LTC PROPERTIES INC
Form 10-Q
November 05, 2009
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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 September 30, 2009

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 1-11314

LTC PROPERTIES, INC.

(Exact name of Registrant as specified in its charter)

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

31365 Oak Crest Drive, Suite 200

Westlake Village, California 91361

(Address of principal executive offices, including zip code)

(805) 981-8655

(Registrant s telephone number, including area code)

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

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

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

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

The number of shares of common stock outstanding on October 30, 2009 was 23,214,833.

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FORM 10-Q

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LTC PROPERTIES, INC.

CONSOLIDATED BALANCE SHEETS

(Amounts in thousands)

	September 30, 2009 (unaudited)	December 31, 2008 (audited)
ASSETS		
Real Estate Investments:		
Buildings and improvements, net of accumulated depreciation and amortization: 2009 $141,473; 2008 $130,475	$ 328,737	$ 337,171
Land	34,971	34,971
Mortgage loans receivable, net of allowance for doubtful accounts: 2009 $720; 2008 $760	71,548	77,541
Real estate investments, net	435,256	449,683
Other Assets:		
Cash and cash equivalents	5,076	21,118
Debt issue costs, net	555	831
Interest receivable	1,802	2,010
Straight-line rent receivable, net of allowance for doubtful accounts: 2009 $413; 2008 $140	16,532(1)	13,900(1)
Prepaid expenses and other assets	8,767	9,148
Notes receivable	2,553	2,895
Marketable securities	6,472(2)	6,468(2)
Total Assets	$ 477,013	$ 506,053
LIABILITIES AND EQUITY		
Bank borrowings	$	$
Mortgage loans payable	7,728	32,063
Bonds payable	4,225	4,690
Accrued interest	67	251
Accrued expenses and other liabilities	6,931	5,015
Distributions payable	2,967	3,022
Total Liabilities	21,918	45,041
Stockholders equity:		
Preferred stock $0.01 par value; 15,000 shares authorized; shares issued and outstanding: 2009 7,932; 2008 8,042	186,801	189,560
Common stock: $0.01 par value; 45,000 shares authorized; shares issued and outstanding: 2009 23,215; 2008 23,136	232	231
Capital in excess of par value	323,905	321,979
Cumulative net income	566,640	533,565
Other	418	735
Cumulative distributions	(626,035)	(588,192)
Total LTC Properties, Inc. Stockholders Equity	451,961	457,878
Non-controlling interests	3,134	3,134
Total Equity	455,095	461,012
Total Liabilities and Equity	$ 477,013	$ 506,053

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(1) On September 30, 2009 and December 31, 2008, we had $2,371,000 and $2,037,000, respectively, in straight-line rent receivable from a lessee that qualifies as a related party because the lessee s Chief Executive Officer is on our Board of Directors. See *Note*

9. Transactions with Related Party for further discussion.

(2) At September 30, 2009 and December 31, 2008, we had a $6,500,000 face value investment in marketable securities issued by a lessee that qualifies as a related party because the lessee s Chief Executive Officer is on our Board of Directors. See *Note 9. Transactions with Related Party* for further discussion.

See accompanying notes.

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LTC PROPERTIES, INC.

CONSOLIDATED STATEMENTS OF INCOME

(Amounts in thousands, except per share amounts)

(unaudited)

	Three Months Ended September 30, 2009	Three Months Ended September 30, 2008	Nine Months Ended September 30, 2009	Nine Months Ended September 30, 2008
Revenues:				
Rental income (1)	$ 14,961	$ 14,080	$ 44,942	$ 43,339
Interest income from mortgage loans	2,061	2,450	6,538	7,685
Interest and other income (2)	306	469	949	1,673
Total revenues	17,328	16,999	52,429	52,697
Expenses:				
Interest expense	340	900	2,046	3,161
Depreciation and amortization	3,694	3,745	11,089	11,167
Provisions for doubtful accounts	202	(30)	573	(40)
Operating and other expenses	1,766	1,680	5,417	5,108
Total expenses	6,002	6,295	19,125	19,396
Income from continuing operations	11,326	10,704	33,304	33,301
Discontinued operations:				
Gain on sale of assets, net				92
Net income from discontinued operations				92
Net income	11,326	10,704	33,304	33,393
Income allocated to non-controlling interests	(76)	(76)	(229)	(230)
Net income attributable to LTC Properties, Inc.	11,250	10,628	33,075	33,163
Income allocated to participating securities	(34)	(36)	(105)	(124)
Income allocated to preferred stockholders	(3,785)	(3,844)	(10,730)	(10,560)
Net income available to common stockholders	$ 7,431	$ 6,748	$ 22,240	$ 22,479
Basic earnings per common share:				
Continuing operations	$ 0.32	$ 0.29	$ 0.96	$ 0.98
Discontinued operations	$ 0.00	$ 0.00	$ 0.00	$ 0.00
Net income allocable to common stockholders	$ 0.32	$ 0.29	$ 0.96	$ 0.98
Diluted earnings per common share:				
Continuing operations	$ 0.32	$ 0.29	$ 0.96	$ 0.97
Discontinued operations	$ 0.00	$ 0.00	$ 0.00	$ 0.00
Net income allocable to common stockholders	$ 0.32	$ 0.29	$ 0.96	$ 0.98
Weighted average shares used to calculate earnings per common share:				
Basic	23,108	23,019	23,083	22,950
Diluted	23,193	23,142	23,165	23,087

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(1)

During the three and nine months ended September 30, 2009, we received $1,017,000 and $3,042,000, respectively, in rental income and recorded $109,000 and $335,000, respectively, in straight-line rental income from a lessee that qualifies as a related party. During the three and nine months ended September 30, 2008, we received $986,000 and $2,925,000, respectively, in rental income and recorded $133,000 and $401,000, respectively, in straight-line rental income from a lessee that qualifies as a related party. The lessee s Chief Executive Officer is on our Board of Directors. See *Note 9. Transactions with Related Party* for further discussion.

(2) During each of the three and nine months ended September 30, 2009 and 2008, we recognized $180,000 and $540,000, respectively, of interest income from a lessee that qualifies as a related party because the lessee s Chief Executive Officer is on our Board of Directors. See *Note 9. Transactions with Related Party* for further discussion.

NOTE: Computations of per share amounts from continuing operations, discontinued operations and net income are made independently. Therefore, the sum of per share amounts from continuing operations and discontinued operations may not agree with the per share amounts from net income allocable to common stockholders. Quarterly and year-to-date computations of per share amounts are made independently. Therefore, the sum of per share amounts for the quarters may not agree with the per share amounts for the year.

See accompanying notes.

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LTC PROPERTIES, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in thousands)

(Unaudited)

	Nine Months Ended September 30, 2009	2008
OPERATING ACTIVITIES:		
Net income	$ 33,304	$ 33,393
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	11,089	11,167
Stock-based compensation expense	1,025	923
Straight-line rental income	(3,245)(1)	(2,617)(1)
Other non-cash items, net	1,064	402
Gain on sale of real estate assets, net		(92)
Decrease in accrued interest payable	(184)	(100)
Decrease in interest receivable	231	246
Net change in other assets and liabilities	1,658	(784)
Net cash provided by operating activities	44,942	42,538
INVESTING ACTIVITIES:		
Investment in real estate properties and capital improvements, net	(2,545)	(5,030)
Proceeds from sale of real estate investments		555
Investment in real estate mortgages	(219)	(8,135)
Principal payments received on mortgage loans receivable	6,188	12,927
Advance under notes receivable	(125)	(300)
Principal payments received on notes receivable	537	685
Net cash provided by investing activities	3,836	702
FINANCING ACTIVITIES:		
Bank borrowings	5,500	
Repayment of bank borrowings	(5,500)	
Principal payments on mortgage loans payable and bonds payable	(24,800)	(15,354)
Repurchase of common stock	(16)	
Proceeds from stock offering	490	
Repurchase of preferred stock	(2,000)	(14,276)
Redemption of non-controlling interests		(510)
Distributions paid to non-controlling interests	(229)	(240)
Distributions paid to stockholders	(38,524)	(38,919)
Other	259	(422)
Net cash used in financing activities	(64,820)	(69,721)
Decrease in cash and cash equivalents	(16,042)	(26,481)
Cash and cash equivalents, beginning of period	21,118	42,631
Cash and cash equivalents, end of period	$ 5,076	$ 16,150
SUPPLEMENTAL CASH FLOW INFORMATION:		
Interest paid	$ 1,919	$ 3,023
Non-cash investing and financing transactions:		
Conversion of preferred stock to common stock	23	2,919

(1) During the nine months ended September 30, 2009 and 2008, we recorded $335,000 and $401,000, respectively, in straight-line rental income from a lessee that qualifies as a related party. The lessee s Chief Executive Officer is on our Board of Directors. See *Note 9. Transactions with Related Party* for further discussion.

See accompanying notes.

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LTC PROPERTIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. General

LTC Properties, Inc., a Maryland corporation, is a real estate investment trust (or REIT) that invests primarily in long term care properties through mortgage loans, property lease transactions and other investments.

We have prepared consolidated financial statements included herein without audit and in the opinion of management have included all adjustments necessary for a fair presentation of the results of operations for the three and nine months ended September 30, 2009 and 2008 pursuant to the rules and regulations of the Securities and Exchange Commission. The accompanying consolidated financial statements include the accounts of our company, its wholly-owned subsidiaries and a controlled partnership. All significant intercompany accounts and transactions have been eliminated in consolidation. Control over the partnership is based on the provisions of the partnership agreement that provide us with a controlling financial interest in the partnership.

Under the terms of the partnership agreement, our company, as general partner, is responsible for the management of the partnership s assets, business and affairs. Certain of our rights and duties in management of the partnership include making all operating decisions, setting the capital budget, executing all contracts, making all employment decisions, and handling the purchase and disposition of assets. We, as the general partner, are responsible for the ongoing, major, and central operations of the partnership and make all management decisions. In addition, we, as the general partner, assume the risk for all operating losses, capital losses, and are entitled to substantially all capital gains (i.e. asset appreciation). The limited partners have virtually no rights and are precluded from taking part in the operation, management or control of the partnership. The limited partners are also precluded from transferring their partnership interests without the express permission of the general partner. However, we can transfer our interest without consultation or permission of the limited partners.

Certain information and note disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles (or U.S. GAAP) have been condensed or omitted pursuant to rules and regulations governing the presentation of interim financial statements. In June 2009, the Financial Accounting Standard Board (or FASB) issued a new accounting pronouncement regarding the FASB Accounting Standards CodificationTM (or Codification) and the hierarchy of GAAP. This pronouncement establishes Codification as the single source of authoritative U.S. GAAP recognized by the FASB to be applied by nongovernmental entities. Rules and interpretive releases of the SEC under authority of federal securities laws are also sources of authoritative U.S. GAAP for SEC registrants. Codification will supersede all existing non-SEC accounting and reporting standards. All other non-grandfathered non-SEC accounting literature not included in the Codification will become non-authoritative. Codification became effective for financial statements issued for interim and annual periods ending after September 15, 2009. The FASB will not issue new standards in the form of Statements, FASB Staff Positions, or Emerging Issues Task Force Abstracts. Instead, the FASB will issue Accounting Standards Updates, which will serve only to: (a) update the Codification; (b) provide background information about the guidance; and (c) provide the bases for conclusions on the change(s) in the Codification. Pursuant to the provisions of Codification, we have updated references to GAAP in the accompanying financial statements.

Certain reclassifications have been made to the prior period financial statements to conform to the current period presentation, including changes as a result of the application of new accounting pronouncements for our non-controlling interests in consolidated entities. See *Impact of New Accounting Pronouncements* below for further discussion.

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LTC PROPERTIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

(Unaudited)

The results of operations for the three and nine months ended September 30, 2009 and 2008 are not necessarily indicative of the results for a full year.

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

Impact of New Accounting Pronouncements:

In December 2007, the FASB amended its guidance revising the accounting for business combinations which requires the acquiring entity in a business combination to measure the assets acquired, liabilities assumed (including contingencies) and any non-controlling interests at their fair values on the acquisition date. This amended guidance also requires that acquisition-related transaction costs be expensed as incurred and acquired research and development value be capitalized. In addition, acquisition-related restructuring costs are to be capitalized only if they meet certain criteria. This amended guidance was effective for fiscal years beginning December 15, 2008. Adoption of this amended guidance on January 1, 2009 did not have any effect on our consolidated financial statements.

In December 2007, the FASB also amended guidance to require the classification of non-controlling interests (formerly minority interests) as a component of consolidated equity in the consolidated balance sheet subject to the provisions of the rules governing classification and measurement of redeemable securities. This amended guidance is effective for fiscal years beginning December 15, 2008, and is required to be adopted prospectively, except for the presentation and disclosure requirements, which are required to be adopted retrospectively. The required retrospective adoption is reflected in the accompanying consolidated financial statements. In addition, this amended guidance changes the way the consolidated income statement is presented, requiring consolidated net income to be reported at the amounts attributable to both the controlling and non-controlling interests. The calculation of earnings per share will continue to be based on income amounts attributable to the controlling interest. Also, this amended guidance addresses accounting and reporting for a change in control of a subsidiary. Adoption of this amended guidance on January 1, 2009 did not impact our computation of net income allocable to common stockholders and earnings per share allocable to common stockholders. We have reclassified the non-controlling interests of our limited partnership from the mezzanine section of our consolidated balance sheet to equity. This reclassification totaled $3.1 million as of September 30, 2009 and December 31, 2008.

In May 2009, the FASB issued amended guidance regarding subsequent events. This pronouncement is intended to establish general standards of accounting for and disclosures of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. It requires the disclosure of the date through which an entity has evaluated subsequent events and the basis for selecting that date, that is, whether that date represents the date the financial statements were issued or were available to be issued. This amended guidance is effective for interim or annual financial periods ending after June 15, 2009. Adoption of this amended guidance did not impact our consolidated financial statements.

In June 2008, the FASB issued new accounting guidance regarding the determination of whether instruments granted in share-based payment transactions are participating securities. This guidance clarifies that outstanding unvested share-based payment awards that contain rights to nonforfeitable dividends participate in undistributed earnings with common stockholders and are considered participating securities, and thus, the issuing entity is required to apply the two-class method of computing basic earnings per share. This guidance was effective January 1, 2009 and required retrospective adoption to all prior-period earnings per share data is included in the accompanying consolidated financial statements. Adoption of this guidance did not have a material effect on our basic or diluted earnings per share.

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LTC PROPERTIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

(Unaudited)

In April 2009, the FASB issued new accounting guidance surrounding interim financial disclosures about fair value of financial instruments, which amended existing guidance regarding disclosures about fair value of financial instruments, to require disclosures about fair value of financial instruments for interim reporting periods of publicly traded companies as well as in annual financial statements. This guidance also amends the interim financial reporting guidance to require those disclosures in summarized financial information for interim reporting periods. This guidance is effective for interim reporting periods ending after June 15, 2009. The adoption of this guidance did not impact our consolidated financial statements.

In April 2009, the FASB issued new accounting guidance regarding the recognition and presentation of other-than-temporary impairments which amends the other-than-temporary impairment guidance in U.S. GAAP for debt securities to make the guidance more operational and to improve the presentation and disclosure of other-than-temporary impairments on debt and equity securities in the consolidated financial statements. This guidance is effective for fiscal years and interim periods beginning after June 15, 2009. The adoption of this guidance did not have an impact on our consolidated financial statements.

2. Real Estate Investments

Mortgage Loans. The following table summarizes our investments in mortgage loans secured by first mortgages at September 30, 2009 *(in thousands)*:

Type of Property	Gross Investments	Percentage of Investments	Number of Loans	Number of Properties (1)	Number of Beds/ Units	Investment per Bed/Unit
Assisted Living Properties	$ 27,161	37.6%	10	16	714	$ 38.04
Skilled Nursing Properties	41,356	57.2%	30	37	4,251	$ 9.73
Schools	3,751	5.2%	1	1	N/A	N/A
Totals	$ 72,268	100.0%	41	54	4,965	

(1) We have investments in 14 states mortgaged to 23 different operators.

At September 30, 2009, the mortgage loans had interest rates ranging from 7.6% to 13.7% and maturities ranging from 2010 to 2019. In addition, some loans contain certain guarantees, provide for certain facility fees and generally have 20-year to 25-year amortization schedules. The majority of the mortgage loans provide for annual increases in the interest rate based upon a specified increase of 10 to 25 basis points.

During the three months ended September 30, 2009, we received $1,040,000 plus accrued interest related to the payoff of a mortgage loan secured by a skilled nursing property with 127 beds located in Louisiana.

During the nine months ended September 30, 2009, we received $3,026,000 plus accrued interest related to the payoff of two mortgage loans secured by two skilled nursing properties. Additionally, we invested $219,000 under one mortgage loan for capital improvements. We received $3,162,000 in regularly scheduled principal payments.

During the nine months ended September 30, 2008, we invested $6,754,000, net of closing fees, in a mortgage loan secured by six assisted living properties with 108 units located in Texas. We also

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LTC PROPERTIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

(Unaudited)

invested $938,000, net of closing fees, in a mortgage loan on an assisted living property with 41 units located in Florida and $443,000 under two existing mortgage loans for capital improvements.

Also during the nine months ended September 30, 2008, we received $9,283,000 plus accrued interest related to the payoff of seven mortgage loans secured by seven skilled nursing properties. Additionally, we received $3,644,000 in regularly scheduled principal payments.

Owned Properties. The following table summarizes our investments in owned properties at September 30, 2009 *(in thousands)*:

Type of Property		**Gross Investments**	**Percentage of Investments**	**Number of Properties (1)**	**Number of Beds/ Units**		**Investment per Bed/Unit**
Assisted Living Properties	$	255,048	50.5%	85	3,884	$	65.67
Skilled Nursing Properties		240,863	47.7%	62	7,209	$	33.41
Schools		9,270	1.8%	1	N/A		N/A
Totals	$	505,181	100.0%	148	11,093		

(1) We have investments in 23 states leased to 23 different operators.

Owned properties are leased pursuant to non-cancelable operating leases generally with an initial term of 10 to 30 years. Each lease is a triple net lease which requires the lessee to pay all taxes, insurance, maintenance and repairs, capital and non-capital expenditures and other costs necessary in the operations of the facilities. Many of the leases contain renewal options and two contain limited period options that permit the operators to purchase the properties. The leases provide for fixed minimum base rent during the initial and renewal periods. The majority of our leases contain provisions for specified annual increases over the rents of the prior year that are generally computed in one of four ways depending on specific provisions of each lease:

(i) a specified percentage increase over the prior year, generally between 2.0% and 2.5%;
(ii) the higher of (i) or a calculation based on the Consumer Price Index;
(iii) as a percentage of facility net patient revenues in excess of base amounts or
(iv) specific dollar increases.

During the nine months ended September 30, 2009, we invested $1,987,000 at an average yield of 10.6%, under agreements to expand and renovate eight existing properties operated by six different operators. We also invested $558,000 in capital improvements to existing properties under various lease agreements whose rental rates already reflected this investment.

During the nine months ended September 30, 2008, we sold for $600,000 a vacant parcel of land adjacent to a skilled nursing property in New Mexico to a third party. We received net cash proceeds of $555,000 and recognized a $92,000 gain on sale. We also acquired a 30-bed skilled nursing property located in Ohio for an aggregate price of $1,014,000 that was added to an existing master lease. Additionally, during the nine months ended September 30, 2008, we invested $2,871,000, at an average yield of approximately 10%, under agreements to expand and renovate 14 properties operated by six different operators. We also invested $1,145,000 in capital improvements to existing properties under various lease agreements whose rental rates already reflected this investment.

Discontinued Operations. In accordance with the accounting guidance, properties held for sale at any reporting period include only those properties available for immediate sale in their present condition and for which management believes that it is probable that a sale of the property will be completed within

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LTC PROPERTIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

(Unaudited)

one year. Properties held for sale are carried at the lower of cost or fair value less estimated selling costs. No depreciation expense is recognized on properties held for sale. In addition, the operating results of real estate assets designated as held for sale and all gains and losses from real estate sold are included in discontinued operations in the consolidated statement of income. For the nine months ended September 30, 2009 and 2008, we did not have net income (loss) from discontinued operations other than the $92,000 gain on sale in 2008 as disclosed above.

Any reference to the number of properties, number of schools, number of units, number of beds, and yield on investments in real estate investments are outside the scope of our independent registered public accounting firm s review of our financial statements in accordance with the standards of the Public Company Accounting Oversight Board.

3. Notes Receivable

During the nine months ended September 30, 2009, we received $537,000 in principal payments and funded $125,000 under various loans and line of credit agreements with certain operators. At September 30, 2009, we had six such loans outstanding with a carrying value of $2,553,000 at a weighted average interest rate of 11.8%.

4. Marketable Securities

At September 30, 2009 and December 31, 2008, we had an investment in $6,500,000 face value of Skilled Healthcare Group, Inc. (or SHG) Senior Subordinated Notes with a face rate of 11.0% and an effective yield of 11.1%. Interest on the notes is payable semi-annually in arrears and the notes mature on January 15, 2014. One of our board members is the chief executive officer of SHG. See *Note 9. Transactions with Related Party* for further discussion.

5. Debt Obligations

Bank Borrowings. During 2008, we amended and extended our Unsecured Revolving Credit Agreement (or Unsecured Credit Agreement) at an initial commitment amount of $80,000,000. The Unsecured Credit Agreement provides for the opportunity to increase the credit amount up to a total of $120,000,000. The Unsecured Credit Agreement provides a revolving line of credit with no scheduled maturities other than the maturity date of July 17, 2011. The pricing under the Unsecured Credit Agreement is either Prime Rate plus 0.50% or LIBOR plus 1.50% depending on our borrowing election. At the time of borrowing, we may elect the 1, 2, 3 or 6 month LIBOR rate. Under financial covenants contained in the Unsecured Credit Agreement which are measured quarterly we are required to maintain, among other things:

(i) a ratio, of total indebtedness to total asset value, not greater than .5 to 1.0,
(ii) a ratio not greater than .35 to 1.0 of secured debt to total asset value
(iii) a ratio not less than 2.5 to 1.0 of EBITDA to interest expense, and
(iv) a ratio of not less than 1.50 to 1.0 of EBITDA to fixed charges.

At September 30, 2009 and 2008, we had no outstanding borrowings under the Unsecured Credit Agreement, we were in compliance with all covenants and the full amount was available for borrowing.

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LTC PROPERTIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

(Unaudited)

Mortgage Loans Payable. During the three months ended September 30, 2009, we paid off a mortgage loan in the amount of $8,101,000 secured by an assisted living property located in California. The retired debt bore an interest rate of 8.43%.

During the nine months ended September 30, 2009, we paid off three mortgage loans in the amount of $23,935,000 secured by 11 assisted living properties located in various states. The retired debts bore a weighted average interest rate of 8.68%. During the nine months ended September 30, 2009, we paid $400,000 in regularly scheduled principal payments. At September 30, 2009 we had one mortgage loan outstanding with a carrying value of $7,728,000 at a fixed interest rate of 8.69%.

During the nine months ended September 30, 2008, we paid off a mortgage loan in the amount of $14,188,000 secured by four assisted living properties located in Ohio. Also, during the nine months ended September 30, 2008, we paid $726,000 in regularly scheduled principal payments.

Bonds Payable. At September 30, 2009 and December 31, 2008, we had outstanding principal of $4,225,000 and $4,690,000 respectively, on multifamily tax-exempt revenue bonds that are secured by five assisted living properties in Washington. These bonds bear interest at a variable rate that is reset weekly and mature during 2015. For the nine months ended September 30, 2009, the weighted average interest rate, including letter of credit fees, on the outstanding bonds was 2.24%. During the nine months ended September 30, 2009 and 2008, we paid $465,000 and $440,000 in regularly scheduled principal payments. As of September 30, 2009 and December 31, 2008, the aggregate carrying value of real estate properties securing our bonds payable was $7,509,000 and $7,707,000, respectively.

6. Equity

Equity is allocated between controlling and non-controlling interests as follows *(in thousands)*:

	LTC Properties, Inc. Stockholders Equity	Non-controlling Interest	Total Equity
Balance at December 31, 2008	$ 457,878	$ 3,134	$ 461,012
Net income	33,075	229	33,304
Repurchase of preferred stock	(2,000)		