LTC PROPERTIES
"2nd Quarter 2012 Analyst and Investor Call"

Tuesday, August 07, 2012, 1:00 P.M. Eastern
Wendy Simpson, President and CEO
Pam Kessler, EVP and CFO
Clint Malin, EVP and CIO
Andy Stokes, Sr. Vice President, Marketing and Strategic Planning

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OPERATOR: Good afternoon and welcome to the LTC Properties 2nd Quarter 2012 Analyst and Investor Call. All participants will be in a listen only mode. Should you need assistance, you may signal a conference specialist by pressing the star (*) key followed by zero (0). After today's presentation, there will be an opportunity for you to ask questions. At that time, if you would like to ask a question, you may press star (*) and then one (1), using a touchtone telephone. To withdraw your question, you may press star (*) and two (2). I'd like to remind everyone that today's comments, including the question and answer session, will include forward-looking statements. These statements are subject to risk and uncertainties that may cause actual results and events to differ materially. These risks and uncertainties are detailed in LTC Properties, Inc.'s filings with the Securities and Exchange Commission, including the company's 10K dated December 31, 2011. Please note that today's event is being recorded. I would now like to turn the conference call over to Ms. Wendy Simpson. Please go ahead.

WENDY SIMPSON: Thank you, and thank you for joining us today. We're very pleased to be able to report that since the end of our second quarter, we've had a series of positive events that we have announced to our shareholders and other interested parties. We announced the issuance of $85.8 million of 5.03 long-term debt. We announced the purchase of $60.5 million of skilled nursing properties. And we've increased our monthly dividend, beginning with this year's August dividend by 6.9%, that's a 6.9% over the prior month, and it represents a 10.7% increase over the dividend paid in August of 2011. And we're very happy that we have been able to report results for the second quarter in line with expectations and in line with our guidance. With me today are Pam Kessler, our EVP, CFO, Clint Malin, our EVP, CIO, and Andy Stokes, our Sr. Vice President, Marketing and Strategic Planning. Pam will comment on the quarter just ended and on the debt deal. Clint will then comment on acquisitions that we've completed and acquisitions that are in the pipeline as we see them today, and Andy will comment on our continuing efforts in the marketing areas. I'll have additional comments after these presentations, and then we'll open it up for questions. Pam?

PAM KESSLER: Thank you, Wendy. I'll be discussing quarter-over-quarter results, and I'll refer you to the 10Q that was filed earlier this morning for commentary on year-over-year results. For the income statement the second quarter of 2012 compared to the first quarter 2012, revenues increased to approximately $450,000.00, due to the following: rental income increased $300,000.00, due primarily to acquisitions. Mortgage interest income decreased $100,000.00, due to one loan payoff and the normal amortization of mortgage loans. Interest and other income increased approximately $250,000.00 due to the receipt of approximately $350,000.00 related to the Sunwest bankruptcy settlement, which was partially offset by a decrease in interest income resulting from the Skilled Healthcare Group bond redemption. Interest expense is essentially flat, quarter-over-quarter, acquisition costs increased $100,000.00, operating and other expenses were essentially flat, quarter-over-quarter, expense from discontinued operations, which relates to an independent living property in Texas, GAAP requires that we reclassify this income an expense to held-for-sale, line item, discontinued operation.

Last year, I mean, last quarter we discussed that we had ordered an appraisal for this property, the appraised value is higher than the current net book value of $5 million, and the property remains held for sale. Net income available to common stockholders increased $158,000.00, due to acquisitions. Normalized fully diluted FFO per share was $0.56 this quarter, compared to normalized fully diluted FFO per share of $0.50, $0.56 last quarter. Normalized fully diluted FAD per share was $0.56 this quarter and $0.56 last quarter. Turning to the balance sheet, during the quarter we purchased a vacant parcel of land in Colorado for approximately $1.9 million and entered into a lease and development commitment in the amount not to exceed $7.9 million to construct a sixty unit free-standing memory care property. This is disclosed as a subsequent event during last quarter's earnings call. Subsequent to June 30th, we acquired a ninety bed skilled nursing property in Texas for $6.5 million. We added the property to an existing master lease at an incremental GAAP yield of 10.7%. On July 31st, we purchased two one hundred forty-four bed skilled nursing properties in Ohio for $54 million in a sale-leaseback transaction.

The initial term of the lease is fifteen years, with two five-year renewal options and a GAAP yield of 10.1%. We invested $453 million in capital improvements at a weighted average yield of approximately 9.1%. During the quarter, we received approximately $2.4 million related to the payoff of two mortgage loans and $671,000.00 in scheduled principle payments on mortgage loans receivable. Subsequent to June 30th, we received $493,000.00 related to a mortgage loan payoff. During the quarter, we funded $985,000.00 under other notes receivable. During the quarter, we received $6.5 million related to the redemption of the Skilled Healthcare Group bonds; this was disclosed as the subsequent event in last quarter's earnings call. During the quarter, we amended our unsecured credit agreement, increasing the commitment to $240 million and the ability to increase commitments up to $350 million. The amendment also decreased drawn pricing by 25 basis points to 125 basis points over LIBOR, and decreased [sic] the unused commitment fee by 10 basis points to 25 basis points, based on courage, current leverage levels. Additionally, the maturity of the facility was extended for one year to May 2016, and we received a one-year extension option.

On July 19th, we sold $85.8 million of senior unsecured notes in a private placement transaction. The notes bear interest at 5.03%, mature in 2024, and have annual scheduled principle payments of approximately $17.2 million in years 8 through 12. The proceeds of this transaction were used to pay down our unsecured line of credit and for acquisitions. After the acquisition of the two skilled nursing properties in Ohio, we currently have $35.5 million drawn and $204.5 million available under our line of credit. Additionally, we have $100 million available under our agreement, our shelf agreement with Prudential. We also have $65.5 million available on our at-the-market offering program, and $168 million on our shelf registration statement. Subsequent to June 30th, our limited partner redeemed a total of 3,294 shares in our limited partnership. We elected to satisfy this redemption through the issuance of 3,294 shares of common stock. During the quarter, we received $595,000.00 related to stock option exercises. Also during the quarter, we granted 8,000 shares of restricted stock that vest ratably over three years. During the second quarter, we paid $14 million in preferred and common stock dividends.

In turning to operator statistics, in discussing operator statistics, I'll give the general caveat that these numbers come from our operators, they are un-audited and have not been independently verified by us, additionally, the occupancy and lease coverage information is for the trailing twelve months' first quarter 2012, compared to the trailing twelve months' fourth quarter 2011. Occupancy in our same property out portfolio decreased to 78%. Excluding properties leased to Assisted Living Concepts and Extendicare, occupancy in our out portfolio was 88.2%. EBITDAR lease coverage, after a 5% fee, was 1.4 times, before management fee or EBITDARM, coverage was 1.6 times. Occupancy in our same property SNF portfolio was 79%. EBITDAR lease coverage, after a 5% fee, was 1.9 times, before management fee of EBITDARM, coverage for our

SNF portfolio was 2.6 times. Occupancy in our same property portfolio of properties that provide independent living or a combination of independent living, assisted living, and skilled nursing was 87%. EBITDAR lease coverage after a 5% fee was 1.4 times, and before management fee, or EBITDARM, coverage was 1.8 times. The quality mix for the three months ended March 31st for our same property portfolio, which includes skilled nursing, assisted living, independent living and properties with a combination thereof, was 60% private pay, 14% Medicare, and 26% Medicaid. Within our same property SNF portfolio, the quality of mix was 26% private pay, 25% Medicare, and 49% Medicaid. Thank you, Wendy.

WENDY SIMPSON: Thank you, Pam. Clint, please give your presentation.

CLINT MALIN: Thank you, Wendy. Year-to-date, we have completed approximately $80 million of acquisitions with experienced, regionally based operating companies for newer, higher, high-quality assets. Assets we acquired this year were constructed in 2002, 2009, 2010 and 2011. The property we acquired in Brownwood, Texas, which Pam mentioned in her comments, is the newest asset in our portfolio, which is just over one year old. We are excited to continue to expand our relationship with senior care centers based in Dallas by adding this property to an existing master lease, increasing to five the number of facilities leased directly to senior care centers. Our recently announced $54 million acquisition with affiliates of Carespring Health Care Management, a regionally based company located in the Cincinnati metropolitan area that owns and operates facilities in Ohio and northern Kentucky. Carespring currently owns and operates, and/or operates thirteen skilled nursing facilities and combination AL/IL facilities, eleven of which they constructed from 2000, which they constructed from 1986 to 2010. Carespring owns most of its facilities, but is familiar with the sale-leaseback structure, given that they have an existing relationship with another REIT.

The two properties we acquired are state of the art buildings and were constructed by affiliates of Carespring in, as I mentioned, 2009 and ’10. Among other attributes, each property includes three therapy rooms, two dedicated for short-term stay rehab patients, four distinct dining areas with two dedicated for short-term rehab patients, seventy-four private rooms in the Cincinnati facility and thirty-four private rooms in the Dayton facility. All semi-private rooms are designed with a unique permanent floor-to-ceiling wall providing significantly more privacy than typically found in a common, more common semi-private room setting. All rooms, whether private or semi-private, offer private bathrooms and private showers. The building in Cincinnati has a 30,000 square foot retail component located on the ground level, focusing on leasing of space to help healthcare and fitness related companies. We are very excited to welcome such an experienced and innovative operating company to LTC’s portfolio.

Last week, we entered into lease amendments with Brookdale for a total of $14.6 million in commitments for expansions if, expansions of, and renovations to, three facilities we lease to them in Colorado. One location currently consists of a fifty unit assisted living facility and a thirty-six unit purpose-built freestanding memory care facility. The third facility is a fifty unit assisted living property located at a different site. Assisted living and memory care units will be added to the properties. The projects are anticipated to begin in the next sixty days, with completion expected in late summer 2013. During construction, rent will be compounded into the investment amount from the funding of each advance at the greater of 580 basis points spread over the ten-year treasury, or 7.75%. On the earlier of completion of each project, or the second anniversary of the lease amendments, rent will increase by the investment amount funded, including compounded rent during construction, based on the greater of the same rates just mentioned. We have approximately another $20 million of identified investment opportunities within our portfolio that we are working on with a couple of our lessees.

We strongly believe in reinvesting in our portfolio and continue to meet with our lessees to identify new opportunities. Building permits have been issued and construction has commenced on both of our two ground-up develop projects. The hundred twenty bed skilled nursing replacement project in Amarillo, Texas, and the sixty unit freestanding private pay memory care facility in Littleton, Colorado, are both on schedule and budget, with completion expected in the fourth quarter of 2013.

Since last quarter's conference call, we have entered into two new letters of intent, each with a different operating company, to construct combination assisted living/memory care facilities. The investment commitment and total for these two transactions will be approximately $16 million. We are in the process of conducting due diligence on these transactions and a successful closing of the land acquisitions and development commitments are expected to occur in the fourth quarter. Both of these potential development opportunities are with companies that will be new to LTC's portfolio. Our deal pipelines remain strong in the $150 million range, mainly consisting of memory care development opportunities and acquisition of existing operational facilities, including both skilled nursing and assisted living facilities.

A few of the projects from the pipeline are for development of new SNF's as either replacement facilities or for facilities that will be added as new supply into the marketplace. Wendy and I have been on the road frequently this year, meeting with numerous operating companies that focus on memory care and touring their facilities in various parts of the country as we continue to build out our development program for freestanding private pay memory care facilities. As a result of these meetings, we are now considering expanding our development program in certain situations, subject to market demand, to include combination assisted living/memory care facilities, as is the case with the two recently executed LOI's I just mentioned. As Wendy indicated, any transaction to be closed from this day forward in 2012 will close in the fourth quarter. Now I'll turn it back over to Wendy for her comments.

WENDY SIMPSON: Thank you, thank you, Clint. Before I finish my comments, we have Andy with us today, he's off the road for, I think, two days and on the road again tomorrow, and he'll be giving you a presentation about our marketing efforts.

ANDY STOKES: Thanks, Wendy. LTC's marketing focus has shifted over the last few years. As you know, we have always concentrated on ways to identify potential customers and develop an understanding of them and ways to follow up on what their needs might be. We participate in meetings at the state and local level of trade associations, we follow up with marketing meetings and site visits. Our kind of deal has been smaller by the standards of the time. We have been able to charge a little bit higher rent because these deals have not been heavily shopped and the price of our kind of asset has tended to be more reasonable for the same reason. However, we believe that, as senior care has grown and changed, more attention for our potential customers is being paid to national and specialized organizations. LTC is sifting, shifting somewhat to follow this trend.

A few new committees and groups have emerged in our target markets and at the regional level, and we are actively participating. Memory care, as a specialized type of community, has attracted attention in investment and LTC participates in those specialized groups. All providers are increasingly political, and LTC goes to these meetings, listens to customer needs and explains our products. Our kind of deal remains the smaller, but still multi facility, group of properties with tenants who want to grow and are committed to the business and our assets. It is my sense that deal potential for the LTC kind of deal is very strong for all the reasons I have talked about in the past. These can be summarized as the need for the middle market provider to re-capitalize or restructure ownership or expand. These are continuing needs and I expect a high level of deals to continue. Thank you.

WENDY SIMPSON: Thank you, Andy. 2012, so far, has been the reality we have been expecting and disclosing. Going back over my comments from our last call, I believe everything that we've previously mentioned on our calls has happened in line with our expectations. Right now, our pipeline is active and, as Clint said, I am not expecting that much will be closed in the third quarter, we'll be more active in closing acquisitions or opportunities, I believe, in the fourth quarter of this year. All of our senior staff is active in looking at deals, so we have significant action around potential acquisitions for the rest of this year.

We're currently, we're carefully pursuing and targeting purchases of newer assets, again, as Clint was pointing out the years that our recent acquisitions had been built. We may strategically sell a few older skilled nursing properties, most likely to the current operator. I'm not suggesting that we have a material sale of assets in the pipeline, there's just small things that we might do that would make sense to the LTC portfolio and to the particular operator. We're continuing to pursue the building up of the memory care properties and, as Clint also indicated, we are looking at a potential of doing memory care/assisted living on the same campus. We've looked at a few, memory care properties that are combination assisted and memory care and memory care, only, that are operating at for sale, but the prices have been too high for our underwriting standards, which flows right into our theory, as we started looking at these properties, that once operating and very profitable, the value of the property increases and we're going to be better investing for LTC's future by helping the operator build these properties.

On our last call, I gave guidance between 223 and 225 for this year. Our internal projections, factoring in the acquisitions we've already had, the new 5.03% debt, the loss of interest income from the retirement of the skilled healthcare bonds, and the increase in our dividend for the second time this year and for the remainder of the year, our projections result in an FFO of between 2.26 and 2.28. This also does not take into consideration the sale of any revenue producing properties, or the, any further acquisitions for the year. If you annualize our current monthly dividend and proforma all of our 2012 activity to a full year, our dividend payout ratio will still be at an 80% FAD range, as we calculate FAD. So it's still a comfortable range for our conservative position in our payout ratio.

We are very happy to increase the dividend for the second time this year. Before I ask, ah, thank you for listening and ask for questions, we did see the Assisted Living 8-K this morning, we have no further information on it. We've been working with Assisted Living on our maintenance requests, they've been very responsive, they've indicated that they've hired additional maintenance people, we know that they're putting money in the operations of the properties, we are, I am meeting, Clint and I happen to be going to Wisconsin, we're going to meet with Dr. Roadman on the 24th, that date was selected by me because it fit into my schedule, he was very responsive and open to a meeting at any time, so the fact that it is not tomorrow is not because he didn't want to meet, it was just my schedule and the other commitments that we have for LTC business. So, he's been very responsive and accessible to us, they're not in default on any of their leases, so I have no other further comment about Assisted Living Concepts, certainly I'll answer any questions you have, but that's my total information about the situation as it stands. So, I thank you right now for your time and listening to our presentation, and we'll take any questions.

OPERATOR: We will now begin the question and answer session. To ask a question, you may press star (*) and then one (1) using a touchtone telephone. If you're using a speakerphone, we do ask that you please pick up your handset before pressing the keys to ensure good sound quality. To withdraw your question, you may press star (*) and then two (2). Again, it is star (*) and then one (1) to ask a question. And our first question comes from Karin Ford from KeyBanc Capital Markets. Please go ahead with your question.

KARIN FORD: Hi, good morning. My first question, Wendy, is, just going back to the, your comments about looking at, potentially, some properties to sell, could you just talk about how big the universe of properties that could be and sort of what your plan on timing could be for some potential asset sales in the future?

WENDY SIMPSON: It's a small, about somewhere between $10 million and $12 million dollars. It's one group of assets in one state. They're much older assets. The strategy of the operator is different than it was that, well; we just disagree with his strategy. So we're negotiating with him to buy these assets, they're covering, they're cash flowing nicely, but they're very old assets.

KARIN FORD: Okay, thanks. Second question is just on Assisted Living Concepts. Has, have there been any new licensing issues at any of your properties since we last spoke, and what would be, what's going to be on the agenda for your meeting with the company on the 24th?

WENDY SIMPSON: Lunch? We're going to, no, there isn't anything relative to the licensing.

KARIN FORD: Okay.

WENDY SIMPSON: We've got them on a tickler file and they're all current, unless something's happened today and we haven't been notified. I would just like to understand from Dr. Roadman a little bit about what he sees in terms of the future of the company, where he would like to take the company. I haven't talked to him other than to set up these meetings and I've listened to his calls and he seemed to still believe that the private pay was the predominant way of going, but those were early days for him. I'd also hope we could talk about the future of these assets in their, whatever they're projecting for the company. Maybe we can start an early transition of these assets if they're not part of the strategy. We've had, independently; other operators call and ask if they could get a look at these properties, so we're not too concerned right at the moment of the majority of these assets not finding a nice place to be housed. But I, my goal is to open a communication with one of our major lessees, which we didn't have at the prior executive suite at that company, and see if maybe he does have, already, an idea of how they would be looking at these assets when 2013 rolls around.

KARIN FORD: That's helpful. My last question is just on your SNF coverage, I was looking at your supplement, on page 10 it looked like, in that chart there, that, now, with two quarters of RUGs IV in the cash flows, you're now at 201 times on an EBITDAR basis and the last time you were at two quarters you were 2.16, and I was just wondering if that difference made you rethink your, sort of, 1.9 target, or your expectation for where you're going to be once the entire recut has been factored into the cash flow.

PAM KESSLER: Sure, Karin, this is Pam, hi. I thought that this table here, this historical table would be helpful to show how RUGs IV, as it was implemented, how the increases came each quarter because they didn't come ratably. So, as you see, starting at the bottom of the table, when you increase going from pre-RUGs IV to one quarter of RUGs IV, it increased .13 times the EBITDAR coverage, and, then, going from one quarter to two quarters, it increased .14 times, then going from two quarters to three quarters, it only increased .04, and, then, going to a full four quarters, it goes, it only increased .07 times.

KARIN FORD: Mmm hmm.

PAM KESSLER: So, as the, as we, you know, burn off the RUGs IV increase, it follows that you would expect the first two quarters of burn off to be the highest decreases. So, in fact, we had, going from four quarters of RUGs IV to three quarters of RUGs IV, decreased .11 times, and then going from three quarters to two quarters, it increased .15 times. So, if you were taking this historical trend and seeing how it rolled on, and saying it would follow that it would roll off the same way, you would expect about a, if you were, if it was historic, if everything else was constant, you'd expect a decrease going from two quarters of RUGs IV to one quarter of RUGs IV, to decrease .04,

KARIN FORD: Mmm hmm.

PAM KESSLER: And then to go down to no RUGs IV, you'd expect a .07 decrease, and that would get you to 1.9 times coverage if you just took those increases and converted them to decreases and rolled it off, and that's what I was trying to show that we would

KARIN FORD: Got it.

PAM KESSLER: We're guessing about 1.9, it might be a little lower than that, could be a little higher, because other things come into play, occupancy, rates, and, you know, quality mix. But if you held it constant, that's what we would expect.

KARIN FORD: Okay, so no change to the 1.9. Thanks very much.

PAM KESSLER: No, huh uh. You're welcome.

OPERATOR: Once again, if you would like to ask a question, please press star (*) and then one (1) using a touchtone telephone. Our next question comes from Dan Bernstein from Stifel Nicolaus. Please go ahead with your question.

DAN BERNSTEIN: Hi, good morning, I guess it's good afternoon, Wendy, Pam. You know, I don't want to dwell on Assisted Living Concepts too much.

WENDY SIMPSON: Okay!

DAN BERNSTEIN: I still have to ask a question.

WENDY SIMPSON: Thank you, Dan!

DAN BERNSTEIN: I'll end with a positive question, though, at the end.

WENDY SIMPSON: All right.

DAN BERNSTEIN: Does ALC have a buyout option of those assets and, you know, it's just, you know, they have a propensity to want to put assets back on their balance sheet. They just bought those assets out from Ventas, you know, so do they have a buyout option on those facilities that you lease to them?

WENDY SIMPSON: No, they do not.

DAN BERNSTEIN: They do not.

WENDY SIMPSON: They do not.

DAN BERNSTEIN: And, then, what is the timing for them to, assuming that they don't renegotiate the lease early with you, is there a date that they have to notify you that they're renewing or not renewing those leases?

WENDY SIMPSON: December 31, 2013.

DAN BERNSTEIN: Okay. I just wanted to make sure, I probably should have known that, but, ah –

WENDY SIMPSON: That's all right.

DAN BERNSTEIN: But I wanted to ask it anyhow, and, then, the other question is do you see those assets as possibly a candidate for sale, like a TRS, and they're significantly below the occupancy of what you have now, and, I guess, maybe a related question I had to that, if we went back three or four years ago, what would be the occupancy of those assets, what would be the lease coverage of those assets? If you don't have that in front of you now, maybe we can take that offline, but just trying to understand, maybe, what the upside of those assets would be with another operator.

WENDY SIMPSON: Well, three or four years ago, she was operating the company, so before she came in to, before Ms. Bebo became the CEO, they were covering reasonably and the occupancy was probably in the 80's. I think when they came out of bankruptcy; they were in the 80's or 90's, that, so I'm not sure that we would look to put them all in another package to give to one operator. A TRS would probably be our last strategy, if we had to, we would do that. So I really do think, just based on unsolicited interest in these assets because of the situation at Assisted Living Concepts, that we'll be able to place them with operators who will be able to do more business in those properties.

We also have quite a bit of land around quite a bit, quite a few of these properties, so we were very interested when Assisted Living, before Laurie had her strategy, of working with them about building on to some of these properties. So we would look forward to having that as possibly a strategic alternative, too. But, right now, they're paying their rent, they're putting the money in so that they'll be in good shape, not that they're not currently in good shape, but we wanted to be sure that things were happening a little faster. So, here we are.

DAN BERNSTEIN: Okay, I'll let you be on ALC and ask you something more pleasant.

WENDY SIMPSON: Okay.

DAN BERNSTEIN: Regarding the pipeline, which seems to be

WENDY SIMPSON: Uh huh.

DAN BERNSTEIN: A real positive for you, at least maybe on the development pipeline, what is, how would you describe the criteria for choosing operators to build with? I mean, you have some new, looks like from what you talked about, we see the projects maybe for the second half of this year, there's some new possible new tenants. Are those tenants experienced operators, are they just short on capital, I mean, how, you know, how should we kind of think about the risk you're taking of developing for new operators?

WENDY SIMPSON: The operators that we are doing business with predominantly all have existing operations and they're just expanding their business. The operator that we're building the property for in Colorado has a property that's probably going to open this fall in the Sacramento area of California. So they don't currently have a great operational company established, they've got everybody on board, in terms of who they need to operate the company, but they don't currently have operations. However, because of the site in Colorado, we weren't too concerned about not having another operator, should that not work. But in terms of every other development project we're doing, they're currently operating that type of facility or a companionable type of facility, whether it's an assisted living that has a memory care unit and now they want to build a whole memory care facility, or they have memory care facilities and they want to buy a, or build additional memory care facilities. The same with developing SNF's, I'm not sure that we would ever develop a

SNF with somebody who hadn't operated a SNF before, so we, all of the development opportunities we have with skilled nursing are with operators that have significant operations.

DAN BERNSTEIN: Okay, that's good, and in terms of the, you know, you're tending to buy a little bit more SNF's, you are starting to build the assisted living, but your mix now is, you know, about 54% SNF's, 44% assisted living on maybe an investment basis, do you, how do you see that changing, given your investment pipeline, you know, should we think of you having a little bit more SNF tilt going forward than assisted living or, you know, maybe that's going to switch back at some point. Do you have any kind of set ideas of what, how that range should work out the next few years, or where you would want it to be?

WENDY SIMPSON: I still think we're going to have more SNF opportunities than memory care purchase opportunities or assisted living purchase opportunities. There's a couple of deals that we're currently looking at that are small, one-off assisted living properties, but if we add a $10 million assisted living, it's not going to cut into this sort of imbalance right at the moment. I think that, in order to get back to even a 50/50, it's going to be in the future, once we bring the memory care built properties online. I believe that we have a really good underwriting group, a good underwriting philosophy and criteria, so I'm still very to be buying the SNF assets that we are buying in this market. So I'm not trying to keep the balance sheet balanced just in terms of the type of assets, we are actively looking for the private pay business, assisted living and memory care, but, again, for whatever reason, no matter what happens or what would appear, realistic values are going up again and we're seeing significant competition in anything that is a private pay asset.

DAN BERNSTEIN: Okay, I'll jump off and just offer my congrats on all the sum positive developments

WENDY SIMPSON: Thank you, Dan, we appreciate it.

DAN BERNSTEIN: that LTC over the last couple quarters.

WENDY SIMPSON: Great.

OPERATOR: Our next question comes from Rich Anderson from BMO Capital Markets.

RICH ANDERSON: Thanks, good morning.

WENDY SIMPSON: Good morning.

RICH ANDERSON: So, sorry, I got to ask about Assisted Living Concepts. My question is, isn't this kind of potentially a good thing in the sense that, and you know, just to, you know, look at it as a silver lining, if this gives you the right to be a little bit more aggressive about making a change at those properties, if they are found to be doing some more things or, I guess, accused to be doing some more things that they were doing at the Ventas facilities, and is there any evidence of, you know, like employee usage of units or anything like that at your properties?

WENDY SIMPSON: Not that we're aware of, we're not, we haven't been advised and none of our inspectors, our property inspectors ever mentioned that, oh, by the way, somebody's living in one of the units, and we do go in and look at every unit. So that's never been brought up in any of our surveys. I do agree with you, Rich, and that's a very good point, in that it might give us an opportunity to move a little faster on repositioning these assets, because I would think that Dr. Roadman has plenty of things to worry about with his own owned assets, and maybe he would be very amenable to us taking thirty-seven assets off of his hands relative to, you know, having to turn them around and that sort of thing. On the other hand, absent Assisted Living Concepts imploding totally, they are still paying their rent and we don't have a reason to default them on their leases. But I'm, you know, he seems like a very reasonable man of, so far, and I think there is a real opportunity that we would be able to do something to maybe help him, which would also help us.

RICH ANDERSON: Okay, and I guess I just look at, well, you know, it has the negative connotation to it in your, from your standpoint you're maybe looking for some angle to have a little bit more leverage in the process, and maybe this is, this could, you know, if it materialized that way, could be just that for LTC.

WENDY SIMPSON: I think so. I'd hate for it to create less FFO, but

RICH ANDERSON: Right.

WENDY SIMPSON: if it creates less uncertainty, maybe that's a little bit of a trade off.

RICH ANDERSON: Okay, and, then, just curious, what would be, would you be equally open to transitioning them or seeing new management change the way the properties are run and just kind of go ahead with a kind of a new operating scheme, but the same operator? Would that, would the latter be more attractive to you or would you rather, you know, see yourselves just kind of significantly reduce your exposure to them, regardless?

WENDY SIMPSON: Yeah, I think B, but if Assisted Living, and I'm not doing anything at this company, but, you know, I think they, if they brought in a really good respected name in the industry to run the company and, you know, there was a real strategy relative to running this company, it's always traumatic to have to move assets from one operator to another.

RICH ANDERSON: Sure.

WENDY SIMPSON: But I don't see that happening as quickly as our lease comes up in 2013. So, absent that happening, let's, but, as it is, with Dr. Roadman as a temporary CEO, it's not the situation we would prefer, so

RICH ANDERSON: Thanks.

WENDY SIMPSON: I think it would be better for us to put the packages somewhere else.

RICH ANDERSON: Okay, that's, I appreciate that, and what would you say is the broader attractiveness of the portfolio to outside operators?

WENDY SIMPSON: I think there are some significant opportunities to convert some of these into memory care units and, also, they're in smaller but fairly, not wealthy but well-to-do communities that probably could do much better business if it had a new owner and a new strategy, and they're, you know, like infield for a couple of operators.

RICH ANDERSON: Gotcha. Thanks, thank you very much for all that.

WENDY SIMPSON: You're welcome.

OPERATOR: And, again, if you would like to ask a question, please press star (*) and one (1). And we do have a follow up question from Karin Ford from KeyBanc Capital Markets. Please go ahead with your question.

AUSTIN WURSCHMIDT: Hey, guys, it's Austin Wurschmidt here with Karin. I believe on the memory care side, you guys had previously said you were targeting development yields around 9%. What are you targeting for the SNF developments?

CLINT MALIN: Ah, well, right now, this is Clint, Austin, right now on the SNF developments; we're still evaluating that and going through the due diligence, the process of evaluating. So, until we get a little further along, it'd be hard to say, but, you know, we were doing lease rates in the 8.5%, now to 9% on the existing operational properties, so we take that into consideration on how we price out a construction project to accommodate, for the construction, at least sub risk, and that's also a function of whether it's a true replacement project or you're moving residents effectively from one building to the other and mitigating start-up losses or if it's a new facility that's being built introducing incremental supply into the market.

AUSTIN WURSCHMIDT: That's helpful, and, then, just lastly, I think you had mentioned there was a loan prepayment or repayment post quarter end. Are you guys expecting any additional loan repayments for the rest of the year?

WENDY SIMPSON: We're not expecting any. They happen, but we're, we haven't been notified specifically that any are repaying.

AUSTIN WURSCHMIDT: Okay, thank you.

WENDY SIMPSON: Mmm hmm.

OPERATOR: And we have one additional question from James Milam from Sandler O'Neill.

JAMES MILAM: Hey, good morning, guys. I had some questions that were ALC related, so I wasn't sure if I was going to be allowed to ask them on this call or not, but I guess I am. I just wanted to ask it's sounds like the pipeline has more assisted living than it has had in the past, and then, Wendy, you kind of made some comments that maybe, I guess my question is is the strategy shifting to pursue those more aggressively or is it that you're actually seeing some smaller assets that maybe aren't so competitively bid that, you know, the pricing may make sense for you to pursue them a little further?

WENDY SIMPSON: The latter. We're not pursuing them any harder; it's just that the opportunities have come up. Andy has been pursuing everything and everybody in one state and has, one particular state, not just one state, but one particular state, and, you know, has been able to develop a couple of opportunities to look at a property. Another property we looked at a couple of years ago and another company was selected to go forward, and, for whatever reason, that deal didn't get completed. So we got another opportunity to go back and look at that and that's an assisted living. So, there are various reasons that there are a few individual assisted living properties. We did go and look at a very nice group of properties in another state, but, you know, we were not the selected company to go forward. So there has been a lot of activity, but the prices are pretty high and, you know, our underwriting, we're not going to take our coverage down to 1.1 in order to add assisted living to our portfolio.

JAMES MILAM: Okay, ah, no, that makes sense. My second question is, you know, is there any reason why, I guess thinking about your pursuing deals, and it sounds like the closings are pushing out into the fourth quarter, are there any deals kind of going the other way that are materializing and being pushed ahead out of, you know, the first part of next year into this four quarters to try to get ahead of any potential tax law changes or anything like that?

WENDY SIMPSON: Not that we've seen. No.

CLINT MALIN: Not that I've seen.

JAMES MILAM: Andy's not having any conversations with anybody about that type of behavior, at least at this point?

ANDY STOKES: Only on a preliminary basis. We talk to people and, you know, we talk to a lot of folks and I, you know, there might be three or four circumstances where we had preliminary discussions when they were talking about the tax law change that comes up. People also ask us how fast can you close, and we always say, "Faster than you can." And, but I don't sense quite yet a sort of the panicked acceleration of deals, although I wouldn't be surprised if we saw some of that in September and October. Now, whether or not one can meet that is another story.

JAMES MILAM: Okay, that helps, and, then I guess this is my last one, but, you know, with all of the changes that are kind of occurring, like, I guess particularly on a skilled nursing space, you know, there's a lot of conversation about how important scale is, in terms of being efficient and meeting the demands of the reimbursement environment. What do you guys think about, you know, I know you have some smaller operators and some, you know, kind of mid size regional operators, what do you guys see, you know, the efficiency going, in terms of, I guess, how big to you have to be to really build a successful business in that environment? Is it, you know, can two assets, a two assets get nursing operator survive, do they need to be growing to twenty, just curious if I could get some thoughts on that.

WENDY SIMPSON: Yeah, I'm trying to go through our list of operators and see, look, the ones that have one were transitioning probably to operators who have multiples. But maybe Clint has a better answer to that.

CLINT MALIN: Yeah, I mean, you're probably looking at, in order to get a level of sophistication, you're probably, you know, to bring on the talent and invest in technology, I mean, you're probably looking at companies that have somewhere in the ten, twenty facilities, would be my guess. Andy, your thoughts on?

ANDY STOKES: I think you can probably do it for smaller than that, and it depends on the market, but certainly two buildings is probably too small and twenty is certainly enough.

JAMES MILAM: Okay, thank you, guys, I appreciate it.

WENDY SIMPSON: Thanks, James.

OPERATOR: And, once again, if you would like to ask a question, please press star (*) and one (1). And at this time it's showing no additional questions, I would like

WENDY SIMPSON: Excellent! Thank you, Jamie. Thank you all for joining us today and we look forward to talking to you at the end of the third quarter. If you have any questions, you know, of course Pam or I will be available and, again, thank you very much.

OPERATOR: And the conference is now concluded. We thank you for attending today's presentation. You may now disconnect your telephone lines.