

LTC PROPERTIES INC
Form 10-Q
November 02, 2011
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2011

OR

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

For the Transition period from to

Commission file number 1-11314

LTC PROPERTIES, INC.

(Exact name of Registrant as specified in its charter)

Maryland
(State or other jurisdiction of
incorporation or organization)

71-0720518
(I.R.S. Employer
Identification No.)

2829 Townsgate Road, Suite 350

Westlake Village, California 91361

(Address of principal executive offices, including zip code)

(805) 981-8655

(Registrant's telephone number, including area code)

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer a non-accelerated filer, 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

Accelerated filer

Non-accelerated filer
(Do not check if a smaller reporting company)

Smaller reporting company

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

The number of shares of common stock outstanding on October 27, 2011 was 30,340,574.

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Table of Contents**LTC PROPERTIES, INC.****CONSOLIDATED BALANCE SHEETS***(Amounts in thousands)*

	September 30, 2011 (unaudited)	December 31, 2010 (audited)
ASSETS		
Real estate investments:		
Land	\$ 50,409	\$ 43,031
Buildings and improvements	634,418	567,017
Accumulated depreciation and amortization	(172,480)	(158,204)
Net operating real estate property	512,347	451,844
Properties held-for-sale, net of accumulated depreciation and amortization: 2011		
\$613; 2010 \$505	5,018	5,113
Net real estate property	517,365	456,957
Mortgage loans receivable, net of allowance for doubtful accounts: 2011 \$931; 2010 \$981	54,056	59,026
Real estate investments, net	571,421	515,983
Other assets:		
Cash and cash equivalents	5,214	6,903
Debt issue costs, net	2,377	743
Interest receivable	1,339	1,571
Straight-line rent receivable,(1) net of allowance for doubtful accounts: 2011 \$668; 2010 \$634	22,822	20,090
Prepaid expenses and other assets	8,541	8,162
Other assets related to properties held-for-sale, net of allowance for doubtful accounts: 2011 \$839; 2010 \$839	51	51
Notes receivable	768	1,283
Marketable securities (2)	6,483	6,478
Total assets	\$ 619,016	\$ 561,264
LIABILITIES		
Bank borrowings	\$ 28,400	\$ 37,700
Senior unsecured notes	100,000	50,000
Bonds payable	3,200	3,730
Accrued interest	1,014	675
Earn-out liabilities	6,195	
Accrued expenses and other liabilities	10,872	9,737
Accrued expenses and other liabilities related to properties held-for-sale	93	132
Distributions payable		1,768
Total liabilities	149,774	103,742
EQUITY		
Stockholders' equity:		
Preferred stock \$0.01 par value; 15,000 shares authorized; shares issued and outstanding: 2011 2,000; 2010 5,536	38,500	126,913
Common stock: \$0.01 par value; 45,000 shares authorized; shares issued and outstanding: 2011 30,341; 2010 26,345	303	263
Capital in excess of par value	506,851	398,599
Cumulative net income	660,186	623,491
Other	219	264
Cumulative distributions	(738,779)	(693,970)
Total LTC Properties, Inc. stockholders' equity	467,280	455,560

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Non-controlling interests		1,962		1,962
Total equity		469,242		457,522
Total liabilities and equity	\$	619,016	\$	561,264

(1) On September 30, 2011 and December 31, 2010, we had \$3,002 and \$2,822 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, 2011 and December 31, 2010, we had a \$6,500 face value investment in marketable securities issued by an entity that qualifies as a related party because the entity's Chief Executive Officer is on our Board of Directors. See *Note 9. Transactions with Related Party* for further discussion.

See accompanying notes.

Table of Contents**LTC PROPERTIES, INC.****CONSOLIDATED STATEMENTS OF INCOME***(Amounts in thousands, except per share)**(unaudited)*

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Revenues:				
Rental income (1)	\$ 19,620	\$ 16,227	\$ 57,139	\$ 47,355
Interest income from mortgage loans	1,582	1,868	4,851	5,683
Interest and other income (2)	227	264	872	838
Total revenues	21,429	18,359	62,862	53,876
Expenses:				
Interest expense	1,794	852	4,441	1,672
Depreciation and amortization	4,974	4,010	14,374	11,618
(Recovery) provision for doubtful accounts	(1)	60	(15)	1,029
Acquisition costs	60	4	225	117
Operating and other expenses	2,149	1,896	6,800	5,615
Total expenses	8,976	6,822	25,825	20,051
Income from continuing operations	12,453	11,537	37,037	33,825
Discontinued operations:				
(Loss) income from discontinued operations	(30)	25	(198)	(63)
Net (loss) income from discontinued operations	(30)	25	(198)	(63)
Net income	12,423	11,562	36,839	33,762
Income allocated to non-controlling interests	(48)	(48)	(144)	(144)
Net income attributable to LTC Properties, Inc.	12,375	11,514	36,695	33,618
Income allocated to participating securities	(85)	(54)	(259)	(155)
Income allocated to preferred stockholders	(818)	(5,889)	(8,260)	(13,459)
Net income available to common stockholders	\$ 11,472	\$ 5,571	\$ 28,176	\$ 20,004
<u>Basic earnings per common share</u>				
Continuing operations	\$ 0.38	\$ 0.22	\$ 0.98	\$ 0.84
Discontinued operations	\$ (0.00)	\$ 0.00	\$ (0.01)	\$ (0.00)
Net income available to common stockholders	\$ 0.38	\$ 0.22	\$ 0.98	\$ 0.83
<u>Diluted earnings per common share</u>				
Continuing operations	\$ 0.38	\$ 0.22	\$ 0.98	\$ 0.84
Discontinued operations	\$ (0.00)	\$ 0.00	\$ (0.01)	\$ (0.00)
Net income available to common stockholders	\$ 0.38	\$ 0.22	\$ 0.97	\$ 0.83
<u>Weighted average shares used to calculate earnings per common share</u>				
Basic	30,137	24,930	28,874	23,959
Diluted	30,156	24,945	28,902	24,055

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(1) During the three and nine months ended September 30, 2011, we received \$1,068 and \$3,196, respectively, in rental income and recorded \$57 and \$181, respectively, in straight-line rental income from a lessee that qualifies as a related party. During the three and nine months ended September 30, 2010, we received \$1,042 and \$3,118, respectively, in rental income and recorded \$83 and \$259, 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, 2011 and 2010, we recognized \$180 and \$540, respectively, of interest income from an entity that qualifies as a related party because the entity'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 available to common stockholders.

See accompanying notes.

Table of Contents**LTC PROPERTIES, INC.****CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Amounts in thousands)

(Unaudited)

	Nine Months Ended September 30,	
	2011	2010
OPERATING ACTIVITIES:		
Net income	\$ 36,839	\$ 33,762
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization continuing and discontinued operations	14,482	11,947
Stock-based compensation expense	1,095	982
Straight-line rental income continuing and discontinued operation ⁽¹⁾	(2,766)	(2,815)
(Recovery) provision for doubtful accounts continuing and discontinued operations	(16)	1,472
Non-cash interest related to earn-out liabilities	354	
Other non-cash items, net	1,216	764
Increase in accrued interest payable	339	506
Decrease in interest receivable	223	219
Net change in other assets and liabilities	121	1,122
Net cash provided by operating activities	51,887	47,959
INVESTING ACTIVITIES:		
Investment in real estate properties and capital improvements, net	(69,131)	(42,227)
Investment in real estate mortgages		(1,694)
Principal payments received on mortgage loans receivable	4,986	2,989
Advances under notes receivable		(100)
Principal payments received on notes receivable	544	1,413
Net cash used in investing activities	(63,601)	(39,619)
FINANCING ACTIVITIES:		
Bank borrowings	138,000	37,500
Repayment of bank borrowings	(147,300)	