Sabra Health Care REIT, Inc.
Form 10-Q
August 02, 2017
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)
x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2017
OR
o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to
Commission file number 001-34950

SABRA HEALTH CARE REIT, INC.
(Exact Name of Registrant as Specified in Its Charter)

Maryland	27-2560479
(State of Incorporation)	(I.R.S. Employer Identification No.)

18500 Von Karman Avenue, Suite 550
Irvine, CA 92612
(888) 393-8248
(Address, zip code and telephone number of Registrant)

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

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

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

Large accelerated filer	x	Accelerated filer	o
Non-accelerated filer	o (Do not check if a smaller reporting company)	Smaller reporting company	o
		Emerging growth company	o

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

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

As of July 26, 2017, there were 65,437,678 shares of the registrant’s $0.01 par value Common Stock outstanding.

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SABRA HEALTH CARE REIT, INC. AND SUBSIDIARIES
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References throughout this document to “Sabra,” “we,” “our,” “ours” and “us” refer to Sabra Health Care REIT, Inc. and its direct and indirect consolidated subsidiaries and not any other person.

STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this Quarterly Report on Form 10-Q (this “10-Q”) contain “forward-looking” information as that term is defined by the Private Securities Litigation Reform Act of 1995. Any statements that do not relate to historical or current facts or matters are forward-looking statements. Examples of forward-looking statements include all statements regarding our proposed merger transaction with Care Capital Properties, Inc. (“CCP”), our expected future financial position, results of operations, cash flows, liquidity, financing plans, business strategy, budgets, the expected amounts and timing of dividends and other distributions, projected expenses and capital expenditures, competitive position, growth opportunities, potential investments, plans and objectives for future operations, and compliance with and changes in governmental regulations. You can identify some of the forward-looking statements by the use of forward-looking words such as “anticipate,” “believe,” “plan,” “estimate,” “expect,” “intend,” “should,” “may” and other simil expressions, although not all forward-looking statements contain these identifying words.

Our actual results may differ materially from those projected or contemplated by our forward-looking statements as a result of various factors, including, among others, the following:

- our dependence on Genesis Healthcare, Inc. (“Genesis”) and certain wholly owned subsidiaries of Holiday AL Holdings LP (collectively, “Holiday”) until we are able to further diversify our portfolio;
- our dependence on the operating success of our tenants;
- the significant amount of and our ability to service our indebtedness;
- covenants in our debt agreements that may restrict our ability to pay dividends, make investments, incur additional indebtedness and refinance indebtedness on favorable terms;
- increases in market interest rates;
- changes in foreign currency exchange rates;
- our ability to raise capital through equity and debt financings;
- the impact of required regulatory approvals of transfers of healthcare properties;
- the effect of changing healthcare regulation and enforcement on our tenants and the dependence of our tenants on reimbursement from governmental and other third-party payors;
- the relatively illiquid nature of real estate investments;
- competitive conditions in our industry;
- the loss of key management personnel or other employees;
- the impact of litigation and rising insurance costs on the business of our tenants;
- the effect of our tenants declaring bankruptcy or becoming insolvent;
- uninsured or underinsured losses affecting our properties and the possibility of environmental compliance costs and liabilities;
- the ownership limits and anti-takeover defenses in our governing documents and Maryland law, which may restrict change of control or business combination opportunities;
- the impact of a failure or security breach of information technology in our operations;
- our ability to find replacement tenants and the impact of unforeseen costs in acquiring new properties;
- our ability to maintain our status as a real estate investment trust (“REIT”);
- changes in tax laws and regulations affecting REITs; and
- compliance with REIT requirements and certain tax and tax regulatory matters related to our status as a REIT.

Additional factors related to the proposed merger transaction with CCP include, among others, the following:

- the possibility that the parties may be unable to obtain required stockholder approvals or regulatory approvals or that other conditions to closing the transaction may not be satisfied, such that the transaction will not close or that the closing may be delayed;
- the potential adverse effect on tenant and vendor relationships, operating results and business generally resulting from the proposed transaction;
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- the proposed transaction will require significant time, attention and resources, potentially diverting attention from the conduct of our business;
- the amount of debt that will need to be refinanced or amended in connection with the proposed merger and the ability to do so on acceptable terms;
- changes in healthcare regulation and political or economic conditions;
- the anticipated benefits of the proposed transaction may not be realized;
- the anticipated and unanticipated costs, fees, expenses and liabilities related to the transaction;

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- the outcome of any legal proceedings related to the transaction; and
- the occurrence of any event, change or other circumstances that could give rise to the termination of the merger agreement.

We urge you to carefully consider these risks and review the additional disclosures we make concerning risks and other factors that may materially affect the outcome of our forward-looking statements and our future business and operating results, including those made in Part I, Item 1A, "Risk Factors" of our Annual Report on Form 10-K for the year ended December 31, 2016 (our "2016 Annual Report on Form 10-K") and in Part II, Item 1A, "Risk Factors" of this 10-Q, as such risk factors may be amended, supplemented or superseded from time to time by other reports we file with the Securities and Exchange Commission (the "SEC"), including subsequent Annual Reports on Form 10-K and Quarterly Reports on Form 10-Q. We caution you that any forward-looking statements made in this 10-Q are not guarantees of future performance, events or results, and you should not place undue reliance on these forward-looking statements, which speak only as of the date of this report. We do not intend, and we undertake no obligation, to update any forward-looking information to reflect events or circumstances after the date of this 10-Q or to reflect the occurrence of unanticipated events, unless required by law to do so.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS
SABRA HEALTH CARE REIT, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(dollars in thousands, except per share data)

	June 30, 2017 (unaudited)	December 31, 2016
Assets		
Real estate investments, net of accumulated depreciation of $314,103 and $282,812 as of June 30, 2017 and December 31, 2016, respectively	$1,995,911	$2,009,939
Loans receivable and other investments, net	94,208	96,036
Cash and cash equivalents	13,235	25,663
Restricted cash	9,413	9,002
Prepaid expenses, deferred financing costs and other assets, net	141,193	125,279
Total assets	$2,253,960	$2,265,919
Liabilities		
Mortgage notes, net	$159,366	$160,752
Revolving credit facility	32,000	26,000
Term loans, net	339,248	335,673
Senior unsecured notes, net	689,508	688,246
Accounts payable and accrued liabilities	37,123	39,639
Total liabilities	1,257,245	1,250,310
Commitments and contingencies (Note 13)		
Equity		
Preferred stock, $.01 par value; 10,000,000 shares authorized, 5,750,000 shares issued and outstanding as of June 30, 2017 and December 31, 2016	58	58
Common stock, $.01 par value; 125,000,000 shares authorized, 65,425,434 and 65,285,614 shares issued and outstanding as of June 30, 2017 and December 31, 2016, respectively	654	653
Additional paid-in capital	1,210,895	1,208,862
Cumulative distributions in excess of net income	(214,078)	(192,201)
Accumulated other comprehensive loss	(833)	(1,798)
Total Sabra Health Care REIT, Inc. stockholders' equity	996,696	1,015,574
Noncontrolling interests	19	35
Total equity	996,715	1,015,609
Total liabilities and equity	$2,253,960	$2,265,919

See accompanying notes to condensed consolidated financial statements.

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SABRA HEALTH CARE REIT, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(dollars in thousands, except per share data)
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Revenues:				
Rental income	$55,904	$ 55,297	$113,128	$110,609
Interest and other income	2,027	16,993	3,972	22,325
Resident fees and services	6,805	1,959	10,286	3,874
Total revenues	64,736	74,249	127,386	136,808
Expenses:				
Depreciation and amortization	17,220	16,405	36,357	34,171
Interest	15,862	16,427	31,650	33,345
Operating expenses	4,407	1,440	6,827	2,852
General and administrative	11,149	4,636	18,022	9,350
Provision for doubtful accounts and loan losses	535	223	2,305	2,746
Impairment of real estate	—	—	—	29,811
Total expenses	49,173	39,131	95,161	112,275
Other income (expense):				
Loss on extinguishment of debt	—	—	—	(556)
Other income	941	2,400	3,070	2,400
Net gain (loss) on sale of real estate	4,032	(52)	4,032	(4,654)
Total other income (expense)	4,973	2,348	7,102	(2,810)
Net income	20,536	37,466	39,327	21,723
Net (income) loss attributable to noncontrolling interests	(16)	9	16	41
Net income attributable to Sabra Health Care REIT, Inc.	20,520	37,475	39,343	21,764
Preferred stock dividends	(2,560)	(2,560)	(5,121)	(5,121)
Net income attributable to common stockholders	$17,960	$ 34,915	$34,222	$16,643
Net income attributable to common stockholders, per:				
Basic common share	$0.27	$ 0.53	$0.52	$0.25
Diluted common share	$0.27	$ 0.53	$0.52	$0.25
Weighted-average number of common shares outstanding, basic	65,438,739	65,303,057	65,396,146	65,274,845

Weighted-average number of common shares outstanding, diluted	65,670,853	65,503,383	65,694,019	65,454,337

See accompanying notes to condensed consolidated financial statements.

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SABRA HEALTH CARE REIT, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in thousands)
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Net income	$20,536	$37,466	$39,327	$21,723
Other comprehensive income (loss)				
Unrealized gain (loss), net of tax:				
Foreign currency translation gain (loss)	698	324	140	(249)
Unrealized gain (loss) on cash flow hedges [1]	97	(206)	825	(1,698)
Total other comprehensive income (loss)	795	118	965	(1,947)
Comprehensive income	21,331	37,584	40,292	19,776
Comprehensive (income) loss attributable to noncontrolling interest	(16)	9	16	41
Comprehensive income attributable to Sabra Health Care REIT, Inc.	$21,315	$37,593	$40,308	$19,817

[1] Amounts are net of provision for income taxes of $0.2 million for the three and six months ended June 30, 2017 and none for the three and six months ended June 30, 2016.

See accompanying notes to condensed consolidated financial statements.

SABRA HEALTH CARE REIT, INC.
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
(dollars in thousands, except per share data)
(unaudited)

	Preferred Stock		Common Stock							
	Shares	Amount	Shares	Amounts	Additional Paid-in Capital	Cumulative Distributions in Excess of Net Income	Accumulated Other Comprehensive Loss	Total Stockholders' Equity	Noncontrolling Interests	Total Equity
Balance, December 31, 2015	5,750,000	$58	65,182,335	$652	$1,202,541	$(142,148)	$(7,333)	$1,053,770	$106	$1,053,876
Net income (loss)	—	—	—	—	—	21,764	—	21,764	(41)	21,723
Other comprehensive loss	—	—	—	—	—	—	(1,947)	(1,947)	—	(1,947)
Amortization of stock-based compensation	—	—	—	—	3,982	—	—	3,982	—	3,982
Common stock issuance, net	—	—	105,981	1	(1,104)	—	—	(1,103)	—	(1,103)
Preferred dividends	—	—	—	—	—	(5,121)	—	(5,121)	—	(5,121)
Common dividends ($0.83 per share)	—	—	—	—	—	(54,498)	—	(54,498)	—	(54,498)
Balance, June 30, 2016	5,750,000	$58	65,288,316	$653	$1,205,419	$(180,003)	$(9,280)	$1,016,847	$65	$1,016,912

	Preferred Stock		Common Stock							
	Shares	Amount	Shares	Amounts	Additional Paid-in Capital	Cumulative Distributions in Excess of Net Income	Accumulated Other Comprehensive Loss	Total Stockholders' Equity	Noncontrolling Interests	Total Equity
Balance, December 31, 2016	5,750,000	$58	65,285,614	$653	$1,208,862	$(192,201)	$(1,798)	$1,015,574	$35	$1,015,609
Net income (loss)	—	—	—	—	—	39,343	—	39,343	(16)	39,327
Other comprehensive loss	—	—	—	—	—	—	965	965	—	965
Amortization of stock-based compensation	—	—	—	—	4,848	—	—	4,848	—	4,848
	—	—	139,820	1	(2,815)	—	—	(2,814)	—	(2,814)

Common stock issuance, net										
Preferred dividends	—	—	—	—	—	(5,121)	—	(5,121)	—	(5,121)
Common dividends ($0.85 per share)	—	—	—	—	—	(56,099)	—	(56,099)	—	(56,099)
Balance, June 30, 2017	5,750,000	$58	65,425,434	$654	$1,210,895	$(214,078)	$(833)	$996,696	$19	$996,715

See accompanying notes to condensed consolidated financial statements.

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SABRA HEALTH CARE REIT, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	Six Months Ended June 30, 2017	2016
Cash flows from operating activities:		
Net income	$ 39,327	$ 21,723
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	36,357	34,171
Non-cash interest income adjustments	51	443
Amortization of deferred financing costs	2,558	2,494
Stock-based compensation expense	4,319	3,652
Amortization of debt discount	57	54
Loss on extinguishment of debt	—	556
Straight-line rental income adjustments	(9,578)	(11,117)
Provision for doubtful accounts and loan losses	2,305	2,746
Change in fair value of contingent consideration	(822)	(50)
Net (gain) loss on sales of real estate	(4,032)	4,654
Impairment of real estate	—	29,811
Changes in operating assets and liabilities:		
Prepaid expenses and other assets	(15,129)	3,265
Accounts payable and accrued liabilities	327	4,324
Restricted cash	(1,869)	(2,232)
Net cash provided by operating activities	53,871	94,494
Cash flows from investing activities:		
Acquisition of real estate	(14,456)	—

Origination and fundings of loans receivable	(927	)	(6,283	)
Origination and fundings of preferred equity investments	(76	)	(6,172	)
Additions to real estate	(1,294	)	(874	)
Repayment of loans receivable	1,547		193,893	
Repayments of preferred equity investments	2,766		—	
Net proceeds from the sales of real estate	6,099		75,456	
Net cash (used in) provided by investing activities	(6,341	)	256,020	
Cash flows from financing activities:				
Net borrowing (repayments) of revolving credit facility	6,000		(255,000	)
Proceeds from term loans	—		69,360	
Principal payments on mortgage notes	(2,049	)	(2,060	)
Payments of deferred financing costs	(124	)	(5,931	)
Issuance of common stock, net	(3,224	)	(1,289	)
Dividends paid on common and preferred stock	(60,691	)	(59,288	)
Net cash used in financing activities	(60,088	)	(254,208	)
Net (decrease) increase in cash and cash equivalents	(12,558	)	96,306	
Effect of foreign currency translation on cash and cash equivalents	130		128	
Cash and cash equivalents, beginning of period	25,663		7,434	
Cash and cash equivalents, end of	$ 13,235		$ 103,868	

period				
Supplemental disclosure of cash flow information:				
Interest paid	$	28,944	$	30,581

See accompanying notes to condensed consolidated financial statements.

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SABRA HEALTH CARE REIT, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

1. BUSINESS

Overview

Sabra Health Care REIT, Inc. (“Sabra” or the “Company”) was incorporated on May 10, 2010 as a wholly owned subsidiary of Sun Healthcare Group, Inc. (“Sun”) and commenced operations on November 15, 2010 following Sabra's separation from Sun (the "Separation Date"). Sabra elected to be treated as a real estate investment trust (“REIT”) with the filing of its U.S. federal income tax return for the taxable year beginning January 1, 2011. Sabra believes that it has been organized and operated, and it intends to continue to operate, in a manner to qualify as a REIT. Sabra’s primary business consists of acquiring, financing and owning real estate property to be leased to third party tenants in the healthcare sector. Sabra primarily generates revenues by leasing properties to tenants and operators throughout the United States and Canada. Sabra owns substantially all of its assets and properties and conducts its operations through Sabra Health Care Limited Partnership, a Delaware limited partnership (the “Operating Partnership”), of which Sabra is the sole general partner and Sabra's wholly owned subsidiaries are currently the only limited partners, or by subsidiaries of the Operating Partnership. The Company’s investment portfolio is primarily comprised of skilled nursing/transitional care facilities, senior housing facilities and an acute care hospital leased to third-party operators; senior housing facilities operated by third-party property managers pursuant to property management agreements (“Managed Properties”); investments in loans receivable; and preferred equity investments.

Pending Merger with CCP

On May 7, 2017, the Company and the Operating Partnership entered into an Agreement and Plan of Merger (the “Merger Agreement”) with Care Capital Properties, Inc., a Delaware corporation (“CCP”), PR Sub, LLC, a Delaware limited liability company and wholly owned subsidiary of the Company (“Merger Sub”), and Care Capital Properties, L.P. (“CCPLP”), a Delaware limited partnership and wholly-owned subsidiary of CCP. Pursuant to the Merger Agreement, CCP will be merged with and into Merger Sub (the “Merger”), with Merger Sub continuing as the surviving entity in the Merger. Following the Merger, also pursuant to the Merger Agreement, Merger Sub will be merged with and into the Company (the “Subsequent Merger”), with the Company continuing as the surviving entity in the Subsequent Merger. Simultaneously with the Subsequent Merger, also pursuant to the Merger Agreement, CCPLP will be merged with and into the Operating Partnership (the “Partnership Merger”), with the Operating Partnership continuing as the surviving entity in the Partnership Merger.

Upon the terms and subject to the conditions of the Merger Agreement, at the effective time of the Merger, each share of CCP common stock, par value $0.01 per share, issued and outstanding immediately prior to the effective time of the Merger (other than shares of CCP common stock owned directly by CCP, the Company or their respective subsidiaries, in each case not held on behalf of third parties) will be converted into the right to receive 1.123 (the “Exchange Ratio”) newly issued shares of Company common stock, par value $0.01 per share.

The parties’ obligations to consummate the Merger are subject to certain conditions, including, without limitation, (i) the adoption of the Merger Agreement by the holders of a majority of the outstanding shares of CCP common stock entitled to vote at a special meeting of the CCP stockholders held for that purpose, (ii) the approval of the issuance of Company common stock in connection with the Merger by a majority of the votes cast by the holders of Company common stock at a special meeting of the Company stockholders held for that purpose, (iii) the shares of Company common stock to be issued in connection with the Merger will have been approved for listing on the NASDAQ Global Select Market, subject to official notice of issuance, (iv) the registration statement on Form S-4 filed by the Company for purposes of registering the issuance of shares of Company common stock issuable in connection with the Merger shall not be the subject of any stop order, (v) the Company and CCP each having received certain tax opinions and (vi) the absence of any order or injunction preventing the consummation of the Merger or any material law rendering the consummation of the Merger illegal. On July 7, 2017, the Securities and Exchange Commission (“SEC”) declared the Company's registration statement on Form S-4 effective and a special meeting of the Company's stockholders is scheduled to be held on August 15, 2017.

The Company, Merger Sub and CCP have made customary representations and warranties in the Merger Agreement and agreed to certain customary covenants, including, among others, covenants by each party to use commercially reasonable efforts to conduct its business in the ordinary course of business consistent with past practice during the period between the execution of the Merger Agreement and the consummation of the Merger.

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The closing of the Merger is expected to occur during the third calendar quarter of 2017, subject to the satisfaction of certain closing conditions. There can be no assurance that all closing conditions will be satisfied or waived by the parties, that the Merger will close on during the third calendar quarter of 2017 or that the Merger will be consummated at all.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation and Basis of Presentation

The accompanying condensed consolidated financial statements include the accounts of Sabra and its wholly owned subsidiaries as of June 30, 2017 and December 31, 2016 and for the periods ended June 30, 2017 and 2016. All significant intercompany transactions and balances have been eliminated in consolidation.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") for interim financial information as contained within the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") and the rules and regulations of the SEC, including the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, the unaudited condensed consolidated financial statements do not include all of the information and footnotes required by GAAP for financial statements. In the opinion of management, the financial statements for the unaudited interim periods presented include all adjustments, which are of a normal and recurring nature, necessary for a fair statement of the results for such periods. Operating results for the three and six months ended June 30, 2017 are not necessarily indicative of the results that may be expected for the year ending December 31, 2017. For further information, refer to the Company's consolidated financial statements and notes thereto for the year ended December 31, 2016 included in the Company's Annual Report on Form 10-K for the year ended December 31, 2016 filed with the SEC.

GAAP requires the Company to identify entities for which control is achieved through voting rights or other means and to determine which business enterprise is the primary beneficiary of variable interest entities ("VIEs"). A VIE is broadly defined as an entity with one or more of the following characteristics: (a) the total equity investment at risk is insufficient to finance the entity's activities without additional subordinated financial support; (b) as a group, the holders of the equity investment at risk lack (i) the ability to make decisions about the entity's activities through voting or similar rights, (ii) the obligation to absorb the expected losses of the entity, or (iii) the right to receive the expected residual returns of the entity; or (c) the equity investors have voting rights that are not proportional to their economic interests, and substantially all of the entity's activities either involve, or are conducted on behalf of, an investor that has disproportionately few voting rights. If the Company were determined to be the primary beneficiary of the VIE, the Company would consolidate investments in the VIE. The Company may change its original assessment of a VIE due to events such as modifications of contractual arrangements that affect the characteristics or adequacy of the entity's equity investments at risk and the disposal of all or a portion of an interest held by the primary beneficiary. The Company identifies the primary beneficiary of a VIE as the enterprise that has both: (i) the power to direct the activities of the VIE that most significantly impact the entity's economic performance; and (ii) the obligation to absorb losses or the right to receive benefits of the VIE that could be significant to the entity. The Company performs this analysis on an ongoing basis.

As of June 30, 2017, the Company determined it was the primary beneficiary of one variable interest entity—a senior housing facility—and has consolidated the operations of this facility in the accompanying condensed consolidated financial statements. As of June 30, 2017, the Company determined that operations of this entity were not material to the Company's results of operations, financial condition or cash flows.

As it relates to investments in loans, in addition to the Company's assessment of VIEs and whether the Company is the primary beneficiary of those VIEs, the Company evaluates the loan terms and other pertinent facts to determine if the loan investment should be accounted for as a loan or as a real estate joint venture. If an investment has the characteristics of a real estate joint venture, including if the Company participates in the majority of the borrower's expected residual profit, the Company would account for the investment as an investment in a real estate joint venture and not as a loan investment. Expected residual profit is defined as the amount of profit, whether called interest or another name, such as an equity kicker, above a reasonable amount of interest and fees expected to be earned by a lender. At June 30, 2017, none of the Company's investments in loans are accounted for as real estate joint ventures.

As it relates to investments in joint ventures, the Company assesses any limited partners' rights and their impact on the presumption of control of the limited partnership by any single partner. The Company reassesses its determination of which entity controls the joint venture if: there is a change to the terms or in the exercisability of the rights of any partners, the sole general partner increases or decreases its ownership of limited partnership interests, or there is an increase or decrease in the number of outstanding limited partnership interests. The Company also applies this guidance to managing member interests in limited liability companies.

Use of Estimates

The preparation of the condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the condensed consolidated financial statements and accompanying notes. Actual results could materially differ from those estimates.

Recently Issued Accounting Standards Update

Between May 2014 and May 2016, the FASB issued three Accounting Standards Update (“ASU”) changing the requirements for recognizing and reporting revenue (together, herein referred to as the “Revenue ASUs”): (i) ASU No. 2014-09, Revenue from Contracts with Customers (“ASU 2014-09”), (ii) ASU No. 2016-08, Principal versus Agent Considerations (Reporting Revenue Gross versus Net) (“ASU 2016-08”) and (iii) ASU No. 2016-12, Narrow-Scope Improvements and Practical Expedients (“ASU 2016-12”). ASU 2014-09 provides guidance for revenue recognition to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2016-08 is intended to improve the operability and understandability of the implementation guidance on principal versus agent considerations. ASU 2016-12 provides practical expedients and improvements on the previously narrow scope of ASU 2014-09. In August 2015, the FASB issued ASU No. 2015-14, Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date (“ASU 2015-14”). ASU 2015-14 defers the effective date of ASU 2014-09 by one year to fiscal years, and interim periods within, beginning after December 15, 2017. All subsequent ASUs related to ASU 2014-09, including ASU 2016-08 and ASU 2016-12, assumed the deferred effective date enforced by ASU 2015-14. Early adoption of the Revenue ASUs is permitted for annual periods, and interim periods within, beginning after December 15, 2016. A reporting entity may apply the amendments in the Revenue ASUs using either a modified retrospective approach, by recording a cumulative-effect adjustment to equity as of the beginning of the fiscal year of adoption or full retrospective approach. The Company has not yet elected a transition method and is evaluating the complete impact of the adoption of the Revenue ASUs on January 1, 2018 to its consolidated financial position, results of operations and disclosures. The Company expects to complete its evaluation of the impacts of the Revenue ASUs during the second half of 2017. As the primary source of revenue for the Company is generated through leasing arrangements, which are excluded from the Revenue ASUs, the Company expects that the impact of the Revenue ASUs to the Company will be limited to the recognition of non-lease revenue, such as certain resident fees in its Managed Properties structures (a portion of which are not generated through leasing arrangements) and therefore are not expected to have a material impact on its consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842) (“ASU 2016-02”). ASU 2016-02 supersedes guidance related to accounting for leases. ASU 2016-02 updates guidance around the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under previous GAAP. The objective of ASU 2016-02 is to establish the principles that lessees and lessors shall apply to report useful information to users of financial statements about the amount, timing, and uncertainty of cash flows arising from a lease. ASU 2016-02 does not fundamentally change lessor accounting; however, some changes have been made to lessor accounting to conform and align that guidance with the lessee guidance and other areas within GAAP. ASU 2016-02 is effective for fiscal years and interim periods within those years beginning after December 15, 2018, with early adoption permitted. The Company is currently evaluating the impact this guidance will have on its consolidated financial statements when adopted.

In January 2017, the FASB issued ASU 2017-01, Business Combinations (Topic 805): Clarifying the definition of a business (“ASU 2017-01”). ASU 2017-01 clarifies the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of businesses. When substantially all of the fair value of gross assets acquired is concentrated in a single asset (or a group of similar assets), the assets acquired would not represent a business. To be considered a business, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create outputs. To be a business without outputs, there will now need to be an organized workforce. ASU 2017-01 is effective for fiscal years and interim periods within those years beginning after December 15, 2017, with early adoption permitted. The Company adopted ASU 2017-01 on October 1, 2016 on a prospective basis. The Company expects that the majority of its future acquisitions of real estate will be accounted for as asset acquisitions under the new guidance. This adoption will impact how the Company accounts for acquisition pursuit costs and contingent consideration which may result in lower expensed acquisition pursuit costs and eliminate fair value adjustments related to future contingent consideration arrangements.

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In May 2017, the FASB issued ASU 2017-09, Compensation—Stock compensation (Topic 718): Scope of modification accounting (“ASU 2017-09”). ASU 2017-09 clarifies and reduces both (1) diversity in practice and (2) cost and complexity when applying the guidance in Topic 718, Compensation—Stock Compensation, to a change to the terms or conditions of a share-based payment award. The amendments in ASU 2017-09 provide guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting in Topic 718. ASU 2017-09 is effective for fiscal years and interim periods within those years beginning after December 15, 2017, with early adoption permitted. The Company does not expect the adoption of ASU 2017-09 to have a significant impact on its consolidated financial statements.

3. RECENT REAL ESTATE ACQUISITIONS

During the six months ended June 30, 2017, the Company acquired one senior housing facility and accounted for this acquisition as an asset acquisition. No acquisitions were completed during the six months ended June 30, 2016. The consideration for the senior housing facility was allocated as follows (in thousands):

	Six Months Ended June 30, 2017
Land	$1,034
Building and Improvements	13,128
Tenant Origination and Absorption Costs	223
Tenant Relationship	71
Total Consideration	$14,456

The tenant origination and absorption costs intangible assets and tenant relationship intangible assets acquired in connection with this acquisition have amortization periods as of the respective date of acquisition of 15 years and 25 years, respectively.
For the three and six months ended June 30, 2017, the Company recognized $0.1 million of total revenues and net income attributable to common stockholders from the facility acquired during the six months ended June 30, 2017.

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4. REAL ESTATE PROPERTIES HELD FOR INVESTMENT

The Company's real estate properties held for investment consisted of the following (dollars in thousands):

As of June 30, 2017

Property Type	Number of Properties	Number of Beds/Units	Total Real Estate at Cost	Accumulated Depreciation	Total Real Estate Investments, Net
Skilled Nursing/Transitional Care	96	10,689	$ 1,038,958	$ (203,740)	$ 835,218
Senior Housing[1]	75	7,070	1,044,664	(89,383)	955,281
Managed Properties[1]	11	1,001	164,334	(9,402)	154,932
Acute Care Hospital	1	70	61,640	(11,311)	50,329
	183	18,830	2,309,596	(313,836)	1,995,760
Corporate Level			418	(267)	151
			$ 2,310,014	$ (314,103)	$ 1,995,911

As of December 31, 2016

Property Type	Number of Properties	Number of Beds/Units	Total Real Estate at Cost	Accumulated Depreciation	Total Real Estate Investments, Net
Skilled Nursing/Transitional Care	97	10,819	$ 1,042,754	$ (190,038)	$ 852,716
Senior Housing[1]	83	7,855	1,153,739	(80,449)	1,073,290
Managed Properties	2	134	34,212	(1,682)	32,530
Acute Care Hospital	1	70	61,640	(10,387)	51,253
	183	18,878	2,292,345	(282,556)	2,009,789
Corporate Level			406	(256)	150
			$ 2,292,751	$ (282,812)	$ 2,009,939

	June 30, 2017	December 31, 2016
Building and improvements	$ 1,998,391	$ 1,983,769
Furniture and equipment	86,589	85,196
Land improvements	3,480	3,744
Land	221,554	220,042
	2,310,014	2,292,751
Accumulated depreciation	(314,103)	(282,812)
	$ 1,995,911	$ 2,009,939

[1] During the six months ended June 30, 2017, the Company transitioned nine senior housing facilities into a managed property structure whereby the Company owns the operations of the facilities and the facilities are operated by a third-party property manager.

Contingent Consideration Arrangements

In connection with three of its real estate acquisitions, the Company entered into contingent consideration arrangements pursuant to which it could be required to pay out additional amounts based on incremental value created through the improvement of operations of the applicable acquired facility (a contingent consideration liability). The estimated value of the contingent consideration liabilities at the time of purchase was $3.2 million. The contingent consideration amounts would be determined based on portfolio performance and the facility achieving certain performance hurdles during 2017. During the six months ended June 30, 2017, one earn-out arrangement expired and resulted in a $0 payout and a second earn-out arrangement was terminated in connection with the transition of the eight senior housing facilities to Managed Properties. To determine the value of the remaining contingent consideration arrangement, the Company used significant inputs not observable in the market to estimate the contingent consideration, made assumptions regarding the probability of the facility achieving the incremental value and then applied an appropriate discount rate. As of June 30, 2017, based on the performance of this facility, the contingent consideration liability had an estimated value of $0. During the three months ended June 30, 2017, the Company made no adjustment to the contingent consideration liability. During the six months ended June 30, 2017, the Company recorded an adjustment to decrease the contingent consideration liability by $0.8 million and included this amount in other income on the accompanying condensed consolidated statements of income.

Operating Leases

As of June 30, 2017, nearly all of the Company's real estate properties (excluding 11 Managed Properties) were leased under triple-net operating leases with expirations ranging from three to 15 years. As of June 30, 2017, the leases had a weighted-average remaining term of nine years. The leases include provisions to extend the lease terms and other negotiated terms and conditions. The Company, through its subsidiaries, retains substantially all of the risks and benefits of ownership of the real estate assets leased to the tenants. In addition, the Company may receive additional security under these operating leases in the form of letters of credit and security deposits from the lessee or guarantees from the parent of the lessee. Security deposits received in cash related to tenant leases are included in accounts payable and accrued liabilities in the accompanying condensed consolidated balance sheets and totaled $2.0 million as of June 30, 2017 and $2.7 million as of December 31, 2016. As of June 30, 2017, the Company had a $3.3 million reserve for unpaid cash rents and a $2.2 million reserve associated with accumulated straight-line rental income. As of December 31, 2016, the Company had a $3.2 million reserve for unpaid cash rents and a $3.7 million reserve associated with accumulated straight-line rental income.

The following table provides information regarding significant tenant relationships as of June 30, 2017 (dollars in thousands):

		Three Months Ended June 30, 2017		Six Months Ended June 30, 2017	
	Number of Investments	Rental Revenue	% of Total Revenue	Rental Revenue	% of Total Revenue
Genesis Healthcare, Inc.	77	$20,257	31.3 %	$40,212	31.6 %
Holiday AL Holdings, LP	21	9,813	15.2	19,625	15.4
NMS Healthcare	5	7,505	11.6	15,010	11.8

The Company has entered into memoranda of understanding with Genesis to market for sale 35 skilled nursing facilities and the Company has made certain other lease and corporate guarantee amendments for the remaining 43 facilities leased to Genesis. As of June 30, 2017, the Company completed the sale of one of these facilities and subsequent to June 30, 2017, the Company completed the sale of one additional facility. Marketing of the remaining 33 facilities is ongoing and is expected to be completed in the second half of 2017; provided, however that there can be no assurances that the Company will successfully complete these sales on the terms or timing contemplated by the memoranda of understanding, or at all.

The Company monitors the creditworthiness of its tenants by reviewing credit ratings (if available) and evaluating the ability of the tenants to meet their lease obligations to the Company based on the tenants' financial performance, including the evaluation of any parent guarantees (or the guarantees of other related parties) of tenant lease obligations. Because formal credit ratings may not be available for most of the Company's tenants, the primary basis for the Company's evaluation of the credit quality of its tenants (and more specifically the tenants' ability to pay their rent obligations to the Company) is the tenants' lease coverage ratios or the parent's fixed charge coverage ratio for those entities with a parent guarantee. These coverage ratios include earnings before interest, taxes, depreciation, amortization and rent ("EBITDAR") to rent and earnings before interest, taxes, depreciation, amortization, rent and management fees ("EBITDARM") to rent at the lease level and consolidated EBITDAR to total fixed charges at the parent guarantor level when such a guarantee exists. The Company obtains various financial and operational information from its tenants each month and reviews this information in conjunction with the above-described coverage metrics to identify financial and operational trends, evaluate the impact of the industry's operational and financial environment (including the impact of government reimbursement), and evaluate the management of the tenant's operations. These metrics help the Company identify potential areas of concern relative to its tenants' credit quality and ultimately the tenants' ability to generate sufficient liquidity to meet its obligations, including its obligation to continue to pay the rent due to the Company.

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As of June 30, 2017, the future minimum rental payments from the Company’s properties held for investment under non-cancelable operating leases was as follows (in thousands):

July 1, 2017 through December 31, 2017	$104,798
2018	213,954
2019	220,072
2020	226,084
2021	225,289
Thereafter	1,214,950
	$2,205,147

5. DISPOSITIONS

2017 Dispositions

During the six months ended June 30, 2017, the Company completed the sale of one skilled nursing/transitional care facility for aggregate consideration of $6.1 million. The net book value of this facility was $2.1 million, which resulted in a $4.0 million gain on sale.

2016 Dispositions

During the six months ended June 30, 2016, the Company completed the sale of one skilled nursing/transitional care facility and one acute care hospital for aggregate consideration of $75.5 million after selling expenses of $2.2 million. The net carrying value of the assets and liabilities of these facilities, after the impairment loss of $29.8 million recognized in relation to the acute care hospital, was $80.1 million, resulting in an aggregate $4.7 million loss on sale.

Excluding the net gain and loss on the sales of the dispositions made during the six months ended June 30, 2017 and 2016, the Company recognized $0.1 million of net income and $1.1 million of net loss from these facilities during the six months ended June 30, 2017 and 2016, respectively. The sale of these facilities do not represent a strategic shift that has or will have a major effect on the Company's operations and financial results and therefore the results of operations attributable to these facilities have remained in continuing operations.

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6. LOANS RECEIVABLE AND OTHER INVESTMENTS

As of June 30, 2017 and December 31, 2016, the Company's loans receivable and other investments consisted of the following (dollars in thousands):

Investment	Quantity as of June 30, 2017	Facility Type	Principal Balance as of June 30, 2017 (1)	Book Value as of June 30, 2017	Book Value as of December 31, 2016	June 30, 2017 Weighted Average Contractual Interest Rate / Rate of Return	Weighted Average Annualized Effective Interest Rate / Rate of Return	Maturity Date as of June 30, 2017
Loans Receivable:								
Mortgage	4	Skilled Nursing / Senior Housing	$ 38,336	$ 38,361	$ 38,262	9.1 %	8.9 %	11/07/16- 04/30/18
Construction	2	Senior Housing	1,736	1,798	842	8.0 %	7.7 %	03/31/21- 05/31/22
Mezzanine	1	Senior Housing	9,640	9,646	9,656	11.0 %	10.8 %	08/31/17
Pre-development	1	Senior Housing	2,304	2,306	4,023	9.0 %	8.4 %	09/09/17
Debtor-in-possession	—	Acute Care Hospital	—	—	813	N/A	N/A	N/A
	8		52,016	52,111	53,596	9.4 %	9.3 %	
Loan loss reserve			—	(3,248)	(2,750)			
			$ 52,016	$ 48,863	$ 50,846			
Other Investments:								
Preferred Equity	12	Skilled Nursing / Senior Housing	44,961	45,345	45,190	12.9 %	12.9 %	N/A
Total	20		$ 96,977	$ 94,208	$ 96,036	11.0 %	11.0 %	

(1) Principal balance includes amounts funded and accrued but unpaid interest / preferred return and excludes capitalizable fees.

As of June 30, 2017, the Company considered three loan receivable investments to be impaired. The principal balances of the impaired loans were $35.2 million as of June 30, 2017 and December 31, 2016. The Company recorded a provision for loan losses of $0.3 million and $1.8 million related to five loan receivable investments during the three and six months ended June 30, 2017, respectively, two of which were written-off during the three months ended June 30, 2017. As of June 30, 2017, three loans receivable investments totaling $35.2 million were on nonaccrual status. During the three and six months ended June 30, 2017, the Company reduced its portfolio-based loan loss reserve by $0.1 million and $0.2 million, respectively. The Company's specific loan loss reserve and portfolio-based loan loss reserve were $3.1 million and $0.2 million, respectively, as of June 30, 2017. The Company's specific loan loss reserve and portfolio-based loan loss reserve were $2.3 million and $0.4 million, respectively, as of December 31, 2016.

7. DEBT

Mortgage Indebtedness

The Company's mortgage notes payable consist of the following (dollars in thousands):

Interest Rate Type	Book Value as of June 30, 2017 [1]	Book Value as of December 31, 2016 [1]	Weighted Average Effective Interest Rate at June 30, 2017 [2]	Maturity Date
Fixed Rate	$162,195	$ 163,638	3.87 %	December 2021 - August 2051

[1] Principal balance does not include deferred financing costs of $2.8 million and $2.9 million as of June 30, 2017 and December 31, 2016, respectively.
[2] Weighted average effective interest rate includes private mortgage insurance.

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Senior Unsecured Notes

The Company’s senior unsecured notes consist of the following (dollars in thousands):

Title	Maturity Date	Principal Balance as of June 30, 2017 [1]	Principal Balance as of December 31, 2016 [1]
5.5% senior unsecured notes due 2021 (“2021 Notes”)	February 1, 2021	$500,000	$500,000
5.375% senior unsecured notes due 2023 (“2023 Notes”)	June 1, 2023	200,000	200,000
		$700,000	$700,000

[1] Principal balance does not include discount of $0.5 million as of June 30, 2017 and December 31, 2016, and also excludes deferred financing costs of $10.0 million and $11.2 million as of June 30, 2017 and December 31, 2016, respectively.

The 2021 Notes and the 2023 Notes (collectively, the “Senior Notes”) were issued by the Operating Partnership and Sabra Capital Corporation, wholly owned subsidiaries of the Company (the “Issuers”). The 2021 Notes accrue interest at a rate of 5.5% per annum payable semiannually on February 1 and August 1 of each year and the 2023 Notes accrue interest at a rate of 5.375% per annum payable semiannually on June 1 and December 1 of each year.

The obligations under the Senior Notes are fully and unconditionally guaranteed, jointly and severally, on an unsecured basis, by Sabra and certain of Sabra’s other existing and, subject to certain exceptions, future material subsidiaries; provided, however, that such guarantees are subject to release under certain customary circumstances. See Note 12, “Summarized Condensed Consolidating Information” for additional information concerning the circumstances pursuant to which the guarantors will be automatically and unconditionally released from their obligations under the guarantees.

The indentures governing the Senior Notes (the “Senior Notes Indentures”) include customary events of default and require the Company to comply with specified restrictive covenants. As of June 30, 2017, the Company was in compliance with all applicable financial covenants under the Senior Notes Indentures.

Revolving Credit Facility and Term Loans

On January 14, 2016, the Operating Partnership and Sabra Canadian Holdings, LLC (together, the “Borrowers”) entered into a third amended and restated unsecured credit facility (the “Credit Facility”).

The Credit Facility includes a revolving credit facility (the “Revolving Credit Facility”) and U.S. dollar and Canadian dollar term loans (collectively, the “Term Loans”). The Revolving Credit Facility provides for a borrowing capacity of $500.0 million and, in addition, increases the Company's U.S. dollar and Canadian dollar term loans to $245.0 million and CAD $125.0 million, respectively. Further, up to $125.0 million of the Revolving Credit Facility may be used for borrowings in certain foreign currencies. The Credit Facility also contains an accordion feature that can increase the total available borrowings to $1.25 billion, subject to terms and conditions. In addition, the Canadian dollar term loan was re-designated as a net investment hedge (see Note 8, “Derivative and Hedging Instruments” for further information).

The Revolving Credit Facility has a maturity date of January 14, 2020, and includes two six-month extension options. The Term Loans have a maturity date of January 14, 2021.

As of June 30, 2017, there was $32.0 million outstanding under the Revolving Credit Facility and $468.0 million available for borrowing.

Borrowings under the Revolving Credit Facility bear interest on the outstanding principal amount at a rate equal to an applicable percentage plus, at the Operating Partnership's option, either (a) LIBOR or (b) a base rate determined as the greater of (i) the federal funds rate plus 0.5%, (ii) the prime rate, and (iii) one-month LIBOR plus 1.0% (the "Base Rate"). The applicable percentage for borrowings will vary based on the Consolidated Leverage Ratio, as defined in the credit agreement, and will range from 1.80% to 2.40% per annum for LIBOR based borrowings and 0.80% to 1.40% per annum for borrowings at the Base Rate. As of June 30, 2017, the interest rate on the Revolving Credit Facility was 3.22%. In addition, the Operating Partnership pays an unused facility fee to the lenders equal to 0.25% or 0.30% per annum, which is determined by usage under the Revolving Credit Facility.

The U.S. dollar term loan bears interest on the outstanding principal amount at a rate equal to an applicable percentage plus, at the Operating Partnership's option, either (a) LIBOR or (b) the Base Rate. The applicable percentage for borrowings will vary based on the Consolidated Leverage Ratio, as defined in the credit agreement, and will range from 1.75% to 2.35% per annum for LIBOR based borrowings and 0.75% to 1.35% per annum for borrowings at the Base Rate. The Canadian dollar

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term loan bears interest on the outstanding principal amount at a rate equal to the Canadian Dollar Offer Rate ("CDOR") plus 1.75% to 2.35% depending on the Consolidated Leverage Ratio.

On June 10, 2015, the Company entered into an interest rate swap agreement to fix the CDOR portion of the interest rate for this CAD $90.0 million term loan at 1.59%. In addition, CAD $90.0 million of the Canadian dollar term loan was designated as a net investment hedge (see Note 8, "Derivative and Hedging Instruments" for further information). On August 10, 2016, the Company entered into two interest rate swap agreements to fix the LIBOR portion of the interest rate for its $245.0 million U.S. dollar term loan at 0.90% and one interest rate swap agreement to fix the CDOR portion on CAD $35.0 million of its Canadian dollar term loan at 0.93%.

In the event that Sabra achieves investment grade ratings from at least two of S&P, Moody's and/or Fitch, the Operating Partnership can elect to reduce the applicable percentage for LIBOR or Base Rate borrowings. If the Operating Partnership makes this election, the applicable percentage for borrowings will vary based on the Debt Ratings at each Pricing Level, as defined in the credit agreement, and will range from 0.90% to 1.70% per annum for LIBOR based borrowings under the Revolving Credit Facility, 1.00% to 1.95% per annum for LIBOR or CDOR based borrowings under the Term Loans, 0.00% to 0.70% per annum for borrowings at the Base Rate under the Revolving Credit Facility, and 0.00% to 0.95% per annum for borrowings at the Base Rate under the U.S. dollar term loan. In addition, should the Operating Partnership elect this option, the unused fee will no longer apply and a facility fee ranging between 0.125% and 0.300% per annum will take effect based on the borrowing capacity regardless of amounts outstanding under the Revolving Credit Facility.

The obligations of the Borrowers under the Credit Facility are guaranteed by Sabra and certain subsidiaries of Sabra. The Credit Facility contains customary covenants that include restrictions or limitations on the ability to make acquisitions and other investments, pay dividends, incur additional indebtedness, engage in non-healthcare related business activities, enter into transactions with affiliates and sell or otherwise transfer certain assets as well as customary events of default. The Credit Facility also requires Sabra, through the Operating Partnership, to comply with specified financial covenants, which include a maximum leverage ratio, a minimum fixed charge coverage ratio and a minimum tangible net worth requirement. As of June 30, 2017, the Company was in compliance with all applicable financial covenants under the Credit Facility.

Interest Expense

During the three and six months ended June 30, 2017, the Company incurred interest expense of $15.9 million and $31.7 million, respectively, and $16.4 million and $33.3 million during the three and six months ended June 30, 2016, respectively. Interest expense includes financing costs amortization of $1.3 million and $2.6 million for the three and six months ended June 30, 2017, respectively, and $1.3 million and $2.5 million for the three and six months ended June 30, 2016, respectively. As of June 30, 2017 and December 31, 2016, the Company had $13.4 million and $13.8 million, respectively, of accrued interest included in accounts payable and accrued liabilities on the accompanying condensed consolidated balance sheets.

Maturities

The following is a schedule of maturities for the Company's outstanding debt as of June 30, 2017 (in thousands):