June 3, 2011, our Board of Directors has determined that LTC will hold a nonbinding, advisory "say-on-pay" vote every year to approve named executive officer compensation until the next required advisory vote on the frequency of such vote, which will occur no later than the 2017 Annual Meeting of Stockholders.

As described below under "Executive Compensation Discussion and Analysis" (or CD&A), we seek to align compensation for executive management with our overall performance as well as the individual performance of each executive officer. Our compensation programs are designed to attract and retain key executives responsible for our company's success and are administered in the long-term interests of our company and our stockholders. In connection with services provided in 2012, approximately 33% of total named executive officer compensation was in the form of long-term equity incentives.

As noted in the CD&A, our 2012 financial performance was characterized by growth in assets, growth in revenues, and increased liquidity. Please refer to CD&A and accompanying tables, and in particular the Executive Summary contained therein for details regarding how our compensation program for executive management is structured to support and reward for our annual and long-term financial performance as an organization.

Pursuant to the resolution below, we are asking our stockholders to indicate their support for our named executive officer compensation as described in this proxy statement. The vote on this resolution is not intended to address any specific element of compensation. Rather, the vote relates to the compensation of our named executive officers, as described in the CD&A and accompanying tables.

Accordingly, stockholders are being asked to vote on the following resolution at the 2013 Annual Meeting:

"RESOLVED, that the stockholders of LTC Properties, Inc. approve, on an advisory basis, the compensation of the named executive officers, as disclosed in LTC Properties, Inc.'s Proxy Statement for the 2013 Annual Meeting of Stockholders pursuant to the compensation disclosure rules of the Securities and Exchange Commission, including the compensation

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discussion and analysis, the summary compensation table, and the other related tables and disclosure."

**Required Vote and Recommendation**

Because the vote is advisory, it is not binding on our company, our Board of Directors, or the Compensation Committee of our Board of Directors. Our Board of Directors and the Compensation Committee will take into account the outcome of the vote, however, when designing future executive compensation programs.

For purposes of the vote on Proposal 3, abstentions and broker non-votes will not be counted as votes cast and this will have no effect on the result of the vote although they will count towards the presence of a quorum for Proposal 3. Properly executed, unrevoked proxies will be voted FOR Proposal 3 unless a vote against Proposal 3 or abstention is specifically indicated in the proxy.

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE APPROVAL OF THE  
COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS,  
AS DISCLOSED IN THIS PROXY STATEMENT.**



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**EXECUTIVE OFFICERS**

<b>Andre C. Dimitriadis</b> Executive Chairman Age 72	Andre C. Dimitriadis founded LTC Properties, Inc. in 1992 and was our Chairman and Chief Executive Officer from inception through March 2007. In March 2007, Mr. Dimitriadis assumed the position of Executive Chairman.
<b>Wendy L. Simpson</b> Chief Executive Officer and President Age 64	Wendy L. Simpson has been a director since 1995, Vice Chairman from April 2000 through October 2005, Chief Financial Officer from July 2000 through March 2007, Treasurer from January 2005 through March 2007, and President and Chief Operating Officer from October 2005 through March 2007. In March 2007, Ms. Simpson was appointed Chief Executive Officer and President.
<b>Pamela Shelley-Kessler</b> Executive Vice President, Chief Financial Officer and Corporate Secretary Age 47	Pamela Shelley-Kessler joined the company as Vice President and Controller in July 2000. In March 2007 she was appointed Senior Vice President and Chief Financial Officer. In December 2010 she was promoted to Executive Vice President. Prior to joining the company Ms. Kessler was the Corporate Controller for a privately held commercial and multifamily real estate developer and the Director of Financial Reporting for a Southern California apartment REIT. Formerly she was with Ernst & Young LLP.
<b>Clint B. Malin</b> Executive Vice President and Chief Investment Officer Age 41	Clint B. Malin joined the company as Vice President and Chief Investment Officer in May 2004. In December 2010 he was promoted to Senior Vice President. In June 2012 he was promoted to Executive Vice President. Mr. Malin was employed by Sun Healthcare Group, Inc., (or Sun) a nationwide operator of long-term health care facilities from 1997 through 2004. During his tenure at Sun, Mr. Malin was promoted to Vice President of Corporate Real Estate.
<b>T. Andrew Stokes</b> Senior Vice President, Marketing and Strategic Planning Age 65	T. Andrew Stokes retired from the company effective March 31, 2013. Mr. Stokes joined the company in June 2007 as Vice President, Marketing and Strategic Planning. In December 2010 he was promoted to Senior Vice President. From December 2006 to June 2007, Mr. Stokes worked for Gudvi, Sussman and Oppenheim as a certified public accountant. From January 2003 through November 2006, Mr. Stokes worked as an individual investor and consultant in real estate and health care. Prior to 2003 Mr. Stokes was Senior Vice President of Corporate Development for Nationwide Health Properties, Inc.
<b>Peter G. Lyew</b> Vice President and Director of Tax Age 55	Peter G. Lyew joined the company in June 2000 as Director of Tax and was promoted to Vice President in December 2001. Prior to joining the company he held tax management positions with Sun America Affordable Housing, where he specialized in real estate partnerships, and Ernst & Young Kenneth Leventhal. Formerly he was with Arthur Andersen & Company.
<b>Caroline Chikhale</b> Vice President, Controller and Treasurer Age 36	Caroline Chikhale joined the company as Accounting Manager in May 2002. In May 2005 she was appointed Assistant Controller and Assistant Treasurer and in March 2007, Ms. Chikhale was appointed Vice President, Controller and Treasurer. Prior to joining the company she was employed by Ernst & Young, LLP.

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**EXECUTIVE COMPENSATION DISCUSSION AND ANALYSIS**

**Executive Summary**

*2012 Business Highlights*

2012 represented a year focused on capitalizing on opportunities for long-term growth for our company and stockholders.

We have adhered to a disciplined investment underwriting policy and do not make investments in assets believed by management to be overpriced. This disciplined investment policy allowed us to weather the challenging economic environment and positioned us well to take advantage of investment opportunities.

Also, we have continued our marketing strategy designed to enhance awareness of our company among local and regional operators of skilled nursing, assisted living, independent living and memory care properties in certain states. The marketing campaign highlights our low-levered balance sheet, our access to capital to invest, our ability and interest in doing small transactions, our strong but small management team and our many years in the industry.

As a result of these efforts, in 2012 we grew substantially by purchasing real estate assets of approximately \$161.1 million, excluding transaction fees, and provided \$67.7 million of investment commitments, including the purchase of land. Also during 2012, we funded a \$5.1 million bridge loan and originated a \$10.6 million mortgage and construction loan. Our 2012 year-over-year revenue growth was 10.4% and our year-over-year normalized funds from operations growth was 11.0%.

In addition, we increased our liquidity during 2012 by entering into a new \$240.0 million unsecured revolving credit agreement which provides the opportunity to increase the availability up to a total of \$350.0 million. Also, we sold 12-year 5.0% senior unsecured term notes in the amount of \$85.8 million.

Finally, as the stock performance graph in our Form 10-K for 2012 shows, \$100 invested in LTC common stock on December 31, 2007 would be worth \$191.91 on December 31, 2012, as compared to \$130.39 from a like investment in the NAREIT Equity REIT Index, or \$108.59 in the Standard & Poors 500 Stock Index.

*2012 Compensation Highlights*

We seek to closely align the interests of our named executive officers (or NEOs) with those of our stockholders. Accordingly, we have structured our executive compensation program to support this alignment, with relatively lower base salaries and by delivering a greater proportion of total compensation through annual bonus and long-term equity incentive opportunities.

In view of their accomplishments and our financial performance during 2012, the Compensation Committee recommended and the Board approved:

Base salary increases for executives and other members of the management team;

Annual bonuses for the NEOs with respect to 2012 performance.

*2012 "Say-On-Pay" Vote*

At LTC's 2012 Annual Meeting of Stockholders, approximately 94% of the votes cast in the advisory "say-on-pay" vote were voted for approval of the named executive officer compensation as disclosed in the 2012 proxy statement. The Board of Directors and Compensation Committee has considered the results of the 2012 "say-on-pay" vote and believes that the overwhelming support by our stockholders indicates they generally are supportive of our approach to executive compensation. This support was one of the factors the Board of Directors and Compensation Committee took into account



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in not making material changes to our compensation philosophy for executive officers or the components of executive compensation. The Board of Directors and Compensation Committee will continue to consider "say-on-pay" votes in formulating future executive compensation policies and decisions.

*2012 Corporate Governance Highlights*

We seek to maintain good governance standards, including with respect to the oversight of our compensation policies and practices. Following are highlights of the policies and practices in effect during 2012:

The leadership structure for our Board consists of an Executive Chairman and a separate Chief Executive Officer. In addition, we maintain a separate "lead independent director" role;

The Compensation Committee is comprised solely of independent directors; and

We have stock ownership guidelines in place for our executives and independent directors and all executives and directors are in compliance.

We encourage you to read this Executive Compensation Discussion and Analysis for a detailed discussion of our executive compensation program, including information about the fiscal 2012 compensation of the NEOs.

**Executive Compensation Program Philosophy and Objectives**

We endeavor to ensure that the compensation programs for our executive officers are effective in attracting and retaining key executives responsible for our company's success and are administered in appropriate fashion in the long-term interests of our company and our stockholders. Through the oversight of the Compensation Committee, we seek to align total compensation for executive management with our overall performance as well as the individual performance of each executive officer.

Our executive compensation policies may be summarized as follows:

- (1) Our compensation programs are designed to attract, motivate and retain qualified key executives;
- (2) An executive's salary, bonuses and incentive compensation and other benefit programs should reflect both our company's performance as a whole and the executive's individual performance and effort; and
- (3) Our compensation programs should enable the executive to have a financial interest in our company that parallels the financial interests of our stockholders.

**Executive Compensation Program Elements**

We seek to achieve our compensation program objectives through the following key compensation elements: base salary, annual bonus opportunity, long-term equity incentive opportunity and severance upon termination of the executive officers' employment under certain conditions or change in control of our company. We believe that each element of our executive compensation program helps us to achieve one or more of our compensation objectives as follows:

*Base salary* attract, motivate, and retain qualified key executives. We believe the base salary should reflect job responsibilities, value to our company, individual performance/expertise and competitiveness of the market for the executive's services/salary norms for persons in comparable positions at comparable companies.



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*Annual bonuses* reward company performance and individual performance and effort. We believe the annual bonus should be linked to individual performance and to our company's performance as a whole, and where practicable, should be related to variables under our management's control.

*Long-term equity incentives* align executives' financial interests with those of our stockholders. We believe that long-term compensation should motivate and reward the creation and preservation of long-term stockholder value.

*Severance* attract, motivate and retain qualified key executives. We believe that providing our executives with severance and other benefits upon termination of employment or change in control is consistent with the severance protections offered by similar companies and is an integral part of total executive compensation.

Base salaries and severance are designed primarily to attract, motivate and retain qualified key executives. These are the elements of our executive compensation program where the value of the benefit in any given year is typically not variable. We believe that it is important to provide executives with predictable benefit amounts that reward the executive's continued service. Base salaries are paid out on a short-term basis and are intended to attract and motivate executives. Severance and other benefits are paid out on a longer-term basis such as upon termination of employment or change in control of our company and are designed to aid in retaining executives.

Annual bonuses are designed to reward performance, both at the company and individual level. Annual bonuses are paid out on a short-term basis and are designed to reward performance for that period.

Long-term equity incentives are intended to align executives' and stockholders' interests. Long-term equity incentives are typically earned and paid out on a longer-term basis and are designed to reward performance over one or more years.

**Compensation Committee**

The Compensation Committee reviews and approves the compensation of our executive officers and determines our general compensation policy. The Compensation Committee is also responsible for the administration of our Equity Participation Plans. During 2008, we adopted the 2008 Equity Participation Plan under which 600,000 shares of common stock have been reserved for awards, including nonqualified stock options grants and restricted common stock grants to officers, employees, non-employee directors and consultants. The Compensation Committee is authorized to determine the options and restricted common stock awards to be granted under such plan and the terms and provisions of such options and restricted common stock awards. The Compensation Committee determines the base salary, annual bonus and long-term equity incentives of our Chief Executive Officer. Wendy L. Simpson, our Chief Executive Officer and President, recommends to the Compensation Committee the base salary, annual bonus and long-term compensation levels for all of our other officers. None of the other executive officers had any role in determining or recommending the form or amount of the compensation of the other executive officers.

**Competitive Considerations**

In determining the level and composition of compensation for the executive officers, the Compensation Committee considers various corporate performance measures, both in absolute terms and in relation to similar companies, and individual performance measures. Although the Compensation Committee considers funds from operations per share as an important measure of our performance, the Compensation Committee does not apply any specific quantitative formula in making compensation decisions. The Compensation Committee also may evaluate the following factors in

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establishing executive compensation: (a) comparative compensation surveys and other material concerning compensation levels and stock grants at similar companies; (b) our historical compensation levels and stock awards; (c) overall competitive environment for executives and the level of compensation necessary to attract and retain executive talent; (d) financial performance of other real estate investment trusts relative to market condition; and (e) from time to time, the Compensation Committee may seek the advice of an independent compensation consultant in assessing its overall compensation philosophy. The Compensation Committee assigns no specific weight to any of the factors discussed above in establishing executive compensation. In determining the appropriate levels of compensation to be paid to executive officers, we do not generally factor in amounts realized from prior compensation.

While the Compensation Committee may review broad-based third party compensation surveys in determining the reasonableness of our executive officers compensation, compensation levels are not set by reference to any percentile or benchmark within any peer group of companies or otherwise. Consistent with our compensation philosophies described above, our goal is to provide each executive officer with a current compensation package that is at market based upon the Compensation Committee's perception of comparable executives at comparable companies, including real estate investment trusts.

**Compensation Consultant**

Pursuant to its charter, the Compensation Committee has the authority to engage independent compensation consultants and other professionals to assist in the design, formulation, analysis, and implementation of compensation programs for our executive officers. The Compensation Committee's practice has been to retain an independent compensation consultant approximately every three years to assist the Compensation Committee with its responsibilities related to our executive officer and director compensation. In November 2010, the Compensation Committee retained Pearl Meyer & Partners (or PM&P) as an independent compensation consultant to conduct a comprehensive review of our company's executive compensation programs. PM&P provided a report of its review to the Compensation Committee in February 2011. A discussion of that 2011 PM&P report is contained in the Executive Compensation Discussion and Analysis of our proxy statement last year. The Compensation Committee continued to reference the comprehensive 2011 PM&P report in making executive compensation decisions for 2012, but did not obtain a new or updated report from PM&P or other compensation consultant to assist in determining or recommending the amount or form of executive compensation in 2012. The scope of the consulting services provided by PM&P was limited to the services it provided directly to the Compensation Committee on executive compensation matters.

**Executive Compensation Practices**

*Base Salaries*

Base salaries are reviewed and adjusted by the Compensation Committee on an annual basis. We typically pay base salaries in cash at regular intervals throughout the year. The Compensation Committee seeks to ensure that the base salaries are established at levels considered appropriate in light of responsibilities and duties of our executive officers as well as at levels competitive to amounts paid to executive officers of other real estate investment trusts. In determining an individual executive's actual base salary, the Compensation Committee also considers other factors, which may include the executive's past performance and contributions to our success.

Our named executive officers each have an employment agreement (see "Description of Employment Agreements" below) granting them the contractual right to receive a fixed base salary as disclosed in the "Summary Compensation Table" below.

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Based on the recommendations received from the Chief Executive Officer (except with respect to the Chief Executive Officer's own salary) and taking into account the company's performance and the 2011 PM&P report, the Compensation Committee approved the following increases to base salaries for the named executive officers. Base salary increases were effective June 1, 2012. The following table summarizes salary adjustments approved by the Compensation Committee for 2012.

Named Executive Officer	2012 Base Salary	2011 Base Salary	Year over Year Increase
Wendy L. Simpson	\$ 525,000	\$ 500,000	5.0%
Pamela Shelley-Kessler	\$ 300,000	\$ 275,000	9.1%
Clint B. Malin	\$ 300,000	\$ 275,000	9.1%
T. Andrew Stokes	\$ 250,000	\$ 240,000	4.2%

#### *Annual Bonuses*

Bonuses are awarded based on our overall performance and individual performance of each executive officer. We typically pay annual cash bonuses; however, bonuses may be awarded in other forms, such as stock awards, in lieu of cash payments. Bonus amounts awarded may vary from year to year and are typically paid, or awarded, at the end of the period for which performance is being rewarded. Annual bonuses for executive officers are awarded by the Compensation Committee after considering the Chief Executive Officer's recommendations.

In formulating bonus recommendations, the Chief Executive Officer took into consideration the company's performance (as summarized below), individual executive performance, and the executive's total compensation package including base salary, equity awards and annual dividends earned on outstanding unvested equity awards.

In determining bonuses, the Compensation Committee evaluates the performance of our company for the year compared to other real estate investment trusts and the overall market. Accomplishments during 2012 included the following:

Acquired 9 senior housing properties with a total of 522 skilled nursing beds and 130 assisted living units and 136 memory care units for \$161.1 million, excluding transaction fees;

Acquired four vacant parcels of land for \$5.6 million, excluding transaction fees, and committed to provide a total of \$44.0 million to develop a 143-bed skilled nursing property, a 60-unit memory care property and two assisted living and memory care combination properties with a total of 158 units;

Originated and funded a \$5.1 million two-year interest-only bridge loan secured by a 70-unit assisted living property;

Originated a \$10.6 million mortgage and construction loan secured by a skilled nursing property and a vacant parcel of land upon which a 106-bed replacement facility will be constructed;

Committed to provide \$18.0 million to renovate three skilled nursing properties with a total of 356 beds and expand two assisted living properties with a total of 100 units to add a total of 43 memory care units and 21 assisted living units

Increased our unsecured revolving credit agreement to \$240.0 million with the opportunity to increase the credit amount up to a total of \$350.0 million and lowered interest rates to 125 basis points over LIBOR, based on leverage ratios at the time of the amendment; and

Sold \$85.8 million aggregate principal amount of 5.0% senior unsecured notes fully amortizing to maturity in July 2024;



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The Compensation Committee does not rely upon any specific performance targets or measurements related to our company when determining bonuses. Overall company performance is evaluated relative to stockholder value and return over the year, revenue growth, new investment levels relative to market constraints and external factors outside the control of our company.

In considering the Chief Executive Officer's bonus recommendations, the Compensation Committee seeks to ensure that bonuses are established at levels considered appropriate in light of responsibilities and duties of our executive officers as well as at levels competitive to amounts paid to executive officers of other real estate investment trusts. In determining the individual bonus amounts the Compensation Committee considered the responsibilities and duties of our executive officers, the executive officers total compensation package including raises and equity awards, competitive amounts paid to executive officers at other real estate investment trusts, and the executive's performance and contributions to our success.

There are no specific performance targets or measurements for our executive officers that impact their bonuses. None of our executive officers have a contractual right to receive a fixed actual or target bonus for any given year. However, Ms. Simpson's employment agreement provides for an annual target bonus equal to 100% of her base salary awarded at the sole discretion of the Board of Directors. The following table shows the aggregate 2012 bonuses awarded to our Named Executive Officers for services provided in 2012, which amounts are reflected in the "Summary Compensation Table" below.

Named Executive Officer	Discretionary Cash Bonus
Wendy L. Simpson	\$ 650,000
Pamela Shelley-Kessler	300,000
Clint B. Malin	300,000
T. Andrew Stokes	75,000

*Long-Term Equity Incentives*

Long-term incentives are designed to align the executives' financial interests with those of our stockholders. Therefore, our long-term incentive compensation for our executive officers has historically taken the form of a mix of restricted common stock and stock option awards. The Compensation Committee does not have a formula for determining the mix of restricted common stock and/or stock options awarded. Awards are made on an individual basis and are not granted at any pre-determined time during the year. Restricted common stock and stock option awards typically vest ratably over a three to five-year period and are generally subject to the individual executive officer's continued employment. The level of long-term incentive compensation is determined by the Compensation Committee based on an evaluation of competitive factors in conjunction with total compensation provided to each individual executive officer. The relevant weight given to each of these factors varies from individual to individual. Stock price performance has not been a factor in determining annual compensation because the price of our common stock is subject to a variety of factors outside of our control. We do not have an exact formula for allocating between cash and non-cash compensation. Nor do we have a policy for allocating between long-term and currently paid out compensation.

The grant date of an equity award is typically the date the Compensation Committee approves the equity award. The grant date may also be a future date from the date of approval as specified by the board resolution. In no instances has the grant date been retroactive or prior to the date the Compensation Committee approved the equity award. For long-term incentive awards in the form of stock options, the exercise price is the closing price of our company's stock as reported by the NYSE on the grant date. The Compensation Committee has not and does not time the granting of equity awards with any favorable or unfavorable news released by us.

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During 2008, we adopted the 2008 Equity Participation Plan (or 2008 Plan) under which awards may be granted including stock options (incentive or non-qualified), stock appreciation rights, restricted common stock, deferred stock and dividend equivalents. We reserved 600,000 shares of common stock for issuance under this plan. As of December 31, 2012, there were 236,921 shares of common stock reserved for issuance under the 2008 Plan. The 2008 Plan is administered by the Compensation Committee which sets the terms and provisions of the awards granted under the plan. Incentive stock options, stock appreciation rights, restricted common stock, deferred stock and dividend equivalents may only be awarded to officers and other full-time employees to promote our long-term performance and specifically, to retain and motivate senior management to achieve a sustained increase in stockholder value. Non-qualified stock options, stock appreciation rights, restricted common stock, deferred stock and dividend equivalents may be awarded to non-employee directors, officers, employees, consultants and other key persons who provide services to us. The Compensation Committee reviews and evaluates the overall compensation package of the executive officers and determines the awards based on our overall performance and the individual performance of the executive officers.

During 2012, the Compensation Committee approved an award of restricted common shares to Ms. Simpson. During 2012, the Chief Executive Officer recommended and the Compensation Committee approved an award of restricted common shares to Ms. Shelley-Kessler and Mr. Malin. The following table shows the awards, which reflect the aggregate long-term equity incentives awarded to our Named Executive Officers in 2012.

Named Executive Officer	Restricted Stock Value	Number of Restricted Stock
Wendy L. Simpson	\$ 953,100 <sup>(1)</sup>	30,000
Pamela Shelley-Kessler	542,797 <sup>(2)</sup>	16,100
Clint B. Malin	542,797 <sup>(2)</sup>	16,100

(1) Awarded in 2012 as part of bonus but related to services provided in 2011. These shares will vest on June 15, 2015.

(2) Awarded 6,100 shares in 2012 as part of bonuses but related to services provided in 2011. These shares will vest on January 10, 2016. Awarded 10,000 shares in 2012 as part of bonuses related to services provided in 2012. These shares will vest on December 20, 2015.

Subsequent to December 31, 2012, the Compensation Committee approved an award of 20,000 restricted common shares to Ms. Simpson as part of bonuses but related to services provided in 2012. These shares will vest on June 1, 2016. In approving the restricted common stock awards, the Compensation Committee took into consideration the executive's historical performance and contributions, total ownership levels and the value of equity delivered historically, the below-market positioning of the executives' base salaries and the company's desire to retain the executives by providing a meaningful long-term incentive award to each executive which is aligned with stockholder interests. The magnitude of the awards combined with a future vesting date effectively serves as a retention vehicle.

*Severance and Other Benefits Upon Termination of Employment or Change in Control*

As discussed in greater detail in the section "Employment Agreements" below, we have provided our executive officers with severance and other benefits upon termination of employment or a change in control of our company. We believe that we need to provide our executive officers with severance protections that are competitive with severance protections offered by companies similar to ours. We believe the severance protections we have provided our executive officers are consistent with our compensation objective to attract, motivate and retain qualified key executives.

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We believe that severance should be payable to our executive officers if their employment is terminated for any reason, except for a termination for cause or a voluntary resignation. The amount of cash severance we have agreed to pay and other severance benefits we extend to our executive officers upon such an occurrence is intended to help them avoid financial hardship during the period of time when the executive officer is likely to be unemployed and seeking new employment. If the executive officer's employment is terminated for any reason, except for a termination for cause or a voluntary resignation without a good reason, then we have agreed to pay the officer a lump sum severance payment equal to the following:

Executive Chairman	Four times base salary
Chief Executive Officer	Four times base salary
Chief Financial Officer	One times base salary
Executive Vice Presidents	One times base salary
Senior Vice Presidents	One times base salary
Vice Presidents	One times base salary

Additionally, we have agreed to extend medical and dental insurance coverage for up to 18 months at our expense to the executive officer. We have agreed to provide Ms. Simpson with health insurance benefits for life if Ms. Simpson's employment terminates for any reason except for a termination for cause or a voluntary resignation without good reason. We may elect to pay Ms. Simpson a one-time cash payment of \$250,000 in lieu of continuing health insurance benefits.

Further, under the standard terms of our equity award agreements, unvested options, restricted stock, and other equity awards will accelerate and vest if the employment of a grantee terminates for any reason, such as, death, disability, termination without cause, or a resignation with good reason.

We believe that severance should be payable to our executive officers upon a change of control because a change of control transaction creates uncertainty regarding the continued employment of the executive officers. The amount of cash severance we have agreed to pay and other severance benefits we extend to our executive officers upon a change of control is intended to encourage the executive officers to remain employed by us during an important time when their prospects for continued employment following the change of control transaction are often uncertain.

Upon a change in control of our company whether or not the officer's employment is terminated, we have agreed to pay the officer a severance payment in cash equal to the following:

Executive Chairman	\$5,000,000
Chief Executive Officer	\$3,000,000
Chief Financial Officer	Two times base salary
Executive Vice Presidents	Two times base salary
Senior Vice Presidents	Two times base salary
Vice Presidents	Two times base salary

Further, upon a change of control all stock options and/or restricted common stock automatically vest. We have agreed to provide Ms. Simpson with health insurance benefits for life upon change of control of our company whether or not Ms. Simpson's employment is terminated. We may elect to pay Ms. Simpson a one-time cash payment of \$250,000 in lieu of continuing health insurance benefits. The Compensation Committee believes that a change of control typically results in a constructive termination of the executive officer's employment and therefore designed severance protection effective upon a change of control, rather than actual termination in the event of a change of control of our company.

We have agreed to provide Mr. Dimitriadis with health insurance benefits for life and Mr. Dimitriadis' two dependents with health insurance benefits until they reach the age of 22.

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However, we may elect to pay Mr. Dimitriadis a one-time cash payment of \$250,000 in lieu of continuing health insurance benefits for Mr. Dimitriadis and his two dependents.

The Compensation Committee believes that there are several situations that could result in continuing health care coverage not being available to these executives as a result of an action taken by us or a transaction involving our company. The provision of continuing health insurance benefits was included in the evaluation of the overall compensation package we have provided to our top two executive officers. The buyout clause was designed to limit our exposure to increasing health insurance costs.

If any payment or benefit received by Mr. Dimitriadis or Ms. Simpson from us subjects them to excise taxes under the "golden parachute" rules on payments and benefits, then they will be entitled to receive an additional amount (a "gross-up payment" to make the officer whole for these excise taxes and for all taxes on the gross-up payment). Notwithstanding the foregoing, we will have no liability if an executive officer's employment is terminated for cause or by voluntary resignation without a good reason.

*401(k) Savings Plan*

We have a 401(k) Savings Plan which is a defined contribution plan covering all of our employees. Each year participants may contribute up to 15% of pre-tax annual compensation. In 2013, the contributions may not exceed \$17,500, or \$23,000 if the employee is 50 years or older. We match up to 3% of salaries for our vice presidents and contribute 3% of the individual's salary for staff that open an account. We will not contribute any amount, nor match contributions for our executive officers at the senior vice president level and higher.

*Benefits*

With limited exceptions, the Compensation Committee's policy is to provide benefits to executive officers that are substantially the same as those offered to other officers of our company at or above the level of vice president. Except for the lifetime health insurance benefits described in "Severance and Other Benefits Upon Termination of Employment or Change in Control" above and the supplemental medical insurance discussed below, the employee benefits programs in which our executive officers participate (which provide benefits such as medical, dental and vision benefits coverage, life insurance protection, and 401(k) savings plan) are generally the same programs offered to all of our full-time employees. Our officers at the level of vice president and above are eligible to participate in a supplemental medical insurance program which provides participants with reimbursements for eligible out-of-pocket medical expenses such as primary insurance co-payments, deductibles, and certain elective medical procedures not covered by the employee's primary insurance policy. Amounts reimbursed to our executive officers during 2012 are included in the "Summary Compensation Table" below.

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**Stock Ownership Guidelines**

We encourage our executives to hold our company's stock on a long-term basis. The following table represents the company's stock ownership guidelines for our executive officers and independent directors:

Executive Chairman	Three times base salary
Chief Executive Officer	Three times base salary
Chief Financial Officer	Two times base salary
Executive Vice Presidents	Two times base salary
Senior Vice Presidents	Two times base salary
Vice Presidents	One times base salary
Independent Directors	One times annual fee

The company's stock ownership guidelines recommend that the Executive Chairman, Chief Executive Officer, Chief Financial Officer, Senior Vice Presidents and Vice Presidents achieve the targeted level of ownership within three years from the date of hire, promotion or appointment. Also, the stock ownership guidelines recommend that the independent directors achieve the targeted level of ownership within three years from date of election. At this time all of our executive officers and independent directors hold at least the full amount of the guideline. The Nominating and Governance Committee has requested and receives from the company a quarterly report on executive and independent director stock ownership of company stock. Additionally, we do not have any policies regarding the ability of executives to hedge the economic risk of ownership in our company's stock.

**Tax and Accounting Considerations**

*Policy with Respect to Section 162(m)*

Section 162(m) of the Code denies deduction for Federal income tax purposes for certain compensation in excess of \$1,000,000 paid to certain executive officers, unless certain performance, disclosure, stockholder approval and other requirements are met. The Compensation Committee periodically reviews the effects of its compensation programs with regard to Code Section 162(m). We periodically evaluate alternatives to ensure executive compensation is reasonable, performance-based, and consistent with our overall compensation objectives. The Compensation Committee reserves the right to design programs that recognize a full range of performance criteria important to our success, even where the compensation paid under such programs may not be deductible. Interpretations of and changes in the tax laws and other factors beyond the Compensation Committee's control may affect the deductibility of certain compensation payments. The Compensation Committee may consider various alternatives to preserve the deductibility of compensation payments and benefits to the extent reasonably practicable and to the extent consistent with its other compensation objectives.

**Compensation Risk Assessment**

We have reviewed our compensation policies and practices to determine whether risks arising from our compensation policies and practices for employees are reasonably likely to have a material adverse effect on our company. The review included assessment of our various compensation programs and consideration of risk mitigating factors. We believe that our compensation policies and practices for employees do not present risks that are reasonably likely to have a material adverse effect on our company. We generally take a conservative approach to managing our business. Although some risk taking is necessary to manage and grow any business, we believe our compensation policies and practices do not encourage unnecessary or excessive risk taking and do not promote short term rewards

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for management decisions that could pose long term risks to our company. With particular respect to compensation of our executive officers:

the Compensation Committee exercises significant discretion in determining cash bonuses and equity awards to executive officers;

awards of restricted stock with long term vesting periods provides executive officers with an incentive to make decisions that contribute to long term performance of our company; and

stock ownership guidelines for executive officers further aligns their personal wealth with the long term performance of our company.

**SUMMARY COMPENSATION TABLE**

This table presents information regarding compensation of our Named Executive Officers for services provided in 2012, 2011 and 2010.

Name and Principal Position	Year	Salary	Bonus <sup>(1)</sup>	Stock Awards <sup>(2)</sup>	Options Awards <sup>(2)</sup>	All other Compensation <sup>(3)</sup>	Total
Andre C. Dimitriadis Executive Chairman	2012	\$ 240,000	\$	\$	\$	\$ 4,797	\$ 244,797
	2011	240,000				4,240	244,240
	2010	240,000				6,548	246,548
Wendy L. Simpson Chief Executive Officer and President	2012	514,583	650,000	725,200 <sup>(4)</sup>		2,366	1,892,149
	2011	465,000		953,100 <sup>(6)</sup>		7,946	1,426,046
	2010	416,000	416,000			5,149	837,149
Pamela Shelley-Kessler Executive Vice President, Chief Financial Officer and Corporate Secretary	2012	289,583	300,000	349,000 <sup>(5)</sup>		7,605	946,188
	2011	250,000	275,000	193,797 <sup>(6)</sup>		12,696	731,493
	2010	207,750	135,000	805,677 <sup>(7)</sup>		13,256	1,161,683
Clint B. Malin Executive Vice President and Chief Investment Officer	2012	289,583	300,000	349,000 <sup>(5)</sup>		5,766	944,349
	2011	235,417	275,000	193,797 <sup>(6)</sup>		5,983	710,197
	2010	174,333	210,000	805,677 <sup>(7)</sup>		8,367	1,198,377
T. Andrew Stokes Senior Vice President, Marketing and Strategic Planning	2012	245,833	75,000			7,998	328,831
	2011	215,000	180,000			16,117	411,117
	2010	174,333	110,000	805,677 <sup>(7)</sup>		15,870	1,105,880

(1) Bonuses awarded for 2012, 2011 and 2010 performance were paid in 2012, 2012 and 2011, respectively.

(2) Represents the fair value on the grant date of the stock awards and option awards granted, as required by SEC rules. Under U.S. generally accepted accounting principles, compensation expense with respect to stock awards and option awards granted is generally recognized over the vesting periods applicable to the awards. For a discussion of the assumptions and methodologies used to value the stock awards and option awards granted refer to *Note 10. Equity* of Notes to Consolidated Financial Statements included in the Company's 2012 Annual Report on Form 10-K.

(3) Represents supplemental health insurance benefits and our match of up to 3% of the individual's salary under our 401(k) savings plan for our vice presidents. During 2012, 2011, and 2010, Mr. Dimitriadis and Ms. Simpson and Shelley-Kessler were not eligible for 401(k) matching. During 2012 and 2011, Messrs. Malin and Stokes were not eligible for 401(k) matching. During 2010, Messrs. Malin and Stokes received the following 401(k) matching and supplemental health insurance benefits.

Named Executive Officer	Year	401(k) Matching	Supplemental Insurance Plan	Total All Other Compensation
Clint B. Malin	2010	\$ 5,230	\$ 3,137	\$ 8,367
T. Andrew Stokes	2010	5,230	10,640	15,870

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- (4) Ms. Simpson was awarded 20,000 restricted common shares on January 7, 2013 for services provided in 2012. These shares will all vest on June 1, 2016.
- (5) Ms. Shelley-Kessler and Mr. Malin were each awarded 10,000 restricted common shares on December 20, 2012. These awards relate to services provided in 2012 and these shares will all vest on December 20, 2015.

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(6) Named Executive Officers received the following restricted common stock awards on January 10, 2012. This award relates to services provided in 2011. The shares granted to Ms. Shelley-Kessler and Mr. Malin will all vest on January 10, 2016. The shares granted to Ms. Simpson will all vest on June 15, 2015.

Named Executive Officer	Restricted Stock Value	Number of Restricted Stock
Wendy L. Simpson	\$ 953,100	30,000
Pamela Shelley-Kessler	193,797	6,100
Clint B. Malin	193,797	6,100

(7) In December 2010, Ms. Shelley-Kessler and Messrs. Malin and Stokes were each awarded 30,300 shares of restricted common stock as part of their promotion. These shares vest ratably over a five-year period from the grant date.

**Description of Employment Agreements**

The following table provides details regarding the employment agreements for our Named Executive Officers during the year ended December 31, 2012:

Named Executive Officer	Agreement Date	Agreement Term	Salary	Change of Control Severance	Termination Severance
Andre C. Dimitriadis <sup>(1)</sup>	7/1/07	4-year evergreen	\$ 240,000	\$5,000,000	Four times base salary
Wendy L. Simpson <sup>(2)</sup>	12/4/07	3-year evergreen	525,000	\$3,000,000	Four times base salary
Pamela Shelley-Kessler	12/4/07	1-year evergreen	300,000	Two times base salary	One times base salary
Clint B. Malin	12/4/07	1-year evergreen	300,000	Two times base salary	One times base salary
T. Andrew Stokes	12/4/07	1-year evergreen	250,000	Two times base salary	One times base salary

(1) Mr. Dimitriadis' employment agreement provides Mr. Dimitriadis with health insurance benefits for life and his two dependents with health insurance benefits until they reach the age of 22. However, we may elect to pay Mr. Dimitriadis a one-time cash payment of \$250,000 in lieu of continuing health insurance benefits for Mr. Dimitriadis and his two dependents.

(2) Ms. Simpson's employment agreement provides Ms. Simpson with health insurance benefits for life if Ms. Simpson's employment with us is terminated for any reason, except for a termination for cause or a voluntary resignation without a good reason, or upon a change in control of our company whether or not Ms. Simpson's employment is terminated. However, we may elect to pay Ms. Simpson a one-time cash payment of \$250,000 in lieu of continuing health insurance benefits. See "Severance and Other Benefits Upon Termination of Employment or Change in Control" above for further discussion.

The employment agreements provide that the base salaries may be increased at the discretion of our Board. Any increase in base salary will automatically amend each executive's respective employment agreement to provide that thereafter the executive's annual base salary will not be less than the increased base salary approved by our Board. During the term of his employment by us, each officer will devote the time necessary to provide the services reasonably required by our Board and will not, without the express approval of our Board, engage for his own account or for the account of any other person or entity, in a business which competes with us.

**Grants of Plan Based Awards**

During the year ended December 31, 2012, our Compensation Committee did not award stock options under our 2008 Equity Participation Plan to our Named Executive Officers. During 2012, our Compensation Committee awarded 62,200 restricted common shares under our 2008 Equity





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Participation Plan to Mses. Simpson and Shelley-Kessler and Mr. Malin. The following table provides the detail regarding these restricted common stock awards.

Named Executive Officer	Grant Date	Number of Shares	Grant Date Fair Value of Stock Award
Wendy L. Simpson	1/10/2012	30,000 <sup>(1)</sup>	\$ 953,100
Pamela Shelley-Kessler	1/10/2012	6,100 <sup>(2)</sup>	193,797
	12/20/2012	10,000 <sup>(3)</sup>	349,000
Clint B. Malin	1/10/2012	6,100 <sup>(2)</sup>	193,797
	12/20/2012	10,000 <sup>(3)</sup>	349,000

- (1) Awarded in 2012 as part of bonuses but related to services provided in 2011. These shares will vest on June 15, 2015.
- (2) Awarded in 2012 as part of bonuses but related to services provided in 2011. These shares will vest on January 10, 2016.
- (3) Awarded in 2012 as part of bonuses related to services provided in 2012. These shares will vest on December 20, 2015.

### **Outstanding Equity Awards at Year-End**

The following table presents information regarding the outstanding equity awards held by each Named Executive Officer as of December 31, 2012.

Named Executive Officer	Option awards				Stock awards	
	Number of securities underlying unexercised options exercisable	Number of securities underlying unexercised options	Option exercise price	Option expiration date	Number of shares or units of stock that have not vested	Market value of shares or units of stock that have not vested <sup>(1)</sup>
Andre C. Dimitriadis			\$			\$
Wendy L. Simpson					69,865 <sup>(4)</sup>	2,458,549
Pamela Shelley-Kessler	10,000 <sup>(2)</sup>		23.79	05/15/17	35,632 <sup>(5)</sup>	1,253,890
Clint B. Malin	10,000 <sup>(3)</sup>		23.79	05/15/15	35,473 <sup>(6)</sup>	1,248,295
	10,000 <sup>(3)</sup>		23.79	05/15/16		
	10,000 <sup>(3)</sup>		23.79	05/15/17		
T. Andrew Stokes					19,059 <sup>(7)</sup>	670,686

- (1) The market value is the number of shares that have not vested multiplied by the closing price of our common stock as reported by the NYSE on December 31, 2012, the last trading day of 2012.
- (2) Vested May 15, 2010.
- (3) Vests as follows: 10,000 on May 15, 2008, 2009 and 2010.
- (4) Vests as follows: 19,932 on December 31, 2013; 19,933 on December 31, 2014; 30,000 on June 15, 2015.
- (5) Vests as follows: 1,352 on March 1, 2013; 6,060 on December 14, 2013, 2014 and 2015; 6,100 on January 10, 2016; 10,000 on December 20, 2015.
- (6) Vests as follows: 1,193 on March 1, 2013; 6,060 on December 14, 2013, 2014 and 2015; 6,100 on January 10, 2016; 10,000 on December 20, 2015.
- (7) Subsequent to December 31, 2013, 879 restricted common shares vested as scheduled on March 1, 2013 and the vesting of 18,180 restricted common shares were accelerated as a result of Mr. Stokes retirement on March 31, 2013.

Table of Contents**Option Exercises and Stock Vested During 2012**

The following table shows the number and value of stock options exercised and the number of shares and value of restricted common stock that vested related to each of our Named Executive Officers during the year ended December 31, 2012.

Name	Option awards		Stock awards	
	Number of shares acquired on exercise	Value realized on exercise <sup>(1)</sup>	Number of shares acquired on vesting	Value realized on vesting <sup>(2)</sup>
Andre C. Dimitriadis		\$		\$
Wendy L. Simpson			28,060	954,432
Pamela Shelley-Kessler			9,287	297,404
Clint B. Malin	10,000	153,800	8,485	272,523
T. Andrew Stokes	30,000	275,100	8,034	258,653

(1) The value realized is the difference between the market price of the underlying securities at exercise, as measured by the closing price of our common stock as reported by NYSE on the date of exercise, and the exercise price times the number of shares acquired on exercise.

(2) The value realized is the number of shares that vested multiplied by the closing price of our common stock as reported by the NYSE on the vesting date. This differs from the compensation expense disclosed in the "Summary Compensation Table" which is determined using the fair value on the grant date of the stock award.

**Potential Payments Upon Termination or Change In Control**

We have provided our executive officers with employment contracts that provide certain benefits depending on the circumstances surrounding their termination of employment with us. In addition to the benefits described below, upon termination of employment with us, the executive officer is generally entitled to amounts or benefits earned or accrued during the term of employment, including earned but unpaid salary. We have calculated the amount of any potential payments as if the termination or change of control occurred on December 31, 2012 and therefore used the closing price of our common stock as reported by the NYSE on December 31, 2012, the last trading day of 2012.

*Severance and Other Benefits Upon Termination of Employment*

As described above under "Description of Employment Agreements" the employment agreements we have with our executive officers provide for payments of severance and other benefits upon termination of employment. If the executive officer's employment is terminated for any reason, except for a termination for cause or a voluntary resignation without a good reason, then we have agreed to pay the officer a lump sum severance payment equal to four times base salary for Mr. Dimitriadis and Ms. Simpson and one times base salary for Ms. Shelley-Kessler, Messrs. Malin, and Stokes. Additionally, we have agreed to extend medical and dental insurance coverage for up to 18 months, at our expense, to the executive officer. Further, we have agreed to provide Mr. Dimitriadis and Ms. Simpson with health insurance benefits for life and Mr. Dimitriadis' two dependents with health insurance benefits until they reach the age of 22. However, we may elect to pay Ms. Simpson and Mr. Dimitriadis a one-time cash payment of \$250,000 each in lieu of continuing health insurance benefits for Ms. Simpson, Mr. Dimitriadis and Mr. Dimitriadis' two dependents. If any payment or benefit received by Mr. Dimitriadis or Ms. Simpson from us subjects them to excise taxes under the "golden parachute" rules on payments and benefits, then we have agreed to provide them an additional "gross-up payment" to make the officer whole for these excise taxes and for all taxes on the gross-up payment.

The following table lists the Named Executive Officers and the estimated amounts they would have received under their respective employment agreements if their employment with us terminated for any

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reason, except for a termination for cause or a voluntary resignation without a good reason on December 31, 2012:

Name	Estimated Total Value of Cash Payments-Base Salary <sup>(1)</sup>	Estimated Total Value of Health Coverage Continuation <sup>(2)</sup>	Estimated Total Value of Equity Acceleration <sup>(3)(4)</sup>	Estimated Total Value of Excise Tax "Gross-Up"
Andre C. Dimitriadis	\$ 960,000	\$ 250,000	\$	\$
Wendy L. Simpson	2,100,000	250,000	2,458,549	
Pamela Shelley-Kessler	300,000	29,000	1,367,890	
Clint B. Malin	300,000	23,000	1,590,295	
T. Andrew Stokes <sup>(5)</sup>	250,000	38,000	670,686	

(1) Represents base salaries and termination provisions in effect at December 31, 2012.

(2) The employment agreements state that if the executive officer's employment is terminated for any reason, except for a termination for cause or a voluntary resignation without a good reason, we have agreed to extend medical and dental insurance coverage for up to 18 months, at our expense, to the executive officer. Estimates provided in this table are based on amounts we paid for medical and dental insurance for our Named Executive Officers in 2012. As described above under "Description of Employment Agreements," we agreed to provide Mr. Dimitriadis with health insurance benefits for life and Mr. Dimitriadis' two dependents with health insurance benefits until they reach the age of 22. However, we may elect to pay Mr. Dimitriadis a one-time cash payment of \$250,000 in lieu of continuing health insurance benefits for Mr. Dimitriadis and his two dependents. Also as described above under "Description of Employment Agreements," we agreed to provide Ms. Simpson with health insurance benefits for life if Ms. Simpson's employment with us is terminated for any reason, except for a termination for cause or a voluntary resignation without a good reason. However, we may elect to pay Ms. Simpson a one-time cash payment of \$250,000 in lieu of continuing health insurance benefits.

(3) Under the standard terms of our option and restricted stock award agreements, the term of any unvested option or restricted stock will accelerate if the employment of the named executive officer terminates for any reason, such as, death, disability, termination without cause, or a resignation with good reason.

(4) For unvested restricted common stock this amount represents the closing market price as reported by the NYSE on December 31, 2012, the last trading day of 2012. For stock options this amount represents the difference between the exercise price and the closing market price as reported by the NYSE on December 31, 2012, the last trading day of 2012.

(5) Subsequent to December 31, 2012, Mr. Stokes was paid \$250,000 and the vesting of his restricted common stock was accelerated as a result of his retirement on March 31, 2013.

*Severance and Other Benefits Upon Change of Control*

As described above under "Description of Employment Agreements" the employment agreements we have with our Named Executive Officers provide for payments of severance and other benefits upon a change of control of our company. Upon a change in control of our company whether or not the Named Executive Officer's employment is terminated, we have agreed to pay the Named Executive Officer a severance payment in cash equal to \$5,000,000 for Mr. Dimitriadis, \$3,000,000 for Ms. Simpson and two times base salary for Ms. Shelley-Kessler, Messrs. Malin and Stokes. If any payment or benefit received by Mr. Dimitriadis or Ms. Simpson from us subjects them to excise taxes under the "golden parachute" rules on payments and benefits, then we have agreed to provide them an additional "gross-up payment" to make the officer whole for these excise taxes and for all taxes on the gross-up payment. Further, upon a change of control all stock options and/or restricted common stock automatically vest.

A "Change in Control" occurs if:

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

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(b) The stockholders of our company approve a merger or consolidation of our company with any other corporation (or other entity), other than a merger or consolidation which would result in the voting securities of our company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than 66<sup>2</sup>/<sub>3</sub>% of the combined voting power of the voting securities of the company or such surviving entity outstanding immediately after such merger or consolidation; provided, however, that a merger or consolidation effected to implement a recapitalization of our company (or similar transaction) in which no Person acquires 30% or more of the combined voting power of our company's then outstanding securities shall not constitute a Change in Control;

(c) The stockholders of our company approve a plan of complete liquidation of the company or an agreement for the sale or disposition by our company of all or substantially all of our company's assets; or

(d) A majority of the members of the Board of Directors of our company cease to be Continuing Directors.

The following table lists the Named Executive Officers and the estimated amounts they would have received under their respective employment agreements if there had been a change of control of our company on December 31, 2012 whether or not the Named Executive Officer's employment is terminated:

Name	Estimated Total Value of Cash Payments-Base Salary <sup>(1)</sup>	Estimated Total Value of Health Coverage Continuation <sup>(2)</sup>	Estimated Total Value of Equity Acceleration <sup>(3)</sup>	Estimated Total Value of Excise Tax "Gross-Up"
Andre C. Dimitriadis	\$ 5,000,000	\$ 250,000	\$	\$ 2,390,000
Wendy L. Simpson	3,000,000	250,000	2,458,549	
Pamela Shelley-Kessler	600,000		1,367,890	
Clint B. Malin	600,000		1,590,295	
T. Andrew Stokes	500,000		670,686	

(1) Represents base salaries and change of control provisions in effect at December 31, 2012.

(2) The employment agreements state that if the executive officer's employment is terminated upon a change in control of our company then the executive shall not be given the opportunity to participate in any medical or dental insurance coverage. As described above under "Description of Employment Agreements," we agreed to provide Mr. Dimitriadis with health insurance benefits for life and Mr. Dimitriadis' two dependents with health insurance benefits until they reach the age of 22. However, we may elect to pay Mr. Dimitriadis a one-time cash payment of \$250,000 in lieu of continuing health insurance benefits for Mr. Dimitriadis and his two dependents. Also as described above under "Description of Employment Agreements," we agreed to provide Ms. Simpson with health insurance benefits for life upon a change in control of our company whether or not Ms. Simpson's employment is terminated. However, we may elect to pay Ms. Simpson a one-time cash payment of \$250,000 in lieu of continuing health insurance benefits.

(3) For unvested restricted common stock this amount represents the closing market price as reported by the NYSE on December 31, 2012, the last trading day of 2012. For stock options this amount represents the difference between the exercise price and the closing market price as reported by the NYSE on December 31, 2012, the last trading day of 2012.

Table of Contents**DIRECTOR COMPENSATION**

Compensation for our Board of Directors typically consists of quarterly board fees, fees for attending meetings whether in-person or by telephone, and periodic equity awards. The following table presents information regarding the compensation during 2012 earned by or paid to non-employee members of our Board of Directors. Two members of our Board are also employed by us and therefore are not entitled to receive additional compensation for their services as directors. Compensation information related to our two employee directors is included in the previous discussion and tables related to executive compensation.

**Director Compensation for the Year ended December 31, 2012**

Name	Fees Earned or Paid in Cash	Stock Awards <sup>(1)</sup>	Option Awards <sup>(1)</sup>	Total
Boyd W. Hendrickson	\$ 57,000	\$ 63,740	\$	\$ 120,740
Edmund C. King	59,200	63,740		122,940
Devra G. Shapiro	54,200	63,740		117,940
Timothy J. Triche	53,100	63,740		116,840

(1) See "Equity Awards" below for the aggregate number of stock awards and option awards outstanding at year end. Represents the fair value on the grant date of the stock awards and option awards granted. Under U.S. generally accepted accounting principles, compensation expense with respect to stock awards and option awards granted is generally recognized over the vesting periods applicable to the awards. For a discussion of the assumptions and methodologies used to value the stock awards and option awards granted refer to *Note 10. Equity* of Notes to Consolidated Financial Statements included in the Company's 2012 Annual Report on Form 10-K.

*Quarterly Board and Meeting Fees*

The following table represents the schedule of meeting fees and quarterly fees for each non-employee director in effect during 2012:

Type of Fee <sup>(1)</sup>	Amount
Quarterly Fee	\$ 6,750
Quarterly Lead Director Fee	3,750
Quarterly Audit Committee Chairman Fee	3,750
Quarterly Compensation Committee Chairman Fee	2,500
Quarterly Nominating Committee Chairman Fee	2,500
Meeting Fee <sup>(2)</sup>	1,600
Committee Meeting Fee <sup>(2)</sup>	1,100

(1) Along with meeting fees and quarterly fees, we reimburse non-employee directors for travel expenses incurred in connection with their duties as our director. Travel expense reimbursements are not included in this table.

(2) The board meeting and committee meeting fees are paid to each non-employee director for attendance in person or telephonically at each meeting of the Board of Directors or of any committee meeting held on a day on which the Board of Directors did not meet. If a committee meeting is held on a day on which a meeting of the Board of Directors is held, there is no fee paid for the committee meeting.

*Equity Awards*

Directors participate in our 2008 Equity Participation Plan which permits the Compensation Committee to grant nonqualified stock options or restricted common shares to directors from time-to-time. In 2012, the Compensation Committee granted 2,000 shares of restricted common stock to Ms. Shapiro, Messrs. Hendrickson and King and Dr. Triche at \$31.87 per share. These shares vest ratably over a three-year period from the grant date. The following table presents the number of

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outstanding and unexercised option awards and the number of unvested shares of restricted common stock held by each of our non-employee directors at December 31, 2012.

<b>Name</b>	<b>Number of options outstanding</b>	<b>Number of unvested shares of restricted common stock outstanding</b>
Boyd W. Hendrickson		3,334 <sup>(4)</sup>
Edmund C. King	3,334 <sup>(1)</sup>	3,334 <sup>(4)</sup>
Devra G. Shapiro	15,000 <sup>(2)</sup>	3,334 <sup>(4)</sup>
Timothy J. Triche	10,000 <sup>(3)</sup>	3,334 <sup>(4)</sup>

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(1) 3,334 vested on May 15, 2010

(2) 5,000 vested on July 30, 2010, 2011 and 2012

(3) 3,333 vested on May 15, 2008 and 2009; 3,334 vested on May 15, 2010

(4) Vests as follows: 334 on May 27, 2013; 500 on June 1, 2013 and 2014; 666 on May 23, 2013; 667 on May 23, 2014 and 2015

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**COMPENSATION COMMITTEE REPORT**

*The Compensation Committee Report shall not be deemed incorporated by reference by any general statement incorporating by reference this Proxy Statement into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that we specifically incorporate this information by reference, and shall not otherwise be deemed filed under such Acts.*

The Compensation Committee of the Board of Directors has reviewed and discussed with management the Executive Compensation Discussion and Analysis for 2012. Based on the review and discussions, the Committee recommended to the Board, and the Board has approved, that the Executive Compensation Discussion and Analysis be included in this Proxy Statement.

Compensation Committee

Timothy J. Triche, M.D., Chair  
Edmund C. King  
Devra G. Shapiro

**Compensation Committee Interlocks and Insider Participation**

During 2012, the Compensation Committee consisted of Timothy J. Triche, MD, Edmund C. King and Devra G. Shapiro, all of whom are independent directors. None of the members of the Compensation Committee are, or have been, officers or employees of the company. There are no "interlocks" (as defined by the rules of the SEC) with respect to any member of the Compensation Committee of the Board of Directors.



Table of Contents**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND  
MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

This table shows information as of March 31, 2013 with respect to the beneficial ownership of our common stock by (1) each person who is known by us to own beneficially more than 5% of our common shares based on the most recent Schedule 13D or 13G filings made by such person with the Securities and Exchange Commission pursuant to rules and regulations promulgated under the Exchange, (2) each director and director nominee, (3) each Named Executive Officer identified in the Summary Compensation Table above, and (4) the current directors and executive officers as a group.

<b>Name and Address of Beneficial Owner</b>	<b>Title of Class</b>	<b>Amount and Nature of Beneficial Ownership<sup>(1)</sup></b>	<b>Percent of Outstanding Shares in Class<sup>(2)</sup></b>
<i>Principal Stockholders:</i>			
<b>The Vanguard Group, Inc.</b> 100 Vanguard Boulevard Malvern, PA 19355	Common Stock	3,826,452 <sup>(3)</sup>	11.7%
<b>BlackRock, Inc.</b> 40 East 52 <sup>nd</sup> Street New York, NY 10022	Common Stock	3,060,578 <sup>(4)</sup>	9.3%
<b>National Health Investors, Inc.</b> 222 Robert Rose Drive Murfreesboro, TN 37129	Common Stock	2,293,800 <sup>(5)</sup>	7.0%
<b>Vanguard Specialized Funds Vanguard REIT Index Fund</b> 100 Vanguard Boulevard Malvern, PA 19355	Common Stock	2,015,633 <sup>(6)</sup>	6.1%
<i>Named Executive Officers:</i>			
<b>Andre C. Dimitriadis</b>	Common Stock	174,679 <sup>(7)</sup>	*
<b>Wendy L. Simpson</b>	Common Stock	301,500	*
<b>Pamela Shelley-Kessler</b>	Common Stock	84,222 <sup>(8)(9)</sup>	*
<b>Clint B. Malin</b>	Common Stock	89,413 <sup>(8)</sup>	*
<b>T. Andrew Stokes</b>	Common Stock	26,219	*
<i>Directors and Director Nominees: +</i>			
<b>Boyd W. Hendrickson</b>	Common Stock	5,717 <sup>(10)</sup>	*
<b>Edmund C. King</b>	Common Stock	62,235 <sup>(8)(11)(12)</sup>	*
<b>Devra G. Shapiro</b>	Common Stock	22,500 <sup>(8)</sup>	*
<b>Timothy J. Triche, M.D.</b>	Common Stock	40,102 <sup>(8)</sup>	*
<b>All directors and executive officers as a group (11 persons)</b>	Common Stock	826,514 <sup>(7)(8)(9)(10)(11)(12)</sup>	2.5%

\* Less than 1%

+

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Does not include information concerning directors Andre C. Dimitriadis and Wendy L. Simpson, each of whom is also an executive officer, which information is provided above.

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- (1) Except as otherwise noted below, all shares are owned beneficially by the individual or entity listed with sole voting and/or investment power.
- (2) For purposes of computing the percentages, the number of shares outstanding on March 31, 2013 was 30,712,510.
- (3) Based upon information contained in a Schedule 13G/A filed with the SEC on February 7, 2013 by The Vanguard Group, Inc. (or VGI) with respect to the ownership of our common stock as of December 31, 2012, VGI beneficially owns 3,826,452 shares. VGI has the sole voting power of 93,790 shares and sole power to dispose of or to direct the disposition of 3,748,762 shares. Vanguard Fiduciary Trust Company (or VFTC), a wholly-owned subsidiary of VGI, is the beneficial owner of 44,990 shares of our common stock outstanding as a result of its serving as investment manager of collective trust accounts. Vanguard Investments Australia, Ltd. (or VIA), a wholly-owned subsidiary of VGI, is the beneficial owner of 81,500 shares of our common stock outstanding as a result of its serving as investment manager of Australian investment offerings.
- (4) Based upon information contained in the a Schedule 13G/A filed with the SEC on April 10, 2013 by BlackRock, Inc. (or BlackRock) with respect to the ownership of our common stock as of March 28, 2013, BlackRock beneficially owns 3,060,578 shares. BlackRock has the sole voting power and sole power to dispose of or to direct the disposition of 3,060,578 shares.
- (5) Based upon information contained in National Health Investors, Inc.'s (or NHI) Annual Report on Form 10-K for the year ended December 31, 2011 filed with the SEC and with respect to the ownership of our common stock as of December 31, 2011, NHI directly owns 293,800 shares and has sole voting and dispositive power over these shares. Based upon NHI's Annual Report on Form 10-K for the year ended December 31, 2012 filed with the SEC, NHI did not disclose any changes to their ownership of our common stock. Additionally, NHI owns our Series C Cumulative Convertible Preferred Stock, which has an option to convert at a price of \$19.25 per share into 2,000,000 shares of common stock as of December 31, 2012. For the purpose of computing this percentage, the number of shares subject to conversion is deemed to be outstanding only for the calculation of NHI's percent of class calculation.
- (6) Based upon information contained in a Schedule 13G/A filed with the SEC on February 14, 2013 by Vanguard Specialized Funds Vanguard REIT Index (or Vanguard REIT) with respect to ownership of our common stock as of December 31, 2012, Vanguard REIT beneficially owns and has sole voting power over 2,015,633 shares.
- (7) Includes 10,000 shares of common stock held in two irrevocable trusts for his daughters.
- (8) Includes shares purchasable by such individual upon exercise of outstanding options that are presently exercisable or will become exercisable within 60 days of March 31, 2013 as follows:

	<b>Exercisable Outstanding Options</b>
<i>Named Executive Officer:</i>	
Pamela Shelley-Kessler	10,000
Clint B. Malin	30,000
<i>Director and Director Nominees:</i>	
Edmund C. King	3,334
Devra G. Shapiro	15,000
Timothy J. Triche, M.D.	10,000

- (9) Includes 1,000 shares of common stock held by spouse in an individual retirement account.
- (10) Includes 550 shares of common stock held in an individual retirement account.
- (11) Includes 1,575 shares of common stock held by spouse in an individual retirement account.
- (12) 25,000 of the shares beneficially owned have been pledged as security.

Table of Contents**Securities Authorized for Issuance under Equity Compensation Plans**

Securities authorized for issuance under equity compensation plans as of December 31, 2012 is as follows:

Plan Category	Equity Compensation Plan Information		
	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted-average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders	95,334	\$ 23.93	236,921
Equity compensation plans not approved by security holders			
<b>Total</b>	<b>95,334</b>	<b>\$ 23.93</b>	<b>236,921</b>

**CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE****Review, Approval or Ratification of Transactions with Related Persons**

We have adopted a written policy that addresses related person transactions requiring disclosure under Item 404 of Regulation S-K under the Securities Act. A related person of our company includes a director, a director nominee, an executive officer, a stockholder beneficially owning a 5% voting interest in our company, or an immediate family member of any of the foregoing. Under the policy, any transaction in which a related person has a direct or indirect material interest and where the amount exceeds \$120,000 must be approved by disinterested members of our Board of Directors.

In determining whether to approve or ratify a related person transaction, our Board of Directors will take into account, whether (i) the terms are fair to our company and on the same basis generally available to an unrelated person, (ii) there are business reasons for our company to enter into the transaction, (iii) it would impair independence of an outside director, and (iv) any other factors exist that our Board deems relevant.

**Transactions with Related Persons**

Since the beginning of 2012 and including any currently proposed, the only transactions within the scope of Item 404 of Regulation S-K involved Boyd W. Hendrickson, one of our independent directors. His interest in these transactions arises indirectly and as a result of serving as Chief Executive Officer of SHG.

In December 2005, we purchased, on the open market, \$10,000,000 face value of SHG Senior Subordinate Notes with a face rate of 11.0% and an effective yield of 11.1%. Our Board of Directors, with Mr. Hendrickson abstaining, ratified the purchase of SHG Senior Subordinated Notes. As a result of early redemptions by SHG in 2007, we had a remaining investment in \$6,500,000 face value of SHG Senior Subordinated Notes. During 2012, we recognized approximately \$235,000 of interest income related to the SHG Senior Subordinated Notes. During 2012, SHG redeemed all of their outstanding Senior Subordinated Notes at par value plus accrued and unpaid interest up to the redemption date.

In addition, during September 2007, SHG purchased the assets of Laurel Healthcare (or Laurel). One of the assets SHG purchased was Laurel's leasehold interests in the skilled nursing properties Laurel leased from us under a 15-year master lease agreement dated in February 2006. Our Board of Directors, with Mr. Hendrickson abstaining, ratified our consent to the assignment of Laurel's master lease to subsidiaries of SHG. The economic terms of the master lease agreement did not change as a

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result of our assignment of the master lease to subsidiaries of SHG. During 2012, subsidiaries of SHG paid us approximately \$4,370,000 in rent and are expected to pay approximately \$4,479,000 in rent to us during 2013. During 2012, we recorded approximately \$131,000 of straight-line rental income from subsidiaries of SHG and expect to record approximately \$22,000 of straight-line rental income from subsidiaries of SHG in 2013. At December 31, 2012, the straight-line rent receivable from subsidiaries of SHG was \$3,191,000.

**Director Independence**

In accordance with the listing standards of the NYSE, our Corporate Governance Policies provide that:

A director who is, or has been within the last three years, an employee of the company, or whose immediate family member is, or has been within the last three years an executive officer of the company may not be deemed independent. Employment as an interim Chairman or Chief Executive Officer will not disqualify a director from being considered independent following that employment.

A director who has received, or who has an immediate family member who has received, during any twelve-month period within the last three years, more than \$120,000 in direct compensation from the company, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service), may not be deemed independent. Compensation received by a director for former service as an interim Chairman or Chief Executive Officer and compensation received by an immediate family member for service as a non-executive employee of the company will not be considered in determining independence under this test.

A director who is, or whose immediate family member is, a current partner of a firm that is the company's external auditor; a director who is a current employee of such a firm; a director who has an immediate family member who is a current employee of such a firm and who participates in the firm's audit, assurance or tax compliance (but not tax planning) practice; or a director who was, or whose immediate family member was, within the last three years (but is no longer) a partner or employee of such a firm and personally worked on the company's audit within that time may not be deemed independent.

A director who is, or whose immediate family member is, or has been within the last three years, employed as an executive officer of another company where any of the company's present executive officers at the time serves or served on that company's compensation committee may not be deemed independent.

A director who is a current employee or whose immediate family member is a current executive officer, of a company that has made payments to, or received payments from, the company for property or services in an amount which, in any of the last three years, exceeds the greater of \$1 million or 2% of such other company's consolidated gross revenues, may not be deemed independent.

For purposes of these guidelines, the terms:

"affiliate" means any consolidated subsidiary of the company and any other company or entity that controls, is controlled by or is under common control with the company, as evidenced by the power to elect a majority of the board of directors or comparable governing body of such entity;

"executive officer" means an "officer" within the meaning of Rule 16a-1(f) under the Exchange Act; and

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"immediate family" means spouse, parents, children, siblings, mothers- and fathers-in-law, sons- and daughters-in-law, brothers- and sisters-in-law and anyone (other than employees) sharing a person's home, but excluding any person who is no longer an immediate family member as a result of legal separation or divorce, or death or incapacitation.

Pursuant to our Corporate Governance Policies on Director Independence, the Board undertook its annual review of director independence in 2012. During this review, the Board considered transactions and relationships between each director or any member of his or her immediate family and our company and its subsidiaries and affiliates, including those within the scope of "Transactions with Related Persons" above. The Board also considered whether there were any transactions or relationships between directors or any member of their immediate family (or any entity of which a director or an immediate family member is an executive officer, general partner or significant equity holder) and members of our senior management or their affiliates. The purpose of this review was to determine whether any such relationships or transactions existed that were inconsistent with a determination that the director is independent.

The Board has affirmatively determined that each of the current directors standing is independent within the meaning of our director independence standards, which reflect the NYSE director independence standards, except for Mr. Dimitriadis and Ms. Simpson. Mr. Dimitriadis and Ms. Simpson are considered inside directors because of their employment as senior executives of our company. In determining that each of the other directors is independent, the Board considered that our company owned Senior Subordinated Notes issued by SHG, a company at which Boyd W. Hendrickson, one of our independent directors, serves as the chief executive officer. During 2007, SHG purchased the assets of one of our operators and now operates skilled nursing properties under a master lease with us. The payments received from SHG did not exceed 2% of SHG's consolidated gross revenues. Mr. Hendrickson does not have a direct material interest in these transactions and his only interest arises solely from his position as Chief Executive Officer of SHG. The Board determined that this relationship did not impair Mr. Hendrickson's independence.

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**INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FEES AND SERVICES**

Ernst & Young LLP audited our financial statements during year ended December 31, 2012 and have been our auditors since our organization in May 1992. Their fees for the last two fiscal years were:

	2012	2011
Audit Fees	\$ 483,385	\$ 472,000
Audit-Related Fees		
Tax Fees	51,330	51,600
All Other Fees		
<i>Audit Fees</i>		

For 2012 and 2011, these fees represent aggregate fees billed for professional services rendered for the audit of our annual financial statements and internal control over financial reporting, the review of the financial statements included in our Quarterly Reports on Form 10-Q, advice on audit and accounting matters that arose during, or as a result of, the audit or the review of interim financial statements and work on securities and other filings with the SEC, including comfort letters and consents.

*Tax Fees*

These fees represent aggregate fees billed for services rendered for tax compliance and consultation, including REIT qualification matters during 2012 and 2011.

All audit, audit related and tax services were pre-approved by the Audit Committee. On an annual basis the Audit Committee pre-approves specifically described audit, audit-related and tax services to be performed by Ernst & Young LLP. The Audit Committee has delegated to the Chair of the Audit Committee the authority to pre-approve non-audit services to be performed by Ernst & Young LLP, provided that the Chair shall report any decision to pre-approve such non-audit services to the full Audit Committee at its next regular meeting.

In accordance with Section III, Item 6 of the Audit Committee Charter, the Audit Committee reviewed the effectiveness of Ernst & Young LLP's audit effort, including approval of the scope of, and fees charged in connection with, the annual audit, quarterly reviews and any non-audit services provided. The Audit Committee concluded that the provision of the non-audit services by Ernst & Young LLP was compatible with the maintenance of that firm's independence in the conduct of its auditing functions.

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**REPORT OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS**

*The Audit Committee Report of LTC Properties, Inc. (or company) shall not be deemed incorporated by reference by any general statement incorporating by reference this Proxy Statement into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that we specifically incorporate this information by reference, and shall not otherwise be deemed filed under such Acts.*

The Audit Committee of the Board of Directors is comprised of three independent directors as determined by the Board within the meaning of the New York Stock Exchange listing standards and operates under a written charter adopted by the Board.

The Audit Committee has oversight of all compliance related to financial matters, Securities and Exchange Commission reporting and auditing. Additionally, it is the Audit Committee's duty to review annually the Audit Committee Charter and recommend any changes to the Board.

The Audit Committee is appointed by the Board to assist the Board in its oversight function by monitoring, among other things, the integrity of the company's financial statements, the company's financial reporting process and the independence and performance of the independent registered public accounting firm. It is the responsibility of executive management of the company to prepare financial statements in accordance with U.S. generally accepted accounting principles and of the company's independent registered public accounting firm to audit those financial statements. The Audit Committee has the sole authority and responsibility to select, appoint, evaluate, compensate and retain, approve significant non-audit services, confirm the independence of the independent registered public accounting firm and, where appropriate, replace the independent registered public accounting firm. Additionally, the Audit Committee determines the extent of funding that the company must provide to it.

Management is responsible for the company's internal controls and the financial reporting process. The independent registered public accounting firm is responsible for performing an independent audit of the company's consolidated financial statements and internal control over financial reporting in accordance with standards of the Public Company Accounting Oversight Board (United States) and to issue a report thereon. The Audit Committee's responsibility is to monitor and oversee these processes.

In this context, the Audit Committee has met and held discussions with management and Ernst & Young LLP, the company's independent registered public accounting firm. Management represented to the Audit Committee that the company's consolidated financial statements were prepared in accordance with U.S. generally accepted accounting principles, and the Audit Committee has reviewed and discussed the audited consolidated financial statements with management and Ernst & Young LLP. The Audit Committee discussed with Ernst & Young LLP matters required to be discussed by Statement on Auditing Standards No. 61, as amended (AICPA, Professional Standards, Vol. 1. AU section 380), as adopted by the Public Company Accounting Oversight Board in Rule 3200T.

In addition, the Audit Committee has received the written disclosures and the letter required by the Public Company Accounting Oversight Board's Ethic and Independence Rule 3526 (Communications with Audit Committees Concerning Independence), as amended, from Ernst & Young LLP and has discussed with Ernst & Young LLP its independence from the company and its management. Further, the Audit Committee has considered whether the non-audit services provided by Ernst & Young LLP are compatible with maintaining its independence.

Further, the Audit Committee periodically meets with Ernst & Young LLP, without management present, to discuss the results of their examinations, the evaluations of the company's internal controls and the overall quality of the company's financial reporting.

During the past year, the Audit Committee met with Ernst & Young LLP seven times in total and without management present once.



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Based on the reviews and discussions referred to above, and subject to the limitations on the role and responsibilities of the Audit Committee referred to above and set forth in the Charter, the Audit Committee recommended to the Board that the audited financial statements be included in the company's 2012 Form 10-K for filing with the Securities and Exchange Commission.

#### Audit Committee

Edmund C. King, Chair

Boyd W. Hendrickson

Devra G. Shapiro

Timothy J. Triche, M.D.

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**RISK OVERSIGHT**

Management continually monitors the material risks facing our company, including financial risk, strategic risk, operational risk, and legal and compliance risk. The Board of Directors is responsible for exercising oversight of management's identification of, planning for, and managing those risks. The Board may delegate to its committees oversight responsibility for those risks that are directly related to their area of focus. Pursuant to its charter, the Audit Committee has the responsibility and duty to review the financial, investment and risk management policies followed by our company in operating its business activities. The full Board reviews risks that may be material to our company, including those detailed in the Audit Committee's reports and as disclosed in our quarterly and annual reports filed with the SEC. We believe that our leadership structure also enhances the Board's risk oversight function. Due to his knowledge of our company and industry, our Executive Chairman is well-positioned to lead Board discussions on risk areas. Our Executive Chairman regularly discusses with management the material risks facing our company and is also expected to report candidly to his fellow directors on his assessment of those material risks. This structure fosters greater communication between management and the Board on matters including with respect risk.

**OTHER MATTERS**

Other business may properly come before the 2013 Annual Meeting, and in that event, the proxy holders will vote as recommended by the Board of Directors or, if no recommendation is given, in their own discretion. However, we have not received timely and proper notice from any stockholder of any other matter to be prepared at the 2013 Annual Meeting. Our management and Board of Directors know of no matters to be brought before the 2013 Annual Meeting other than as set forth herein.

**Stockholder Proposals**

Stockholder proposals intended to be presented at the 2014 Annual Meeting must be received by us for inclusion in our proxy statement by December 20, 2013 and otherwise comply with the regulations of the SEC governing inclusion of such proposals.

Matters (other than nominations of candidates for election as directors) may be brought before the meeting by stockholders only by complying with the procedure set forth in our Bylaws, which in summary requires that notice be delivered to our principal executive offices not less than 60 days nor more than 150 days prior to the anniversary of the 2013 Annual Meeting of Stockholders. Each such stockholder notice shall set forth (i) as to each matter the stockholder proposes to bring before the 2014 Annual Meeting, (a) a brief description of the matter desired to be brought before the 2014 Annual Meeting and the reasons for bringing such matter before the 2014 Annual Meeting and (b) any material interest of the stockholder in such matter; and (ii) as to the stockholder giving the notice (a) the name and address, as they appear on our books, of such stockholder and any other stockholders known by such stockholder to be supporting the bringing of such matter before the 2014 Annual Meeting as of the date of such stockholder notice and (b) the class and number of shares of our capital stock which are beneficially owned by such stockholder on the date of such stockholder notice and by any other stockholder known by such stockholder to be supporting the bringing of such matter before the 2014 Annual Meeting as of the date of such stockholder notice.

For information regarding nominating candidates for election as directors, please refer to "Consideration of Director Nominees" in the Corporate Governance Principles and Board Matters section above.

**Householding**

We have adopted a procedure permitted by SEC rules called "householding." Under this procedure, stockholders of record who have the same address and last name will receive only one copy

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of our Notice of Annual Meeting of Stockholders, Proxy Statement, and Annual Report, unless one or more of these stockholders notifies us that they wish to continue receiving individual copies. This procedure will reduce our printing costs and postage fees.

Stockholders who participate in householding will continue to receive separate proxy cards. Also, householding will not in any way affect dividend check mailings.

If you are eligible for householding, but you and other stockholders of record with whom you share an address currently receive multiple copies of the Notice of Annual Meeting of Stockholders and Proxy Statement and the accompanying documents, or if you hold stock in more than one account, and in either case you wish to receive only a single copy of each of these documents for your household, please contact our transfer agent, American Stock Transfer & Trust Company, at 866-708-5586.

If you participate in householding and wish to receive a separate copy of this Notice of Annual Meeting of Stockholders, Proxy Statement and the accompanying documents, or if you do not wish to participate in householding and prefer to receive separate copies of these documents in the future, please also contact our transfer agent, American Stock Transfer & Trust Company, at 866-708-5586.

"Street name" beneficial owners can request information about householding from their banks, brokers, or other nominee holders of record.

### **Directions**

Directions to the Surf and Sand Resort, 1555 South Coast Highway, Laguna Beach, California 92651.

*US-5 North*

*US-5 South*

Exit CA-1 North / Pacific Coast Highway

Exit California 133 South

The Surf and Sand Resort will be on the left

Turn left onto Pacific Coast Highway

The Surf and Sand Resort will be on the right

By Order of the Board of Directors

Westlake Village, California  
April 19, 2013

PAMELA J. SHELLEY-KESSLER  
Executive Vice President, Chief Financial Officer and Corporate  
Secretary

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