UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2011

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.)

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 x No o

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

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

The number of shares of common stock outstanding on August 1, 2011 was 30,340,574.

LTC PROPERTIES, INC.

FORM 10-Q

June 30, 2011

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LTC PROPERTIES, INC.
CONSOLIDATED BALANCE SHEETS
(Amounts in thousands)

	June 30, 2011 *(unaudited)*	December 31, 2010 *(audited)*
ASSETS		
Real estate investments:		
Land	$ 48,230	$ 43,031
Buildings and improvements	625,945	567,017
Accumulated depreciation and amortization	(167,537)	(158,204)
Net operating real estate property	506,638	451,844
Properties held-for-sale, net of accumulated depreciation and amortization: 2011 — $613; 2010 — $505	5,018	5,113
Net real estate property	511,656	456,957
Mortgage loans receivable, net of allowance for doubtful accounts: 2011 — $945; 2010 — $981	55,410	59,026
Real estate investments, net	567,066	515,983
Other assets:		
Cash and cash equivalents	6,395	6,903
Debt issue costs, net	2,421	743
Interest receivable	1,535	1,571
Straight-line rent receivable,(1) net of allowance for doubtful accounts: 2011 — $656; 2010 — $634	21,757	20,090
Prepaid expenses and other assets	7,772	8,162
Other assets related to properties held-for-sale, net of allowance for doubtful accounts: 2011 — $839; 2010 — $839	51	51
Notes receivable	945	1,283
Marketable securities (2)	6,481	6,478
Total assets	$ 614,423	$ 561,264
LIABILITIES		
Bank borrowings	$ 70,000	$ 37,700
Senior unsecured notes	50,000	50,000
Bonds payable	3,200	3,730
Accrued interest	858	675
Earn-out liabilities	10,018	—
Accrued expenses and other liabilities	10,180	9,737
Accrued expenses and other liabilities related to properties held-for-sale	62	132
Distributions payable	—	1,768
Total liabilities	144,318	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	506,513	398,599
Cumulative net income	647,811	623,491
Other	234	264
Cumulative distributions	(725,218)	(693,970)
Total LTC Properties, Inc. stockholders' equity	468,143	455,560
Non-controlling interests	1,962	1,962
Total equity	470,105	457,522
Total liabilities and equity	$ 614,423	$ 561,264

(1) On June 30, 2011 and December 31, 2010, we had $2,945 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 June 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.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Revenues:				
Rental income (1)	$ 19,337	$ 15,790	$ 37,517	$ 31,128
Interest income from mortgage loans	1,613	1,836	3,269	3,815
Interest and other income (2)	230	299	647	574
Total revenues	21,180	17,925	41,433	35,517
Expenses:				
Interest expense	1,543	419	2,647	820
Depreciation and amortization	4,943	3,880	9,400	7,608
(Recovery) provision for doubtful accounts	(4)	51	(14)	1,184
Acquisition costs	35	30	165	113
Operating and other expenses	2,327	1,872	4,651	3,504
Total expenses	8,844	6,252	16,849	13,229
Income from continuing operations	12,336	11,673	24,584	22,288
Discontinued operations:				
Loss from discontinued operations	(74)	(43)	(168)	(88)
Net loss from discontinued operations	(74)	(43)	(168)	(88)
Net income	12,262	11,630	24,416	22,200
Income allocated to non-controlling interests	(48)	(48)	(96)	(96)
Net income attributable to LTC Properties, Inc.	12,214	11,582	24,320	22,104
Income allocated to participating securities	(85)	(58)	(174)	(101)
Income allocated to preferred stockholders	(818)	(3,785)	(7,442)	(7,570)
Net income available to common stockholders	$ 11,311	$ 7,739	$ 16,704	$ 14,433
Basic earnings per common share				
Continuing operations	$ 0.38	$ 0.33	$ 0.60	$ 0.62
Discontinued operation	$ (0.00)	$ (0.00)	$ (0.01)	$ (0.00)
Net income available to common stockholders	$ 0.38	$ 0.33	$ 0.59	$ 0.62
Diluted earnings per common share				
Continuing operations	$ 0.38	$ 0.33	$ 0.60	$ 0.62
Discontinued operation	$ (0.00)	$ (0.00)	$ (0.01)	$ (0.00)
Net income available to common stockholders	$ 0.37	$ 0.33	$ 0.59	$ 0.61
Weighted average shares used to calculate earnings per common share				
Basic	30,135	23,643	28,233	23,464
Diluted	30,168	23,743	28,264	23,563

(1) During the three and six months ended June 30, 2011, we received $1,068 and $2,127, respectively, in rental income and recorded $57 and $123, respectively, in straight-line rental income from a lessee that qualifies as a related party. During the three and six months ended June 30, 2010, we received $1,042 and $2,076, respectively, in rental income and recorded $83 and $175, 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 six months ended June 30, 2011 and 2010, we recognized $180 and $360, 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.

LTC PROPERTIES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in thousands)
(Unaudited)

	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010
OPERATING ACTIVITIES:		
Net income	$ 24,416	$ 22,200
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization — continuing and discontinued operations	9,508	7,874
Stock-based compensation expense	721	721
Straight-line rental income — continuing and discontinued operations (1)	(1,689)	(1,860)
(Recovery) provision for doubtful accounts — continuing and discontinued operations	(14)	1,255
Non-cash interest related to earn-out liabilities	177	—
Other non-cash items, net	823	496
Increase (decrease) in accrued interest payable	183	(2)
Decrease in interest receivable	33	45
Net change in other assets and liabilities	363	927
Net cash provided by operating activities	34,521	31,656
INVESTING ACTIVITIES:		
Investment in real estate properties and capital improvements, net	(54,381)	(40,844)
Investment in real estate mortgages	—	(72)
Principal payments received on mortgage loans receivable	3,620	1,957
Principal payments received on notes receivable	359	1,006
Net cash used in investing activities	(50,402)	(37,953)
FINANCING ACTIVITIES:		
Bank borrowings	119,000	37,500
Repayment of bank borrowings	(86,700)	(10,000)
Principal payments on mortgage loan payable and bonds payable	(530)	(8,180)
Proceeds from common stock offering	103,667	9,654
Distributions paid to non-controlling interests	(96)	(115)
Redemption of preferred stock	(88,413)	—
Distributions paid to stockholders	(29,450)	(25,986)
Other	(2,105)	66
Net cash provided by financing activities	15,373	2,939
Decrease in cash and cash equivalents	(508)	(3,358)
Cash and cash equivalents, beginning of period	6,903	8,856
Cash and cash equivalents, end of period	$ 6,395	$ 5,498
SUPPLEMENTAL CASH FLOW INFORMATION:		
Interest paid	$ 2,037	$ 640

(1) During the six months ended June 30, 2011 and 2010, we recorded $123 and $175, 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 senior housing and long term care properties through mortgage loans, property lease transactions and other investments. Our primary senior housing and long term care property types include skilled nursing properties (or SNF), assisted living properties (or ALF), independent living properties (or ILF) and combinations thereof.

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 six months ended June 30, 2011 and 2010 pursuant to the rules and regulations of the Securities and Exchange Commission (or SEC). 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. The results of operations for the three and six months ended June 30, 2011 and 2010 are not necessarily indicative of the results for a full year.

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 reclassifications have been made to the prior period consolidated financial statements to conform to the current period presentation, including changes as a result of the application of accounting guidance for properties disposed or classified as held-for-sale.

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.

2. Real Estate Investments

Mortgage Loans. The following table summarizes our investments in mortgage loans secured by first mortgages at June 30, 2011 *(in thousands)*:

Type of Property	Gross Investments	Percentage of Investments	Number of Loans	Number of Properties (1)	Number of SNF Beds	Number of ALF Units	Investment per Bed/Unit
Skilled Nursing	$ 30,166	53.5%	22	24	2,727	—	$ 11.06
Assisted Living	22,989	40.8%	9	14	—	424	54.22
Other Senior Housing (2)	3,200	5.7%	1	1	99	74	18.50
Totals	$ 56,355	100.0%	32	39	2,826	498	

(1) We have investments in 12 states that include mortgages to 15 different operators.
(2) Other senior housing consists of independent living properties and properties providing any combination of skilled nursing, assisted living and/or independent living services.

At June 30, 2011, the mortgage loans had interest rates ranging from 9.8% to 14.3% and maturities ranging from 2011 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 six months ended June 30, 2011, we received $1,712,000 in regularly scheduled principal payments and we received $1,908,000 plus accrued interest related to the payoff of two mortgage loans secured by one assisted living property and four skilled nursing properties. Subsequent to June 30, 2011, we received $649,000 plus accrued interest related to the payoff of a mortgage loan secured by a skilled nursing property located in Oklahoma.

During the six months ended June 30, 2010, we invested $72,000 under one mortgage loan for capital improvements and we received $1,957,000 in regularly scheduled principal payments. During the six months ended June 30, 2010, we recorded an $852,000 provision for doubtful accounts related to a mortgage loan secured by a school property located in Minnesota. On April 20, 2010, the borrower of the school property ceased operations. Subsequently, the borrower filing for Chapter 7 bankruptcy and we acquired the school property via deed-in-lieu of foreclosure. During the six months ended June 30, 2011, we leased this property to a third party school operator under a 15-month lease for $19,100 per month. Therefore, we reclassified this property from held-for-sale to held-for-use.

Owned Properties. The following table summarizes our investments in owned properties at June 30, 2011 *(in thousands)*:

Type of Property	Gross Investments	Percentage of Investments	Number of Properties (1)	Number of SNF Beds	Number of ALF Units	Number of ILF Units	Investment per Bed/Unit
Skilled Nursing	$ 318,029	46.8%	65	7,529	—	—	$ 42.24
Assisted Living	285,796	42.0%	88	—	3,941	—	72.52
Other Senior Housing (2)	63,811	9.4%	13	814	256	423	42.74
School	12,170	1.8%	2	—	—	—	—
Totals	$ 679,806	100.0%	168	8,343	4,197	423	

(1) We have investments in 25 states leased to 30 different operators.
(2) Other senior housing consists of independent living properties and properties providing any combination of skilled nursing, assisted living and/or independent living services.

Owned properties are leased pursuant to non-cancelable operating leases generally with an initial term of 10 to 15 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 one contains a limited period option that permits the operator to purchase the property. 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's rent, generally between 2.0% and 3.0%;
(ii) 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 six months ended June 30, 2011, we acquired two senior housing properties located in South Carolina with 118 licensed beds, 40 assisted living units and 53 independent living units for $11,450,000. These properties were leased to a third party operator under a 10-year lease with three 5-year renewal options. Also during the six months ended June 30, 2011, we purchased four skilled nursing properties with 524-beds in Texas for $50,841,000 which consists of $41,000,000 in cash at closing with the remainder in the form of contingent earn-out payments. The contingent earn-out payment arrangements require us to pay two earn-out payments totalling up to $11,000,000 upon the properties achieving a sustainable stipulated rent coverage ratio. We estimated the fair value of the contingent earn-out payments using a discounted cash flow analysis. This fair value measurement is based on significant input not observable in the market and thus represents a Level 3 measurement. These properties were leased to a third party operator under a 15-year lease with two five-year renewal options. During the six months ended June 30, 2011, we incurred and expensed $127,000 in transaction costs relating to these acquisitions. At the time of acquisition, we preliminarily estimated the allocation of the assets acquired based upon historical valuations of similar acquisitions and the facts and circumstances available at the time. We will determine the final value of the identifiable assets as soon as information is available, but not more than 12 months from the date of acquisition. We are also in the process of completing the final allocation of assets for our fourth quarter 2010 acquisitions.

Also during the six months ended June 30, 2011, we invested $1,791,000 at an average yield of 9.8%, under agreements to expand and renovate six existing properties operated by three different operators. We also invested $13,000 in capital improvements to one existing property under a lease agreement whose rental rates already reflected this investment.

During the six months ended June 30, 2011, we classified a 140-unit independent living property located in Texas that we acquired via foreclosure from Sunwest in 2008 as held-for-sale. We are actively marketing to sell this property. This reclassification was made in accordance with accounting guidance which requires that the financial results of properties meeting certain criteria be reported on a separate line item called "discontinued operations."

Subsequent to June, 30, 2011, we purchased a 140-bed skilled nursing property located in Texas for an aggregate purchase price of $10,000,000. Simultaneous with the purchase, we added the property to an existing master lease with an unrelated third-party operator at an incremental GAAP yield of 10.5%.

During the six months ended June 30, 2010, we acquired four properties comprised of 513 skilled nursing beds, 47 assisted living units, and 46 independent living units, for $38,850,000 and incurred and expensed $88,000 in transaction costs. Also during the six months ended June 30, 2010, we invested $890,000 at an average yield of 10.0%, under agreements to expand and renovate eight existing properties operated by six different operators. We also invested $1,016,000 in capital improvements to existing properties under various lease agreements whose rental rates already reflected this investment.

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

3. Notes Receivable

During the six months ended June 30, 2011 and 2010, we received $359,000 and $1,006,000, respectively, in principal payments under various loans and line of credit agreements with certain operators. At June 30, 2011 and December 31, 2010, we had five such loans outstanding with a carrying value of $945,000 and $1,283,000, respectively, at a weighted average interest rate of 11.5% and 11.9%, respectively.

4. Marketable Securities

At June 30, 2011 and December 31, 2010, 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 the three months ended June 30, 2011, we entered into a new $210,000,000 Unsecured Credit Agreement which provides for the opportunity to increase the credit amount up to a total of $250,000,000. The new Unsecured Credit Agreement provides a revolving line of credit with no scheduled maturities other than the maturity date of April 18, 2015, and allows us to borrow at the same interest rates applicable to borrowings under our prior agreement, 150 basis points over LIBOR based on current leverage ratios. Financial covenants contained in the new Unsecured Credit Agreement, which are measured quarterly, require us to maintain, among other things:

(i) a ratio of total indebtedness to total asset value not greater than 0.5 to 1.0;
(ii) a ratio of secured debt to total asset value not greater than 0.35 to 1.0;
(iii) a ratio of unsecured debt to the value of the unencumbered asset pool not greater than 0.6 to 1.0; and
(iv) a ratio of EBITDA, as calculated in the new Unsecured Credit Agreement, to fixed charges not less than 1.50 to 1.0.

During the six months ended June 30, 2011, we borrowed $119,000,000 and repaid $86,700,000 under our old and new Unsecured Credit Agreement. At June 30, 2011, we had $70,000,000 outstanding under our new Unsecured Credit Agreement with $140,000,000 available for borrowing and we were in compliance with all our covenants. Subsequent to June 30, 2011, we borrowed $5,000,000 and repaid $50,000,000 under our new Unsecured Credit Agreement. As a result, we had $25,000,000 outstanding under our new Unsecured Credit Agreement with $185,000,000 available for borrowing.

Senior Unsecured Notes. Subsequent to June 30, 2011, we sold to affiliates and managed accounts of Prudential Investment Management, Inc. (individually and collectively "Prudential") $50,000,000 aggregate principal amount of 4.8% senior unsecured term notes fully amortizing to maturity on July 20, 2021. The proceeds were used to pay down amounts outstanding under our Unsecured Credit Agreement. During 2010, we sold to Prudential $25,000,000 aggregate principal amount of 5.26% senior unsecured term notes due July 14, 2015 and $25,000,000 aggregate principal amount of 5.74% senior unsecured term notes fully amortizing to maturity on January 14, 2019.

Mortgage Loans Payable. At June 30, 2011 and December 31, 2010, we had no mortgage loans payable outstanding. During the six months ended June 30, 2010, we paid $7,685,000 in principal payments.

Bonds Payable. At June 30, 2011 and December 31, 2010, we had outstanding principal of $3,200,000 and $3,730,000 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 six months ended June 30, 2011, the weighted average interest rate, including letter of credit fees, on the outstanding bonds was 2.2%. During the six months ended June 30, 2011 and 2010, we paid $530,000 and $495,000, respectively, in regularly scheduled principal payments. As of June 30, 2011 and December 31, 2010, the aggregate carrying value of real estate properties securing our bonds payable was $7,046,000 and $7,179,000, 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, 2010	$ 455,560	$ 1,962	$ 457,522
Net income	24,320	96	24,416
Redemption of preferred stock	(88,413)	—	(88,413)
Common stock offering	103,667	—	103,667
Vested stock options and restricted stock	721	—	721
Reclassification adjustment	(30)	—	(30)
Non-controlling interest preferred return	—	(96)	(96)
Preferred stock dividends	(3,876)	—	(3,876)
Common stock dividends	(23,806)	—	(23,806)
Balance at June 30, 2011	$ 468,143	$ 1,962	$ 470,105

Preferred Stock. At June 30, 2011, we had 2,000,000 shares of our 8.5% Series C Cumulative Convertible Preferred Stock (or Series C preferred stock) outstanding. Our Series C preferred stock is convertible into 2,000,000 shares of our common stock at $19.25 per share. Total shares reserved for issuance of common stock related to the conversion of Series C preferred stock were 2,000,000 shares at June 30, 2011.

During the six months ended June 30, 2011, we redeemed 3,536,530 shares of our 8.0% Series F Cumulative Preferred Stock (or Series F preferred stock), representing all of our outstanding shares. The Series F preferred stock had a liquidation value of $25.00 per share. The redemption price was $25.1333 per share, including accrued and unpaid dividends up to the redemption date. Accordingly, we recognized the $3,566,000 of original issue costs related to the Series F preferred stock as a preferred stock redemption charge in the consolidated income statement line item income allocated to preferred stockholders.

Common Stock. During the six months ended June 30, 2011, we sold 3,990,000 shares of common stock at a price of $27.25 per share, before fees and costs of $5,061,000, in an underwritten public offering. The net proceeds of $103,667,000 were used to redeem all of our Series F preferred stock outstanding and the remaining net proceeds were used to partially repay amounts outstanding under our Unsecured Credit Agreement.

No common stock options were exercised during the six months ended June 30, 2011. During the six months ended June 30, 2010, a total of 6,666 common stock options were exercised at a total option value of $159,000 and a total market value on the date of exercise of $182,000.

We have an equity distribution agreement which allows us to issue and sell, from time to time, up to $85,686,000 in aggregate offering price of our common shares. Sales of common shares are made by means of ordinary brokers' transactions at market prices, in block transactions, or as otherwise agreed between us and our sales agents. During the six months ended June 30, 2011, we did not sell shares of our common stock under our equity distribution agreement. During the six months ended June 30, 2010, we sold 365,000 shares of common stock at a weighted average price, including fees, of $26.45, resulting in net proceeds of $9,654,000 after $249,000 of fees. At June 30, 2011, we had $64,573,000 available under this equity distribution agreement.

During 2010, we filed a Form S-3 "shelf" registration statement which became effective June 16, 2010 to replace our prior shelf registration statement. Our current shelf registration statement provides us with the capacity to offer up to $400,000,000 in common stock, preferred stock, warrants, debt, depositary shares, or units. We may from time to time raise capital under our current shelf registration in amounts, at prices, and on terms to be announced when and if the securities are offered. The specifics of any future offerings, along with the use of proceeds of any securities offered, will be described in detail in a prospectus supplement, or other offering materials, at the time of the offering. At June 30, 2011 we had availability of $167,614,000 under our effective shelf registration.

Non-controlling Interests. We have one limited partnership. The limited partnership agreement allows the limited partners to convert, on a one-for-one basis, their limited partnership units into shares of common stock or the cash equivalent, at our option. We have reserved 112,588 shares of our common stock under this partnership agreement. If we issue shares of our common stock upon limited partners' election to exercise their conversion rights, the carrying amount of the partnership would be reclassified to stockholders' equity. Since we exercise control, we consolidate the limited partnership and we carry the non-controlling interests at cost. At June 30, 2011, the carrying value and market value of the partnership conversion rights was $1,962,000 and $3,180,000, respectively.

Distributions. We declared and paid the following cash dividends *(in thousands)*:

	Six months ended June 30, 2011		Six months ended June 30, 2010	
	Declared	Paid	Declared	Paid
Preferred Stock				
Series C	$ 1,636	$ 1,636	$ 1,636	$ 1,636
Series E (1)	—	—	40	40
Series F (2)	2,240(3)	4,008	5,894	5,894
	3,876	5,644	7,570	7,570
Common Stock (4)	23,806	23,806	18,416	18,416
Total (5)	$ 27,682	$ 29,450	$ 25,986	$ 25,986

(1) During 2010, we redeemed all of our 8.5% Series E Cumulative Convertible preferred Stock.
(2) During 2011, we redeemed all of our 8.0% Series F Cumulative Convertible preferred Stock.
(3) Includes the accrued and unpaid dividends on the Series F preferred stock up to the redemption date.
(4) Represents $0.14 per share per month and $0.13 per share per month for the six months ended June 30, 2011 and 2010, respectively.
(5) The difference between declared and paid is the change in distributions payable on the balance at June 30 and December 31.

On July 5, 2011, we declared a monthly cash dividend of $0.14 per common share per month for the months of July, August and September, 2011, payable on July 29, August 31 and September 30, 2011, respectively, to stockholders of record on July 21, August 23 and September 22, 2011, respectively.

Other Equity. At June 30, 2011 and December 31, 2010, other equity consisted of accumulated comprehensive income of $234,000 and $264,000, respectively. This balance represents the net unrealized holding gains on available-for-sale REMIC Certificates recorded in 2005 when we repurchased the loans in the underlying loan pool. This amount is being amortized to increase interest income over the remaining life of the loans that we repurchased from the REMIC Pool.

The following table represents our consolidated comprehensive income *(in thousands)*:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Comprehensive Income:				
Net income	$ 12,262	$ 11,630	$ 24,416	$ 22,200
Reclassification adjustment	(15)	(28)	(30)	(56)
Comprehensive income	$ 12,247	$ 11,602	$ 24,386	$ 22,144

Stock-Based Compensation. No stock options were issued during the six months ended June 30, 2011 and 2010. At June 30, 2011, the total number of stock options that are scheduled to vest through December 31, 2011 and 2012 is 5,000 and 5,000, respectively. We have no stock options outstanding that are scheduled to vest beyond 2012. Compensation expense relating to the vesting of stock options for the three and six months ended June 30, 2011 were $4,000 and $8,000, respectively. Compensation expense relating to the vesting of stock options for the three and six months ended June 30, 2010 were $28,000 and $67,000, respectively. The remaining compensation expense to be recognized related to the future service period of unvested outstanding stock options for 2011 and 2012 is $8,000 and $10,000, respectively.

During the six months ended June 30, 2011, we granted 6,000 shares of restricted common stock at $28.70 per share. These shares vest ratably over a three-year period from the grant date. During the six months ended June 30, 2010, we granted 11,030 shares of restricted common stock at $26.53 per share, 4,000 shares of restricted common stock at $25.95 per share and 1,000 shares of restricted common stock at $25.04 per share. These shares vest ratably over a three-year period from the grant date. Also, during the six months ended June 30, 2010, we granted 99,661 shares of restricted common stock at $26.53 per share. These shares vest ratably over a five-year period with the first date of vesting beginning in December 31, 2010. During the three and six months ended June 30, 2011, we recognized $359,000 and $713,000, respectively, of compensation expense related to the vesting of restricted common stock. During the three and six months ended June 30, 2010, we recognized $327,000 and $654,000, respectively, of compensation expense related to the vesting of restricted common stock.

7. Commitments and Contingencies

During the six months ended June 30, 2011, we purchased four skilled nursing properties with 524-beds in Texas as described in *Note 2. Real Estate Investments*. As part of the purchase agreement, we paid cash at closing and committed to provide contingent earn-out payments if certain operational thresholds are met. The contingent earn-out payment arrangements require us to pay two earn-out payments totalling up to $11,000,000 upon the properties achieving a sustainable stipulated rent coverage ratio. We estimated the fair value of the contingent earn-out payments using a discounted cash flow analysis. This fair value measurement is based on significant input not observable in the market and thus represents a Level 3 measurement. The contingent earn-out payments were recorded at the date of acquisition in the amount of $9,841,000 and were included on the consolidated balance sheet line item "earn-out liabilities." During the three and six months ended June 30, 2011, we recorded non-cash interest expense of $177,000 related to the earn-out liabilities which represents the accretion of the difference between the current fair value and estimated payment of the contingent earn-out liabilities. At June 30, 2011, the contingent earn-out payments had a fair value of $10,018,000.

We committed to provide a lessee a line of credit agreement up to $50,000 at an interest rate of 10.0%. This commitment matures on March 31, 2012. As of June 30, 2011 we invested $20,000 under this agreement.

At June 30, 2011, we committed to provide the following capital improvement commitments *(dollar amounts in thousands)*:

Commitment	Expiration Date	Used Commitment	Open Commitment	Estimated Yield	Property Type (1)	Properties	Major Operator
$ 1,500	8/31/11	$ 1,315	$ 185	8.00%(2)	ALF	3	N/A
1,927	7/1/11(6)	1,802	125	10.00%(2)	Other	1	N/A
700	8/31/12	—	700	9.00%(3)	Other	2	N/A
5,000(5)	12/31/14	—	5,000	(4)	ALF	37	ALC
$ 9,127		$ 3,117	$ 6,010				

(1) Other senior housing consists of independent living properties and properties providing any combination of skilled nursing, assisted living and/or independent living services.
(2) Minimum rent will increase upon final funding and project completion or in some cases, the improvement deadline as defined in each lease agreement.
(3) Minimum rent will increase on the 1st of each month by the amount advanced in the previous month multiplied by the estimated yield.
(4) The yield is included in the initial lease rate.
(5) $5,000 per year for the life of the lease.
(6) Subsequent to June 30, 2011, we extended the expiration date to August 31, 2011.

8. Major Operators

We have three operators, based on properties subject to lease agreements and secured by mortgage loans that represent between approximately 10% and 20% of our total assets and three operators from each of which we derive over 10% of our rental revenue and interest income from mortgage loans.

In 2006, Extendicare Services, Inc. (or EHSI), one of our major operators, effected a reorganization whereby it completed a spin-off of Assisted Living Concepts, Inc. (or ALC). ALC is now a NYSE traded public company operating assisted living centers. The remaining EHSI assets and operations were converted into a Canadian REIT (Extendicare REIT) listed on the Toronto Stock Exchange (or TSX). Both Extendicare REIT and ALC continue to be parties to the leases with us.

Brookdale Senior Living Communities, Inc. (or Brookdale Communities) is a wholly owned subsidiary of a publicly traded company, Brookdale Senior Living, Inc. (or Brookdale).

The following table summarizes Extendicare REIT's, ALC's and Brookdale's financial information as of and for the three months ended March 31, 2011 per the operators' public filings (*in thousands, unaudited*). Our other operator is privately owned and thus no public financial information is available.

	Extendicare REIT(1)	ALC	Brookdale
Current assets	$ 517,048	$ 24,513	$ 254,253
Non-current assets	1,426,236	451,282	4,177,015
Current liabilities	940,628	38,466	726,733
Non-current liabilities	919,709	143,130	2,651,776
Stockholders' equity	82,947	294,199	1,052,759
Gross revenue	519,541	58,409	569,440
Operating expenses	459,663	49,067	557,440
(Loss) income from continuing operations	(8,394)	5,011	(12,305)
Net (loss) income	(8,394)	5,011	(12,305)
Cash provided by operations	28,889	14,977	92,666
Cash used in investing activities	(19,457)	(3,635)	(26,677)
Cash used in financing activities	(289)	(21,798)	(111,084)

(1) The numbers shown for Extendicare REIT are in Canadian dollars and are prepared in accordance with Canadian GAAP.

* The financial information contained in the foregoing table for Extendicare REIT, ALC and Brookdale is based on information we obtained from such companies' available public filings and, therefore, we have not independently verified the accuracy of such information.

Extendicare REIT and ALC collectively lease 37 assisted living properties with a total of 1,427 units owned by us representing approximately 9.2%, or $56,559,000, of our total assets at June 30, 2011 and 14.6% of rental revenue and interest income from mortgage loans recognized as of June 30, 2011.

Brookdale Communities leases 35 assisted living properties with a total of 1,416 units owned by us representing approximately 9.2%, or $56,453,000, of our total assets at June 30, 2011 and 14.0% of rental revenue and interest income from mortgage loans recognized as of June 30, 2011.

Preferred Care, Inc. (or Preferred Care), through various wholly owned subsidiaries, operates 30 skilled nursing properties and two other senior housing properties that we own or on which we hold mortgages secured by first trust deeds. These properties consist of a total of 3,861 skilled nursing beds and 49 assisted living units. This represents approximately 9.5%, or $58,187,000, of our total assets at June 30, 2011 and 12.9% of rental revenue and interest income from mortgage loans recognized as of June 30, 2011. They also operate one skilled nursing property under a sub-lease with another lessee we have which is not included in the Preferred Care rental revenue and interest income from mortgage loans.

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Our financial position and ability to make distributions may be adversely affected by financial difficulties experienced by Brookdale Communities, Extendicare REIT, ALC, Preferred Care, or any of our lessees and borrowers, including any bankruptcies, inability to emerge from bankruptcy, insolvency or general downturn in business of any such operator, or in the event any such operator does not renew and/or extend its relationship with us or our borrowers when it expires.

9. Transactions with Related Party

We have entered into transactions with Skilled Healthcare Group, Inc. (or SHG). One of our directors, Boyd W. Hendrickson, serves as Chief Executive Officer of SHG.

In December 2005, we purchased, on the open market, $10,000,000 face value of SHG Senior Subordinated Notes with a face rate of 11.0% and an effective yield of 11.1%. One of our directors, Boyd W. Hendrickson, serves as Chief Executive Officer of SHG. Our Board of Directors, with Mr. Hendrickson abstaining, ratified the purchase of SHG Senior Subordinated Notes. As a result of an early redemption by SHG in 2007, we have a remaining investment in $6,500,000 face value of SHG Senior Subordinated Notes at June 30, 2011 and December 31, 2010. During each of the three and six months ended June 30, 2011 and 2010, we recognized $180,000 and $360,000, respectively, of interest income related to the SHG Senior Subordinated Notes. Interest on the notes is payable semi-annually in arrears and the notes mature on January 15, 2014.

In addition, during September 2007 SHG purchased the assets of Laurel Healthcare (or Laurel). We were not a direct party to this transaction. One of the assets SHG purchased was Laurel's leasehold interests in the skilled nursing properties in New Mexico Laurel leased from us under a 15-year master lease agreement dated in February 2006. Our Board of Directors, with Mr. Hendrickson abstaining, ratified our consent to the assignment of Laurel's master lease to subsidiaries of SHG. The economic terms of the master lease agreement did not change as a result of our assignment of the master lease to subsidiaries of SHG. During the three and six months ended June 30, 2011, we received $1,068,000 and $2,127,000, respectively, in rental income and recorded $57,000 and $123,000, respectively, in straight-line rental income from subsidiaries of SHG. During the three and six months ended June 30, 2010, we received $1,042,000 and $2,076,000, respectively, in rental income and recorded $83,000 and $175,000, respectively, in straight-line rental income from subsidiaries of SHG. At June 30, 2011 and December 31, 2010, the straight-line rent receivable from subsidiaries of SHG was $2,945,000 and $2,822,000, respectively.

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10. Earnings per Share

The following table sets forth the computation of basic and diluted net income per share (*in thousands, except per share amounts*):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Income from continuing operations	$ 12,336	$ 11,673	$ 24,584	$ 22,288
Less net income allocated to non-controlling interests:	(48)	(48)	(96)	(96)
Less net income allocated to participating securities:				
Nonforfeitable dividends on participating securities	(85)	(58)	(174)	(101)
Total net income allocated to participating securities	(85)	(58)	(174)	(101)
Less net income allocated to preferred stockholders:				
Preferred stock dividends	(818)	(3,785)	(3,876)	(7,570)
Preferred stock redemption charge	—	—	(3,566)	—
Total net income allocated to preferred stockholders	(818)	(3,785)	(7,442)	(7,570)
Income from continuing operations available to common stockholders	11,385	7,782	16,872	14,521
Net loss from discontinued operations:				
Discontinued operations	(74)	(43)	(168)	(88)
Total net loss from discontinued operations	(74)	(43)	(168)	(88)
Total net income available to common stockholders	11,311	7,739	16,704	14,433

Effect of dilutive securities:				
Convertible preferred securities	—	20	—	40
Net income for diluted net income per share	$ 11,311	$ 7,759	$ 16,704	$ 14,473
Shares for basic net income per share	30,135	23,643	28,233	23,464
Effect of dilutive securities:				
Stock options	33	24	31	24
Convertible preferred securities	—	76	—	75
Shares for diluted net income per share	30,168	23,743	28,264	23,563
Basic net income per share	$ 0.38	$ 0.33	$ 0.59	$ 0.62
Diluted net income per share (1)	$ 0.37	$ 0.33	$ 0.59	$ 0.61

(1) For the three and six months ended June 30, 2011 and 2010, the Series C Cumulative Convertible Preferred Stock, the participating securities and the non-controlling interest have been excluded from the computation of diluted net income per share as such inclusion would be anti-dilutive.

LTC PROPERTIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
(Unaudited)

11. Fair Value Measurements

In accordance with the accounting guidance regarding the fair value option for financial assets and financial liabilities, entities are permitted to choose to measure certain financial assets and liabilities at fair value, with the change in unrealized gains and losses on items for which the fair value option has been elected reported in earnings. We did not adopt the elective fair market value option for our financial assets and financial liabilities.

The carrying amount of cash and cash equivalents approximates fair value because of the short-term maturity of these instruments. We do not invest our cash in auction rate securities. The carrying value and fair value of our financial instruments as of June 30, 2011 and December 31, 2010 assuming election of fair value for our financial assets and financial liabilities were as follows (*in thousands*):

	At June 30, 2011		At December 31, 2010	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Mortgage loans receivable	$ 55,410	$ 63,188(1)	$ 59,026	$ 67,697(1)
Marketable debt securities	6,481	6,679(2)	6,478	6,695(2)
Bonds payable	3,200	3,200(3)	3,730	3,730(3)
Bank borrowings	70,000	70,000(3)	37,700	37,700(3)
Senior Unsecured Notes	50,000	51,367(4)	50,000	49,943(4)

(1) Our investment in mortgage loans receivable is classified as Level 3. The fair value is determined using a widely accepted valuation technique, discounted cash flow analysis on the expected cash flows. The discount rate is determined using our assumption on market conditions adjusted for market and credit risk and current returns on our investments. The discount rate used to value our future cash inflows of the mortgage loans receivable at June 30, 2011 and December 31, 2010 was 7.5%.
(2) Our investment in marketable debt securities is classified as Level 2. The fair value is measured using quoted market rates based on most recent transactions from an independent third party source. The pricing of our marketable debt securities as of June 30, 2011 and December 31, 2010 was 102.75% and 103.00%, respectively. See *Note 4. Marketable Securities* for further discussion.
(3) Our bonds payable and bank borrowings are at a variable interest rate. The estimated fair value of our bonds payable and bank borrowings approximated their carrying values at June 30, 2011 and December 31, 2010 based upon prevailing market interest rates for similar debt arrangements. Subsequent to June 30, 2011, we borrowed $5,000 and repaid $50,000 under our Unsecured Credit Agreement. As a result, we had $25,000 outstanding under our Unsecured Credit Agreement with $185,000 available for borrowing.
(4) Our obligation under our senior unsecured notes is classified as Level 3 and thus the fair value is determined using a widely accepted valuation technique, discounted cash flow analysis on the expected cash flows. The discount rate is measured based upon management's estimates of rates currently prevailing for comparable loans available to us, and instruments of comparable maturities. At June 30, 2011 and December 31, 2010, the discount rate used to value our future cash outflow of our senior unsecured notes was 4.8% and 5.5%, respectively. Subsequent to June 30, 2011, we sold to Prudential $50,000 aggregate principal amount of 4.8% senior unsecured term notes fully amortizing to maturity of July 20, 2021. The proceeds were used to pay down amounts outstanding under our Unsecured Credit Agreement.

12. Subsequent Events

Subsequent to June 30, 2011 the following events occurred.

We received $649,000 plus accrued interest related to the payoff of a mortgage loan secured by a skilled nursing property located in Oklahoma.

We declared a monthly cash dividend of $0.14 per common share per month for the months of July, August and September, 2011, payable on July 29, August 31 and September 30, 2011, respectively, to stockholders of record on July 21, August 23 and September 22, 2011, respectively.

LTC PROPERTIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

We sold to Prudential $50,000,000 aggregate principal amount of 4.8% senior unsecured term notes fully amortizing to maturity on July 20, 2021. The proceeds were used to pay down amounts outstanding under our Unsecured Credit Agreement, as discussed below.

We borrowed $5,000,000 and repaid $50,000,000 under our Unsecured Credit Agreement. As a result, we had $30,000,000 outstanding under our Unsecured Credit Agreement with $185,000,000 available for borrowing.

We purchased a 140-bed skilled nursing property located in Texas for an aggregate purchase price of $10,000,000. Simultaneous with the purchase, we added the property to an existing master lease with an unrelated third-party operator at an incremental GAAP yield of 10.5%.

We extended the maturity of a $1,927,000 capital improvement commitment on a senior housing property providing a combination of skilled nursing and assisted living services from July 1, 2011 to August 31, 2011. The commitment includes interest compounded at 10% on each advance made from the disbursement date until either the final distribution of the commitment or the maturity date. Upon final distribution or maturity of the capital improvement commitment, minimum rent shall increase by the total commitment funded multiplied by 10%. As of June 30, 2011 we had invested $1,802,000 under this agreement.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Executive Overview

Business

We are a self-administered health care real estate investment trust (or REIT) that invests primarily in senior housing and long term healthcare properties through mortgage loans, property lease transactions and other investments. Our primary senior housing and long term healthcare property types include skilled nursing properties (or SNF), assisted living properties (or ALF), independent living properties (or ILF) and combinations thereof. In the second quarter of 2011, senior housing and long term healthcare properties comprised approximately 98% of our investment portfolio. We have been operating since August 1992.

The following table summarizes our "direct real estate investment portfolio" (properties that we own or on which we hold promissory notes secured by first mortgages) as of June 30, 2011 (*dollar amounts in thousands*):

			Six Months Ended June 30, 2011				Number of		
Type of Property	Gross Investments	Percentage of Investments	Rental Income (2)	Interest Income (3)	Percentage of Revenues (4)	Number of Properties (5)	SNF Beds	ALF Units	ILF Units
Skilled Nursing	$ 348,195	47.3%	$ 16,668	$ 1,776	45.2%	89	10,256	—	—
Assisted Living	308,785	41.9%	16,565	1,306	43.8%	102	—	4,365	—
Other Senior Housing (1)	67,011	9.1%	3,659	187	9.4%	14	913	330	423
Schools	12,170	1.7%	627	—	1.6%	2	—	—	—
Totals	$ 736,161	100.0%	$ 37,519	$ 3,269	100.0%	207	11,169	4,695	423

(1) Other senior housing consists of independent living properties and properties providing any combination of skilled nursing, assisted living and/or independent living services.
(2) Includes rental income from continuing and discontinued operations.
(3) Includes interest income from mortgage loans.
(4) Includes rental income from continuing and discontinued operations and interest income from mortgage loans.
(5) We have investments in 30 states leased or mortgaged to 42 different operators.

As of June 30, 2011 we had $567.1 million in carrying value of net real estate investments, consisting of $511.7 million or 90.0% invested in owned and leased properties and $55.4 million or 10.0% invested in mortgage loans secured by first mortgages.

For the six months ended June 30, 2011, rental income and interest income from mortgage loans represented 90.5% and 7.9%, respectively, of total gross revenues. In most instances, our lease structure contains fixed annual rental escalations, which are generally recognized on a straight-line basis over the minimum lease period. Certain leases have annual rental escalations that are contingent upon changes in the Consumer Price Index and/or changes in the gross operating revenues of the property. This revenue is not recognized until the appropriate contingencies have been resolved. For the six months ended June 30, 2011 and 2010, we recorded $1.7 million and $1.9 million, respectively, in straight-line rental income. Also during six months ended June 30, 2011 and 2010, we recorded $22,000 and $0.4 million, respectively, of straight-line rent receivable reserve. Straight-line rental income for leases in place at June 30, 2011 will decrease from $3.3 million for projected annual 2011 to $1.9 million for projected annual 2012 assuming no modification or replacement of existing leases and no new leased investments with fixed annual rental escalations are added to our portfolio. Conversely, our cash rental income is projected to increase from $73.6 million for projected annual 2011 to $76.5 million for projected annual 2012 assuming no modification or replacement of existing leases and no new leased investments are added to our portfolio. During the six months ended June 30, 2011, we received $36.2 million of cash rental revenue and recorded amortization of lease inducement cost of $0.3 million. At June 30, 2011 and December 31, 2010, the straight-line rent receivable balance, net of reserves, for continuing and discontinued operations on the balance sheet was $21.8 million and $20.1 million, respectively.

Our primary objectives are to sustain and enhance stockholder equity value and provide current income for distribution to stockholders through real estate investments in senior housing and long term care properties managed by experienced operators. To meet these objectives, we attempt to invest in properties that provide opportunity for additional value and current returns to our stockholders and diversify our investment portfolio by geographic location, operator and form of investment. We opportunistically consider investments in health care facilities in related businesses where the business model is similar to our existing model and the opportunity provides an attractive expected return. Consistent with this strategy, we pursue, from time to time, opportunities for potential acquisitions and investments, with due diligence and negotiations often at different stages of development at any particular time.

· With respect to skilled nursing properties, we attempt to invest in properties that do not have to rely on a high percentage of private-pay patients. We seek to invest primarily in properties that are located in suburban and rural areas of states. We prefer to invest in a property that has significant market presence in its community and where state certificate of need and/or licensing procedures limit the entry of competing properties.

· For assisted living and independent living investments we have attempted to diversify our portfolio both geographically and across product levels. Thus, we believe that although the majority of our investments are in affordably priced units, our portfolio also includes a significant number of upscale units in appropriate markets with certain operators.

Substantially all of our revenues and sources of cash flows from operations are derived from operating lease rentals and interest earned on outstanding loans receivable. Our investments in mortgage loans and owned properties represent our primary source of liquidity to fund distributions and are dependent upon the performance of the operators on their lease and loan obligations and the rates earned thereon. To the extent that the operators experience operating difficulties and are unable to generate sufficient cash to make payments to us, there could be a material adverse impact on our consolidated results of operations, liquidity and/or financial condition. To mitigate this risk, we monitor our investments through a variety of methods determined by the type of health care facility and operator. Our monitoring process includes periodic review of financial statements for each facility, periodic review of operator credit, scheduled property inspections and review of covenant compliance relating to real estate taxes and insurance.

In addition to our monitoring and research efforts, we also structure our investments to help mitigate payment risk. Some operating leases and loans are credit enhanced by guaranties and/or letters of credit. In addition, operating leases are typically structured as master leases and loans are generally cross-defaulted and cross-collateralized with other loans, operating leases or agreements between us and the operator and its affiliates.

Depending upon the availability and cost of external capital, we anticipate making additional investments in health care related properties. New investments are generally funded from cash on hand and temporary borrowings under our unsecured line of credit and internally generated cash flows. Our investments generate internal cash from rent and interest receipts and principal payments on mortgage loans receivable. Permanent financing for future investments, which replaces funds drawn under our unsecured line of credit, is expected to be provided through a combination of public and private offerings of debt and equity securities and secured and unsecured debt financing. The timing, source and amount of cash flows provided by financing activities and used in investing activities are sensitive to the capital markets environment, especially to changes in interest rates. Changes in capital markets environment may impact the availability of cost-effective capital. We believe our liquidity and various sources of available capital are sufficient to fund operations, meet debt service obligations (both principal and interest), make dividend distributions and finance future investments.

We believe our business model has enabled and will continue to enable us to maintain the integrity of our property investments, including in response to financial difficulties that may be experienced by operators. Traditionally, we have taken a conservative approach to managing our business, choosing to maintain liquidity and exercise patience until favorable investment opportunities arise.

At June 30, 2011, we had $6.4 million of cash on hand, $140.0 million available on our Unsecured Credit Agreement which matures April 18, 2015, and the uncommitted private shelf agreement with affiliates and managed accounts of Prudential Investment Management, Inc. (individually and collectively "Prudential") which provides for the possible issuance of up to $50.0 million of senior unsecured fixed-rate term notes during the three-year issuance period. Subsequent to June 30, 2011, we sold to Prudential $50.0 million aggregate principal amount of 4.8% senior unsecured term notes fully amortizing to maturity on July 20, 2021. Proceeds were used to pay down $50.0 million outstanding under our Unsecured Credit Agreement. Accordingly, there are no more funds available on the uncommitted private shelf agreement with Prudential. In addition, we borrowed $5.0 million under our Unsecured Credit Agreement to fund the acquisition of a 140-bed skilled nursing property in Texas. Subsequently, we had $25.0 million outstanding under our Unsecured Credit Agreement and $185.0 million available for borrowing. We also have the potential ability to access the capital markets through the issuance of $64.6 million of common stock under our equity distribution agreement and through the issuance of debt and/or equity securities under our $167.6 million effective shelf registration. As a result, we believe our liquidity and various sources of available capital are sufficient to fund operations, meet debt service obligations (both principal and interest), make dividend distributions and finance some future investments should we determine such future investments are financially feasible.

Healthcare Regulatory Climate

The Centers for Medicare & Medicaid Services (or CMS) annually updates Medicare SNF prospective payment system rates and other policies. On July 29, 2011, CMS issued its final update to its annual update to SNF rates for fiscal year 2012, which begins on October 1, 2011. Under the final rule, SNF rates will be reduced by 11.1%, or $3.87 billion, compared to fiscal year 2011 levels. CMS has stated that the rate reduction is due to the need to recalibrate SNF PPS rates to correct what CMS characterizes as an "unexpected spike" in payments in fiscal year 2011, when CMS implemented the Resource Utilization Groups, version four (RUG-IV) patient classification system. Although CMS intended implementation of RUG-IV to be budget-neutral, CMS has taken the position that claims under the updated system show a significant increase in Medicare expenditures, in part because the proportion of patients grouped in the highest-paying RUG therapy categories greatly exceeded CMS expectations. CMS is applying a 12.6% recalibration reduction, which is partially offset by a 1.7% standard rate update (which represents a 2.7% market basket update reduced by a 1.0% percentage point "multifactor productivity adjustment" mandated by the Affordable Care Act). There can be no assurance that this rule or any future reductions in Medicare SNF payment rates could not have an adverse effect on the financial condition of our borrowers and lessees which could, in turn, adversely impact the timing or level of their payments to us.

In March 2010, the President signed into law the Affordable Care Act. This law is designed to expand access to affordable health insurance, contain health care costs, and institute a variety of health policy reforms. The provisions of the sweeping law may affect us directly, as well as impact our lessees and borrowers. While certain provisions, such as expanding the insured population, may positively impact the revenues of our lessees and borrowers, other provisions, particularly those intended to reduce federal health care spending, could have a negative impact on our lessees and borrowers. Among other things, the Affordable Care Act: reduces Medicare skilled nursing facility reimbursement by a so-called "productivity adjustment" based on economy-wide productivity gains beginning in fiscal year 2012 as noted above; requires the development of a value-based purchasing program for Medicare skilled nursing facility services; establishes a national voluntary pilot program to bundle Medicare payments for hospital and post-acute services that could lead to changes in the delivery of post-acute services; and provides incentives to state Medicaid programs to promote community-based care as an alternative to institutional long-term care services. The Affordable Care Act also includes provisions intended to expand public disclosure about nursing home ownership and operations, institute mandatory compliance and quality assurance programs, increase penalties for noncompliance, and expand fraud and abuse enforcement and penalty provisions that could impact our operators. In addition, the Affordable Care Act impacts both us and our lessees and borrowers as employers, including new requirements related to the health insurance we offer to our respective employees. Many aspects of the Affordable Care Act are being implemented through new regulations and subregulatory guidance. We cannot predict at this time what effect, if any, the various provisions of the Affordable Care Act will have on our lessees and borrowers or our business. There can be no assurances, however, that the Affordable Care Act will not adversely impact the operations, cash flows or financial condition of our lessees and borrowers, which subsequently could materially adversely impact our revenue and operations.

In addition, comprehensive reforms affecting the payment for and availability of health care services have been proposed at the state level and adopted by certain states. Congress and state legislatures can be expected to continue to review and assess alternative health care delivery systems and payment methodologies. Changes in the law, new interpretations of existing laws, or changes in payment methodologies may have a dramatic effect on the definition of permissible or impermissible activities, the relative costs associated with doing business and the amount of reimbursement by the government and other third party payors.

Key Transactions

During the three months ended June 30, 2011, we entered into a new $210.0 million Unsecured Credit Agreement which provides for the opportunity to increase the credit amount up to a total of $250.0 million. The new Unsecured Credit Agreement provides a revolving line of credit with no scheduled maturities other than the maturity date of April 18, 2015, and allows us to borrow at the same interest rates applicable to borrowings under our prior agreement, 150 basis points over LIBOR based on current leverage ratios. Financial covenants contained in the new Unsecured Credit Agreement, which are measured quarterly, require us to maintain, among other things:

(i) a ratio of total indebtedness to total asset value not greater than 0.5 to 1.0;
(ii) a ratio of secured debt to total asset value not greater than 0.35 to 1.0;
(iii) a ratio of unsecured debt to the value of the unencumbered asset pool not greater than 0.6 to 1.0; and
(iv) a ratio of EBITDA, as calculated in the new Unsecured Credit Agreement, to fixed charges not less than 1.50 to 1.0.

Key Performance Indicators, Trends and Uncertainties

We utilize several key performance indicators to evaluate the various aspects of our business. These indicators are discussed below and relate to concentration risk and credit strength. Management uses these key performance indicators to facilitate internal and external comparisons to our historical operating results in making operating decisions and for budget planning purposes.

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Concentration Risk. We evaluate our concentration risk in terms of asset mix, investment mix, operator mix and geographic mix. Concentration risk is valuable to understand what portion of our investments could be at risk if certain sectors were to experience downturns. Asset mix measures the portion of our investments that are real property or mortgage loans. In order to qualify as an equity REIT, at least 75 percent of our total assets must be represented by real estate assets, cash, cash items and government securities. Investment mix measures the portion of our investments that relate to our various property types. Operator mix measures the portion of our investments that relate to our top three operators. Geographic mix measures the portion of our investment that relate to our top five states. The following table reflects our recent historical trends of concentration risk *(gross investment in thousands)*:

	Period Ended				
	6/30/11	3/31/11	12/31/10	9/30/10	6/30/10
Asset mix:					
Real property	$ 679,806	$ 679,616	$ 615,666	$ 564,539	$ 560,254
Loans receivable	56,355	58,018	60,007	65,455	68,644
Investment asset mix:					
Skilled nursing properties	$ 348,195	$ 349,700	$ 298,734	$ 280,452	$ 279,098
Assisted living properties	308,785	308,702	309,129	281,912	281,575
Other senior housing properties (1)	67,011	67,062	55,640	55,460	55,205
Schools	12,170	12,170	12,170	12,170	13,020
Operator asset mix:					
Extendicare (ALC)	$ 88,034	$ 88,034	$ 88,034	$ 88,034	$ 88,034
Preferred Care, Inc. (2)	88,324	88,489	87,685	86,920	86,516
Brookdale Communities	84,210	84,210	84,210	84,210	84,210
Remaining operators	475,593	476,901	415,744	370,830	370,138
Geographic mix:					
Texas	$ 182,317	$ 183,600	$ 134,366	$ 109,015	$ 109,556
Florida	70,345	70,406	70,466	53,023	53,078
Ohio	56,804	56,804	56,804	56,804	56,804
New Mexico	48,876	48,876	48,876	48,876	48,876
Arizona	41,212	41,212	41,212	41,212	41,212
Remaining states	336,607	336,736	323,949	321,064	319,372

(1) Other senior housing properties consist of independent living properties and properties providing any combination of skilled nursing, assisted living and/or independent living services.
(2) Preferred Care, Inc. leases 23 skilled nursing and two other senior housing properties under two master leases and one skilled nursing property under a separate lease agreement. In addition, they operate six skilled nursing properties securing five mortgage loans receivable that we have with unrelated third parties and one mortgage loan receivable we have with Preferred Care. They also operate one skilled nursing facility under a sub-lease with another lessee we have which is not included in the Preferred Care operator mix.

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Credit Strength. We measure our credit strength both in terms of leverage ratios and coverage ratios. Our leverage ratios include debt to book capitalization and debt to market capitalization. The leverage ratios indicate how much of our consolidated balance sheet capitalization is related to long term obligations. Our coverage ratios include interest coverage ratio and fixed charge coverage ratio. The coverage ratios indicate our ability to service interest and fixed charges (interest plus preferred dividends). The coverage ratios are based on earnings before interest, taxes, depreciation and amortization. Leverage ratios and coverage ratios are widely used by investors, analysts and rating agencies in the valuation, comparison, rating and investment recommendations of companies. The following table reflects the recent historical trends for our credit strength measures:

	Year to Date	Quarter Ended				
	6/30/11	6/30/11	3/31/11	12/31/10	9/30/10	6/30/10
Debt to book capitalization ratio	20.8%	20.8%(1)	10.1%(4)	16.7%(1)	10.5%(11)	8.9%
Debt & Preferred Stock to book capitalization ratio	27.3%	27.3%(1)	17.5%(5)	39.8%(1)	35.3%(12)	45.8%
Debt to market capitalization ratio	12.2%	12.2%(1)	5.6%(4)	9.5%(8)	6.3%(11)	5.5%
Debt & Preferred Stock to market capitalization ratio	16.0%	16.0%(1)	9.6%(5)	23.0%(8)	21.4%(12)	28.6%
Interest coverage ratio(13)	13.8x	12.2x(2)	16.1x(6)	17.5x(9)	19.4x(7)	38.3x
Fixed charge coverage ratio(13)	5.6x	8.0x(3)	4.3x	4.8x(10)	3.8x	3.8x

(1) Increase primarily due to the increase in bank borrowing.
(2) Decrease primarily due to the increase in interest expense due to increased bank borrowing, increase in debt issue costs relating to the new Unsecured Credit Agreement and the non-cash interest related to the contingent earn-out liabilities. See *Item 1. Financial Statements—Note 5. Debt Obligations* for further discussion on the Unsecured Credit Agreement. See *Item 1. Financial Statements—Note 7. Commitments and Contingencies* for further discussion on the earn-out liabilities.
(3) Increase due to the decrease in preferred dividends resulting from the redemption of all our Series F preferred stock, partially offset by the increase in interest expense, as discussed above. See *Item 1. Financial Statements—Note 6. Equity* for further discussion on the Series F preferred stock redemption.
(4) Decrease primarily due to the payoff of the outstanding bank borrowing in March 2011.
(5) Decrease primarily due to the payoff of the outstanding bank borrowing in March 2011 and the redemption of all of our Series F preferred stock.
(6) Decrease due to the increase in interest expense relating to higher average outstanding bank borrowing.
(7) Decrease primarily due to the increase in interest expense related to the $50.0 million senior unsecured term notes.
(8) Increase primarily due to the increase in bank borrowing partially offset by the increase in market capitalization.
(9) Decrease primarily due to the increase in interest expense relating to increased bank borrowing and the new senior unsecured term notes partially offset by the increase in income generated from acquisitions in 2010 and the one-time bankruptcy settlement distribution relating to Sunwest.
(10) Increase primarily due to the decrease in preferred dividends resulting from our redemption of all of our Series E and 40% of our Series F preferred stock outstanding and the increase in income generated from acquisitions in 2010 and the one-time bankruptcy settlement distribution relating to Sunwest.
(11) Increase primarily due to the new senior unsecured term notes.
(12) Decrease primarily due to our redemption of all of our Series E and 40% of our Series F preferred stock outstanding.
(13) In calculating our interest coverage and fixed charge coverage ratios above, we use EBITDA, which is a financial measure not derived in accordance with U.S. generally accepted accounting principles (non-GAAP financial measure). EBITDA is not an alternative to net income, operating income, income from continuing operations or cash flows from operating activities as calculated and presented in accordance with U.S. GAAP. You should not rely on EBITDA as a substitute for any such U.S. GAAP financial measures or consider it in isolation, for the purpose of analyzing our financial performance, financial position or cash flows. Net income is the most directly comparable GAAP measure to EBITDA. Below are a reconciliation of net income to EBITDA and the calculation of the interest coverage and fixed charge coverage ratios disclosed above.

	Year to Date	Quarter Ended				
	6/30/11	6/30/11	3/31/11	12/31/10	9/30/10	6/30/10
Net income	$ 24,416	$ 12,262	$ 12,154	$ 12,291	$ 11,562	$ 11,630
Less: Gain on sale	—	—	—	(310)	—	—
Add: Interest Expense	2,647	1,543	1,104	981	852	419
Add: Depreciation and amortization — continuing & discontinued operations	9,508	4,987	4,521	4,162	4,073	4,014
Total EBITDA	$ 36,571	$ 18,792	$ 17,779	$ 17,124	$ 16,487	$ 16,063
Interest expense	$ 2,647	$ 1,543	$ 1,104	$ 981	$ 852	$ 419
Interest coverage ratio	13.8x	12.2x	16.1x	17.5x	19.4x	38.3x
Interest expense	$ 2,647	$ 1,543	$ 1,104	$ 981	$ 852	$ 419
Preferred stock dividends (excludes preferred stock redemption charge)	3,876	818	3,058	2,586	3,506	3,785
Total fixed charges	$ 6,523	$ 2,361	$ 4,162	$ 3,567	$ 4,358	$ 4,204
Fixed charge coverage ratio	5.6x	8.0x	4.3x	4.8x	3.8x	3.8x

We evaluate our key performance indicators in conjunction with current expectations to determine if historical trends are indicative of future results. Our expected results may not be achieved and actual results may differ materially from our expectations. This may be a result of various factors, including, but not limited to

- The status of the economy;
- The status of capital markets, including prevailing interest rates;
- Compliance with and changes to regulations and payment policies within the health care industry;
- Changes in financing terms;
- Competition within the health care and senior housing industries; and
- Changes in federal, state and local legislation.

Management regularly monitors the economic and other factors listed above. We develop strategic and tactical plans designed to improve performance and maximize our competitive position. Our ability to achieve our financial objectives is dependent upon our ability to effectively execute these plans and to appropriately respond to emerging economic and company-specific trends.

Operating Results

Three months ended June 30, 2011 compared to three months ended June 30, 2010

Revenues for the three months ended June 30, 2011 increased to $21.2 million from $17.9 million for the same period in 2010 primarily due to increases in rental income partially offset by decreases in interest income from mortgage loans, as discussed below. Rental income for the three months ended June 30, 2011 increased $3.5 million from the same period in 2010 primarily due to increases resulting from acquisitions in 2011 and 2010.

Interest income from mortgage loans for the three months ended June 30, 2011 decreased $0.2 million from the same period in 2010 primarily due to payoffs and normal amortization of existing mortgage loans.

Interest and other income for the three months ended June 30, 2011 decreased $0.1 million from the same period in 2010 primarily due to normal amortization of existing notes receivables.

Interest expense for the three months ended June 30, 2011 was $1.1 million higher than the same period in 2010 primarily due to the sale of $50.0 million aggregate principal of senior unsecured notes in 2010, higher average amounts outstanding under our unsecured line of credit and the non-cash interest related to the earn-out liabilities which represents the accretion of the difference between the current fair value and estimated payment of the contingent earn-out liabilities.

Depreciation and amortization expense for the three months ended June 30, 2011 increased $1.1 million from the same period in 2010 primarily due to acquisitions in 2011 and 2010 and capital improvement investments.

The provision for doubtful accounts for the three months ended June 30, 2011 decreased $0.1 million from the same period in 2010 because the credit quality of a lessee improved such that we determined it was no longer necessary to reserve the straight-line rental income related to that lessee.

Acquisition costs were comparable for each of the three month periods ended June 30, 2011 and 2010.

Operating and other expenses for the three months ended June 30, 2011 increased $0.5 million from the same period in 2010 primarily due to additional expenses relating to the hiring of two new full time employees and timing of expenditures.

For the three months ended June 30, 2011 and 2010, net loss from discontinued operations included the financial results from properties disposed or classified as held-for-sale. Properties classified as held-for-sale include a 140-unit independent living property located in Texas that we acquired via foreclosure from Sunwest Management, Inc. (or Sunwest) in 2008. This reclassification was made in accordance with accounting guidance which requires that the financial results of properties meeting certain criteria be reported on a separate line item called "discontinued operations."

Net income available to common stockholders for the three months ended June 30, 2011 increased $3.6 million from the same period in 2010 primarily due to the redemption of all of our Series F preferred stock in 2011 and 2010 and by the changes previously described above.

Six months ended June 30, 2011 compared to six months ended June 30, 2010

Revenues for the six months ended June 30, 2011 increased to $41.4 million from $35.5 million for the same period in 2010 primarily due to increases in rental income partially offset by decreases in interest income from mortgage loans, as discussed below. Rental income for the six months ended June 30, 2011 increased $6.4 million from the same period in 2010 primarily due to increases resulting from acquisitions in 2011 and 2010.

Interest income from mortgage loans for the six months ended June 30, 2011 decreased $0.5 million from the same period in 2010 primarily due to payoffs, normal amortization of existing mortgage loans and the 2010 deed in lieu of foreclosure of a mortgage loan secured by a private school property located in Minnesota.

Interest and other income for the six months ended June 30, 2011 increased $0.1 million from the same period in 2010 primarily due to a $0.2 million bankruptcy settlement distribution related to Sunwest in 2011 partially offset by normal amortization of existing notes receivables.

Interest expense for the six months ended June 30, 2011 was $1.8 million higher than the same period in 2010 primarily due to the sale of $50.0 million aggregate principal of senior unsecured notes in 2010, higher average amounts outstanding under our unsecured line of credit and the non-cash interest related to the earn-out liabilities which represents the accretion of the difference between the current fair value and estimated payment of the contingent earn-out liabilities.

Depreciation and amortization expense for the six months ended June 30, 2011 increased $1.8 million from the same period in 2010 primarily due to acquisitions in 2011 and 2010 and capital improvement investments.

The provisions for doubtful accounts for the six months ended June 30, 2011 decreased $1.2 million from the same period in 2010 primarily due to a provision for doubtful accounts charge in first quarter of 2010 related to a mortgage loan secured by a school property located in Minnesota and because the credit quality of a lessee improved such that we determined it was no longer necessary to reserve the straight-line rental income related to that lessee.

Acquisition costs were comparable for each of the six month periods ended June 30, 2011 and 2010.

Operating and other expenses for the six months ended June 30, 2011 increased $1.1 million from the same period in 2010 primarily due to increased salaries and benefits related to two new full time employees, higher consulting and marketing expense and timing of certain expenditures.

For the six months ended June 30, 2011 and 2010, net loss from discontinued operations included the financial results from properties disposed or classified as held-for-sale. Properties classified as held-for-sale include a 140-unit independent living property located in Texas that we acquired via foreclosure from Sunwest in 2008. This reclassification was made in accordance with accounting guidance which requires that the financial results of properties meeting certain criteria be reported on a separate line item called "discontinued operations."

Net income available to common stockholders for the six months ended June 30, 2011 increased $2.3 million from the same period in 2010 primarily due to the changes previously described above.

Liquidity and Capital Resources

Operating Activities. At June 30, 2011, our real estate investment portfolio (before accumulated depreciation and amortization) consisted of $679.8 million invested primarily in owned long-term healthcare properties and mortgage loans of approximately $56.4 million (prior to deducting a $0.9 million reserve). Our portfolio consists of direct investments (properties that we either own or on which we hold promissory notes secured by first mortgages) in 89 skilled nursing properties, 102 assisted living properties, 14 other senior housing properties and two schools. These properties are located in 30 states. Other senior housing properties consist of independent living properties and properties providing any combination of skilled nursing, assisted living and/or independent living services. For the six months ended June 30, 2011, we had net cash provided by operating activities of $34.5 million.

For the six months ended June 30, 2011 we recorded $1.7 million in straight-line rental income. Assuming no modification or replacement of existing leases and no new leased investments are added to our portfolio, we currently expect that straight-line rental income for leases in place at June 30, 2011 will decrease from $3.3 million for projected annual 2011 to $1.9 million for projected annual 2012 and, conversely, our cash rental income is projected to increase from $73.6 million for projected annual 2011 to $76.5 million for projected annual 2012. Also during the six months ended June 30, 2011, we recorded a reserve of $22,000 on our straight-line rent receivable. During the six months ended June 30, 2011 we received $36.2 million of cash rental revenue and recorded $0.3 million of amortized lease inducement cost.

Investing and Financing Activities. For the six months ended June 30, 2011, we used $50.4 million of cash for investing activities. During the six months ended June 30, 2011, we received $1.7 million in regularly scheduled principal payments and we received $1.9 million plus accrued interest related to the payoff of two mortgage loans secured by one assisted living property and four skilled nursing properties. Subsequent to June 30, 2011, we received $0.6 million plus accrued interest related to the payoff of a mortgage loan secured by a skilled nursing property.

During the six months ended June 30, 2011, we acquired two senior housing properties located in South Carolina with 118 licensed beds, 40 assisted living units and 53 independent living units for $11.5 million. These properties were leased to a third party operator under a 10-year lease with three 5-year renewal options. Also during the six months ended June 30, 2011, we purchased four skilled nursing properties with 524-beds in Texas for $50.8 million which was comprised of $41.0 million in cash at closing with the remainder in the form of contingent earn-out payments. The earn-out payment arrangements require us to pay two earn-out payments totalling up to $11.0 million upon the properties achieving a sustainable stipulated rent coverage ratio. These properties were leased to a third party operator under a 15-year lease with two five-year renewal options. During the six months ended June 30, 2011, we incurred and expensed $0.1 million in transaction costs related to these acquisitions.

Also during the six months ended June 30, 2011, we invested $1.8 million at an average yield of 9.8%, under agreements to expand and renovate six existing properties operated by three different operators. We also invested $13,000 in capital improvements to one existing property under a lease agreement whose rental rates already reflected this investment.

Subsequent to June, 30, 2011, we purchased a 140-bed skilled nursing property located in Texas for an aggregate purchase price of $10.0 million. Simultaneous with the purchase, we added the property to an existing master lease with an unrelated third-party operator at an incremental GAAP yield of 10.5%.

During the six months ended June 30, 2011, we received $0.4 million in principal payments on notes receivable. At June 30, 2011, we had five such loans outstanding with a carrying value of $0.9 million at a weighted average interest rate of 11.5%.

For the six months ended June 30, 2011, we had $15.4 million of cash provided by financing activities. During the six months ended June 30, 2011, we paid $0.5 million in scheduled principal payments on bonds payable. During the three months ended June 30, 2011, we entered into a new $210.0 million Unsecured Credit Agreement which provides for the opportunity to increase the credit amount up to a total of $250.0 million. The new Unsecured Credit Agreement provides a revolving line of credit with no scheduled maturities other than the maturity date of April 18, 2015, and allows us to borrow at the same interest rates applicable to borrowings under our prior agreement, 150 basis points over LIBOR based on current leverage ratios. Financial covenants contained in the new Unsecured Credit Agreement, which are measured quarterly, require us to maintain, among other things:

(i) a ratio of total indebtedness to total asset value not greater than 0.5 to 1.0;
(ii) a ratio of secured debt to total asset value not greater than 0.35 to 1.0;
(iii) a ratio of unsecured debt to the value of the unencumbered asset pool not greater than 0.6 to 1.0; and
(iv) a ratio of EBITDA, as calculated in the new Unsecured Credit Agreement, to fixed charges not less than 1.50 to 1.0.

During the six months ended June 30, 2011, we borrowed $119.0 million and repaid $86.7 million under our old and new Unsecured Credit Agreement. At June 30, 2011, we had $70.0 million outstanding under the new Unsecured Credit Agreement with $140.0 million available for borrowing. At June 30, 2011, we were in compliance with all our covenants. Subsequent to June 30, 2011, we borrowed $5.0 million and repaid $50.0 million under our Unsecured Credit Agreement. As a result, we had $25.0 million outstanding under our Unsecured Credit Agreement and $185.0 million available for borrowing.

Subsequent to June 30, 2011, we sold to affiliates and managed accounts of Prudential Investment Management, Inc. (individually and collectively "Prudential") $50.0 million aggregate principal amount of 4.8% senior unsecured term notes fully amortizing to maturity on July 20, 2021. The proceeds were used to pay down amounts outstanding under our Unsecured Credit Agreement, as discussed above.

During the six months ended June 30, 2011, we granted 6,000 shares of restricted common stock at $28.70 per share. These shares vest ratably over a three-year period from the grant date. Additionally, during the six months ended June 30, 2011, we sold 3,990,000 shares of common stock at a price of $27.25 per share, before fees and costs of $5.1 million, in an underwritten public offering. The net proceeds of $103.7 million were used to redeem all of our Series F preferred stock outstanding, as discussed below, and the remaining net proceeds were used to partially pay down amounts outstanding under our Unsecured Credit Agreement.

During the six months ended June 30, 2011, we redeemed 3,536,530 shares of our Series F preferred stock, representing all of the outstanding shares. The Series F preferred stock had a liquidation value of $25.00 per share. The redemption price was $25.1333 per share, including accrued and unpaid dividends up to the redemption date. Accordingly, we recognized the $3.6 million of original issue costs related to the Series F preferred stock as a preferred stock redemption charge in the consolidated income statement line item income allocated to preferred stockholders.

We paid cash dividends on our Series C and Series F preferred stock totalling $1.6 million and $4.0 million, respectively. Additionally, we declared and paid cash dividends on our common stock totalling $23.8 million. On July 5, 2011, we declared a monthly cash dividend of $0.14 per common share per month for the months of July, August and September, 2011, payable on July 29, August 31 and September 30, 2011, respectively, to stockholders of record on July 21, August 23 and September 22, 2011, respectively.

We have an equity distribution agreement which allows us to issue and sell, from time to time, up to $85.7 million in aggregate offering price of our common shares. Sales of common shares are made by means of ordinary brokers' transactions at market prices, in block transactions, or as otherwise agreed between us and our sales agents. During the six months ended June 30, 2011, we did not sell shares of common stock under our equity distribution agreement. At June 30, 2011, we had $64.6 million available under this equity distribution agreement.

Available Shelf Registration. During 2010, we filed a Form S-3 "shelf" registration statement which became effective June 16, 2010, to replace our prior shelf registration statement. Our current shelf registration statement provides us with the capacity to offer up to $400.0 million in common stock, preferred stock, warrants, debt, depositary shares, or units. We may from time to time raise capital under our current shelf registration in amounts, at prices, and on terms to be announced when and if the securities are offered. The specifics of any future offerings, along with the use of proceeds of any securities offered, will be described in detail in a prospectus supplement, or other offering materials, at the time of the offering. At June 30, 2011, we had availability of $167.6 million under our effective shelf registration.

Liquidity. We expect our future income and ability to make distributions from cash flows from operations to depend on the collectibility of our rents and mortgage loans receivable. The collection of these loans and rents will be dependent, in large part, upon the successful operation by the operators of the skilled nursing properties, assisted living properties, other senior housing properties and schools we own or that are pledged to us. Other senior housing properties consist of independent living properties and properties providing any combination of skilled nursing, assisted living and/or independent living services. The operating results of the facilities will be impacted by various factors over which the operators/owners may have no control. Those factors include, without limitation, the status of the economy, changes in supply of or demand for competing long-term healthcare facilities, ability to control rising operating costs, and the potential for significant reforms in the long-term healthcare industry. In addition, our future growth in net income and cash flow may be adversely impacted by various proposals for changes in the governmental regulations and financing of the long-term healthcare industry. We cannot presently predict what impact these proposals may have, if any. We believe that an adequate provision has been made for the possibility of loans proving uncollectible but we will continually evaluate the financial status of the operations of the skilled nursing facilities, assisted living facilities, other facilities and the school. In addition, we will monitor our borrowers and the underlying collateral for mortgage loans and will make future revisions to the provision, if considered necessary.

Our investments, principally our investments in mortgage loans and owned properties, are subject to the possibility of loss of their carrying values as a result of changes in market prices, interest rates and inflationary expectations. The effects on interest rates may affect our costs of financing our operations and the fair market value of our financial assets. Generally our loans have predetermined increases in interest rates and our leases have agreed upon annual increases. Inasmuch as we may initially fund some of our investments with variable interest rate debt, we would be at risk of net interest margin deterioration if medium and long-term rates were to increase. As of June 30, 2011, only $3.2 million of our debt, excluding our Unsecured Credit Agreement, was at a variable interest rate.

At June 30, 2011, we had $6.4 million of cash on hand, $140.0 million available on our Unsecured Credit Agreement which matures April 18, 2015, and the uncommitted private shelf agreement with affiliates and managed accounts of Prudential Investment Management, Inc. (individually and collectively "Prudential") which provides for the possible issuance of up to $50.0 million of senior unsecured fixed-rate term notes during the three-year issuance period. Subsequent to June 30, 2011, we sold to Prudential $50.0 million aggregate principal amount of 4.8% senior unsecured term notes fully amortizing to maturity on July 20, 2021. Proceeds were used to pay down $50.0 million outstanding under our Unsecured Credit Agreement. Accordingly, there are no more funds available on the uncommitted private shelf agreement with Prudential. In addition, we borrowed $5.0 million under our Unsecured Credit Agreement to fund the acquisition of a 140-bed skilled nursing property in Texas. Subsequently, we had $25.0 million outstanding under our Unsecured Credit Agreement and $185.0 million available for borrowing. We also have the potential ability to access the capital markets through the issuance of $64.6 million of common stock under our equity distribution agreement and through the issuance of debt and/or equity securities under our $167.6 million effective shelf registration.

We believe that our current cash balance, cash flow from operations available for distribution or reinvestment and our new Unsecured Credit Agreement borrowing capacity are sufficient to provide for payment of our current operating costs, meet debt obligations, provide funds for distribution to the holders of our preferred stock and pay common dividends at least sufficient to maintain our REIT status and repay borrowings at, or prior to, their maturity. The timing, source and amount of cash flows provided by financing activities and used in investing activities are sensitive to the capital markets environment, especially to changes in interest rates. We continuously evaluate the availability of cost-effective capital and believe we have sufficient liquidity for additional capital investments in 2011.

Critical Accounting Policies

There have been no material changes from the critical accounting policies as previously disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2010.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There were no material changes in our market risk during the six months ended June 30, 2011. For additional information, refer to Item 7A as presented in our Annual Report on Form 10-K for the year ended December 31, 2010.

Item 4. CONTROLS AND PROCEDURES

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities and Exchange Act of 1934, as amended). As of the end of the period covered by this report based on such evaluation our Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, our disclosure controls and procedures were effective.

There has been no change in our internal control over financial reporting during the period covered by this report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II

OTHER INFORMATION

Statement Regarding Forward Looking Disclosure

This quarterly report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, adopted pursuant to the Private Securities Litigation Reform Act of 1995. Statements that are not purely historical may be forward-looking. You can identify some of the forward-looking statements by their use of forward-looking words, such as "believes," "expects," "may," "will," "should," "seeks," "approximately," "intends," "plans," "estimates" or "anticipates," or the negative of those words or similar words. Forward- looking statements involve inherent risks and uncertainties regarding events, conditions and financial trends that may affect our future plans of operation, business strategy, results of operations and financial position. A number of important factors could cause actual results to differ materially from those included within or contemplated by such forward-looking statements, including, but not limited to, the status of the economy, the status of capital markets (including prevailing interest rates), and our access to capital; the income and returns available from investments in health care related real estate, the ability of our borrowers and lessees to meet their obligations to us, our reliance on a few major operators; competition faced by our borrowers and lessees within the health care industry, regulation of the health care industry by federal, state and local governments, (including as a result of the Patient Protection and Affordable Care Act of 2010 and the Health Care and Education Reconciliation Act of 2010), changes in Medicare and Medicaid reimbursement amounts (including due to federal and state budget constraints), compliance with and changes to regulations and payment policies within the health care industry, debt that we may incur and changes in financing terms, our ability to continue to qualify as a real estate investment trust, the relative illiquidity of our real estate investments, potential limitations on our remedies when mortgage loans default, and risks and liabilities in connection with properties owned through limited liability companies and partnerships. For a discussion of these and other factors that could cause actual results to differ from those contemplated in the forward-looking statements, please see the discussion under "Risk Factors" contained in our Annual Report on Form 10-K for the fiscal year ended December 31, 2010 and in our publicly available filings with the Securities and Exchange Commission. We do not undertake any responsibility to update or revise any of these factors or to announce publicly any revisions to forward-looking statements, whether as a result of new information, future events or otherwise.

Item 1. Legal Proceedings

We are a party from time to time to various general and professional liability claims and lawsuits asserted against the lessees or borrowers of our properties, which in our opinion are not singularly or in the aggregate material to our results of operations or financial condition. These types of claims and lawsuits may include matters involving general or professional liability, which we believe under applicable legal principles are not our responsibility as a non-possessory landlord or mortgage holder. We believe that these matters are the responsibility of our lessees and borrowers pursuant to general legal principles and pursuant to insurance and indemnification provisions in the applicable leases or mortgages. We intend to continue to vigorously defend such claims.

Item 1A. Risk Factors

There have been no material changes from the risk factors as previously disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2010.

Item 6. Exhibits

3.1 LTC Properties, Inc. Articles of Restatement (incorporated by reference to Exhibit 3.1 to LTC Properties Inc.'s Form 10-Q for the quarter ended June 30, 2009)

3.2 Bylaws of LTC Properties, Inc., as amended and restated August 3, 2009 (incorporated by reference to Exhibit 3.2 to LTC Properties Inc.'s Form 10-Q for the quarter ended June 30, 2009)

10.1 Credit Agreement dated as of April 18, 2011 among LTC Properties, Inc. and Bank of Montreal, Chicago Branch as Administrative Agent, BMO Capital Markets, as Co-Lead Arranger and Joint Book Runner, and Key Bank National Association, as Syndication Agent, and KeyBanc Capital Markets, Inc., as Co-Lead Arranger and Joint Book Runner (incorporated by reference to Exhibit 10.1 to LTC Properties Inc.'s Current Report on Form 8-K dated April 19, 2011)

10.2 Amendment and Modification to Note Purchase and Private Shelf Agreement dated May 5, 2011 between LTC Properties, Inc. and Prudential Investment Management, Inc. dated May 5, 2011(incorporated by reference to Exhibit 10.1 to LTC Properties Inc.'s Current Report on Form 8-K dated May 5, 2011)

10.3 Amendment and Modification to Note Purchase and Private Shelf Agreement dated July 8, 2011 between LTC Properties, Inc. and Prudential Investment Management, Inc. dated July 8, 2011

31.1 Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

31.2 Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

32 Certifications pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

101 The following materials from LTC Properties, Inc.'s Form 10-Q for the quarter ended June 30, 2011, formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets at June 30, 2011 and December 31, 2010; (ii) Consolidated Statements of Income for the three and six months ended June 30, 2011 and 2010; (iii) Consolidated Statements of Cash Flows for the six months ended June 30, 2011 and 2010; and (iv) Notes to Consolidated Financial Statements*

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* Pursuant to Rule 406T of Regulation S-T, the Interactive Data Files on Exhibit 101 hereto are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities and Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

LTC PROPERTIES, INC.
Registrant

Dated: August 8, 2011	By:	/s/ PAMELA SHELLEY-KESSLER
		Pamela Shelley-Kessler Executive Vice President, Chief Financial Officer and Corporate Secretary (Principal Financial and Accounting Officer)

Prudential Investment Management, Inc.
The Prudential Insurance Company of America
Pruco Life Insurance Company
United of Omaha Life Insurance Company
c/o Prudential Capital Group
2029 Century Park East, Suite 710
Los Angeles, CA 90067

July 8, 2011

LTC Properties, Inc.
2829 Townsgate Road, Suite 350,
Westlake Village, California 91361

Re: Amendment and Modification to Note Purchase and Private Shelf Agreement

Ladies and Gentlemen:

Reference is made to the Note Purchase and Private Shelf Agreement, dated as of July 14, 2010 (as amended, restated, supplemented or otherwise modified from time to time, the "**Agreement**"), by and between LTC Properties, Inc., a Maryland corporation (the "**Company**"), and certain direct and indirect Subsidiaries of the Company from time to time party to the Agreement as Guarantors, on the one hand, and the Purchasers named therein, on the other hand. Capitalized terms used and not otherwise defined herein shall have the meanings provided in the Agreement.

1. Amendment. Pursuant to the provisions of Section 17 of the Agreement, and subject to the terms and conditions of this letter agreement, the Purchasers hereby agree with the Company that Section 2B(1) of the Agreement is amended and restated as of July 8, 2011, as follows:

"**2B(1) Facility.** PIM is willing to consider, in its sole discretion and within limits that may be authorized for purchase by PIM and Prudential Affiliates from time to time, the purchase of Shelf Notes pursuant to this Agreement. The willingness of PIM to consider such purchase of Shelf Notes is herein called the "Facility." At any time, (i) the aggregate principal amount of Shelf Notes stated in Section 1C, minus (ii) the aggregate principal amount of Shelf Notes purchased and sold pursuant to this Agreement prior to such time, minus (iii) the aggregate principal amount of Accepted Notes (as hereinafter defined) which have not yet been purchased and sold hereunder prior to such time, is herein called the "Available Facility Amount" at such time. **NOTWITHSTANDING THE WILLINGNESS OF PIM TO CONSIDER PURCHASES OF SHELF NOTES, THIS AGREEMENT IS ENTERED INTO ON THE EXPRESS UNDERSTANDING THAT NEITHER PIM NOR ANY PRUDENTIAL AFFILIATE SHALL BE OBLIGATED TO MAKE OR ACCEPT OFFERS TO PURCHASE SHELF NOTES, OR TO QUOTE RATES, SPREADS OR OTHER TERMS WITH RESPECT TO SPECIFIC PURCHASES OF SHELF NOTES, AND THE FACILITY SHALL IN NO WAY BE CONSTRUED AS A COMMITMENT BY PIM OR ANY PRUDENTIAL AFFILIATE.** Notwithstanding anything to the contrary appearing herein, in no event shall any Note be purchased under the Facility by a Prudential Affiliate described in clause (i) of the definition thereof if, upon giving effect to such purchase and the use of proceeds thereof, the aggregate principal amount all Notes and any other notes of the Company then outstanding and held by all Prudential Affiliates described in such clause, would exceed $87,500,000."

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2. Limitation of Modifications. The amendment effected in this letter agreement shall be limited precisely as written and shall not be deemed to be (a) an amendment, consent, waiver or other modification of any other terms or conditions of the Agreement or any other document related to the Agreement, or (b) a consent to any future amendment, consent, waiver or other modification. Except as expressly set forth in this letter, the Agreement and the documents related to the Agreement shall continue in full force and effect.

3. Representations and Warranties. The Company hereby represents and warrants as follows: (i) No Default or Event of Default has occurred and is continuing; (ii) the Company's execution, delivery and performance of the Agreement, as modified by this letter agreement, have been duly authorized by all necessary corporate and other action and do not and will not require any registration with, consent or approval of, or notice to or action by, any Person (including any Governmental Authority) in order to be effective and enforceable; (iii) the Agreement, as modified by this letter agreement, constitutes the legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its terms except as the enforceability thereof may be limited by bankruptcy, insolvency or other similar laws of general application relating to or affecting the enforcement of creditors' rights or by general principles of equity; and (iv) after giving effect to this letter agreement, each of the representations and warranties set forth in Section 5 of the Agreement is true, correct and complete as of the date hereof (except to the extent such representations and warranties expressly relate to another date, in which case such representations and warranties are true, correct and complete as of such other date).

4. Effectiveness. This letter agreement shall become effective on the date on which (i) the Purchasers shall have received a fully executed counterpart of this letter from the Company and each Guarantor, and (ii) the Company shall have paid Bingham McCutchen LLP its accrued and unpaid legal fees and expenses, to the extent such fees and expenses have been invoiced.

5. Miscellaneous.

(a) This document may be executed in multiple counterparts, which together shall constitute a single document. Delivery of executed counterparts of this letter agreement by telefacsimile or other secure electronic format (pdf) shall be effective as an original.

(b) This letter agreement shall be construed and enforced in accordance with, and the rights of the parties shall be governed by, the internal laws of the State of New York, excluding choice-of-law principles of the law of such state that would permit the application of the laws of a jurisdiction other than such state.

[Remainder of the page intentionally left blank]

If you are in agreement with the foregoing, please sign the enclosed counterpart of this letter in the space indicated below and return it to the Purchasers at the above address whereupon, subject to the conditions expressed herein, it shall become a binding agreement between the Company, on the one hand, and the Purchasers, on the other hand.

Sincerely,

PRUDENTIAL INVESTMENT MANAGEMENT, INC.

By: /s/ Cornelia Cheng
Name: Cornelia Cheng
Title: Vice President

THE PRUDENTIAL INSURANCE COMPANY OF AMERICA

By: /s/ Cornelia Cheng
Name: Cornelia Cheng
Title: Vice President

PRUCO LIFE INSURANCE COMPANY

By: /s/ Cornelia Cheng
Name: Cornelia Cheng
Title: Vice President

UNITED OF OMAHA LIFE INSURANCE COMPANY

By: Prudential Private Placement Investors, L.P., asset manager

By: Prudential Private Placement Investors, Inc., general partner

By: /s/ Cornelia Cheng
Name: Cornelia Cheng
Title: Vice President

Accepted and agreed to as of the date first appearing above:

LTC PROPERTIES, INC.

By: /s/ Wendy Simpson
Name: Wendy Simpson
Its: Chief Executive Officer and President

By: /s/ Pamela Shelley-Kessler
Name: Pamela Shelley-Kessler
Its: Executive Vice President and Chief Financial Officer

Each of the undersigned Guarantors consents and agrees to the amendments and other modifications effected in this letter agreement and the transactions contemplated hereby, reaffirms its obligations under the Multiparty Guaranty and its waivers, as set forth in the Multiparty Guaranty, of each and every one of the possible defenses to such obligations. In addition, the undersigned Guarantor reaffirms that its obligations under the Multiparty Guaranty are separate and distinct from the Company's obligations.

FLORIDA-LTC, INC.

LTC GP I, INC.

LTC-GARDNER, INC.

LTC-GRIFFIN, INC.

LTC-JONESBORO, INC.

By: /s/ Wendy Simpson
Name: Wendy Simpson
Its: Chief Executive Officer and President
On behalf of each of the foregoing Guarantors

By: /s/ Pamela Shelley-Kessler
Name: Pamela Shelley-Kessler

Its: Executive Vice President and Chief Financial Officer
On behalf of each of the foregoing Guarantors

ALBUQUERQUE REAL ESTATE INVESTMENTS, INC.

By: /s/ Clint Malin
Name: Clint Malin
Its: Chairman and Chief Executive Officer

By: /s/ Pamela Shelley-Kessler
Name: Pamela Shelley-Kessler
Its: Chief Financial Officer and Treasurer

BEAUMONT REAL ESTATE INVESTMENTS, LP

By: L-Tex GP, Inc., its General Partner

By: /s/ Wendy Simpson
Name: Wendy Simpson
Its: Chief Executive Officer and President

By: /s/ Pamela Shelley-Kessler
Name: Pamela Shelley-Kessler
Its: Executive Vice President and Chief Financial Officer

LTC PARTNERS IX, L.P.

By: LTC GP VI, Inc., its General Partner

By: /s/ Wendy Simpson
Name: Wendy Simpson
Its: Chief Executive Officer and President

By: /s/ Pamela Shelley-Kessler
Name: Pamela Shelley-Kessler
Its: Executive Vice President and Chief Financial Officer

TEXAS-LTC LIMITED PARTNERSHIP

By L-Tex GP, Inc., its General Partner

By: /s/ Wendy Simpson
Name: Wendy Simpson
Its: Chief Executive Officer and President

By: /s/ Pamela Shelley-Kessler
Name: Pamela Shelley-Kessler
Its: Executive Vice President and Chief Financial Officer

TEXAS-LTC WOODRIDGE LIMITED PARTNERSHIP

By L-Tex GP, Inc., its General Partner

By: /s/ Wendy Simpson
Name: Wendy Simpson
Its: Chief Executive Officer and President

By: /s/ Pamela Shelley-Kessler
Name: Pamela Shelley-Kessler
Its: Executive Vice President and Chief Financial Officer

NORTH CAROLINA REAL ESTATE INVESTMENTS, LLC

By LTC-Dearfield, Inc., its Member

By: /s/ Wendy Simpson
Name: Wendy Simpson
Its: Chief Executive Officer and President

By: /s/ Pamela Shelley-Kessler
Name: Pamela Shelley-Kessler
Its: Executive Vice President and Chief Financial Officer

By LTC-Richmond, Inc., its Member

By: /s/ Wendy Simpson
Name: Wendy Simpson
Its: Chief Executive Officer and President

By: /s/ Pamela Shelley-Kessler
Name: Pamela Shelley-Kessler
Its: Executive Vice President and Chief Financial Officer

Exhibit 31.1

CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Wendy L. Simpson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of LTC Properties, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ WENDY L. SIMPSON
Wendy L. Simpson
Chief Executive Officer and President
(Principal Executive Officer)
August 8, 2011

Exhibit 31.2

CERTIFICATION OF THE CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Pamela Shelley-Kessler, certify that:

1. I have reviewed this quarterly report on Form 10-Q of LTC Properties, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ PAMELA SHELLEY-KESSLER

Pamela Shelley-Kessler
Executive Vice President, Chief Financial Officer
and Corporate Secretary
(Principal Financial and Accounting Officer)
August 8, 2011

Exhibit 32

CERTIFICATIONS PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, each of the undersigned officers of LTC Properties, Inc. (the "Company") hereby certifies with respect to the Quarterly Report on Form 10-Q of the Company for the quarter ended June 30, 2011 as filed with the Securities and Exchange Commission (the "Report") that to her knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities and Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ WENDY L. SIMPSON
Wendy L. Simpson
Chief Executive Officer and President
August 8, 2011

/s/ PAMELA SHELLEY-KESSLER
Pamela Shelley-Kessler
Executive Vice President, Chief Financial Officer
and Corporate Secretary
August 8, 2011

The foregoing certification is being furnished (but not filed) solely pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.