LTC Properties, Inc.

Q1 2021 Analyst and Investor Call

Friday, April 30, 2021, 8:00 A.M. Pacific

CORPORATE PARTICIPANTS

Wendy Simpson – *Chief Executive Officer*

Pam Kessler – *Co-President and Chief Financial Officer*

Clint Malin – *Co-President and Chief Investment Officer*

PRESENTATION

Operator
Good morning and welcome to LTC Properties' First Quarter Analyst and Investor Call. All participants will be in listen-only mode. Should you need assistance, please signal a conference specialist by pressing the star (*) key, followed by zero (0). After today's presentation, there will be opportunity to ask questions. Please note that this event is being recorded.

Now, I'd like to turn the conference over to Ms. Wendy Simpson, CEO. Please go ahead.

Wendy Simpson
Thank you, operator and welcome to everyone joining us today for LTC's 2021 first quarter conference call. With me on the call are Pam Kessler, Co-President and Chief Financial Officer; and Clint Malin, Co-President and Chief Investment Officer.

For the last year, I started our calls by offering thanks and gratitude to our operators for all they have done to keep their patients, residents, and staff safe. Today is no different. Now, however, for the first time in a long while, I am cautiously optimistic that some of the more daunting challenges presented by the pandemic and the many, many lives lost are mostly behind us, and that we have entered the recovery stage.

With the high percentages of vaccinations administered to the senior population, skilled nursing centers and assisted living memory care communities should begin welcoming new patients and residents at increasing frequencies from the lower levels that we've seen over the last 12 months.

We don't know with any certainty when census numbers will return to pre-pandemic levels, but anecdotal evidence from some of our operating partners is encouraging. As in 2020, some of our operators have needed rent deferrals and abatements. First quarter rent and mortgage interest income collections were 86.5%, excluding the first quarter reduced 2021 rent escalations we provided to eligible operators in the form of rent credits. The credits were provided to give eligible operators additional working capital during the first quarter of 2021 and are expected to have an approximate $530,000 impact on our 2021 GAAP revenue and an approximate $1.3 million impact on our 2021 FAD.

Approximately $292,000 and $1.2 million respectively, was recognized during the first quarter. We expect to recognize a decrease of approximately $170,000 and $133,000 GAAP and FAD revenue respectively in the second quarter and a much smaller amount in the last six months of 2021.

Currently, we don't anticipate providing additional across-the-board relief, but we'll continue to review relief requests, if any, on a case-by-case basis, keeping in mind the operators' ongoing operations, rent coverage, and corporate financial health and liquidity. Pam will discuss the specifics of current rent deferrals and abatements a bit later.

One additional way we helped our operators through the pandemic is by providing attractive financing to our operators through our smart design program. This program creates safer physical environments for residents, family, and staff by utilizing state-of-the-art infection control protocols, including air filtration, bipolar ionization, UV sanitation devices, custom dividers, and touchless equipment. We are working in partnership with Avenue Development to assist our operators with turnkey and customizable retrofitting options. To date, Smart Design is being implemented in 13 of our communities.

Next, I'll talk briefly about Senior Lifestyle. We are making progress on transitioning this portfolio with several of the transactions expected to close in the second and third quarters. As we disclose in a recent 8-K filing, Senior Lifestyle has not paid rent in 2021. Clint will provide details on this portfolio shortly.

Regarding an update on Senior Care centers, I'll refer you to the same 8-K, which was filed with the SEC on April 19th. Although, the M&A market has not changed much since we last spoke and we do not believe that LTC will engage in any large transactions in the immediate future, deal flow has picked up meaningfully.

Over the last month in particular, we've seen a healthy uptick in inbound inquiries regarding preferred equity and mezzanine financing. We are performing due diligence on a host of these opportunities, which we believe have reduced risk profiles and strong returns, especially for development projects, whose success is not dependent on immediate lease up or current census.

With respect to more traditional acquisitions, however, we're seeing more and more potential investments where pricing does not accurately represent what we see as the current value of the underlying properties. We have the ability to act quickly on investment opportunities as they arise and if they're accretive and provide value to LTC and our shareholders.

I believe that LTC remains well-positioned in an industry that, despite the pandemic, has strong long-term fundamentals, which point to an increasing need for senior housing and care solutions. We are starting to see some stability in our operators. However, it is too early to predict the timing of a full recovery.

In light of the matters discussed above, together with the uncertainty regarding the Senior Care bankruptcy, we do not plan to provide guidance again, until occupancy and census increases gain additional traction.

It has been our Board's practice to support a dividend payout ratio of approximately 80% of FAD, as a result of the financial support, we are providing some of our operators and the significant lease defaults of Senior Lifestyle and Senior Care. Our 2021 dividend payout ratio will likely exceed the 80% target. However, we see our 2022 FAD recovering as we are able to totally transition the Senior Lifestyle portfolio to more stable operators and the issues involving LTC in the Senior Care bankruptcy are resolved.

Before turning the call over to Pam, I'd like to recognize our newest board member, Cornelia Cheng. Her addition brings to 50% the number of LTC directors who are women. Cornelia will be instrumental as we further develop our diversity and ESG initiatives.

With that, please go ahead, Pam.

Pam Kessler
Thank you, Wendy. Total Revenue declined $6.1 million compared with last year's first quarter, impacting our results with a decreased rental revenue related to non-payment of lease obligations by Senior Lifestyle, partially offset by rent received from 11 properties from this portfolio that were transitioned.

Results were further impacted by abated and deferred rent granted in the quarter, a reduction in property tax revenue, and a one-time 50% reduction of 2021 rent and interest escalation to provide eligible operators with additional working capital in recognition of increased costs due to COVID-19.

Additionally, we wrote-off straight-line rent receivable related to the transition of an operator's lease to cash basis accounting. The decrease was partially offset by rent from acquisitions and completed development projects and higher rent payments from Anthem.

Interest expense decreased by $738,000 due to lower interest rates under our line of credit in the 2021 first quarter, partially offset by lower capitalized interest. During the 2021 first quarter, we sold a closed assisted living community in Florida and recognized a loss of $861,000. Comparatively, during the first quarter of 2020, we sold 21 skilled nursing properties and recognized a total gain on sale of $43.9 million.

As a result of the items discussed, net income available to common shareholders for the first quarter of 2021 decreased by $49.7 million, primarily due to a gain on sale in the prior year period and the revenue declines already discussed. This is partially offset by lower interest expense.

NAREIT FFO per fully diluted share decreased $0.12 to $0.62 in the 2021 first quarter, compared with $0.74 in the 2020 first quarter, excluding the straight-line rent receivable write-off, FFO per fully diluted share was $0.64 this quarter, compared to $0.74 last year.

During the first quarter of 2021, we received $1.6 million related to the payoff of a mezzanine loan and $936,000 related to the payoff of a note receivable. Additionally, we borrowed $17 million under our unsecured revolving line of credit at 1.3%.

Moving on to our investment activity. During the 2021 first quarter, we invested the remaining $8 million of our $13 million preferred equity commitments to develop a 267-unit independent living and assisted living community in Vancouver, Washington. The preferred equity investment earns an initial cash rate of 8% and a 12% IRR and is accounted for as an unconsolidated joint venture.

We also funded $1 million in capital improvement projects on properties we own and $158,000 under existing mortgage loans. We have a remaining commitment under a mortgage loan of $1.6 million related to the expansion and renovation on one property. We also paid $7 million in regularly scheduled principal payments under our senior unsecured notes and paid $22.4 million in common dividends.

Subsequent to the end of the first quarter, we repaid $5 million under our unsecured line of credit, including this repayment, we have $8.2 million in cash, $498.1 million available under our line of credit, under which $101.9 million is outstanding and $200 million under our ATM program, providing LTC with liquidity of $706.3 million. As a reminder, we have no significant long-term debt maturities over the next five years.

At the end of the 2021 first quarter, our credit metrics remain strong with net debt to annualized adjusted EBITDA for real estate of 5.1 times, an annualized adjusted fixed charge coverage ratio of 4.6 times, and a debt to enterprise value of 28.6%.

Next, I'll touch on rent deferrals and abatements. As Wendy mentioned, we collected 86.5% at first quarter rent and mortgage interest income, excluding the 50% reduction of the 2021 rent and interest escalations provided to eligible operators in the form of rent credits in the first quarter, which reduced cash revenue by $1.2 million and GAAP revenue by $292,000. Additionally, during the quarter we provided $1.1 million in rent deferrals net of repayments and $600,000 in rent abatements.

As Wendy mentioned, Senior Lifestyle has not paid us rent thus far in 2021, but we did receive rent from the operators to whom we transitioned former Senior Lifestyle Communities to date. In April 2021, rent deferrals net of repayments totaled $367,000 and rent abatements were $319,000. Additionally, we provided $133,000 and abated rent in April through a rent credit related to the rent escalation reduction already discussed. We also have agreed to provide rent deferrals and abatements of up to $800,000 for each of May and June 2021.

Now I'd like to turn the call over to Clint.

Clint Malin
Thanks, Pam. I'll start my discussion today with an update on our Senior Lifestyle portfolio. After transitioning 11 of the 23 properties in the first quarter, we transitioned one additional property in April. This property, a 48-unit member care community in Castle Rock, Colorado was transitioned to Graceful Senior Living, an operator new to LTC. The lease agreement is for a 5-year term with a purchase option exercisable after the first year of the lease. Cash rent starting in year two of the lease would be $150,000, $300,000 in year three, then escalating by 2% annually thereafter.

There are now 11 buildings remaining in the portfolio, of these we expect to re-tenant three by the end of the second quarter, and one by the end of the third quarter. Three additional properties in the portfolio are under contract for sale with an expected closing in Q2, at least four remaining buildings. One was closed as expected to be sold for an alternative use in the third quarter, and we are evaluating options for the remaining three, which have a total book value of approximately $3.4 million. We will provide more details on these transactions after they have been completed.

Next, I'll provide some color on our most recent development projects that are now operational. Weatherly Court, operated by Field Senior Living in Oregon, began accepting residents last September. At March 31st, occupancy was 24%, up from 23% on February 15 and 10% on October 23rd. Ignite Medical Resort in Blue Springs, located in Missouri, began welcoming patients last October. At March 31st, occupancy was 64%, the same at February 15, and 23% on October 23rd. We currently have three properties under development. They are all on schedule and on budget.

Moving now to Brookdale whose master lease was scheduled for exploration on December 31, 2021. We have recently extended their term by one year, now maturing on December 31, 2022. Brookdale's first renewal option will begin on January 1, 2022 and go through April 30, 2022. Rent terms under the amended master lease did not change. Last year we extended a $4 million capital commitment to Brookdale, which remains available through December 31, 2021 at a 7% yield. To-date, we have funded $2.1 million of this commitment. As a reminder, we only have one other lease that expires this year. The SNF operated under this lease is under contract for sale, closing expected in the second quarter.

Next, I'll discuss our portfolio numbers with the caveat that given the pandemic and the challenging environment it has created, we don't believe coverage is a good indicator of future performance at this time and are focused mainly on occupancy trends, which I will discuss shortly.

Q4 trailing 12-month EBITDARM and EBITDAR coverage as reported using a 5% management fee was 1.13x and 0.93x respectively for our assisted living portfolio. Excluding stimulus funds received by our operators, coverage is 1x and 0.8x respectively. Excluding Senior Lifestyle from our assisted living portfolio, as reported EBITDARM and EBITDAR coverages would increase to 1.23x and 1.02x respectively. Excluding both Senior Lifestyle and stimulus funds, EBITDARM and EBITDAR coverages would be 1.12x and 0.91x respectively.

For our skilled nursing portfolio, as reported EBITDARM and EBITDAR coverage was 1.9x and 1.45x respectively. Excluding stimulus funds, coverage was 1.51x and 1.07x respectively.

Now for some occupancy trends, which are as of March 31st. For our private pay portfolio, occupancy is as of that date specifically, and for our skilled portfolio, occupancy is the average for the month, because our partners have given this data to us on a voluntary and expedited basis, the information we are providing includes approximately 70% of our total private pay units, and approximately 91% of our skilled nursing beds.

Private pay occupancy was 71% at December 31st, 71% at January 31st, 70% at February 28th, and 72% at March 31st. For skilled nursing average monthly occupancy for the same time periods respectively was 67%, 67%, 65%, and 65%.

With respect to 2021 growth, our pipeline is more active than it's been in some time with opportunities predominantly in private pay, including a mix of existing operating partners and those new to LTC. We are pleased to be seeing improved deal flow, and we are making an increasing number of bids, but we can't provide specificity, with respect to when these deals, or what kind of deals will be closed, as the market has not yet returned to normal and sales cycles have been elongated.

As I said last quarter, when we are confident that we can complete deals at the right price for the right return, we will use our liquidity to provide strong regional operators with the growth capital they need. For now, we are focusing on smaller investments with what we believe to be a better risk reward profile, including mezzanine loans and preferred equity financing, several of which we have completed throughout the course of the pandemic.

Partnering with regional operators is an important part of our ongoing strategy, and we will continue to build relationships with those that have good operating track records and are experts in their local markets and regions.

With that, I'll turn the call back to Wendy for her closing remarks.

Wendy Simpson
Thank you, Pam and Clint. The disruption caused by the pandemic upended the world and more specifically our industry, and resulted in unprecedented, unchartered, and unpredictable operating cycles. However, the pandemic also highlighted the many deep strengths within our industry, and the people who provide care to those in need of those particular services. There are countless stories of heroism and bravery, of which we should all be proud.

As I said at the outset of today's call, we are moving forward with cautious optimism. As a result of the ramp-up of the vaccine rollout, government focus and attention on ending the pandemic, and an industry that continues to work steadfastly to stabilize occupancy and restore consumer confidence.

If we've learned one thing, it is that we are resilient. It is that resiliency that will help us through recovery as we work to return to pre-pandemic normalcy. You all know by now that I am very proud of our operators and the LTC team. We have built something to last, and while we were tested over this last year and continued to be tested, our culture of treating operators as partners, and maintaining a solid balance sheet will serve us well, as we continue to find accretive ways to enhance our portfolio, diversify our investments, and serve as a growth partner of choice.

Now, we'll open the call for your questions.

QUESTIONS AND ANSWERS

Operator
Now we'll begin with question-and-answer session. To ask a question, you may press star (*), then one (1) on your touchtone phone. If you are using a speakerphone, please pick up your handset before pressing the keys. To withdraw your question, please press star (*), then two (2). At this time, we will pause momentarily to assemble our roster.

First question comes from Juan Sanabria of BMO. Please go ahead.

Juan Sanabria
Hi, good morning out there. I was just hoping we could start a little bit with the Senior Care, if you could give a potential range of decreases in rents for the new tenants you are negotiating with relative to the in place lease or just to get a sense of the quantum of potential decreases in the rental rate?

Clint Malin
This is Clint. At this point, we're not able to give that information with the bankruptcy filing and new assessing. The timing of a transition that something's in process, and as we get more clarity on that, we'll provide updates next quarter, but we're not able to provide that information today.

Juan Sanabria
Can you disclose if there were any letters of credit applied in the first quarter that may not be available to pay rents in the second quarter?

Pam Kessler
Yes. We discussed a letter of credit that we drew down on last quarter, but we did not give the amount, and we don't have enough data right now.

Juan Sanabria
Okay. For switching topics to Brookdale. Can you provide any color as to why they only renewed for a year? I mean, is that -- should we take that as a point of caution maybe that there wasn't a longer extension at this time?

Clint Malin
I don't want to speculate on Brookdale's intentions, but I led to believe similar to last time with the pandemic, they want to -- they're walking into a 10-year renewal. They want to evaluate the current environment, and my assumption is the same holds true for this extension. So, I don't have any speculation or thoughts beyond that.

Juan Sanabria
Okay, and just one last quick one for me. Any – on the Florida disposition, any NOI that was lost on that sale and what were the proceeds?

Pam Kessler
The proceeds were a $1 million, right? It was a $1 million, $1 million dollars and …

Clint Malin
Those are $2.5 million.

Pam Kessler
I'm sorry. 2.5, 2.5 -- $2.5 million in the proceeds, and it was in the Senior Care lease. So, proceeds lost, I mean, they're not paying.

Wendy Simpson
Florida was not the Senior Care. No. She's wrong on that. No. It was not in Senior Care. It was another operator, and there was no NOI in 2017 or 2019.

Pam Kessler
In 2020 and not …

Wendy Simpson
2020.

Pam Kessler
Yes. Sorry.

Wendy Simpson
Among the three of us, we can get a right answer.

Pam Kessler
I thought we were referring to what we are currently selling. I'm sorry. We are selling one now out of Senior ~~Care~~ *Lifestyle* [*corrected by Company*], and that one also has no revenue on it currently.

Juan Sanabria
It's okay. Thank you. It's been a long year. It's Friday morning. So, all good. Thank you.

Operator
Thank you and next question is from Jordan Sadler of KeyBanc. Please go ahead.

Jordan Sadler
Thanks. Good morning, guys. So, I wanted to follow up on Senior Care. Did you say -- did you book a full quarter of rent, or accrue a full quarter of rent in the first quarter, from Senior Care Centers?

Pam Kessler
Yes, and they're on a cash basis. So, we drew down on the letter of credit and we booked a full quarter of rent.

Jordan Sadler
Okay.

Pam Kessler
So, there's no…

Jordan Sadler
Essentially same rent 4Q, 1Q from Senior Care Centers.

Pam Kessler
Yes.

Jordan Sadler
Got it and then, that’s helpful, and then the other question on them, know this is super early days, but from what I remember of the process, they have a short window to reject or affirm the lease. Have we come to that point or do we have line of sight to on what day they'll have to accept or reject the lease?

Clint Malin
Well, Jordan, it’s typically a 60-day period to assume or reject, and there can be extensions, granted by the court to that date, based on certain circumstances. But one thing that differs from this filing as opposed to last time is there is a Sub-Chapter 5 provision in Chapter 11 that really was born out of COVID to expedite bankruptcy processes. So, this is under a Sub-Chapter 5, which is new, and the fact that there's a Trustee appointed by the judge to effectively attempt to mediate resolution between the parties. The 60 days is the timeframe allotted to make that election to assume or reject.

Jordan Sadler
Okay, and then, just because this is a little bit unusual to us, because it is atypical to see the same borrower tenant file twice in two years, obviously, extenuating circumstances, in a sense, but we get the history a little bit with you guys and them. Is it your understanding, and if this would -- given that it's a Chapter 11, they want to try and protect and hold on to these properties assumedly again. And so, the objective, the motive of that 11 is to get rid of some other debt that’s not -- your lease payment or the rent, right? There's like working capital debt loans or some other debt in place that they'd look to get out from under.

Clint Malin
We're not aware. I mean, we're not aware of -- or what their objective is in the filing or what they're trying to satisfy. So…

Wendy Simpson
Other than…

Pam Kessler
to speculate on their motivation.

Wendy Simpson
Well, we can point Jordan to the press release they had. I don't know, Jordan, if you saw their press release, I think it was in May, right.

Pam Kessler
Yes, beginning of May. Yes.

Jordan Sadler
Okay.

Wendy Simpson
Beginning of May.

Jordan Sadler
Okay.

Pam Kessler
I'm sorry, beginning of April.

Wendy Simpson
Beginning of April

Jordan Sadler
Okay. Thank you. I get it. I know it's – I don't mean to put you in a pickle, but it's unusual. So, in terms of SLC, I know, you can't really speak to the remaining properties that have not yet transitioned, but just curious, Clint, is the -- is what we're seeing with the property that you did transition. So, your one rent of 150 going to 300 in year three 2%, is that a good indication or as a proxy for what might happen with the other leases?

Clint Malin
No. This is unique to this one asset in Colorado, effectively zero rent in year one. It's really when we give them purchase option to make -- hopefully, they can make improvements to occupancy, and then be able to purchase the building in the second year. So, we think it's likely that a purchase option will be exercised and in 12 to 24 months to purchase the asset. That's really the intent behind this. On this asset, specifically.

Wendy Simpson
It's a small asset, 48 units.

Clint Malin
As I mentioned in my comments, is a 48-unit memory care community.

Jordan Sadler
Okay, and then lastly, just on CMS's news surrounding PDPM, we were a little bit surprised by that on the potential, call it a claw back or adjustment. What are sort of the current expectations? What are you guys thinking might happen as you talk with industry groups and some of your partners?

Clint Malin
So, I don't think it was – it wasn’t a surprise to us. There's always been the potential for recalibration. I think that's been talked about since the commencement of PDPM. So, that always…

Jordan Sadler
Just seemed earlier was my thought. I thought it might be on the table for next year.

Clint Malin
So, one would think that you can pass the pandemic because there was an abnormal operating environment, so you would think that probably wouldn't have happened after we've had a period of time beyond the pandemic.

Pam Kessler
Yes, I wouldn't think they would use 2020 and 2021 as a data set of which to make a permanent decision. That would seem illogical, but they always put that out there that there's going to be a recalibration.

Jordan Sadler
Right, so do you think, is the current thinking that this could be implemented for fiscal year 2022? As you know, an ultimate adjustment to the rate comes on October 1st of this year?

Clint Malin
We're not sure when, as far as the actual implementation is still evolving as far as the recalibration and something we’re going to follow, but …

Pam Kessler
I think you would have to get some good recovery, return to normalcy data on which to make that decision, and I don't know -- we're not speculating on when that's going to happen in either of our asset classes.

Jordan Sadler
That’s very fair. All right, guys, Thank you.

Clint Malin
Thank you.

Pam Kessler
Welcome. Thanks.

Operator
Thank you, and our next question is from Omotayo Okusanya of Mizuho. Please go ahead.

Omotayo Okusanya
Oh well, good try. Hi, guys, how are you?

Wendy Simpson
We’re okay. Thank you.

Omotayo Okusanya
Good. So, I wanted to first talk about just skilled nursing recovery, again, because you have talked about you're starting to see some signs in both asset classes of things stabilizing, but under skilled nursing sites, can you just talk a little bit about recovery with your tenants, what kind of occupancy, rebound has been seen since January? And whether that gives you confidence. I think, again, it's the industry data seems to suggest that skilled nursing is bouncing back at like 100 bps a quarter, but I'm not quite sure if you guys see -- 100 bps a month, but I'm not sure if your tenant is seeing that whether the leading that, lagging that, unless you could talk about, you know, just what they're seeing?

Clint Malin
Sure, I gave the average monthly occupancies for the last four months and we have seen that it has -- hasn't continued to decrease though.

Pam Kessler
We are hoping troughed**.**

Clint Malin
We hope it's troughed. In discussions with the operators, in some markets, they are seeing a little bit of an uptick, others have been flat. So, it depends on the market, but positive thing is that we're looking at right now, hopefully that that decrease has troughed.

Omotayo Okusanya
But it just seems like really different from what the data has set up an industry for the first quarter. I guess, I'm struggling with why such a big difference.

Pam Kessler
In January, you're hearing that there was a return to normal discharge pattern?

Omotayo Okusanya
Yes, like the industry data seems to suggest that things troughed in January, and then February, March, you saw this 100 bps increase per month, and it just seems like your tenants didn't see that, or your portfolio didn't see that?

Pam Kessler
I don't know. Most of our tenants were still in the middle of the surge in January and in February.

Omotayo Okusanya
Okay. That's fine. The second question, if you can indulge me.

Wendy Simpson
We have a lot of assets in Michigan and Michigan had difficult times.

Omotayo Okusanya
Understood. Then the dividend again, I appreciate the comments you made of around that, Wendy. I guess my question is, what assumptions are you making about recovery to make you feel confident that one, you don't have to do anything with it? And then two, you return back to your target dividend payout by 2022?

Pam Kessler
This is Pam. We're assuming that there is a recovery and that the challenges our industry are facing currently are temporary and that with the green shoots that we're seeing and in the industry that we will return to normal occupancy and with normal margins.

Wendy Simpson
And the assets with Senior Care and Senior Lifestyle will be contributing.

Pam Kessler
Yes.

Omotayo Okusanya
All by 2022, so that's like 12 to 18 months out, do you think we're going to be at a point where we're back to normal?

Wendy Simpson
Right.

Omotayo Okusanya
Okay. Appreciate that, thank you.

Operator
Thank you. Again, if you have a question, please press star (*), then one (1).

Next question is from Michael Carroll, RBC Capital Markets. Please go ahead.

Michael Carroll
Yes. Thank you. I want to talk about the Brookdale, I guess, renewal, and I think Wendy, you said last time is that they execute renewal option, they could get the 50% credit on the rent escalators. I guess since this was shorter, do they still qualify for that credit, or is that different now that, since it's only like a shorter-term renewal.

Wendy Simpson
They got the credit. It was $133,000, so they got the credit, and Mike, they’re -- as Clint said, they're using money to improve the buildings. Their census is good, from what we are getting reported. We thought it was a positive move by Brookdale, but analysts take a different view sometimes.

Michael Carroll
No, I mean, I guess, renewing for an extra year during this environment is always good. And then, I guess, Pam, with regard to the Senior Care’s letters of credit, I guess, what's the uncertainty about how big that is? Is it just because it's in bankruptcy, there is a little bit more uncertainty what LTC is able to get from that, or why is that less known?

Pam Kessler
You're correct. It's because they're in bankruptcy and we're not providing much comment around that until it's resolved.

Michael Carroll
Okay, and then going back to Senior Lifestyles, what's the, I guess, the timeline of the four planned transitions? I know three is going to be in 2Q and one is in July, but I guess why is it taking longer time to adjust? Is there a licensing transfer within those specific states is the problem, or is it an operator that's trying to -- that was waiting for something different, or is it…? Can you talk a little bit about that?

Clint Malin
I would say, licensure, Mike, some states are longer than others, and then we do have the sale, and as I mentioned, the sale cycles and process are a little bit elongated. So, those would be the items.

Pam Kessler
The surge delayed some things. You couldn't get surveys and things done during that time.

Clint Malin
Yes. Earlier on, that was a little bit of a challenge, just getting people into the buildings, but -- I mean, that's -- we're beyond that at this point, but nothing other than those items.

Michael Carroll
Okay, and then the three assets that were -- you guys are still analyzing on what to do. I guess, what's the status of that? Is that just you're getting offers on potential leases and/or sales and you're analyzing those, or is it the license transfer? I guess, what's the discussions around those assets?

Clint Malin
They are analyzing the options, and we've got a couple that we're working on right now, and hopefully next quarter, we'll be available to provide more details regarding the timing of that. But again, we provided the net book value just for relevance associated with those three assets.

Michael Carroll
Okay. What's the gross book value on those three assets?

Clint Malin
I don't have the gross book in front of me. We can get that information to you, but the net book, I think, is more relevant.

Wendy Simpson
I'd say, Mike, that it's probably around $6 million to $7 million. Just because we built them and we built them in the '90s.

Michael Carroll
Okay, great. Thank you.

Operator
And next, we have a follow-up question from Juan Sanabria of BMO. Please go ahead.

Juan Sanabria
Hi. Thanks for the extra time. Just a quick question on the rents received in the first quarter. Were there any letters of credit applied outside of Senior Care that helped from a cash accounting perspective that may not recur in the second quarter?

Pam Kessler
No, there was not.

Juan Sanabria
Okay, and then just following up on, I think, a comment at the end of Tayo's question. Did I hear correctly that you expect a full recovery for both seniors and skilled in 18 months?

Pam Kessler
No, we --

Juan Sanabria
Occupancy in margin perspective.

Pam Kessler
No. We expect a full recovery, yes, but we do not know the timing of that. I mean, our crystal ball is not that sharp right now. Not that clear.

Juan Sanabria
Okay. Glad I followed up. Thank you.

Operator
Thank you. Again, if you have a question, please press star (*), then one (1). Next question is a follow-up from Omotayo Okusanya of Mizuho. Please go ahead.

Omotayo Okusanya
Yes, guys. So apart from SLC and SCC, can you just talk a little bit about, again, some of these tenants you have in your portfolios that, again, inherited portfolio of all transition portfolios, occupancy was already weak going into the pandemic and has gotten even weaker.

So, when I think about names, like Anthem, names like Ignite and some of these names, can you just talk a little bit about what you're seeing with those tenants? And how comfortable you feel with the idea that in -- those tenants may not need additional help, just because they're starting from a lower occupancy, as they're starting to get their portfolios together?

Clint Malin
Let's say -- for Anthem -- we have been working with them for a couple of years now to increase the rent, which we have -- which we've done over the past couple of years, and we provided them some flexibility, but not increasing the rent too high, so they had some flexibility on their cash flow going into COVID. So, we've not had to extend any incremental support to Anthem beyond that.

For the majority of the other operators that we've helped and provided assistance, it's really been the same set of operators, and it really is a result that Pam mentioned previously, on buildings that were at lease up, but at this point, it's the same population, as we've talked previously.

Omotayo Okusanya
Great. Thank you.

Pam Kessler
So that subset has not changed.

Omotayo Okusanya
Okay. Thank you.

Clint Malin
Thank you.

Operator
Thank you. We have no further questions at this time. Now I like to turn the call back over to Wendy Simpson for any closing remarks.

CONCLUSION

Wendy Simpson
Again, thank you very much for the time you spent paying attention to our company and we look forward to speaking to you next quarter. Thank you.

Operator
Conference is now concluded. Thank you for attending today's presentation. You may now disconnect.