

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K/A
(MARK ONE)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES AND EXCHANGE ACT OF 1934 (FEE REQUIRED)
FOR THE FISCAL YEAR ENDED DECEMBER 31, 1996
OR
[] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934 (NO FEE REQUIRED)

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 (I.R.S Employer
incorporation or organization) Identification No.)

300 Esplanade Drive, Suite 1860
Oxnard, California 93030
(Address of principal executive offices)

Registrant's telephone number, including area code: (805) 981-8655

Securities registered pursuant to Section 12(b) of the Act:

<TABLE> <CAPTION>	Title of Stock	Name of each exchange on which registered
<S>	Common stock, \$.01 Par Value	<C> New York Stock Exchange
	9.75% Convertible Subordinated Debentures due 2004	New York Stock Exchange
	8.50% Convertible Subordinated Debentures due 2000	New York Stock Exchange
	8.50% Convertible Subordinated Debentures due 2001	New York Stock Exchange
	7.75% Convertible Subordinated Debentures due 2002	New York Stock Exchange
	8.25% Convertible Subordinated Debentures due 2001	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: NONE

Indicate by check mark whether the Company (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 Company was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No ___

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this 10-K or any amendment to this Form 10-K. [X]

The aggregate market value of voting stock held by nonaffiliates of the Company is approximately \$400,532,793 as of January 31, 1997.

22,098,361
(Number of shares of common stock outstanding as of January 31, 1997)

Part III is incorporated by reference from the Company's definitive proxy statement for the Annual Meeting of Stockholders to be held on May 19, 1997.

ITEM 1. BUSINESS

GENERAL

LTC Properties, Inc. (the "Company"), a health care real estate investment trust (a "REIT"), was organized on May 12, 1992 in the State of Maryland and commenced operations on August 25, 1992. The Company invests in long-term care and other health care related facilities through mortgage loans, facility lease transactions and other investments. The primary objective of the Company is to provide current income for distribution to stockholders through real estate investments in long-term care facilities and other health care related

facilities managed by experienced operators providing quality care. To meet this objective, the Company attempts to invest in properties that provide opportunity for additional returns to its stockholders and diversify its investment portfolio by geographic location, operator and form of investment.

The Company was organized to qualify, and intends to continue to qualify, as a REIT. So long as the Company so qualifies, with limited exceptions, the Company will not be taxed under federal income tax laws at the corporate level on its taxable income as long as it distributes at least 95 percent of that amount to its stockholders. The Company has distributed, and intends to continue to make distributions to its stockholders, in order to eliminate any federal tax liability.

At December 31, 1996, the Company had investments in 248 skilled nursing facilities with 28,628 beds and 35 assisted living facilities with 1,456 units in 32 states operated by 84 healthcare providers.

OWNED PROPERTIES

During 1996, the Company acquired for approximately \$113,858,000 22 assisted living facilities and 20 skilled nursing facilities. Sixteen of the skilled nursing facilities were acquired by six newly formed limited partnerships of which the Company, through certain of its subsidiaries, is the general partner and were purchased subject to mortgage loans of approximately \$9,641,000. Under the partnership agreements, the Company has guaranteed payment of a 10% preferred return to the holders of \$8,932,000 in limited partnership interests. Under certain circumstances, the limited partnership interests can be exchanged, at the option of the holders, into 628,511 shares of the Company's common stock at exercise prices ranging from \$13.00 to \$15.00 beginning in 1997. Also during 1996, the Company sold four assisted living facilities for their approximate net book value of \$7,589,000. The Company's long-term facilities are leased to operators pursuant to long-term "triple net" leases and provide for increases in the rent based upon specified rent increases or, to a lesser extent, upon participation in revenue increases over defined base periods or increases based on consumer price indices.

MORTGAGE LOANS

As part of the Company's strategy of making long-term investments in properties used in the provision of long-term health care services, the Company provides mortgage financing on such properties based on the investment underwriting criteria established by the Company. (See "Investment and Other Policies" in this Section.)

The Company maintains a long-term investment interest in its mortgages either through the direct retention of mortgages or through the retention of REMIC certificates originated in the Company's securitizations. The Company may, from time-to-time, securitize a portion of its mortgage loan portfolio when a securitization provides the Company with the best available form of raising capital to make additional long-term investments. In addition, the Company believes that the certificates retained by the Company in its securitizations provide its shareholders with a more diverse real estate investment while maintaining the returns desired by the Company. As of December 31, 1996, the Company had securitized \$354,000,000 of mortgage loans that were originated by the Company. Because the Company anticipates securitizing

2

additional portions of its mortgage loan portfolio in the future, its mortgage loan investments are carried at the lower of cost-or-market.

REMIC CERTIFICATES

On March 29, 1996, the Company securitized mortgage loans with an aggregate outstanding principal balance of approximately \$112,487,000 by creating a Real Estate Mortgage Investment Conduit ("REMIC") which, in turn, issued mortgage pass-through certificates ("REMIC Certificates") aggregating approximately the same amount. A total of approximately \$90,552,000 of REMIC Certificates were subsequently sold to third parties by the Company. The Company retained the remaining \$21,935,000 face amount of the REMIC Certificates, which are effectively subordinated in right of payment to the Certificates sold to third parties. A portion of the other REMIC Certificates the Company retained, which have no principal amount, are interest-only certificates and entitle the Company to receive cash flows designated as interest. The proceeds from the sale were used to pay down outstanding borrowings under the Company's lines of credit. At December 31, 1996, the Company had investments in REMIC Certificates with an estimated fair value of \$98,934,000 approximately (\$92,545,000 at amortized cost) secured by 148 long-term care facilities with a total of 16,064 beds in 24 states. (See "Part 1, Item 2 -- Properties -- REMIC Certificates.")

FINANCING AND OTHER TRANSACTIONS

In February 1996, the Company sold, through a public offering, \$30,000,000 aggregate principal amount of 7.75% Convertible Subordinated Debentures due 2002. The debentures are convertible at any time prior to maturity into shares

of the Company's common stock at a conversion price of \$16.50 per share. The net proceeds were used to repay borrowings under the Company's lines of credit. In March 1996, the Company filed a shelf-registration statement with the Securities and Exchange Commission covering up to \$125,000,000 of debt and equity securities to be sold from time to time in the future. The registration statement was declared effective on April 4, 1996. Pursuant to the shelf registration, the Company, in August 1996, completed the sale of \$30,000,000 of 8.25% Convertible Subordinated Debentures due 2001. The debentures are convertible into shares of the Company's common stock at a price of \$17.25 per share. Net proceeds from the offering were used to repay short-term borrowings. Also in 1996, the Company repurchased and retired 120,000 shares of common stock for an aggregate purchase price of approximately \$1,831,000.

INVESTMENT AND OTHER POLICIES

OBJECTIVES AND POLICIES

The Company currently invests in income-producing long-term care facilities. The Company invests either (1) directly in mortgage loans secured by long-term care facilities (2) in the fee ownership of long-term care facilities which are leased to operators (3) or may participate in such investments indirectly through investments in partnerships, joint ventures or other entities that themselves make direct investments in such loans or facilities.

In evaluating potential investments, the Company considers such factors as (i) type of property, (ii) the location, construction quality, condition and design of the property, (iii) the property's current and anticipated cash flow and its adequacy to meet operational needs and lease obligations or debt service obligations, (iv) the quality and reputation of the property's operator, (v) the growth, tax and regulatory environments of the communities in which the properties are located, (vi) the occupancy and demand for similar long-term care facilities in the area surrounding the property and (vii) the Medicaid reimbursement policies and plans of the state in which the property is located.

3

The Company places primary emphasis on investing in long-term care facilities that have low investment per bed ratios and do not have to rely on a high percentage of private pay patients or ancillary services to cover debt service or lease obligations. The Company seeks to invest in facilities that are located in suburban and rural areas of states with improving reimbursement climates. Prior to every investment, the Company conducts a facility site review to assess the general physical condition of the facility, the potential of additional sub-acute services and the quality of care the operator provides. In addition, the Company reviews the environmental reports, state survey and financial statements of the facility before the investment is made. The Company prefers to invest in facilities that have a significant market presence in its community and where state licensing procedures limit the entry of competing facilities. To date, most of the Company's investments have been made in the form of mortgage loans secured by skilled nursing facilities. Due to management's belief that assisted living facilities are an increasingly important sector in the long-term care market, a larger portion of the Company's future investments will be made in the form of direct ownership of assisted living facilities. Management believes that assisted living facilities represent a lower cost of long-term care alternative for senior adults than skilled nursing facilities. The Company invests in assisted living facilities that attract the moderate-income private pay patients in smaller communities, preferably in states that have adopted Medicaid waiver programs or are in the process of adopting or reviewing their policies and reimbursement program to provide funding for assisted living residences. The Company believes that locating residences in a state with a favorable regulatory reimbursement climate should provide a stable source of residents eligible for Medicaid reimbursement to the extent private-pay residents are not available, and should provide alternative sources of income for residents when their private funds are depleted and they become Medicaid eligible.

There are no limitations on the amount or percentage of the Company's total assets that may be invested in any one property or joint venture, except for investments in assisted living facilities ("ALFs"). The Board of Directors authorized the Company to invest up to 20% of the Company's adjusted gross real estate investment portfolio (adjusted to include approximately \$278,881,000 of mortgage loans to third parties underlying the December 31, 1996 balance of investment in REMIC Certificates) in ALFs, with a 10% limit on investments in properties operated by Assisted Living Concepts, Inc. ("ALC"). ALC is an owner, operator and developer of assisted living facilities. Three executive officers of the Company own approximately 5.5% of ALC's common stock as of December 31, 1996 and two of the Company's executive officers serve as members of the Board of Directors of ALC. The Company has discussed with its Board of Directors and anticipates increasing the percentage of its adjusted gross real estate investment portfolio that can be invested in ALFs and properties operated by ALC to 30% and 15%, respectively during 1997. Except for ALFs, no other limits have been set on the number of properties in which the Company will seek to invest, or of the concentration of investments in any one facility or any one city or state, or the type or form of investment.

BORROWING POLICIES

The Company may incur additional indebtedness when, in the opinion of the directors, it is advisable. The Company may incur such indebtedness to make investments in additional long-term care facilities or to meet the distribution requirements imposed upon REITs under the Internal Revenue Code of 1986, as amended (the "Code") (see Taxation of the Company -- Requirements for Qualifications). For other short-term purposes, the Company may, from time to time, negotiate lines of credit, or arrange for other short-term borrowings from banks or otherwise. The Company may also arrange for long-term borrowings through public offerings or from institutional investors.

In addition, the Company may incur mortgage indebtedness on real estate which it has acquired through purchase, foreclosure or otherwise. The Company may also obtain mortgage financing for unleveraged or underleveraged properties in which it has invested or may refinance properties acquired on a leveraged basis. There is no limitation on the number or amount of mortgages which may be placed on any

4

one property, and the Company has no policy with respect to limitations on borrowing, whether secured or unsecured.

PROHIBITED INVESTMENTS AND ACTIVITIES

The policies of the Company, subject to change by the Board of Directors without stockholder approval, impose certain prohibitions and restrictions on various investment practices or activities of the Company including prohibition against:

- (i) acquiring any real property unless the consideration paid for such real property is based on the fair market value of the property;
- (ii) investing in any junior mortgage loan unless by appraisal or other method, the directors determine that (a) the capital invested in any such loan is adequately secured on the basis of the equity of the borrower in the property underlying such investment and the ability of the borrower to repay the mortgage loan or (b) such loan is a financing device entered into by the Company to establish the priority of its capital investment over the capital invested by others investing with the Company in a real estate project;
- (iii) investing in commodities or commodity futures contracts (other than interest rate futures, when used solely for hedging purposes);
- (iv) investing more than 1% of the Company's total assets in contracts for sale of real estate unless such contracts are recordable in the chain of title;
- (v) holding equity investments in unimproved, non-income producing real property, except such properties as are currently undergoing development or are presently intended to be developed within one year, together with mortgage loans on such property (other than first mortgage development loans), aggregating to more than 10% of the Company's assets.

COMPETITION

The Company competes with other REITs, real estate partnerships, health care providers and other investors, including commercial banks, institutional banks and insurance companies, many of which will have greater financial resources and lower cost of funds than the Company, in the acquisition, leasing and financing of long-term care facilities. The operators compete on a local and regional basis with operators of facilities that provide comparable services. Operators compete for patients based on quality of care, reputation, physical appearance of facilities, services offered, family preferences, physician referrals, staff and price.

INSURANCE

The Company obtains title insurance with respect to each of its investments. The Company generally requires: (i) with respect to each owned property, an American Land Title Association ("ALTA") Extended Coverage Owner's Policy of Title Insurance with an insured amount equal to the purchase price, insuring that the Company holds fee simple title to the property subject only to those liens and encumbrances approved by the Company; and (ii) with respect to each mortgaged property, an ALTA Extended Coverage Lender's Policy of Title Insurance with an insured amount equal to the loan amount, insuring the Company's first-lien security interest in the property subject only to those liens and encumbrances approved by the Company. However, ALTA Extended Coverage Policies of Title Insurance are not available in all

5

states, in which event the Company requires the broadest form of title coverage available in the particular jurisdiction.

In addition, the Company requires that its tenants (in the case of owned properties) and borrowers (in the case of mortgaged properties) maintain comprehensive liability insurance and casualty insurance with policy specifications and insured limits customarily carried for similar properties and cause their insurers to name the Company as an additional insured, loss payee and/or mortgagee, as appropriate depending on the particular type of policy. In the case of casualty insurance, the insured limits may not be less than the full replacement cost of the improvements constructed on the property, and coverage is typically provided in the form of an "all-risk" policy. However, there are certain types of losses which may either be uninsurable or not economically insurable. For example, the Company generally requires its tenants and borrowers to carry flood insurance if the property is located within a flood plain area as designated by the applicable governmental authority, and earthquake insurance if the property is located in a state, such as California, where the risk of earthquake damage is high. Such flood and earthquake coverage is not always an insurable risk or may not be obtainable in amounts at least equal to the full replacement cost of the improvements constructed on the property. Accordingly, there is no assurance that adequate coverage exists with respect to each investment should there be serious flooding, seismic activities or other uninsurable casualty in the areas where the properties constituting the Company's investments are located. Should an uninsured (or less than fully insured) loss occur, the Company could lose its investment in, and anticipated profits and cash flow from, a property.

EMPLOYEES

The Company currently employs 13 persons.

GOVERNMENT FINANCING AND REGULATION OF HEALTH CARE

GENERAL

Medicaid programs or the equivalent are currently in existence in all of the states in which the Company has nursing facility investments. While these programs differ in certain respects from state to state, they are all subject to certain federally imposed requirements, as a substantial portion of the funds available under these programs is provided by the federal government. Medicaid programs provide for payments to participating health care facilities on behalf of the indigent and certain other eligible persons. California and Texas provide for reimbursement at flat daily rates, as determined by the responsible state agency and depending on certain levels of care. In all other states, payments are based upon specific cost reimbursement formulas established by the applicable state.

Medicare and most state Medicaid programs utilize a cost-based reimbursement system for nursing facilities which reimburses facilities for the reasonable direct and indirect allowable costs incurred in providing routine services (as defined by the programs) plus, in certain states, a return on equity, subject to certain cost ceilings. These costs normally include allowances for administrative and general costs as well as the costs of property and equipment (depreciation and interest, fair rental allowance or rental expense). In certain states, cost-based reimbursement is typically subject to retrospective adjustment through cost report settlement, and for certain states, payments made to a facility on an interim basis that are subsequently determined to be less than or in excess of allowable costs may be adjusted through future payments to the affected facility and to other facilities owned by the same owner. State Medicaid reimbursement programs vary as to the methodology used to determine the level of allowable costs which are reimbursed to operators.

6

The Medicaid and Medicare programs are subject to statutory and regulatory changes, administrative rulings, interpretations of policy, intermediary determinations and governmental funding restrictions, all of which may materially increase or decrease program reimbursement to health care facilities. No assurance can be given as to whether the future funding of such programs will remain at levels comparable to the present levels.

Both the Medicaid and Medicare programs contain specific requirements which must be adhered to at all times by health care facilities in order to qualify under the programs. Based upon such information as periodically received by the Company from the operators over the term of the loan, the Company believes that the nursing facilities in which it has investments are in substantial compliance with the various regulatory requirements applicable to them, although there can be no assurance that the operators are in compliance or will be so at any time.

In addition to the requirements to be met by the nursing facilities for participation in the Medicaid and Medicare programs, the nursing facilities are subject to regulatory and licensing requirements of federal, state and local authorities. The operator of each long-term care facility is licensed annually by the board of health or other applicable agency in each state. In granting and renewing licenses, regulatory agencies consider, among other things, the physical buildings and equipment, the qualifications of the administrative personnel and nursing staff, the quality of care and continuing compliance with

the laws and regulations relating to the operation of the facilities. State licensing of facilities is a prerequisite to certification under Medicaid and Medicare programs. In the ordinary course of business, the operators receive notices of deficiencies for failure to comply with various regulatory requirements and take appropriate corrective and preventive actions. The Company believes that the nursing facilities in which it has investments are in compliance with the applicable licensing or other regulation although there can be no assurance that the operators are or will be in compliance at any time.

The Company has increased its investments in ALFs during 1996. ALFs are subject to certain state regulations and licensing requirements. In order to qualify as a state licensed facility, ALFs must comply with regulations which address, among other things, staffing, physical design, required services and resident characteristics. ALFs are also subject to various local building codes and other ordinances, including fire safety codes. These requirements vary from state to state and are monitored to varying degrees by state agencies.

Currently, ALFs are not regulated as such by the federal government. State standards required for ALF providers are less stringent than those required of other licensed health care operators. There can be no assurance that federal regulations governing the operation of ALFs will not be implemented in the future or that existing state regulations will not be expanded. In addition, only certain states have adopted laws or regulations permitting individuals with higher acuity levels to remain in assisted living communities who may otherwise qualify for placement in a nursing facility. While only certain states presently provide for any Medicaid reimbursement for assisted living residences, several states are currently reviewing their policies and reimbursement programs to provide funding for assisted living residences. There can be no assurance that such states will adopt the Medicaid waiver program.

HEALTH CARE REFORM

The health care industry is facing various challenges, including increased government and private payor pressure on health care providers to control costs, the migration of patients from acute care facilities into extended care and home care settings and the vertical and horizontal consolidation of health care providers. The pressure to control health care costs intensified during 1993 and 1994 as a result of the national health care

7

reform debate and will continue with renewed efforts in 1997 to balance the federal budget. The need to slow the growth rate in federal health care expenditures will be a priority. President Clinton's current budget proposal, for example, seeks \$138 billion dollars in reductions in Medicare expenditures needed to address the short term solvency of the federal program, including significant limitations on growth in provider reimbursement. It is anticipated that further debate on overall structural reform of federal health care programs will affect additional legislative action on cost-containment.

The Company believes that government and private efforts to contain and reduce health care costs will continue. These trends are likely to lead to reduced or slower growth in reimbursement for certain services provided by some of the Company's borrowers and lessees. The Company believes that the vast nature of the health care industry, the financial strength and operating flexibility of its operators and the diversity of its portfolio will mitigate against the impact of any such diminution in reimbursement. However, the Company cannot predict whether any of the above proposals or any other proposals will be adopted and, if adopted, no assurance can be given that the implementation of such reforms will not have a material adverse effect on the Company's financial condition or results of operations.

TAXATION OF THE COMPANY

GENERAL

The Company has made an election to be taxed as a REIT under Sections 856 through 860 of the Code commencing with its taxable year ended December 31, 1992. The Company believes, that commencing with such taxable year, it has been organized and has operated in such a manner as to qualify for taxation as a REIT under the Code, and the Company intends to continue to operate in such a manner. However, no assurance can be given that the Company has operated or will be able to continue to operate in a manner to so qualify or remain qualified.

If the Company qualifies for taxation as a REIT, it will generally not be subject to federal corporate income taxes on its net income that is currently distributed to stockholders. This treatment substantially eliminates the "double taxation" (at the corporate and stockholder levels) that generally results from investment in a regular corporation. However, under certain circumstances, the Company will continue to be subject to federal income tax.

The following is a general summary of the provisions that govern the federal income tax treatment of a REIT and its stockholders. This summary is qualified in its entirety by the applicable Code provisions, rules and regulations promulgated thereunder, and administrative and judicial

interpretations thereof.

REQUIREMENTS FOR QUALIFICATIONS

The Code defines a REIT as a corporation, trust or association (i) which is managed by one or more trustees or directors; (ii) the beneficial ownership of which is evidenced by transferable shares, or by transferable certificates of beneficial interest; (iii) which would be taxable as a domestic corporation but for Sections 856 through 859 of the Code; (iv) which is neither a financial institution nor an insurance company subject to certain provisions of the Code; (v) the beneficial ownership of which is held by 100 or more persons; (vi) during the last half of each taxable year not more than 50% in value of the outstanding stock of which is owned, actually or constructively, by five or fewer individuals (as defined in the Code to include certain entities); and (vii) which meets certain other tests, described below. The Code provides that conditions (i) to (iv), inclusive, must be met during the entire taxable year and that condition (v) must be met during at least 335 days of a taxable year of 12 months, or during a proportionate part of a taxable year of less than 12 months.

8

To qualify as a REIT for a taxable year under the Code, the Company must elect or previously have elected to be so treated and must meet other requirements, certain of which are summarized below, including percentage tests relating to the sources of its gross income, the nature of the Company's assets and the distribution of its income to stockholders.

INCOME TESTS

In order to maintain its qualification as a REIT, the Company annually must satisfy three gross income requirements. First, at least 75% of the Company's gross income (excluding gross income from certain sales of property held primarily for sale) for each taxable year must be derived directly or indirectly from investments in real property (other than gains from property held primarily for sale), mortgages on real property, or certain qualified temporary investment income. Second, at least 95% of the Company's gross income (excluding gross income from certain sales of property held primarily for sale) for each taxable year must be derived from such real property investments described with respect to the 75% test, dividends, interest and gain from the sale or disposition of stock or securities (other than gains from certain sales of property held primarily for sale). Third, short-term gain from the sale or other disposition of stock or securities, gain from certain sales of property held primarily for sale, and gain from the sale or other disposition of real property held for less than four years (apart from involuntary conversions and sales of foreclosure property) must represent less than 30% of the Company's gross income for each taxable year.

ASSET TEST

At the close of each quarter of its taxable year, the Company must also satisfy three tests relating to the nature of its assets. First, at least 75% of the value of the Company's total assets (including the assets held by its subsidiaries and its allocable share of the assets held by partnerships in which it or its subsidiaries is a partner) must be represented by real estate assets (including interests in a qualifying REMIC and shares in a REIT), cash, cash items and government securities. Second, no more than 25% of the Company's total assets (including the assets held by its subsidiaries and its allocable share of the assets held by partnerships in which it or its subsidiaries is a partner) may be represented by securities other than those includable in the 75% asset class. Third, of the investments included in the 25% asset class, the value of any one issuer's securities owned by the Company may not exceed 5% of the value of the Company's total assets and the Company may not own more than 10% of any one issuer's outstanding voting securities.

DISTRIBUTION REQUIREMENTS

The Company, in order to qualify as a REIT, is required to distribute dividends (other than capital gain dividends) to its stockholders in an amount at least equal to (A) the sum of (i) 95% of the Company's "REIT taxable income" (computed without regard to the dividends paid deduction and by excluding the Company's net capital gain) and (ii) 95% of the net income (after tax), if any, from foreclosure property, minus (B) the excess of the sum of certain items of non-cash income over 5% of "REIT taxable income" as described in clause (A)(i) above. Such distributions must be paid in the taxable year to which they relate, or in the following taxable year if declared before the Company timely files its tax return for such year, if paid on or before the first regular dividend payment date after such declaration and if the Company so elects and specifies the dollar amount in its tax return. To the extent that the Company does not distribute all of its net capital gain or distributes at least 95%, but less than 100%, of its "REIT taxable income", as adjusted, it will be subject to tax thereon at regular corporate tax rates. Furthermore, if the Company should fail to distribute during each calendar year at least the sum of (i) 85% of its REIT ordinary income for such year, (ii) 95% of its REIT capital gain income for such year, and (iii) any undistributed taxable income from prior periods, the

be generally subject to a 4% excise tax on the excess of such required distribution over the amounts actually distributed.

FAILURE TO QUALIFY

If the Company should fail to satisfy one or both of the 75% or 95% gross income tests for any taxable year, it may nevertheless qualify as a REIT for such year if it is entitled to relief under certain provisions of the Code. However, it is not possible to state whether in all circumstances the Company would be entitled to such statutory relief. If the relief provisions do not apply, the Company would be subject to tax (including any applicable alternative minimum tax) on its taxable income at regular corporate rates. Distributions to stockholders in any year in which the Company fails to qualify will not be deductible by the Company nor will they be required to be made. Unless entitled to relief under specific statutory provisions, the Company would also be disqualified from taxation as a REIT for the four taxable years following the year during which qualification is lost. Failure to qualify for even one year could result in the Company's incurring substantial indebtedness (to the extent borrowings are feasible) or liquidating substantial investments in order to pay the resulting taxes.

TAXATION OF STOCKHOLDERS - GENERAL

As long as the Company qualifies as a REIT, distributions made to the Company's stockholders out of current or accumulated earnings and profits (and not designated as capital gain dividends) will be taken into account by them as ordinary income (which will not be eligible for the dividends received deduction for corporations). Distributions that are designated as capital gain dividends will be taxed as long-term capital gains to the extent they do not exceed the Company's actual net capital gain for the taxable year, although corporate stockholders may be required to treat up to 20% of any such capital gain dividend as ordinary income. Distributions in excess of current or accumulated earnings and profits will not be taxable to a stockholder to the extent that they do not exceed the adjusted basis of the stockholder's common stock, but rather will reduce the adjusted basis of such shares. To the extent such distributions exceed the adjusted basis of a stockholder's common stock, they will be included in income as long-term capital gain (or short-term capital gain if the shares have been held for one year or less) assuming the shares are held as a capital asset in the hands of the stockholder. Under special tax rules for REITs, dividends declared in the last quarter of the calendar year and paid by January 31 of the following year are treated as paid on December 31 of the year declared. Stockholders may not include in their individual income tax returns any net operating losses or capital losses of the Company.

The Company and its stockholders may be subject to state or local taxation in various state or local jurisdictions, including those in which it or they transact business or reside. Other federal, state and local tax considerations may apply depending on the Company's and its stockholders' circumstances.

FACTORS THAT MAY AFFECT FUTURE RESULTS

Many of the statements herein are forward-looking in nature, and, accordingly, whether they prove to be accurate is subject to many risks and uncertainties. The actual results that the Company achieves may differ materially from many forward-looking statements herein. Factors that could cause or contribute to such differences include, but are not limited to, those discussed below and those contained in "Management's Discussion and Analysis of Financial Condition and Results of Operations" as well as those discussed elsewhere herein.

GOVERNMENT REGULATION

Health Care Reform. The health care industry is facing various challenges, including increased government and private payor pressure on health care providers to control costs, the migration of patients from acute care facilities into extended care and home care settings and the vertical and horizontal consolidation of health care providers. The pressure to control health care costs intensified during 1993 and 1994 as a result of the national health care reform debate and will continue with renewed efforts in 1997 to balance the federal budget. The need to slow the growth rate in federal health care expenditures will be a priority. President Clinton's current budget proposal, for example, seeks \$138 billion in reductions in Medicare expenditures needed to address the short term solvency of the federal program, including significant limitations on growth in provider reimbursement. It is anticipated that further debate on overall structural reform of federal health care programs will affect additional legislative action on cost-containment.

The Company believes that government and private efforts to contain and reduce health care costs will continue. These trends are likely to lead to

reduced or slower growth in reimbursement for certain services provided by some of the Company's borrowers and lessees. The Company believes that the vast nature of the health care industry, the financial strength and operating flexibility of its operators and the diversity of its portfolio will mitigate against the impact of any such diminution in reimbursement. However, the Company cannot predict whether any of the above proposals or any other proposals will be adopted, and if adopted, no assurance can be given that the implementation of such reforms will not have a material adverse effect on the Company's financial condition or results of operations.

Potential Operator Loss of Licensure or Certification. The health care industry is highly regulated by federal, state and local law, and is directly affected by state and local licensure, fines, and loss of certification to participate in the Medicare and Medicaid programs, as well as potential criminal penalties. The failure of any borrower or lessee to comply with such laws, requirements and regulations could affect its ability to operate the facility or facilities and could adversely affect such borrower's or lessee's ability to make debt or lease payments to the Company.

In the past several years, due to rising health care costs, there has been an increased emphasis on detecting and eliminating fraud and abuse in the Medicare and Medicaid programs. Payment of any consideration in exchange for referral of Medicare and Medicaid patients is generally prohibited by federal statute, which subjects violators to severe penalties, including exclusion from the Medicare and Medicaid programs, fines, and even prison sentences. In recent years, both federal and state governments have significantly increased investigation and enforcement activity to detect and punish wrongdoers. In addition, legislation has been adopted at both state and federal levels that severely restricts the ability of physicians to refer patients to entities in which they have a financial interest.

It is anticipated that the trend toward increased investigation and informant activity in the area of fraud and abuse, as well as self-referral, will continue in future years. In the event that any borrower or lessee were to be found in violation of laws regarding fraud, abuse or self-referral, that borrower's or lessee's ability to operate a health care facility could be jeopardized, which could adversely affect the borrower's or lessee's ability to make debt or lease payments to the Company and, thereby, adversely affect the Company.

Reliance on Government Reimbursement. A significant portion of the revenue of the Company's borrowers and lessees is derived from governmentally-funded reimbursement programs, such as Medicare and Medicaid. These programs are highly regulated and subject to frequent and substantial changes resulting from legislation, adoption of rules and regulations, and administrative and judicial interpretations

11

of existing law. In recent years, there have been fundamental changes in the Medicare program which have resulted in reduced levels of payment for a substantial portion of health care services. Moreover, health care facilities have experienced increasing pressures from private payers attempting to control health care costs, and reimbursement from private payers has in many cases effectively been reduced to levels approaching those of government payers.

In many instances, revenues from Medicaid programs are already insufficient to cover the actual costs incurred in providing care to those patients. Governmental and popular concern regarding health care costs may result in significant reductions in payment to health care facilities, and there can be no assurance that future payment rates for either governmental or private health care plans will be sufficient to cover cost increases in providing services to patients. Any changes in reimbursement policies which reduce reimbursement to levels that are insufficient to cover the cost of providing patient care could adversely affect revenues of the Company's borrowers and lessees and thereby adversely affect those borrowers' and lessees' abilities to make their debt or lease payments to the Company. Failure of the borrowers or lessees to make their debt or lease payments would have a direct and material adverse impact on the Company.

COMPETITION

The Company competes with other REITs, real estate partnerships, health care providers and other investors, including but not limited to banks and insurance companies, many of which will have greater financial resources than the Company, in the acquisition, leasing and financing of health care facilities. There can be no assurance that suitable investments will be identified or that investments can be consummated on commercially reasonable terms.

ENVIRONMENTAL MATTERS

Under various federal, state and local environmental laws, ordinances and regulations, an owner of real property or a secured lender (such as the Company) may be liable in certain circumstances for the costs of removal or remediation

of certain hazardous or toxic substances at, under or disposed of in connection with such property, as well as certain other potential costs relating to hazardous or toxic substances (including government fines and damages for injuries to persons and adjacent property). Such laws often impose such liability without regard to whether the owner knew of, or was responsible for, the presence or disposal of such substances and may be imposed on the owner in connection with the activities of an operator of the property. The cost of any required remediation, removal, fines or personal or property damages and the owner's liability therefore could exceed the value of the property, and/or the assets of the owner. In addition, the presence of such substances, or the failure to properly dispose of or remediate such substances, may adversely affect the owner's ability to sell or rent such property or to borrow using such property as collateral which, in turn, would reduce the Company's revenues.

Although the Company's mortgage loans and leases require the borrower and the lessee to indemnify the Company for certain environmental liabilities, the scope of such obligations may be limited and there can be no assurance that any such borrower or lessee would be able to fulfill its indemnification obligations.

HEALTH CARE REAL ESTATE INVESTMENT RISKS

Volatility of Value of Real Estate. Real property investments in the health care industry are subject to varying degrees of risk. The economic performance and values of health care real estate can be affected by many factors including governmental regulation, economic conditions, and demand for health care services. There can be no assurance that the value of any property acquired by the Company will appreciate

12

or that the value of property securing any of the Company's mortgage loans or any property acquired by the Company will not depreciate.

Volatility of Income and Returns. The possibility that the health care facilities will not generate income sufficient to meet operating expenses, will generate income and capital appreciation, if any, at rates lower than those anticipated or will yield returns lower than those available through investments in comparable real estate or other investments are additional risks of investing in health care related real estate. Income from properties and yields from investments in such properties may be affected by many factors, including changes in governmental regulation (such as zoning laws), general or local economic conditions (such as fluctuations in interest rates and employment conditions), the available local supply of and demand for improved real estate, a reduction in rental income as the result of an inability to maintain occupancy levels, natural disasters (such as earthquakes and floods) or similar factors.

Illiquidity of Real Estate Investments. Real estate investments are relatively illiquid and, therefore, tend to limit the ability of the Company to vary its portfolio promptly in response to changes in economic or other conditions. All of the Company's properties are "special purpose" properties that could not be readily converted to general residential, retail or office use. Transfers of operations of nursing homes and other health care-related facilities are subject to regulatory approvals not required for transfers of other types of commercial operations and other types of real estate. Thus, if the operation of any of the Company's properties becomes unprofitable due to competition, age of improvements or other factors such that the borrower or lessee becomes unable to meet its obligations on the debt or lease, the liquidation value of the property may be substantially less -- relative to the amount owing on the mortgage loan -- than would be the case if the property were readily adaptable to other uses. The receipt of liquidation proceeds could be delayed by the approval process of any state agency necessary for the transfer of the property. In addition, certain significant expenditures associated with real estate investment (such as real estate taxes and maintenance costs) are generally not reduced when circumstances cause a reduction in income from the investment. Should such events occur, the Company's income and funds available for distribution would be adversely affected.

Uninsured Loss. The Company currently requires, and it is the intention of the Company to continue to require, all borrowers and lessees to secure adequate comprehensive property and liability insurance that covers the Company as well as the borrower and/or lessee. Certain risks may, however, be uninsurable or not economically insurable and there can be no assurance the Company or a lessee will have adequate funds to cover all contingencies itself. Should such an uninsured loss occur, the Company could lose its invested capital.

Dependence on Lease Income and Mortgage Payments from Real Property. Since a substantial portion of the Company's income is derived from mortgage payments and lease income from real property, the Company's income would be adversely affected if a significant number of the Company's borrowers were unable to meet their obligations to the Company or if the Company were unable to lease its properties or make mortgage loans on economically favorable terms. There can be no assurance that any lessee will exercise its option to renew its lease upon the expiration of the initial term or that if such failure to renew were to occur, the Company could lease the property to others on favorable terms.

Item 2. PROPERTIES

PORTFOLIO

As of December 31, 1996, the Company's real estate investment portfolio consisted of investments in skilled nursing and assisted living facilities (described below) in 32 states. The Company had approximately \$223,578,000 (before accumulated depreciation of \$11,640,000) invested in long-term care facilities owned by the Company and leased to operators, approximately \$178,262,000 invested in mortgage loans (before allowance for doubtful accounts of \$1,000,000), and approximately \$98,934,000, at estimated fair value, (\$92,545,000 at amortized cost) invested in REMIC Certificates.

Skilled nursing facilities (SNFs). At December 31, 1996, the Company had investments in 248 skilled nursing facilities with a total of 28,628 beds, in the form of direct ownership or mortgage loan interests, including interests in mortgages underlying the Company's investment in REMIC certificates. Skilled nursing facilities provide restorative, rehabilitative and nursing care for people not requiring the more extensive and sophisticated treatment available at acute care hospitals. Many of the skilled nursing facilities provide ancillary services which include occupational, speech, physical, respiratory and IV therapies, as well as provide sub-acute care services. Such services are paid either by the patient or the patient's family, or through the federal Medicare or state Medicaid programs.

Assisted living facilities (ALFs). At December 31, 1996, the Company had investments in 35 assisted living facilities with 1,456 units. Assisted living facilities serve elderly persons who require assistance with activities of daily living, but who do not require the constant supervision skilled nursing facilities provide. Services are generally available 24-hours a day and include personal supervision and assistance with eating, bathing, grooming and administering medication. The facilities provide a combination of housing, supportive services, personalized assistance and health care designed to respond to individual needs.

OWNED PROPERTIES

At December 31, 1996, the Company owned and leased to health care operators 49 skilled nursing facilities with a total of 6,520 beds and 24 assisted living facilities with a total of 868 units in 17 states, representing a net investment of approximately \$211,938,000. These long-term care facilities are leased pursuant to non-cancelable leases generally with an initial term of ten to twelve years. Many of the leases contain renewal options and some contain options that permit the operators to purchase the facilities.

The following table sets forth certain information regarding the Company's owned properties as of December 31, 1996:

<TABLE>
<CAPTION>

Location	No. of SNFs	No. of ALFs	No. of Beds /Units	Encumbrances	Average Remaining Lease Term (in Months)	Purchase Price	Current Annual Rent Payments
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Alabama	8	1	912	\$14,608,044	95	\$ 29,287,996	\$ 3,274,779
Arizona	3		587	18,909,717	44	18,486,509	2,335,600
California	3		473		52	7,378,468	896,172
Florida	9		1,116		102	39,064,291	4,061,847
Georgia	1		100		137	2,500,000	248,750
Idaho		1	39		144	2,550,000	266,220
Illinois	1		148		96	6,627,159	746,640
Iowa	6		448	8,748,149	36	9,401,943	1,073,564
Kansas		4	134	5,739,360	108	6,700,000	633,820
Montana	1		278	4,335,297	72	3,830,608	420,365

<TABLE>
<CAPTION>

Location	No. of SNFs	No. of ALFs	Beds /Units	No. of Encumbrances	Average Remaining Lease Term (in Months)	Purchase Price	Current Annual Rent Payments
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
New Mexico	2		236		72	6,898,696	785,951
Oklahoma		1	37		120	1,750,000	168,525

Oregon		2	71		144	4,550,000		463,410
Tennessee	2		224		137	5,550,000		552,225
Texas	8	8	1,685	4,974,739	93	45,630,908		4,980,779
Virginia	3		443		105	11,012,655		1,211,748
Washington	2	7	457	10,928,853	198	22,358,630		2,185,380
<hr/>								
TOTAL	49	24	7,388	\$68,244,159	(1)	\$223,577,863	(2)	\$24,305,775

</TABLE>

- (1) The amounts comprising the \$68,244,159 of encumbrances include 1) \$54,205,000 of non-recourse mortgages payable by the Company secured by 22 skilled nursing facilities containing a total of 2,634 beds, 2) \$8,300,000 of tax-exempt bonds secured by 5 assisted living facilities in Washington with 184 units, and 3) \$5,739,159 of capital lease obligations on 4 assisted living facilities in Kansas with 134 units.
- (2) Of the total purchase price, \$175,969,598 relates to investments in 49 SNFs with 6,520 beds and \$47,608,265 relates to investments in 24 ALFs with 868 units.

The leases provide for a fixed minimum base rent during the initial and renewal periods. Most of the leases provide for annual fixed rent increases or increases based on consumer price indices over the term of the lease. In addition, certain of the Company's leases provide for additional rent through revenue participation (as defined in the lease agreement) in incremental revenues generated by the facilities, over a defined base period, effective at various times during the term of the lease. Each lease is a triple net lease which requires the lessee to pay additional charges including all taxes, insurance, assessments, maintenance and repair (capital and non-capital expenditures), and other costs necessary in the operation of the facility.

MORTGAGE LOANS

At December 31, 1996, the Company had 67 mortgage loans secured by first mortgages on 73 skilled nursing facilities with a total of 8,672 beds and 11 assisted living residences with 588 units located in 23 states. The mortgage loans, which individually range from \$302,500 to \$11,240,000 in principal amount, have current interest rates ranging from 9.16% to 13.2% generally have 25-year amortization schedules, have balloon payments due from 1997 to 2017 and provide for certain facility fees. Almost all of the mortgage loans provide for annual increases in the interest rate based upon a specified increase of 10 to 12.5 basis points. Approximately \$9,825,000 of the loans due in 1997 will be paid off once the Company completes a sale leaseback transaction for the same amount on assisted living facilities that are being constructed.

The following table sets forth certain information regarding the Company's mortgage loans as of December 31, 1996:

<TABLE>
<CAPTION>

Current Annual Location Service (1)	No. of SNFs	No. of ALFs	No. of Beds /Units	Interest Rate %	Average Number of Months to Maturity	Face Amount of Mortgage Loans	Current Amount of Mortgage Loans	Debt
<hr/>								
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Alabama 489,706	1		142	11.18%	100	\$ 4,100,000	\$ 4,060,562	\$
Arizona 1,238,740	2	1	479	10.58-11.70%	87	10,650,000	10,599,851	
Arkansas 396,918	2		274	10.00-10.20%	171	3,400,000	3,361,692	
California 2,888,344	11		1,587	10.00-13.20%	107	22,805,000	23,501,020	
Colorado 615,460	4		373	10.00-11.92%	108	6,330,000	5,284,620	
Florida 3,644,254	8	1	1,106	9.16-11.85%	96	30,944,862	31,726,985	
Georgia 929,512	1	2	287	9.75%	116	8,050,000	8,030,186	

</TABLE>

15

<TABLE>
<CAPTION>

Current Annual Location	No. of SNFs	No. of ALFs	No. of Beds /Units	Interest Rate %	Average Number of Months to Maturity	Face Amount of Mortgage Loans	Current Amount of Mortgage Loans	Debt
----------------------------	----------------	----------------	--------------------------	--------------------	---	----------------------------------	-------------------------------------	------

Service (1)

<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Illinois 643,244	2		322	9.76-11.10%	107	6,200,000		6,185,008
Iowa 493,338	3		214	11.62-11.70%	95	4,000,000		3,940,365
Kansas 474,810	4		233	9.90-11.87%	108	4,320,000		3,995,045
Louisiana 196,745	1		127	10.89%	239	1,600,000		1,600,000
Mississippi 1,216,767	3		400	10.32%	117	11,250,000		11,240,003
Missouri 375,658	1		174	10.75%	45	2,801,000		2,872,520
Nebraska 601,749	1	4	266	9.00-14.32%	59	5,348,980		5,434,382
Nevada 142,523	1		100	10.38%	163	1,200,000		1,173,996
North Carolina 449,556	2		201	10.70-11.85%	66	3,770,000		3,728,490
Ohio 575,408	1		150	10.19%	111	5,200,000		5,173,773
Oklahoma 159,961	1		161	10.90%	174	1,300,000		1,292,252
Oregon 810,999	1	3	261	9.76-9.90%	33	8,160,000		8,157,238
South Carolina 1,357,532	5		509	11.70%	73	11,250,000		11,229,957
Tennessee 561,609	3		201	10.73%	105	5,861,000		4,826,639
Texas 1,998,690	11		1,383	10.00-11.60%	115	16,650,000		16,364,741
Washington 551,282	4		310	11.00-11.70%	168	4,500,000		4,482,365
TOTAL	73	11	9,260			\$179,690,842		\$178,261,690 (2)
\$20,812,805								

</TABLE>

(1) Includes principal and interest payments.

(2) Of the total current principal balance, \$159,698,336 relates to investments in 73 SNFs with 8,672 beds and \$18,563,354 relates to investments in 11 ALFs with 588 units.

In general, the Company's mortgage loans may not be prepaid except in the event of the sale of the facility to a third party that is not affiliated with the borrower. The Company's mortgage loans impose a penalty upon prepayment of the loans depending upon the period in which the prepayment occurs, whether such prepayment was permitted or required, and certain other conditions such as upon the sale of the facility under pre-existing purchase option, destruction or condemnation, or other circumstances as approved by the Company. Such prepayment amount is based upon a percentage of the then outstanding balance declining ratably each year. In addition to a lien on the mortgaged property, the loans are generally secured by certain non-real estate assets of the facilities and contain certain other security provisions in the form of letters of credit, pledged collateral accounts, security deposits, cross-default and cross-collateralization features and certain guarantees. During 1996, the Company received a \$941,000 payment with respect to the prepayment of one loan.

REMIC CERTIFICATES

At December 31, 1996, the estimated fair value of the Company's REMIC Certificate investments was \$98,934,000 (\$92,545,000, at amortized cost). The REMIC Certificates retained by the Company are subordinate in rank and right of payment to the Certificates sold to third-party investors and as such would bear the first risk of loss in the event of an impairment to any of the underlying mortgages. Management believes it employs conservative underwriting policies and to date there have been no credit losses on any of the mortgages underlying the Certificates nor are any credit losses currently anticipated. The REMIC Certificates are collateralized by three pools consisting of 85 first mortgage loans secured by 148 skilled nursing facilities with a total of 16,064 beds in 24 states. Each mortgage loan, all of which were originated by the Company, is evidenced by a promissory note and secured by a mortgage, deed of trust, or other similar instrument that creates a first mortgage lien on a fee simple estate in real property (a "Mortgaged Property"). The \$278,881,000 current

principal amount of mortgage loans represented by the REMIC Certificates have individual principal balances ranging from approximately \$297,000 to \$13,760,000, have a weighted average interest rate of approximately 11.21%, and have remaining terms to scheduled maturities ranging from 28 months to 220 months.

The following table sets forth certain information regarding the three pools of mortgage loans securing the REMIC Certificates as of December 31, 1996:

17

<TABLE>
<CAPTION>

Annual Service	Location	Number of Facilities	Number of Beds	Original Principal Amount of Remaining Mortgage Loans	Current Principal Amount of Remaining Mortgage Loans (1)	Current Debt

<S>	<C>	<C>	<C>	<C>	<C>	<C>
Alabama		8	1,069	\$ 18,425,800	\$ 18,074,641	\$
2,253,561						
Arizona		5	955	26,018,000	25,708,985	
2,863,918						
California		16	1,705	27,404,786	25,753,046	
3,588,009						
Connecticut		4	499	10,656,000	10,478,251	
1,297,858						
Florida		3	330	13,160,000	12,875,952	
1,533,085						
Georgia		10	1,078	20,822,000	20,566,473	
2,498,370						
Illinois		6	679	12,426,000	12,150,073	
1,495,306						
Iowa		10	750	13,531,000	13,782,238	
1,493,545						
Kansas		1	66	1,200,000	1,191,133	
140,033						
Kentucky		1	67	726,000	711,348	
88,862						
Michigan		3	444	6,800,000	6,698,413	
828,043						
Mississippi		1	120	2,800,000	2,773,733	
332,810						
Missouri		5	545	9,489,000	9,297,497	
1,161,454						
Montana		5	658	14,278,000	14,073,620	
1,536,239						
Nebraska		4	378	6,614,000	6,545,787	
770,105						
New Mexico		5	350	9,007,000	8,757,245	
1,127,306						
North Carolina		2	256	5,350,000	5,217,532	
649,726						
Ohio		3	243	7,000,000	6,732,363	
815,867						
Oklahoma		1	112	1,300,000	1,262,522	
167,409						
S. Dakota		1	50	585,000	574,982	
64,189						
Tennessee		4	297	6,952,000	6,884,490	
822,951						
Texas		45	5,020	64,280,000	62,341,306	
7,773,876						
Washington		4	289	4,583,000	4,502,040	
544,601						
Wisconsin		1	104	2,075,000	1,927,543	
264,000						

TOTAL		148	16,064	\$285,482,586	\$278,881,213	
\$34,111,123						
=====						

</TABLE>

(1) Included in the balances of the mortgages underlying the REMIC Certificates are \$54,205,000 of non-recourse mortgages payable by the Company. These mortgages were originated by the Company and were transferred to the REMIC. Subsequently, the properties securing the mortgages were acquired by the Company in unrelated transactions, subject to the related mortgage debt. The properties and the mortgage debt are reflected in the Company's balance

sheet.

Such mortgage loans generally have 25-year amortization schedules with balloon payments due from 1999 to 2015, unless prepaid prior thereto. Contractual principal and interest distributions with respect to the amortized cost basis \$92,545,000 of Certificates retained by the Company are subordinated to distributions of interest and principal with respect to the \$192,210,000 Certificates held by third parties. Thus, based on the terms of the underlying mortgages and assuming no unscheduled prepayments occur, contractual principal reductions on the REMIC Certificates retained by the Company will commence in August 2004 with final maturity in April 2015. Distributions on any of the REMIC Certificates will depend, in large part, on the amount and timing of payments, collections, delinquencies and defaults with respect to the mortgage loans represented by the REMIC Certificates, including the exercise of certain purchase options under existing facility leases or the sale of the Mortgaged Properties. Each of the mortgage loans securing the REMIC Certificates contain similar prepayment and certain security provisions with respect to the Company's mortgage loans.

18

As part of the REMIC transactions discussed above, the Company serves as the sub-servicer and, in such capacity, is responsible for performing substantially all of the servicing duties relating to the mortgage loans represented by the REMIC Certificates. The Company receives monthly fees equal to a fixed percentage of the then outstanding mortgage loans in the REMIC which, in management's opinion, represent currently prevailing terms for similar transactions. Because the fees received for such servicing result in only adequate compensation after considering the costs to service the loans, the Company does not recognize a separate asset for servicing rights. In addition, the Company will act as the special servicer to restructure any mortgage loans in the REMIC that become in default.

At December 31, 1996, the REMIC Certificates held by the Company have an effective interest rate of approximately 15.84% based on the expected future cash flows with no unscheduled prepayments.

MAJOR OPERATORS

As of December 31, 1996, Retirement Care Associates ("RCA"), Horizon Healthcare Corporation ("HHC"), Sun Healthcare Group, Inc. ("Sun") and Assisted Living Concepts, Inc. ("ALC") operated, on a combined basis, 115 facilities representing 43.6% (\$273.2 million) of the Company's adjusted gross real estate investment portfolio (adjusted to include the mortgage loans to third parties underlying the \$92.5 million--amortized cost basis--investment in REMIC Certificates). At December 31, 1996, RCA, HHC, Sun and ALC operated 34, 36, 26 and 19, facilities, respectively, representing approximately 14.3% (\$89.8 million), 13.8% (\$86.2 million), 9.0% (\$56.6 million) and 6.5% (\$40.6 million), respectively, of the Company's adjusted gross portfolio. RCA, HHC, Sun and ALC are publicly traded companies, and other information regarding these operators is on file with the Securities and Exchange Commission. The financial position of the Company and its ability to make distributions may be adversely affected by financial difficulties experienced by any of such operators, or any other major operator of the Company, including 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 the Company or its borrowers as it expires.

19

Item 3. LEGAL PROCEEDINGS

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

ITEM 4a. EXECUTIVE OFFICERS

<TABLE>

<CAPTION>

NAME	Age	Position

<S>	<C>	<C>
Andre C. Dimitriadis	56	Chairman, Chief Executive Officer and Director
William McBride III	36	President, Chief Operating Officer and Director
James J. Pieczynski	33	Senior Vice President and Chief Financial Officer

</TABLE>

Mr. Dimitriadis co-founded the Company in 1992 and was employed by Beverly Enterprises, Inc., an owner/operator of long-term care facilities, retirement living facilities and pharmacies, from October 1989 to May 1992, where he served as Executive Vice President and Chief Financial Officer. Prior to that, he was

employed by American Medical International, Inc., an owner/operator of hospitals, from 1985 to 1989, where he served as Executive Vice President - Finance, Chief Financial Officer and Director. Mr. Dimitriadis serves as Chairman of the board of directors of Health Management, Inc. and a member of the board of directors of Assisted Living Concepts, Inc. and Magellan Health Services.

Mr. McBride co-founded the Company in 1992 and was employed by Beverly Enterprises, Inc., an owner/operator of long-term care facilities, retirement living facilities and pharmacies, from April 1988 to July 1992, where he served as Vice President, Controller and Chief Accounting Officer from April 1988. Prior to that, he was employed by Ernst & Young LLP, an international accounting firm, from 1982 to 1988. Mr. McBride serves as Chairman of the board of directors of Assisted Living Concepts, Inc. and a member of the board of directors of Malan Realty Investors, Inc.

Mr. Pieczynski has served as Senior Vice President and Chief Financial Officer of the Company since May 1994. He joined the Company in December 1993 as Vice President and Treasurer. Prior to that, he was employed by American Medical International, Inc., an owner/operator of hospitals, from May 1990 to December 1993, where he served as Assistant Controller and Director of Development. From 1984 to 1990, he was employed by Arthur Andersen & Co. LLP, an international accounting firm.

20

ITEM 5. MARKET FOR THE COMPANY'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

- (a) The Company's common stock is listed on the New York Stock Exchange. Set forth below are the high and low reported sale prices for the Company's common stock as reported on the New York Stock Exchange.

	PRICE PER SHARE	
	High	Low
<S>	<C>	<C>
1995		
- - - - -		
First Quarter	13.625	12.500
Second Quarter	13.750	12.625
Third Quarter	15.250	13.125
Fourth Quarter	15.500	14.000
1996		
- - - - -		
First Quarter	17.125	14.875
Second Quarter	16.625	15.125
Third Quarter	17.250	15.875
Fourth Quarter	18.875	16.250
1997		
- - - - -		
First Quarter (through February 1, 1997)	18.250	17.750

- (b) As of January 31, 1997, there were approximately 675 stockholders of record of the Company's common stock. At the date of filing of this Annual Report on Form 10-K/A, the Company is unable to estimate the number of additional stockholders whose shares are held for them in street name or nominee accounts.
- (c) The Company has declared total cash distributions for the two years 1995 and 1996 as set forth below:

	Distributions Declared Per Share

1995	
- - - - -	
<S>	<C>
Quarter ended March 31	\$.29
Quarter ended June 30	.29
Quarter ended September 30	.315
Quarter ended December 31	.315

	\$ 1.21
	=====
1996	
- - - - -	
Quarter ended March 31	\$.315
Quarter ended June 30	.34
Quarter ended September 30	.34

</TABLE>

The Company intends to distribute to its stockholders a majority of its funds from operations and, in any event, an amount at least sufficient to satisfy the distribution requirements of a REIT. Cash flows from operating activities available for distribution to stockholders will be derived primarily from interest and rental payments from its real estate investments. All distributions will be made by the Company subject to approval of the Board of Directors and will depend on the earnings of the Company, its financial condition and such other factors as the Board of Directors deem relevant. In order to qualify for the beneficial tax treatment accorded to REITs by Sections 856 through 860 of the Code, the Company is required to make distributions to holders of its shares equal to at least 95% of the Company's "REIT taxable income."

21

ITEM 6. SELECTED FINANCIAL INFORMATION

The following table of selected financial information for the twelve months ended December 31, 1996, 1995, 1994 and 1993 and for the period from August 25, 1992 (commencement of operations) to December 31, 1992 should be read in conjunction with the Company's financial statements and related notes thereto included elsewhere in this Annual Report on Form 10-K/A.

<TABLE>

<CAPTION>

	(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS) RESTATED(3)				
	1996	1995	1994	1993	1992(1)
	-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>
OPERATING INFORMATION:					
Revenues	\$ 54,930	\$ 35,569	\$ 27,641	\$ 15,847	\$ 4,012
Expenses:					
Interest expense	20,604	9,407	6,563	6,400	2,597
Depreciation and amortization	6,298	3,072	1,781	799	41
Amortization of Founders' stock	114	221	372	481	281
Provision for loan losses	-	-	550	372	75
Minority interest	898	57	-	-	-
Operating and other expenses	4,479	2,772	3,037	948	255
Total expenses	32,393	15,529	12,303	9,000	3,249
Other income (loss)	6,173	(1,656)	667	-	-
Income before cumulative effect of change in accounting	28,710	18,384	16,005	6,847	763
Cumulative effect of accounting change	-	-	1,205	-	-
Net Income	\$ 28,710	\$ 18,384	\$ 17,210	\$ 6,847	\$ 763
Weighted average shares outstanding	19,257	18,257	15,443	9,169	7,962
PER SHARE INFORMATION:					
Net income before cumulative effect of accounting change	\$ 1.49	\$ 1.01	\$ 1.04	\$ 0.75	\$ 0.10
Cumulative effect on prior year (year ended December 31, 1993) of a change in method of accounting for REMIC Certificates	-	-	0.07	-	-
Net income	\$ 1.49	\$ 1.01	\$ 1.11	\$ 0.75	\$ 0.10
Distributions declared (2)	\$ 1.335	\$ 1.21	\$ 1.10	\$ 1.02	\$ 0.35
BALANCE SHEET INFORMATION:					
Real estate investments, net	\$488,134	\$ 340,441	\$220,025	\$147,269	\$ 94,802
Total assets	500,538	357,378	239,369	154,303	148,562
Total debt	283,472	174,083	55,835	61,804	73,192
Total liabilities	299,207	185,458	66,148	69,156	78,250
Minority interest	10,528	1,098	-	-	-
Total stockholders' equity	190,803	170,822	175,093	85,147	70,312
OTHER INFORMATION:					
Cash flows from operating activities	\$ 33,789	\$ 24,197	\$ 19,242	\$ 8,863	\$ 3,268
Cash flows used in investing activities	(94,210)	(111,459)	(73,546)	(52,706)	(94,578)
Cash flows provided by (used) in financing					

activities	62,135	74,430	65,465	(2,817)	141,075
Weighted average shares outstanding	19,257	18,257	15,443	9,169	7,962

</TABLE>

- (1) From August 25, 1992 (commencement of operations) to December 31, 1992.
- (2) Distributions may exceed current or accumulated net income.
- (3) As further discussed in Note 1 of Consolidated Financial Statements included herein, the Company has restated its 1996, 1995 and 1994 results of operations to effect a change in the method used to account for its REMIC Certificates.

In March 1995, NAREIT adopted the following definition of Funds From Operations ("FFO"): net income (computed in accordance with GAAP) excluding gains (or losses) from debt restructuring and sales of property, plus depreciation of real property and after adjustments for unconsolidated entities in which a REIT holds an interest. In addition, the Company excludes any unrealized gains or losses resulting from temporary

22

changes in the estimated fair value of its REMIC Certificates in the computation of FFO. The Company implemented this new definition of FFO effective as of the NAREIT-suggested adoption date of January 1, 1996. For the year ended December 31, 1996, the Company's FFO was \$28,793,000 representing net income of \$28,710,000 plus depreciation on real estate investments of \$6,256,000, less unrealized gains on its REMIC Certificate investments of \$6,173,000

The Company believes that FFO is an important supplemental measure of operating performance. FFO should not be considered as an alternative to net income or any other GAAP measurement of performance as an indicator of operating performance or as an alternative to cash flows from operations, investing, and financing activities as a measure of liquidity. The Company believes that FFO is helpful in evaluating a real estate investment portfolio's overall performance considering the fact that historical cost accounting implicitly assumes that the value of real estate assets diminishes predictably over time. The term FFO was designed by the REIT industry to provide useful supplemental information. FFO provides an alternative measurement criteria, exclusive of certain non-cash charges included in GAAP income, by which to evaluate the performance of such investments. FFO, used by the Company in accordance with the NAREIT definition may not be comparable to similarly entitled items reported by other REITs that have not adopted the NAREIT definition.

23

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OPERATING RESULTS

Year ended December 31, 1996 compared to the year ended December 31, 1995

Total revenues for the twelve months ended December 31, 1996 increased by \$19,361,000 or 54% to \$54,930,000 from \$35,569,000. The increase was primarily due to increased rental income of \$10,594,000, increased mortgage interest income of \$4,382,000 and increased interest income from REMIC Certificates of \$3,480,000. Rental income increased \$7,375,000 as a result of \$113,858,000 of property acquisitions made in 1996 and by \$3,011,000 as a result of a full year's effect on rental revenue of facilities acquired during 1995. Rental revenue also increased by \$109,000 due to contingent rents received from certain facilities based on increases in the facilities' incremental operating revenues (as defined in the respective leases). "Same-store" rentals (rents from facilities owned for all of 1995 and 1996) increased by \$99,000 as a result of additional rents received in 1996 on facilities that are subject to rental increases tied to increases in Consumer Price Indices (CPI). The increase in mortgage interest income resulted from the higher overall mortgage investment base in 1996 as compared to the 1995 investment base. Interest from REMIC Certificates increased as a result of the third securitization transaction which closed in March 1996. The remaining increase in income of \$905,000 was primarily due to penalties the Company received in 1996 from prepayments of one mortgage loan and eight loans underlying the REMIC Certificates held by the Company.

Total expenses for the twelve months ended December 31, 1996 increased by \$16,864,000 or 109% to \$32,393,000 from \$15,529,000 a year ago. The increase resulted primarily from increases in interest expense of \$11,197,000, depreciation and amortization expense of \$3,119,000, and from operating and other expense of \$1,707,000. Interest expense increased primarily due to a higher borrowing base in 1996 that resulted from convertible debt issuances totaling \$60,000,000 offset by \$18,813,000 of conversions, increases in net bank borrowings of \$30,930,000 and increases in net mortgage financing of \$37,498,000. During 1996, the Company acquired 22 assisted living facilities and 20 skilled nursing facilities resulting in an increase in depreciation and amortization expense. Operating and other expenses increased by \$1,707,000 or 62% due to approximately \$1,445,000 in additional salaries and bonuses. Approximately \$1,299,000 of the increase in salaries and bonuses were

attributable to higher wages and bonuses paid to existing personnel and approximately \$146,000 was due to additional staffing. The remaining portion of the increase in operating expense was due to higher administrative costs. Minority interest expense increased \$841,000 due to the addition of six new partnership transactions in 1996.

Total expenses for the twelve months ended December 31, 1996, as a percentage of revenues, increased 35% as compared to the prior period. The relatively higher increase in expenses when compared to revenues was primarily due to financing activities in the latter part of 1995 and 1996 which utilized more debt than equity. As a result, interest expense, as a percentage of revenues, increased by approximately 42%. In addition, the investments funded with these borrowings generally resulted in lower spreads as a result of market interest rate pressures, when compared to prior investments which utilized more equity financing. Depreciation and amortization expense increased by 33% as a percentage of revenues due to the increase in the Company's owned properties asset base in 1996 by approximately \$113,858,000. Minority expense also increased 920% as a percentage of revenues as a result of the six additional partnership transactions completed in 1996 and the full year impact of the partnership transaction completed in 1995. Operating and other expenses increased by 5% as a percentage of revenues primarily due to higher salaries and bonuses paid to existing staff during 1996.

24

Other income (loss) increased in 1996 over 1995 due to the higher estimated fair value of the Company's REMIC Certificate investments when compared to prior year's. The higher estimated fair value was attributable to the Company's third securitization which was completed in March 1996. On an overall basis, the Certificates' estimated fair value was \$6,389,000 greater than book value as of December 31, 1996.

As a result of the foregoing, net income for the twelve months ended December 31, 1996 increased \$10,326,000 over the same period a year earlier.

Year ended December 31, 1995 compared to the year ended December 31, 1994

Total revenues increased \$7,928,000 primarily as a result of increased rental income of \$4,292,000, increased interest income on REMIC Certificates of \$2,980,000 and increased interest income on mortgage loans of \$280,000. The increase in rental income of \$4,292,000 was due primarily to additional rents of \$1,748,000 resulting from property acquisitions made in 1995 and by \$2,362,000 as a result of a full year's effect on rental revenue of facilities acquired during 1994. "Same-store" rentals (rents from facilities owned for all of 1995 and 1994) increased by \$116,000 primarily as a result of an additional \$107,000 of rent associated with the expansion of one skilled nursing facility on which 60 new beds were constructed and by \$9,000 resulting from increased rent on one facility due to a rent adjustment tied to increases in CPI. Rental revenue also increased by \$66,000 due to contingent rents received based on increases in the facilities' incremental operating revenues (as defined in the respective leases). Interest income on REMIC Certificates increased \$2,980,000 primarily due to the full year impact of the securitization transaction completed in 1994. Interest income on mortgage loans increased \$6,443,000 due to the investments completed in 1995 and \$3,996,000 due to the full year impact of mortgage loan investments completed in 1994. The increases were offset by reductions in interest income of \$9,506,000 relating to the sale of mortgages to the REMIC and \$653,000 resulting from the prepayment of certain mortgages in 1994. The remaining increase in total revenues of \$376,000 was primarily due to an increase of \$158,000 in prepayment penalties received by the Company in 1995 and increases in facility fees and other income of \$218,000.

Total expenses for the twelve months ended December 31, 1995 increased \$3,226,000 primarily due to increases in interest expense of \$2,844,000 and depreciation and amortization of \$1,140,000. Interest expense increased by approximately \$3,581,000 due to the issuance of \$30,000,000 of convertible debentures in September 1994 and \$61,500,000 of convertible debentures in September 1995. Interest expense also increased by approximately \$899,000 due to increased levels of bank borrowings and by approximately \$954,000 due to the assumption of non-recourse mortgages. These increases were offset by a decrease of \$2,590,000 in interest expense in connection with the conversion of a portion of the Company's 9.75% convertible debentures in 1995. Increased expenses were also attributable to increased depreciation and amortization totaling \$1,140,000 as a result of acquisitions in 1995 and 1994. During 1995, the Company acquired 11 skilled nursing facilities and six assisted living residences. The above increases were offset by decreases in operating and other expenses of \$265,000. Reduction in operating and other expenses resulted primarily from a decrease in compensation expense of \$764,000 offset by increased staffing and administrative costs. Minority interest increased by \$57,000 due to a partnership formed by the Company in 1995.

Total expenses for the twelve months ended December 31, 1995, as a percentage of revenues, decreased by approximately 2% as compared to the prior period. Although on an overall basis revenues compared to expenses were stable between the periods, there were some changes with respect to certain expense categories. Interest expense, as a percentage of revenues, increased 11% as a

result of a greater proportion of debt being used to finance the 1995 investments as compared to 1994, which utilized debt and

25

equity more proportionately. Depreciation and amortization expense increased by 34% as a percentage of revenues due to the additional investments in 1995 and the full impact of 1994 owned property investments which primarily occurred during the second half of 1994. These increases were offset by decreases in the provision for loan or lease losses of 100%. Operating and other expenses decreased by approximately 29% as a percentage of revenues primarily due to comparatively lower compensation expense recorded in 1995.

The decrease in other income (loss) for the year ended December 31, 1995 was due the lower estimated fair value of the Company's REMIC Certificate investments as of December 31, 1995 when compared to estimated fair value at December 31, 1994. On an overall basis, the Certificates' estimated fair value was \$216,000 greater than book value as of December 31, 1995.

As more fully described in Note 1 of the Consolidated Financial statements included herein, the Company restated its earnings to adopt the fair value accounting provisions of Statement of Financial Accounting Standards No. 115. As a result, the cumulative effect on earnings of \$1,205,000 on the date of adoption (January 1, 1994) has been reflected as a separate component in the Consolidated Statement of Income for the year ended December 31, 1994.

As a result of the foregoing, net income for the twelve months ended December 31, 1995 increased \$1,174,000 over the same period a year earlier.

LIQUIDITY AND CAPITAL RESOURCES

As of December 31, 1996, the Company had investments in 248 skilled nursing facilities with a total of 28,628 beds and 35 assisted living facilities with a total of 1,456 units in 32 states. The Company's real estate investment portfolio consisted of approximately \$178,262,000 invested in mortgage loans (before allowance for doubtful accounts of \$1,000,000), approximately \$98,934,000 of REMIC Certificates at estimated fair value (\$92,545,000 cost basis), and approximately \$223,578,000 (before accumulated depreciation of \$11,640,000) invested in long-term care facilities owned by the Company and leased to operators.

During 1996, the Company completed investments totaling over \$205,000,000 which consisted of purchases of 42 long-term care facilities for approximately \$113,858,000 and mortgage loans of \$99,440,000 net of the sale of four properties in Texas for \$7,589,000. The Company financed its investments through the sale of \$60,000,000 aggregate principal amount of convertible debentures in February and August 1996, the sale of \$90,552,000 of REMIC Certificates in March 1996, the assumption of non-recourse mortgage loans totaling \$9,641,000, the issuance of \$8,932,000 in limited partnership interests, short-term borrowings and cash on hand. During 1996, the Company repurchased and retired 120,000 shares of common stock for an aggregate price of approximately \$1,831,000. The Company also paid off one of its outstanding mortgage loans totaling \$3,331,000.

Under the Credit Agreement, the Company has an unsecured line of credit in the amount of \$45,000,000 which expires on May 31, 1998. Borrowings under the credit line bear interest at LIBOR plus 1.5% and are subject to standard affirmative and negative covenants. As of February 1, 1997, the Company had \$38,700,000 in borrowings outstanding under the Credit Agreement bearing a weighted average interest rate of approximately 7.2%. In addition, the Company has entered into the Repurchase Agreement with a financial institution under which it can borrow up to \$84,000,000. The scheduled maturity of the Repurchase Agreement is November 15, 1997; however, the Company has historically been able to renew the Repurchase Agreement. Borrowings under the Repurchase Agreement bear interest at LIBOR plus 2% and are secured by a pledge of certain mortgage loans. At February 1, 1997, \$50,000,000 was outstanding under the Company's Repurchase Agreement bearing an average interest rate of approximately 7.7%.

The credit and repurchase agreements (collectively "lines of credit") limit the amount of borrowings available to between 50% and 60% of the Company's borrowing base. Under the Credit Agreement, the Company's borrowing base is comprised of certain owned properties and mortgage loans. At December 31, 1996, the borrowing base under the Credit Agreement is limited to 50% of the cost of the total applicable value of the properties and 60% of the total applicable value of eligible mortgage loans in the borrowing base or

26

approximately \$45,000,000. Under the Repurchase Agreement, the borrowing base consists of various loans which have been assigned to the financial institution. The Company can borrow up to 60% of the loans which have been assigned. Based on the current level of collateral and borrowings at February 1, 1997, there was approximately \$28,451,000 available under the Company's Repurchase Agreement which the Company anticipates will be increased to \$34,000,000 when additional collateral is accepted. In addition, the Company had registered in a shelf

registration but had not issued up to \$77,250,000 of additional securities for future issuance from time to time.

In July 1996, in connection with obtaining a \$50,180,000 commitment to enter into a sale leaseback transaction with Assisted Living Concepts, Inc. ("ALC"), the Company agreed to sell four assisted living facilities ("ALFs") it acquired during 1996 in Texas to ALC for approximately \$7,589,000. There was no gain or loss recognized on the sale; however, the Company received an administration fee of approximately \$214,000 in conjunction with the sale of the four ALFs. In connection with the commitment, the Company entered into a one-year forward ten-year interest rate swap agreement (the "November 1996 Agreement"). The terms of the commitment provide for an initial lease term of twelve years and an lease rate of 9.90% on each facility acquired. The Company will finance this commitment with fixed rate financing, and as such, has utilized an interest rate swap to "lock-in" the rate at which such financing will be obtained. Interest rate swaps are contractual agreements between the Company and third parties to exchange fixed and floating interest payments periodically without the exchange of the underlying principal amounts (notional amounts). Under the November 1996 Agreement, the Company will be credited with interest at the three-month LIBOR and will incur interest at a fixed rate of 6.835% on a \$40,000,000 notional amount beginning on November 7, 1997. The November 1996 Agreement will be terminated on or before November 7, 1998 which is the latest date on which the Company expects to fully fund the commitment and have long-term financing in place. At December 31, 1996, the Company had an unrealized gain of \$251,000 under the November 1996 Agreement.

The Company also anticipates completing a securitization transaction within the next year, the proceeds of which will be used to repay borrowings outstanding under its Repurchase Agreement and its Credit Agreement. In connection with such securitization, the Company, in September 1995, entered into a seven-year forward interest rate swap agreement (the "September 1995 Agreement"). Under the September 1995 Agreement, beginning on March 31, 1997 and continuing semi-annually thereafter, the Company is to be credited interest at the six month LIBOR and incur interest at a fixed rate of 6.64% on a notional amount of \$60,000,000 which is being accounted for as a hedge. This effectively "locked-in" the net interest margin on \$60,000,000 principal amount of senior certificates the Company anticipates will be sold in the securitization transaction. Concurrent with the closing of the hedged transaction, any gains and losses associated with the interest rate swap will be included as a component of the proceeds of the transaction. The September 1995 Agreement will be terminated at the earlier of (i) an anticipated securitization transaction to be completed during the second half of 1997 or (ii) November 17, 1997. At December 31, 1996, the Company had an unrealized loss of \$253,000 under the September 1995 Agreement.

The Company has the option to redeem, without penalty, its currently outstanding \$843,000 aggregate principal amount of 9.75% Convertible Subordinated Debentures at any time. Since such debentures are convertible into common stock of the Company at a conversion price of \$10.00 per share, the Company anticipates that substantially all of such debentures will be converted if it elects to redeem the debentures.

During January 1997, the Company provided mortgage loans totaling approximately \$18,530,000 and acquired one skilled nursing facility for \$2,556,000. Included in the mortgage loans are approximately \$17,330,000 of mortgage loans on assisted living facilities which will be paid off once the Company

completes a sale leaseback transaction for the same amount on assisted living facilities that are being constructed. As of February 1, 1997, the Company had outstanding investment commitments totaling \$82,790,000, consisting of approximately \$22,650,000 in commitments to make mortgage loans and commitments for the acquisition of one nursing and 25 assisted living facilities for an aggregate purchase price of approximately \$60,140,000, including the remaining \$35,330,000 commitment to Assisted Living Concepts, Inc. discussed previously. The Company expects to fund substantially all of these commitments by the end of 1997. In addition, in January 1997, the Company sold 1,000,000 shares of common stock at \$17.75 per share through a public offering. Of the net proceeds, \$17,300,000 was used to pay borrowings under the unsecured line of credit.

The Company expects its future income and ability to make distributions from cash flows from operations to depend on the collectibility of its mortgage loans receivable, REMIC Certificates and rents. The collection of these loans, certificates and rents will be dependent, in large part, upon the successful operation by the operators of the skilled nursing and assisted living facilities owned by or pledged to the Company. The operating results of the facilities will depend on 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 care facilities, ability to control rising operating costs, and the potential for significant reforms in the long-term care industry. In addition, the Company's 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 care industry.

The Company cannot presently predict what impact these proposals may have, if any. The Company believes that an adequate provision has been made for the possibility of loans proving uncollectible but will continually evaluate the status of the operations of the skilled nursing and assisted living facilities, the Company's borrowers and the underlying collateral for mortgage loans and make future revisions to the provision, if considered necessary.

The Company's investments, principally its investments in mortgage loans, REMIC Certificates, 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 the Company's costs of financing its operations and the fair market value of its financial assets. The Company generally makes loans which have predetermined increases in interest rates and leases which have agreed upon annual increases. Inasmuch as the Company initially funds its investments with its revolving bank line and repurchase agreement, the Company is at risk of net interest margin deterioration if medium and long-term rates were to increase between the time the Company originates the investment and the time it securitizes the loans or replaces the short-term variable rate borrowings with a fixed rate financing. To help reduce the negative impact of changes in interest rates, the Company partially hedges, or locks in, its net interest rate spread on its investments with interest rate swaps, as previously described.

The REMIC Certificates retained by the Company are subordinate in rank and right of payment to the certificates sold to third-party investors and as such would bear the first risk of loss in the event of an impairment to any of the underlying mortgages. The returns on the Company's investment in REMIC Certificates are subject to certain uncertainties and contingencies including, without limitation, the level of prepayments, estimated future credit losses, prevailing interest rates, and the timing and magnitude of credit losses on the underlying mortgages collateralizing the securities that are a result of the general condition of the real estate market or long-term care industry. As these uncertainties and contingencies are difficult to predict and are subject to future events that may alter management's estimations and assumptions, no assurance can be given that current yields will not vary significantly in future periods. To minimize the impact of prepayments, the mortgage loans underlying the REMIC Certificates generally prohibit prepayment unless the property is sold to an unaffiliated third party (with respect to the borrower). Additionally, management believes it employs conservative underwriting policies and to date there have

28

been no credit losses on any of the mortgages underlying the certificates nor are any credit losses currently anticipated.

Certain of the Certificates retained by the Company have designated certificate principal balances and a stated certificate interest "pass-through" rate. These Certificates are subject to credit risk to the extent that there are estimated or realized credit losses on the underlying mortgages, and as such their effective yield would be negatively impacted by such losses. The Company also retains the interest-only (I/O) Certificates, which provide cash flow (interest-only) payments that result from the difference between the interest collected from the underlying mortgages and interest paid on all the outstanding pass-through rate certificates. In addition to the risk from credit losses, the I/O Certificates are also subject to prepayment risk, in that prepayments of the underlying mortgages reduce future interest payments of which a portion flows to the I/O Certificates, thus, reducing their effective yield. The Certificates' fair values are estimated, in part, based on a spread over the applicable U.S. Treasury rate, and consequently, are inversely affected by increases or decreases in such interest rates. There is no active market in these securities from which to readily determine their value. The estimated fair values of both classes of Certificates are subject to change based on the estimate of future prepayments and credit losses, as well as fluctuations in interest rates and market risk. Although the Company is required to report its REMIC Certificate investments at fair value, many of the factors considered in estimating their fair value are difficult to predict and are beyond the control of the Company's management, consequently, changes in the reported fair values may vary widely and may not be indicative of amounts immediately realizable if the Company was forced to liquidate any of the Certificates.

The Company believes that its current cash flow from operations available for distribution or reinvestment, its remaining borrowing capacity under its lines of credit and anticipated securitization transaction are sufficient to provide for payment of its operating costs, fund investments and provide funds for distribution to its stockholders. In addition to its borrowing capacity, the Company is considering various other proposals for additional long-term financing to meet the needs of the Company.

29

<CAPTION>

<S>

Page

<C>

Report of Independent Auditors.....	25
Consolidated Balance Sheets as of December 31, 1996 and 1995.....	26
Consolidated Statements of Income for the years ended December 31, 1996, 1995 and 1994.....	27
Consolidated Statements of Stockholders' Equity for the years ended December 31, 1996, 1995 and 1994.....	28
Consolidated Statements of Cash Flows for the years ended December 31, 1996, 1995 and 1994.....	29
Notes to Consolidated Financial Statements.....	30

30

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
LTC Properties, Inc.

We have audited the accompanying consolidated balance sheets of LTC Properties, Inc. as of December 31, 1996 and 1995 and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 1996. Our audits also included the financial statement schedules listed in the index at Item 14(a). These financial statements and financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedules based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of LTC Properties, Inc. at December 31, 1996 and 1995, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 1996 in conformity with generally accepted accounting principles. Also, in our opinion, the related financial statement schedules, when considered in relation to the basic financial statements taken as a whole, present fairly in all material respects the information set forth therein.

As discussed in Note 1, the Company has restated its financial statements, after discussions with the Staff of the Securities and Exchange Commission, to adopt the fair value accounting provisions of SFAS 115, "Accounting for Certain Investments in Debt and Equity Securities", for its investment in REMIC certificates, as opposed to the previously reported amortized cost accounting. As a result of this change in accounting, the Company earnings increased in 1996 by \$6,173,000 (\$0.32 per share), decreased in 1995 by \$1,656,000 (\$0.09 per share), and increased in 1994 by \$1,872,000 (\$0.12 per share).

/s/ ERNST & YOUNG LLP

Los Angeles, California
January 13, 1997, except Note 10, as to
which the date is February 1, 1997

31

LTC PROPERTIES, INC.
CONSOLIDATED BALANCE SHEETS

<TABLE>
<CAPTION>

(RESTATED)

	1996	1995
	-----	-----
-		
ASSETS		
<S>		
Real Estate Investments:		
Buildings and improvements, net of accumulated depreciation and amortization: 1996 - \$11,640; 1995 - \$5,487	\$199,591	
\$104,546		
Land	12,347	
7,236		
Mortgage loans receivable, held for sale, net of allowance for doubtful accounts: 1996 - \$1,000; 1995 - \$997	177,262	
161,059		
REMIC Certificates, at estimated fair value	98,934	
67,600		
-	-----	-----
Real estate investments, net	488,134	
340,441		
Other Assets:		
Cash and cash equivalents	3,148	
1,434		
Restricted cash	-	
8,300		
Debt issue costs, net	4,150	
3,331		
Interest receivable	2,817	
2,093		
Prepaid expenses and other assets	2,289	
1,779		
-	-----	-----
	12,404	
16,937		
-	-----	-----
Total assets	\$500,538	
\$357,378	=====	
=====		
LIABILITIES AND STOCKHOLDERS' EQUITY		
Convertible subordinated debentures due 1999 - 2004	\$135,828	\$
94,641		
Bank borrowings	79,400	
48,470		
Mortgage loans payable	54,205	
16,707		
Bonds payable and capital lease obligations	14,039	
14,265		
Accrued interest	6,015	
3,196		
Accrued expenses and other liabilities	3,041	
2,415		
Distributions payable	6,679	
5,764		
-	-----	-----
Total liabilities	299,207	
185,458		
Minority interest	10,528	
1,098		
Commitments	-	
-		
Stockholders' equity:		
Preferred stock \$0.01 par value: 10,000,000 shares	-	
-		
authorized; none issued and outstanding		
Common stock \$0.01 par value; 40,000,000 shares authorized; shares issued and outstanding: 1996 - 19,484,208; 1995 - 18,297,254	195	
183		
Capital in excess of par value	195,297	
178,453		
Cumulative net income	71,914	
43,204		
Cumulative distributions	(76,603)	
(51,018)		
-	-----	-----
Total stockholders' equity	190,803	
170,822	-----	-----

-	
Total liabilities and stockholders' equity	\$500,538
\$357,378	

</TABLE>

See accompanying notes

32

LTC PROPERTIES, INC.

CONSOLIDATED STATEMENTS OF INCOME

(In thousands except per share amount)

<TABLE>
<CAPTION>

	YEARS ENDED DECEMBER 31,		
	(RESTATED)		
	1996	1995	1994
Revenues:			
<S>	<C>	<C>	<C>
Rental income	\$20,529	\$ 9,935	\$ 5,643
Interest income from mortgage loans	17,498	13,116	12,836
Interest income from REMIC Certificates	14,383	10,903	7,923
Interest and other income	2,520	1,615	1,239
Total revenues	54,930	35,569	27,641
Expenses:			
Interest expense	20,604	9,407	6,563
Depreciation and amortization	6,298	3,072	1,781
Amortization of Founders' stock	114	221	372
Provision for loan losses	-	-	550
Minority interest	898	57	-
Operating and other expenses	4,479	2,772	3,037
Total expenses	32,393	15,529	12,303
Other income/(loss):			
Unrealized holding gain/(loss) on changes in estimated fair value of REMIC Certificates	6,173	(1,656)	667
Income before cumulative effect of accounting change	28,710	18,384	16,005
Cumulative effect of accounting change	-	-	1,205
Net income	\$28,710	\$18,384	\$17,210
Per share amounts:			
Income before cumulative effect of accounting charge	\$ 1.49	\$ 1.01	\$ 1.04
Cumulative effect on prior year (year ended December 31, 1993) of a change in method of accounting for REMIC Certificates	-	-	0.07
Net income	\$ 1.49	\$ 1.01	\$ 1.11
Weighted average shares outstanding	19,257	18,257	15,443

</TABLE>

See accompanying notes

33

LTC PROPERTIES, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(Restated)
(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

<TABLE>
<CAPTION>

Total Stockholders' Equity	Common Shares	Stock Amount	Capital in excess of par value	Cumulative Net Income	Cumulative Distributions
-----	-----	-----	-----	-----	-----
<S> Balances at December 31, 1993 \$ 85,147	<C> 9,737	<C> \$ 97	<C> \$ 89,698	<C> \$ 7,610	<C> \$(12,258)
Amortization of Founders' stock 372	-	-	372	-	-
Issuance of common stock, net 59,618	4,800	48	59,570	-	-
Conversions of debentures, net of unamortized issue costs of 32,295	3,330	34	32,261	-	-
\$1,237					
Repurchase of common stock (2,668)	(209)	(2)	(2,666)	-	-
Net income 17,210	-	-	-	17,210	-
Distributions (\$1.10 per share) (16,881)	-	-	-	-	(16,881)
-----	-----	-----	-----	-----	-----
Balances at December 31, 1994 175,093	17,658	177	179,235	24,820	(29,139)
-----	-----	-----	-----	-----	-----
Amortization of Founders' stock 221	-	-	221	-	-
Exercise of stock options 24	2	-	24	-	-
Conversions of debentures, net of unamortized issue costs of 18,943	1,936	19	18,924	-	-
\$651					
Repurchase of common stock (18,089)	(1,299)	(13)	(18,076)	-	-
Repurchase of warrants (1,875)	-	-	(1,875)	-	-
Net income 18,384	-	-	-	18,384	-
Distributions (\$1.21 per share) (21,879)	-	-	-	-	(21,879)
-----	-----	-----	-----	-----	-----
Balances at December 31, 1995 170,822	18,297	183	178,453	43,204	(51,018)
-----	-----	-----	-----	-----	-----
Amortization of Founders' stock 114	-	-	114	-	-
Exercise of options 39	3	-	39	-	-
Conversions of debentures, net of unamortized issue costs of 18,534	1,304	13	18,521	-	-
\$576					
Repurchase of common stock (1,831)	(120)	(1)	(1,830)	-	-
Net income 28,710	-	-	-	28,710	-
Distributions (\$1.335 per share) (25,585)	-	-	-	-	(25,585)
-----	-----	-----	-----	-----	-----
Balances at December 31, 1996 \$190,803	\$19,484	\$195	\$195,297	\$71,914	\$(76,603)

</TABLE>

See accompanying notes

LTC PROPERTIES, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	Year ended December 31,		
	(Restated)		
	1996	1995	1994
<S>	<C>	<C>	<C>
OPERATING ACTIVITIES:			
Net income	\$ 28,710	\$ 18,384	\$ 17,210
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	7,999	4,998	2,956
Unrealized holding gain/(loss) on changes in estimated fair value of REMIC Certificates	(6,173)	1,656	(667)
Cumulative effect of accounting change	-	-	(1,205)
Noncash charges	296	237	226
Net change in other assets and liabilities	2,957	(1,078)	722
Net cash provided by operating activities	33,789	24,197	19,242
INVESTING ACTIVITIES:			
Investment in real estate mortgages	(99,440)	(101,908)	(120,472)
Acquisitions of real estate properties, net	(95,285)	(23,403)	(41,136)
Sale of real estate properties, net	7,589	-	-
Deferred facility fees, net	233	251	558
Proceeds from sale of REMIC Certificates, net	86,674	19,216	80,203
Principal payments on real estate mortgages	2,272	2,634	8,550
Restricted cash	8,300	(8,300)	-
Principal payments on mortgage loans payable	(3,893)	(37)	-
Other	(660)	88	(1,249)
Net cash used in investing activities	(94,210)	(111,459)	(73,546)
FINANCING ACTIVITIES:			
Proceeds from issuance of convertible debenture offerings	60,000	61,500	30,000
Proceeds from issuance of common stock, net	39	-	59,618
Proceeds from issuance of bonds	-	8,300	-
Debt issue costs	(2,167)	(2,409)	(1,101)
Repurchase of warrants	-	(1,875)	-
Distributions paid	(24,670)	(21,237)	(14,388)
Borrowings under the lines of credit	219,000	133,220	109,800
Repayment of bank borrowings	(188,070)	(84,750)	(115,800)
Repurchase of common stock	(1,831)	(18,089)	(2,668)
Other	(166)	(230)	4
Net cash provided by (used in) financing activities	62,135	74,430	65,465
(Decrease) increase in cash and cash equivalents	1,714	(12,832)	11,161
Cash and cash equivalents, beginning of year	1,434	14,266	3,105
Cash and cash equivalents, end of year	\$ 3,148	\$ 1,434	\$ 14,266
Supplemental disclosure of cash flow information:			
Interest paid during the year	\$ 16,631	\$ 7,428	\$ 6,909

</TABLE>

See accompanying notes

LTC PROPERTIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1. THE COMPANY

Organization and Investments

LTC Properties, Inc. (the "Company") was incorporated on May 12, 1992 in the State of Maryland and commenced operations on August 25, 1992. The Company, which is organized as a real estate investment trust, invests in long-term care facilities through mortgage loans, facility lease transactions and other investments. As of December 31, 1996, the Company had investments in 248 properties ("the Properties") located in 32 states and operated by 84 health care providers. The Properties include 248 skilled nursing facilities with a total of 28,628 beds and 35 assisted living residences with a total of 1,456

units. At December 31, 1996, the Company's real estate investment portfolio consisted of approximately \$223,578,000 (before accumulated depreciation of \$11,640,000) invested in 73 long-term care facilities owned by the Company and leased to operators, approximately \$178,262,000 (before allowance for doubtful accounts of \$1,000,000) invested in 67 mortgage loans secured by 73 skilled nursing facilities and 11 assisted living facilities ("ALFs") and approximately \$92,545,000 invested in REMIC Certificates secured by 148 skilled nursing facilities.

Restatement

As previously disclosed in the current and prior years, the Company has securitized portions of its mortgage loan portfolio and retained a portion of the resulting REMIC Certificates to hold as long-term investments. Historically, the Company has accounted for its REMIC Certificate investments at amortized cost and provided fair value disclosures because of the highly specialized nature of the collateral underlying the REMIC Certificates, the lack of marketability of the Certificates and the Company's intent and investment posture to hold its real estate investments for long-term purposes. Moreover, the Company believes that the fair value accounting provisions of SFAS 115, which require the recognition of unrealized gains or losses resulting from temporary changes in the fair value of originated mortgage-backed securities (the REMIC Certificates) that are retained by the Company, may reflect equity or earnings in the Company's financial statements that may not be ultimately realized and portray a level of liquidity with respect to its REMIC Certificates that may not exist. Furthermore, the Company believed that the accounting literature supported the accounting for the REMIC Certificates at amortized cost. However, after reconsideration following discussions with the Staff of the Securities and Exchange Commission, the Company decided to adopt the fair value accounting provisions of SFAS 115 as opposed to the amortized cost accounting the Company believed applicable under SFAS 115. The fair value accounting provisions require the recognition in earnings of temporary changes in the fair values of the Company's REMIC Certificates investments, irrespective of the Company's reservations about the realizability of such earnings. Accordingly, the 1996 financial statements, which include the results of operations for the years ended December 31, 1996, 1995 and 1994, have been restated to reflect the adjustment to estimated fair value, of the Company's REMIC Certificate investments. As a result, the Company has increased earnings by \$6,173,000 for the year ended 1996, decreased earnings by \$1,656,000 in 1995 and increased earnings by \$1,872,000 in 1994, to record the temporary changes in the fair value of its REMIC Certificate investments during each reporting period.

36

LTC PROPERTIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying consolidated financial statements include the accounts of the Company, its wholly-owned subsidiaries and controlled partnerships. All intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of the consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Revenue Recognition

Interest income on mortgage loans and REMIC Certificates is recognized on the accrual basis using the effective interest method. The total amount of the base rent payments from operating leases is accrued as earned over the term of the lease. Contingent rental income, which is generated by a percentage of increased revenue over a specified base period revenue of the long-term care facilities, is recognized as earned.

Cash Equivalents

Cash equivalents consist of highly liquid investments with a maturity of three months or less and are stated at cost which approximates market.

Land, Buildings and Improvements

Land, buildings and improvements are recorded at cost. Depreciation is provided on a straight-line basis over the estimated useful lives of the related assets which range from 7 years for equipment to 40 years for buildings. Depreciation expense on buildings and improvements, including facilities owned

under capital leases, was \$6,214,000, \$2,996,000 and \$1,740,000 for the years ended December 31, 1996, 1995 and 1994, respectively.

During the year, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of". This pronouncement requires that impairment losses for such assets be based on the fair value of the asset. In accordance with this pronouncement, the Company records impairment losses on long-lived assets when indicators of impairment are present and the undiscounted cash flows estimated to be generated by these assets are less than their carrying amounts. Management assesses the potential for impairment on a property by property basis. The adoption of SFAS No. 121 had no impact on the Company's consolidated financial statements as no impairment write-downs were necessary.

37

LTC PROPERTIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Mortgage Loans Receivable

The Company maintains a long-term investment interest in its mortgages either through the direct retention of mortgages or through the retention of REMIC certificates originated in the Company's securitizations. The Company may, from time-to-time, securitize a portion of its mortgage loan portfolio in transactions accounted for as sales, when a securitization provides the Company with the best available form of raising capital to make additional long-term investments. Because portions of the Company's mortgage loan portfolio are anticipated to be securitized in the future, the Company is required to classify its mortgages as held for sale and account for them at the lower of cost-or-market under the provisions of SFAS 65. However, historically, the Company has sold its mortgages solely in connection with its REMIC securitizations and does not anticipate selling any of its mortgages other than in the course of completing future securitizations.

The Company considers mortgages that have not yet been securitized to be "uncommitted mortgages" (as defined under SFAS No. 65) until they have been accepted for securitization by two independent rating agencies. In determining the estimated market value for such mortgages, the Company considers estimated prices and yields, which are based in part on a spread over the applicable U.S. Treasury Note Rate, sought by qualified institutional buyers of the REMIC certificates originated in the Company's securitizations. As of December 31, 1996, the estimated market value of Company's mortgage loan investments, all which are considered uncommitted mortgages, exceeded their amortized cost. The Company determines the lower of cost or market of its mortgage loans on an aggregate basis. To the extent that the aggregate cost basis exceeds the aggregate market value, a valuation allowance is established with the resulting amount included in the determination of net income. Changes in the valuation allowance are included in current period earnings.

Hedging of Anticipated Transactions

As further discussed in Notes 4 and 9, the Company has entered into forward interest rate swap agreements to hedge certain firm commitments and to hedge anticipated securitization transactions. Firm commitments subject the Company to interest rate risk to the extent that debt or other fixed rate financing will be used to fund such investments. In such circumstances, the Company may elect to hedge such financings thereby reducing its exposure to interest rate risk. The Company designates such interest rate swaps as hedges when the significant characteristics and expected terms of the anticipated transaction are identified and when it is probable that the anticipated transaction will occur. Any gains or losses on the qualifying hedges are recognized upon the completion of the hedged transaction.

Federal Income Taxes

No provision has been made for federal income taxes. The Company qualifies as a real estate investment trust under Sections 856 through 869 of the Internal Revenue Code of 1986, as amended. As such, the Company is not taxed on its income which is distributed to stockholders, provided that such distribution is at least 95 percent of its taxable income. At December 31, 1996, the reported amount of the Company's net assets and liabilities exceeds the tax bases by approximately \$21,000,000.

For Federal Tax purposes, depreciation is taken on the Company's owned properties based on the assets' tax bases (which is materially the same as GAAP book value) calculated, in general, at a rate of 3.6%, using the straight-line method over a period of 27.5 years.

Earnings and profits, which determine the taxability of dividends to stockholders, differ from net income for financial statement purposes due to the treatment required under the Internal Revenue Code of certain interest income and expense items, depreciable lives and bases of assets.

LTC PROPERTIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Investments in REMIC Certificates

Income on investments in the Company's REMIC Certificates, including interest-only Certificates, is recognized based on the effective interest method using the anticipated yield over the expected life of these investments. These Certificates are recorded at their estimated fair value at the time of the transactions and are accounted for under the provisions of SFAS No. 115 (as described before in "Debt Securities"). Impairment adjustments are made if the projected yield of a certificate class is less than the risk-free rate of return on an investment with similar duration. Such projected yields are based on management's best estimate of future cash flows at each reporting date.

Concentrations of Credit Risk

The Company's credit risks primarily relate to cash and cash equivalents, the investment in REMIC Certificates, mortgage loans receivable, facility leases and interest rate swaps. Cash and cash equivalents are primarily held in bank accounts and overnight investments. The REMIC Certificates relate to participating interests in real estate mortgage investment conduits ("REMICs") as discussed in Note 4. The Company's mortgage loans receivable relate primarily to loans secured by long-term care facilities as discussed in Note 4. The facility leases relate to the long-term care facilities the Company owns and leases to third party operators.

The Company's financial instruments, principally its investment in REMIC Certificates and mortgage loans receivable, are subject to the possibility of loss of the carrying values as a result of either the failure of other parties to perform according to their contractual obligations or changes in market prices which may make the instrument less valuable. The Company obtains various collateral and other protective rights, and continually monitors these rights, in order to reduce such possibilities of loss. In addition, the Company provides reserves for potential losses based upon management's periodic review of its portfolio.

The REMIC Certificates retained by the Company are subordinate in rank and right of payment to the certificates sold to third-party investors and as such would bear the first risk of loss in the event of an impairment to any of the underlying mortgages. The returns on the Company's investment in REMIC Certificates are subject to certain uncertainties and contingencies including, without limitation, the level of prepayments, estimated future credit losses, prevailing interest rates, and the timing and magnitude of credit losses on the underlying mortgages collateralizing the securities that are a result of the general condition of the real estate market or long-term care industry. As these uncertainties and contingencies are difficult to predict and are subject to future events that may alter management's estimations and assumptions, no assurance can be given that current yields will not vary significantly in future periods. To minimize the impact of prepayments, the mortgage loans underlying the REMIC Certificates generally prohibit prepayment unless the property is sold to an unaffiliated third party (with respect to the borrower). Additionally, management believes it employs conservative underwriting policies and to date there have been no credit losses on any of the mortgages underlying the certificates nor are any credit losses currently anticipated.

Certain of the Certificates retained by the Company have designated certificate principal balances and a stated certificate interest "pass-through" rate. These Certificates are subject to credit risk to the extent that there are estimated or realized credit losses on the underlying mortgages, and as such their

LTC PROPERTIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

effective yield would be negatively impacted by such losses. The Company also retains the interest-only (I/O) Certificates, which provide cash flow (interest-only) payments that result from the difference between the interest collected from the underlying mortgages and interest paid on all the outstanding pass-through rate certificates. In addition to the risk from credit losses, the I/O Certificates are also subject to prepayment risk, in that prepayments of the underlying mortgages reduce future interest payments of which a portion flows to the I/O Certificates, thus, reducing their effective yield. The Certificates' fair values are estimated, in part, based on a spread over the applicable U.S. Treasury rate, and consequently, are inversely affected by increases or decreases in such interest rates. There is no active market in these securities from which to readily determine their value. The estimated fair values of both classes of Certificates are subject to change based on the estimate of future

prepayments and credit losses, as well as fluctuations in interest rates and market risk.

Net Income Per Share

Computation of net income per share is based on weighted average number of shares of common stock outstanding and dilutive common stock equivalents (principally stock options).

Debt Securities

The Company's investment in debt securities is limited to its investments in REMIC Certificates, which resulted from its past securitizations. It is the Company's intent to hold its REMIC Certificate investments as long-term investments. SFAS No. 115 "Accounting for Certain Investments in Debt and Equity Securities" (SFAS 115), requires that securities retained which resulted from the origination and securitization of mortgage loans be recorded and accounted for at fair value, with changes in the securities' fair value reflected as a separate component of earnings in the current period, irrespective of an organization's intent or ability to hold such securities or the level of marketability, if any, with respect to such securities. As such, the Company reflects the change in the Certificates' estimated fair value as a separate component of earnings at each reporting period. The Company believes that any unrealized gains and/or losses reflected in its income statement, as required by SFAS 115, would not be immediately realizable because of the investment posture of the Company and the illiquid nature of certain of the Certificates retained from its securitizations.

In estimating the Certificates' fair value, significant judgment is used since there is no market for these Certificates. In arriving at such estimates, management considers factors which affect the Certificates' projected cash flows including, but not limited to, actual and estimated prepayments, projected credit losses, if any, on the underlying mortgages, as well as general economic and regulatory factors affecting the long-term care industry and prevailing market interest rate conditions. Since many of these factors are difficult to predict and are beyond the control of the Company's management, changes in the reported fair values may vary widely and may not be indicative of amounts immediately realizable if the Company was forced to liquidate any of the Certificates.

Securitization Transactions

Under the Company's securitization structure (see Note 4), transfers of mortgage loans to a Real Estate Mortgage Investment Conduit ("REMIC Trust"), a qualifying special-purpose entity, are accounted for as a sale upon completion of the transaction with any gain or loss recorded in earnings

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

at the time of the transaction. In determining a gain or loss, the Company compares the carrying value of the mortgages sold, net of any transaction costs incurred and any gains or losses associated with the underlying hedge, to the cash proceeds and fair market value of any subordinated certificates received. Subordinated certificates received by the Company are recorded at their estimated fair value on the date of the transaction. Additionally, under this structure, the Company has no controlling interest in the REMIC since the majority of the beneficial ownership interests (in the form of REMIC certificates) are sold to third-party investors. Consequently, the financial statements of the REMIC Trust are not consolidated with those of the Company for financial reporting purposes.

Stock-Based Compensation

In October 1995, the FASB issued SFAS No. 123 "Accounting for Stock-Based Compensation" (Statement 123) which provides companies an alternative to accounting for stock-based compensation as prescribed under APB Opinion No. 25 (APB 25). Statement 123 encourages, but does not require companies to recognize expense for stock-based awards based on their fair value at date of grant. Statement 123 allows companies to continue to follow existing accounting rules (intrinsic value method under APB 25) provided that pro-forma disclosures are made of what net income and earnings per share would have been had the new fair value method been used. The Company has elected to adopt the disclosure requirements of Statement 123 but will continue to account for stock-based compensation under APB 25. Statement 123's disclosure requirements are applicable to stock-based awards granted in fiscal years beginning after December 15, 1994.

Mortgage Servicing Rights

Effective January 1, 1996, the Company adopted Statement of Financial Accounting Standards No. 122 "Mortgage Servicing Rights" (SFAS 122). SFAS 122

requires the recognition of a separate asset for the right to service mortgage loans that are acquired through either the purchase or origination of mortgage loans. The pronouncement also requires the allocation of costs among servicing rights and the loans, based on their relative fair values. Currently, the Company serves as the sub-servicer on its REMIC transactions comprising 85 loans at December 31, 1996. In that capacity, the Company receives fees which are determined based on prevailing market rates for such services at the time of each REMIC transaction. Because the fees received for such servicing result in only adequate compensation after considering the costs to service the loans, the Company does not recognize a separate asset for servicing rights.

With respect to servicing rights associated with mortgage loans originated by the Company, the estimated fair value of such rights would be determined based on the underlying characteristics of the mortgages the Company services in its REMIC securitizations. Since the fair value of such rights only sufficiently covers the cost of such servicing, no separate servicing asset is recognized since it would be immaterial. Therefore, the entire cost of originating the mortgage loans is allocated to such mortgages.

New Accounting Pronouncement

In June 1996, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 125 "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities" (SFAS 125) which is effective for transactions occurring after December

41

LTC PROPERTIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31, 1996 and applicable to assets held on or acquired after January 1, 1997. SFAS 125 amends SFAS No. 115 and supersedes SFAS No. 77 "Reporting by Transferors for Transfers of Receivables with Recourse." In addition, Statement 125 amends certain other accounting literature which provided guidance with respect to the Company's REMIC securitization transactions.

SFAS 125 provides specific criteria for determining whether or not a transfer of assets is a sale or a secured borrowing. In order for sales accounting to apply, the new criteria specifies that 1) transferred assets must be isolated from the transferor 2) the transferee obtains the right free of any conditional constraints to pledge or exchange the assets, or the transferee is a qualifying special purpose entity of which the holders of the beneficial interests have the right free of any conditional constraints to pledge or exchange those interests, and 3) the transferor does not maintain effective control over the transferred assets. The Company believes that the structure of its securitizations would continue to meet the sales accounting standards established in SFAS 125, however, to the extent that recent interpretations of certain provisions of SFAS 125 would require modification to the REMIC structure, the Company would make the necessary modifications to allow for its future securitizations to continue to be accounted for as sales. In addition, SFAS 125 provides that upon completion of a sale, the assets received and the liabilities incurred, if any, shall be recognized at their fair values at the time of the transaction with any gains or losses recognized in earnings. Management believes that these new provisions will not have a material impact on the financial position or results of operations of the Company with respect to any future securitizations.

SFAS 125 also requires the measurement of servicing assets and liabilities when an entity undertakes an obligation to service financial assets. The Company currently provides servicing on the loans from its three previous REMIC securitizations and would expect to do so in any future REMIC. However, historically, the Company receives only adequate compensation for such servicing and, as such, has determined that any servicing asset would be immaterial. Therefore, management believes that this provision of SFAS 125 will not materially impact the Company's financial position.

Furthermore, SFAS 125 modifies the accounting for certain financial assets that can contractually be prepaid or otherwise settled in such a way that the holder would not substantially recover all of its recorded investment to be accounted for at their fair value under SFAS 115. The Company currently accounts for its investments in REMIC Certificates at estimated fair value, consequently, there would be no material effect on the financial position or results of operations of the Company resulting from the adoption of these provisions of SFAS 125.

3. SUPPLEMENTAL CASH FLOW INFORMATION

The details of net changes in other assets and liabilities for the years ended December 31, 1996, 1995 and 1994 are as follows:

<TABLE>
<CAPTION>

1996

1995

1994

<S>	<C>	<C>	<C>
(Increase) in interest receivable	\$ (875)	\$ (741)	\$ (462)
(Increase) decrease in prepaid, other assets and allowance	(99)	(285)	475
Increase (decrease) in accrued interest	2,819	1,224	(755)
Increase (decrease) in accrued expenses and other liabilities	1,112	(1,276)	1,464
	-----	-----	-----
Net change	\$ 2,957	\$ (1,078)	\$ 722
	=====	=====	=====
Non-cash investing and financing transactions:			
Securitization of mortgage loans for REMIC Certificates	\$80,962	\$ -	\$127,640

</TABLE>

42

LTC PROPERTIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

<TABLE>
<CAPTION>

	1996	1995	1994
<S>	<C>	<C>	<C>
Issuance of mortgage loans payable for REMIC Certificates			
	31,525	-	-
Conversion of debentures into common stock	18,813	19,357	33,306
Assumption of mortgage loans payable relating to acquisitions of real estate properties	9,641	13,407	3,337
Assumption of capital lease obligations	-	5,965	-
Minority interest	8,932	1,041	-

</TABLE>

4. REAL ESTATE INVESTMENTS

MORTGAGE LOANS

During 1996, the Company invested \$99,440,000 in mortgage loans secured by, among other things, first mortgages on 31 skilled nursing facilities with a total of 4,077 beds and five assisted living residences with a total of 177 units and certain borrower guarantees. The mortgage loans, which individually range from \$305,000 to \$11,250,000 in principal amount, have an initial weighted average interest rate of 10.42%, have stated maturities of 5 to 20 years, generally have 25-year amortization schedules, and provide for certain facility fees. Most of the loans provide for annual interest rate increases in the initial rate based upon a specified increase, which range from 10 to 12.5 basis points. Approximately \$9,825,000 of the loans due in 1997 will be paid off once the Company completes a sale-leaseback transaction for the same amount on assisted living facilities that are being constructed.

In March 1996, the Company provided non-recourse mortgage loans secured by long-term care facilities to three of its wholly owned subsidiaries and to certain partnerships in which the Company was a general partner totaling \$31,525,000. Concurrent with the closing of the loans, the Company completed a real estate investment conduit ("REMIC") transaction in which loans totaling \$112,487,000, including the \$31,525,000 originated in 1996, were exchanged for mortgage pass-through certificates for an equal amount. See "REMIC Certificates." See Note 5 - Other Long-term Obligations.

At December 31, 1996, the Company had 67 mortgage loans receivable secured by first mortgage loans on 73 skilled nursing facilities with a total of 8,672 beds and 11 assisted living residences with 588 units located in 23 states. The mortgage loans, which have a carrying amount of approximately \$177,262,000 at December 31, 1996, are reflected in the Company's financial statements net of \$1,000,000 of loan loss reserves. The mortgage loans, which individually range from \$302,500 to \$11,240,000 in principal amount, have current interest rates ranging from 9.16% to 13.2% with final payments due from 1997 to 2017. The minimum future principal payments from the mortgage loans at December 31, 1996 are as follows: \$11,617,000 in 1997, \$3,035,000 in 1998, \$5,095,000 in 1999, \$7,189,000 in 2000, \$7,327,000 in 2001 and \$143,999,000 thereafter.

43

LTC PROPERTIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

REMIC CERTIFICATES

REMIC Structure

The Company has organized itself as a REIT, and, as such, makes its investments with the intent to hold them for long-term purposes. However, from time-to-time, securitization transactions may be entered into when a securitization provides the Company with the best available form of raising capital to be used to make additional long-term investments, considering the Company's current and expected future interest rate posture, liquidity and leverage position, as well as overall economic and financial market trends. As of December 31, 1996 the Company had completed three REMIC securitizations (the "1993-1 Pool", the "1994-1 Pool" and the "1996-1 Pool").

The Company structures its securitizations through the creation of a REMIC in a two-step process. Under this structure, a wholly-owned special-purpose bankruptcy remote corporation (LTC REMIC Corp.) is formed and the mortgages to be securitized are transferred to such entity without recourse by the Company. From this special-purpose corporation, the loans are transferred to a trust (the "REMIC Trust") and exchanged for commercial mortgage pass-through certificates (the "REMIC certificates") issued by the REMIC Trust which represent beneficial ownership interests in the REMIC Trust assets (the mortgages). The certificates include various levels of senior and subordinated certificate classes, as well as interest only (I/O) certificates and a minor residual class. The senior certificates and the residual class (which historically have represented between 66% and 81% of the certificates for the three securitization transactions) are then sold to outside third-party investors through a private placement under Rule 144A of the Securities Act of 1933, as amended. The subordinated certificates, which generally provide a level of credit enhancement to the senior certificates, along with the cash proceeds from the sale of the senior certificates are retained by LTC REMIC Corp. as consideration for the initial transfer of the mortgage loans to the REMIC Trust. Neither the Company nor LTC REMIC Corp. is obligated to purchase any of the REMIC Trust assets or assume any liabilities.

General Description of the Certificates

With respect to the Company's REMIC securitizations, the certificates issued represent beneficial ownership interests in the REMIC Trust and can be grouped into four categories; senior, subordinated, interest-only (subordinated), and residuals. The certificates are designated in alphabetical format (e.g. "A", "B", "C", etc.) with each class of certificates having a later alphabetical designation being subordinated to each class of certificates having an earlier alphabetical designation (except for in general, the class R and LR certificates which share in seniority rank to the class "A" certificates). The certificates sold to outside third-party investors are referred to herein as the "Senior certificates" while the certificates transferred to and retained by the Company as part of the sale proceeds are referred to as the "Subordinated Certificates." Both classes of these certificates have stated principal balances, as well as stated interest rates known as the "pass-through rate." In addition, the I/O certificates have no principal denomination, but rather they are entitled to interest distributions which typically represent the spread between the monthly cash interest received from the underlying mortgage collateral and the monthly amount paid by the REMIC Trust in interest distributions on the outstanding pass-through certificates. Interest on each outstanding class of the certificates accrues in arrears at the respective pass-through rate applicable to the certificates and is

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

payable monthly. In addition, monthly principal distributions are also made. The interest and principal distributions are made from the allocated cash flows received by the REMIC Trust from the underlying mortgages. Payments are made first to satisfy the certificates' pass-through rate requirements and then principal distributions are made, both in order of certificate seniority. As such, to the extent there are defaults or unrecoverable losses on the underlying mortgages resulting in reduced cash flows, the Subordinated Certificates held by the Company would bear the first risk of loss. As of December 31, 1996 none of the three REMIC pools had experienced any realized losses nor had any of the Company's REMIC Certificate investments been determined to be permanently impaired.

REMIC Transactions

On March 29, 1996, the Company securitized approximately \$112,487,000 of loans by creating a REMIC which, in turn, issued mortgage pass-through certificates for the same amount in the form of various classes of certificates (the "1996-1 Pool"). As part of the securitization, the Company sold approximately \$90,552,000 of certificates to third parties at an effective interest rate of 7.19%. The Company retained the remaining \$21,935,000 face amount of such Certificates which are effectively subordinated in right of payment to the certificates sold to third parties. Included in the REMIC Certificates are interest-only certificates which have no face amount but are entitled to receive cash flows designated as interest. The net proceeds from the REMIC transaction were used to repay borrowings outstanding under the

Company's lines of credit. The mortgage loans represented by the certificates consisted of 34 mortgage loans, including the loans provided to the Company's wholly owned subsidiaries and to the limited partnerships totaling \$31,525,000, and were secured by 55 skilled nursing facilities in 17 states. The mortgage loans in the REMIC pool had an initial weighted average mortgage interest rate of 10.69% and a weighted average remaining term to stated maturity of approximately 107 months. Concurrently with the closing of the REMIC transaction, the Company's interest rate swap agreement entered into in May 1995 was terminated at a cost of approximately \$1,500,000 and was included as a component of the transactions cost in the determination of the fair value of the assets received in the transaction.

During 1993 and 1994, the Company securitized approximately \$242,340,000 of loans by creating REMICs which, in turn, issued mortgage pass-through certificates for the same amount in the form of various classes of certificates (the 1993-1 and 1994-1 Pools, respectively). As part of these securitizations, the Company sold approximately \$158,664,000 of certificates to third parties (the "Senior certificates") and retained \$83,676,000 face amount of the Certificates.

REMIC Certificates

As of December 31, 1996 the outstanding certificate principal balance and the weighted average pass-through rate for the Senior certificates (all held by outside third parties) in the 1993-1, 1994-1 and 1996-1 REMIC pools were \$59,223,000, \$47,649,000, and \$85,338,000, and 7.5%, 9.2% and 7.2%, respectively. As of December 31, 1996, the estimated fair value of the Subordinated Certificates held by the Company in the 1993-1, 1994-1 and 1996-1 REMIC pools were \$29,461,000, \$37,236,000 and \$32,237,000, respectively.

As of December 31, 1995 the outstanding certificate principal balance and the weighted average pass-through rate for the Senior certificates (all held by outside third parties) in the 1993-1 and 1994-1

45

LTC PROPERTIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

REMIC pools were \$70,128,000 and \$72,858,000, and 7.5% and 9.1%, respectively. As of December 31, 1995, the estimated fair value of the Subordinated Certificates held by the Company in the 1993-1 and 1994-1 REMIC pools were \$31,251,000 and \$36,349,000, respectively.

For the years ended December 31, 1996, 1995 and 1994, income recorded by the Company under the effective interest method for its investments in the Subordinated REMIC Certificates for the 1993-1, 1994-1 and 1996-1 REMIC pools was \$5,603,000, \$5,118,000 and \$3,662,000 in 1996, \$5,628,000, \$5,275,000 and \$0 in 1995, and \$6,767,000, \$1,156,000 and \$0 in 1994, respectively.

As part of the REMIC transaction discussed above, the Company serves as the sub-servicer and, in such capacity, is responsible for performing substantially all of the servicing duties relating to the mortgage loans represented by the certificates. The Company receives monthly fees equal to a fixed percentage of the then outstanding mortgage loans in the REMIC which, in management's opinion, represent currently prevailing terms for similar transactions. In addition, the Company will act as the special servicer to restructure any mortgage loans in the REMIC that are in default. At December 31, 1996, all of the payments currently due on its REMIC Certificates were received.

INTEREST RATE SWAP AGREEMENTS

In November 1996, the Company entered into a one-year forward ten-year interest rate swap agreement (the "November 1996 Agreement") to hedge a \$50,180,000 firm commitment to purchase assisted living facilities. The terms of the commitment provide for an initial lease term of twelve years and an lease rate of 9.90% on each facility acquired. The Company will finance this commitment with fixed rate financing, and as such, has utilized an interest rate swap to "lock-in" the rate at which such financing will be obtained. Interest rate swaps are contractual agreements between the Company and third parties to exchange fixed and floating interest payments periodically without the exchange of the underlying principal amounts (notional amounts). Under the November 1996 Agreement, the Company will be credited with interest at the three-month LIBOR and will incur interest at a fixed rate of 6.835% on a \$40,000,000 notional amount beginning on November 7, 1997. The November 1996 Agreement will be terminated on or before November 7, 1998 which is the latest date on which the Company expects to fully fund the commitment and have long-term financing in place. At December 31, 1996, the Company had an unrealized gain of \$251,000 under the November 1996 Agreement. (See Note 9).

In September 1995, the Company entered into a seven-year forward interest rate swap agreement (the "September 1995 Agreement") to hedge a securitization which is expected to be completed by the end of 1997. As of December 31, 1996, the Company believes that it is probable that the securitization transaction

will occur as scheduled. Under the September 1995 Agreement, beginning on March 31, 1997 and continuing semi-annually thereafter, the Company is to be credited interest at the six month LIBOR and incur interest at a fixed rate of 6.64% on a notional amount of \$60,000,000 which is being accounted for as a hedge. This effectively "locked-in" the net interest margin on \$60,000,000 principal amount of senior certificates the Company anticipates will be sold in the securitization transaction. Concurrent with the closing of the hedged transaction, any gains and losses associated with the interest rate swap will be included as a component of the proceeds of the transaction. The September 1995 Agreement will be terminated at the earlier of (i) an anticipated securitization transaction to be completed during the second half of 1997 or (ii) November 17, 1997. At December 31, 1996, the Company had an unrealized loss of \$253,000 under the September 1995 Agreement.

46

LTC PROPERTIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

At December 31, 1996, the total notional amount of the interest rate swap agreements with off-balance sheet risk was \$100,000,000.

REAL ESTATE PROPERTIES AND LEASE COMMITMENTS

During 1996, the Company acquired for approximately \$45,345,000 22 assisted living facilities ("ALFs") in Alabama, Idaho, Oklahoma, Oregon, Texas and Washington with a total of 820 units. Eighteen of these ALFs were purchased for a total of \$38,495,000 and have been leased to Assisted Living Concepts, Inc. ("ALC") for a total annual rent of approximately \$3,758,000 (subject to annual increases) pursuant to long-term non-cancelable agreements. Included in the leases to ALC were five ALFs in Washington which were purchased for \$11,280,000 and had been financed by the Company through the issuance of \$8,300,000 of multi-family tax-exempt revenue bonds in December 1995 that have a total cost of funds of approximately 5.9%. As of December 31, 1996, the Company had acquired all five of the Washington ALFs and had leased them to ALC generating an initial annual rent of approximately \$948,000. The Company also acquired for \$14,450,000 four skilled nursing facilities in Alabama, Georgia and Tennessee with a total of 472 beds. See Note 5- Other Long-term obligations.

During the twelve months ended December 31, 1996, six newly formed limited partnerships, of which the Company, through certain of its subsidiaries, is the general partner, acquired 16 skilled nursing facilities in Alabama, Arizona, Iowa and Texas for a total of approximately \$54,063,000. These facilities were purchased subject to mortgage loans of approximately \$9,641,000. Under the partnership agreements, the Company has guaranteed payment of a 10% preferred return to the holders of the \$8,932,000 in limited partnership interests. Under certain circumstances, the limited partnership interests can be exchanged, at the option of the holders, into 628,511 shares of the Company's common stock at exercise prices ranging from \$13.00 to \$15.00 commencing in January and July 1997. The mortgage loans of \$9,641,000 assumed by the Company have an initial average interest rate of 11.64%, are due in 2002-2005 and are currently owned by REMICs formed by the Company in 1993 and 1994. In conjunction with these REMICs, the Company sold senior certificates to third parties in 1993 and 1994 at a blended interest rate of approximately 7.1% and 8.9%, respectively, and retained the remaining certificates. See Note 5- Other Long-term obligations.

The Company leases its owned long-term facilities under operating leases generally with an initial term of ten to twelve years. Many of the leases contain renewal options and some contain options that permit the operators to purchase the facilities. The leases provide for a fixed minimum base rent during the initial and renewal periods. Most of the leases provide for annual fixed rent increases or increases based on increases in consumer price indices over the term of the lease. Certain of the Company's leases provide for additional rent through participation in incremental revenues generated by the facilities, over a defined base period, effective at various times during the term of the lease. Each lease is a triple net lease which requires the lessee to provide for the payment of all taxes, insurance, maintenance and other costs of the facilities by the lessee. Contingent rent income for the years ended December 31, 1996, 1995 and 1994 was immaterial.

47

LTC PROPERTIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Future minimum base rents receivable under the remaining non-cancelable terms of operating leases are as follows (dollars in thousands):

<TABLE>
<CAPTION>

	YEAR ENDING DECEMBER 31,
<S>	<C>
1997	\$ 24,520
1998	24,083
1999	24,503
2000	23,553
2001	22,893
Thereafter	100,103

</TABLE>

5. DEBT OBLIGATIONS

SHORT TERM BORROWINGS

The Company has a repurchase agreement with an institution (the "Repurchase Agreement") whereby it may borrow up to \$84,000,000 for general corporate and real estate investment purposes at LIBOR plus 2.0% subject to annual renewal. Under the Repurchase Agreement, the Company may borrow an amount based on the Company's existing mortgage loans with no additional commitment or unused fees. At December 31, 1996, there were \$38,000,000 outstanding borrowings under the Repurchase Agreement. Under the terms of the agreement, borrowings are secured by the mortgage loans of the Company and mature on or before November 15, 1997. However, the Company has historically been able to renew the Repurchase Agreement annually.

The Company entered into a \$25,000,000 unsecured revolving credit agreement (the "Credit Agreement" as amended) with certain banks to provide the Company with short term borrowings. In May 1996, the terms of the Credit Agreement were amended, including certain financial covenants, to increase the amount of the line to \$45,000,000 and to extend the expiration date from December 31, 1996 to May 31, 1998. Revolving credit borrowings, at the option of the Company, accrued interest at the agent bank's base rate or LIBOR plus 1.50%. Under the Credit Agreement, the Company pays a commitment fee equal to .25% per annum of the average unused commitment, an annual agency fee of \$25,000 plus a one-time commitment fee. Borrowings under the Credit Agreement must be repaid annually with a 30-day "zero-balance period." The Credit Agreement contains, among other things, certain financial covenants including an interest coverage ratio, ratio of total liabilities to net worth, and ratio of funded debt to total net worth. At December 31, 1996, the Company had \$41,400,000 outstanding under the Credit Agreement bearing an interest rate of approximately 7.2%.

48

LTC PROPERTIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

CONVERTIBLE SUBORDINATED DEBENTURES

The following is a summary of Convertible Subordinated Debentures outstanding at December 31, 1996 and 1995:

<TABLE>
<CAPTION>

Issue Date	Interest Rate	Maturity	Conversion Price per share	1996	1995
<S>	<C>	<C>	<C>	<C>	<C>
1992	9.75%	June 2004	\$10.00	\$ 843,000	\$ 3,141,000
1994	8.50%	January 2000	\$15.00	22,023,000	30,000,000
1995	8.50%	January 2001	\$15.50	45,157,000	51,500,000
1995	8.25%	January 1999	\$15.50	10,000,000	10,000,000
1996	7.75%	January 2002	\$16.50	27,840,000	-
1996	8.25%	July 2001	\$17.25	29,965,000	-
				\$135,828,000	\$94,641,000
				=====	=====

</TABLE>

The 9.75% debentures due 2004 are redeemable by the Company at any time at 100% of the principal plus accrued interest. During the year ended December 31, 1996 and 1995, \$2,298,000 and \$19,357,000 in principal amount of such debentures converted into 229,800 and 1,935,700 shares of common stock, respectively.

The 8.5% debentures due 2000 are not redeemable by the Company prior to January 1, 1998. During the year ended December 31, 1996, \$7,977,000 of debentures converted into 531,794 shares of common stock. No debentures were converted in 1995.

The 8.5% debentures due 2001 and the 8.25% debentures due 1999 are not redeemable by the Company. During the year ended December 31, 1996, \$6,343,000

of debentures converted into 409,224 shares of common stock. No debentures were converted in 1995.

On February 5, 1996, the Company sold, through a public offering, \$30,000,000 aggregate principal amount of 7.75% Convertible Subordinated Debentures due January 1, 2002. The debentures are convertible at any time prior to maturity into shares of the Company's common stock at a conversion price of \$16.50 per share, subject to adjustments under certain circumstances. The debentures are not redeemable by the Company prior to January 1, 2001. The net proceeds were used to repay borrowings outstanding under the Company's lines of credit. During the year ended December 31, 1996, \$2,160,000 of debentures converted into 130,908 shares of common stock.

On March 15, 1996, the Company filed a shelf-registration statement with the Securities and Exchange Commission covering up to \$125,000,000 of debt and equity securities to be sold from time to time in the future. The registration statement was declared effective on April 4, 1996. Pursuant to the shelf registration, the Company, in August 1996, completed the sale of \$30,000,000 of 8.25% Convertible Subordinated Debentures due 2001. The debentures are convertible into shares of the Company's common stock at a price of \$17.25 and are not redeemable by the Company. Net proceeds from the offering were used to repay short-term borrowings. During the year ended December 31, 1996, \$35,000 of debentures converted into 2,028 shares of common stock.

49

LTC PROPERTIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

OTHER LONG-TERM OBLIGATIONS

The following information relates to other long-term obligations as of December 31:

	1996	1995
<S>	<C>	<C>
Mortgage loans payable, interest rates from 9.25% to 12.00%, maturing 2002 to 2006	\$54,205,000	\$16,707,000
Multi-family tax-exempt revenue bonds, variable interest (4.35% at 12/31/96), maturing at various dates to 2015	8,300,000	8,300,000
Obligations under capital leases, effective interest rates from 7.49% to 7.92%, maturing at various dates to 2013	5,739,000	5,965,000
Totals	\$68,244,000	\$30,972,000

In 1996, the Company provided non-recourse mortgage loans to three of its wholly owned subsidiaries and to certain newly formed limited partnerships in which the Company is a general partner totaling \$31,525,000. During 1996, the Company acquired, through the newly formed limited partnerships, 16 skilled nursing facilities. These facilities were purchased subject to mortgage loans of approximately \$9,641,000. Also during 1996, the Company paid off one of its outstanding mortgage loans totaling \$3,331,000.

Aggregate maturities of other long-term obligations, including capitalized leases, are as follows: \$630,000 in 1997, \$931,000 in 1998, \$1,009,000 in 1999, \$1,098,000 in 2000, \$1,197,000 in 2001 and \$63,379,000 thereafter. These obligations are secured by 31 long-term care facilities with a total net book value of \$81,915,000. Five of the mortgage loans provide for annual increases in the interest rate in an amount equal to 10 basis points with the interest rates capped at 12%.

6. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following estimated fair value amounts have been determined using available market information and other valuation methods. However, considerable judgment is required to interpret market data and, therefore, the estimates presented below are not necessarily indicative of the amounts the Company could realize in a current market.

Mortgage loans receivable are estimated by discounting future cash flow using the current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities. At December 31, 1996 and 1995, the fair value of real estate mortgages amounted to approximately \$189,483,000 and \$166,758,000, respectively. The fair value of the Company's REMIC Certificates as of December 31, 1996 and 1995 was estimated at approximately \$98,934,000 and \$67,600,000, respectively, based upon expected

cash flows discounted at a market interest rate, adjusted to reflect the inherent risk of prepayment and credit losses on an investment with similar duration. At December 31, 1996 and 1995, the September 1995 interest rate swap had an unrealized loss of \$253,000 and an unrealized gain of \$2,424,000, respectively. The November 1996 interest rate swap had an unrealized gain of \$251,000, based on valuations from an investment bank. Based on the quoted market price of the Company's common stock and the conversion price of the convertible debentures, the fair value of the debentures was estimated at \$159,365,000 at December 31, 1996 and \$97,584,000 as of December 31, 1995.

50

LTC PROPERTIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. STOCKHOLDERS' EQUITY

REPURCHASE OF COMMON STOCK

During 1996, the Company repurchased and retired 120,000 shares of common stock for an aggregate price of approximately \$1,831,000.

OPTION PLAN

The Company has a Stock Option Plan (the "Plan") in which options may be granted as either incentive or nonqualified options. Incentive options may be granted only to officers and employees of the Company, while nonqualified options may be granted to directors, officers, consultants, and other key persons who provide services to the Company. In 1995, the Plan was amended ("Amended and Restated Option Plan") to provide for issuance of restricted shares to officers, employees, directors and other key persons. Under the Amended and Restated Plan, options vest over two to five years and are exercisable within seven years from the date of vesting. In general, each option shall expire on the date specified in the option agreement, but not later than the tenth anniversary of the date on which the option was granted.

The following summarizes transactions regarding the nonqualified options for the years ended December 31, 1994, 1995 and 1996:

	Shares	Option Price Per Share (\$)
<S>	<C>	<C>
Outstanding at December 31, 1993	624,000	10.000 to 12.250
Granted	215,500	12.200 to 13.250
Exercised	-	
Canceled	-	-
Outstanding at December 31, 1994	839,500	10.000 to 13.250
Granted	27,000	12.000 to 12.250
Exercised	(2,000)	12.250
Canceled	(3,000)	12.250
Outstanding at December 31, 1995	861,500	10.000 to 13.250
Granted	18,000	15.125
Exercised	(3,200)	12.000 to 12.250
Canceled	(3,000)	12.250
Outstanding at December 31, 1996	873,300	10.000 to 15.125
Exercisable at December 31, 1994	170,500	10.000 to 12.250
Exercisable at December 31, 1995	272,333	10.000 to 13.250
Exercisable at December 31, 1996	436,466	10.000 to 13.250
Available for grant at December 31, 1994	557,000	
Available for grant at December 31, 1995	533,000	
Available for grant at December 31, 1996	358,000	

In 1996, the Company's Board of Directors approved the issuance of 160,000 shares of restricted stock to certain employees and non-employee directors pursuant to the Company's Amended and Restated Option Plan. The restricted shares will vest over five years, beginning January 1998.

51

LTC PROPERTIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Dividends are payable on the restricted shares to the extent and on the same date as dividends are paid on all of the Company's common stock.

In 1996, the Company adopted the disclosure requirement provision of SFAS 123

in accounting for stock-based compensation issued to employees. As of December 31, 1996 and 1995, there were 44,000 and 27,000 options outstanding, respectively, that are subject to SFAS 123 disclosure requirements. The fair value of these options was estimated utilizing the Black-Scholes valuation model using the applicable assumptions as of each respective grant date. The significant assumptions used in the Black-Scholes model include the expected life and volatility of the options and the risk-free interest rate at the grant date. In determining the estimated fair values for the options granted in 1996 and 1995, the weighted average expected life assumption was seven years, respectively, the weighted average volatility assumptions used were 0.15 and 0.16, respectively, and weighted average risk-free interest rate assumption was 6.6%, respectively. Based on the results of the estimates, the weighted-average fair value of the options granted was estimated to be \$0.63 in 1996 and \$0.62 in 1995. Management determined that there was no material effect on pro forma net income or earnings per share for the years ended December 31, 1996 and 1995. The weighted average exercise price of the options were \$13.55 and \$12.45 and the weighted average remaining contractual lives were 7.7 and 8.3 years as of December 31, 1996 and 1995, respectively.

FOUNDERS' STOCK

In May 1992, prior to the completion of the initial public offering, the Company issued 300,000 shares of common stock, subject to certain restrictions or forfeitures, to the Founders of the Company. The market value of shares awarded (estimated at \$5.00 per share) has been recorded as unearned stock grant compensation and has been recorded as a reduction in capital in excess of par value. The unearned compensation is being charged to expense over a vesting period ranging from two to five years.

For the years ended December 31, 1996, 1995 and 1994, the Company recorded an expense totaling \$114,000, \$221,000, and \$372,000, respectively.

8. DISTRIBUTIONS

The Company must distribute at least 95% of its taxable income in order to continue to qualify as a real estate investment trust. Distributions in a given year may exceed the Company's earnings and profits due to non-cash expenses such as depreciation and amortization. Under special tax rules for real estate investment trusts, dividends declared in the last quarter of the calendar year and paid by January 31 of the following year are treated as paid on December 31 of the year declared. Distributions per share are broken down according to the following categories for income tax purposes:

	1996	1995	1994
<S>	<C>	<C>	<C>
Ordinary income	\$1.228	\$1.05	\$1.10
Non-taxable distribution	0.107	.16	-
Total	\$1.335	\$1.21	\$1.10

LTC PROPERTIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. Transactions with Assisted Living Concepts, Inc.

In 1996, the Company's Board of Directors authorized an increase in the Company's investment in assisted living facilities ("ALFs") from 10% to 20% of its adjusted gross real estate investment portfolio (adjusted to include the mortgage loans to third parties underlying the investment in REMIC Certificates). In addition, the Board of Directors also authorized an increase in the Company's investment in properties operated by Assisted Living Concepts, Inc. ("ALC"), an owner, operator and developer of ALFs whose securities are listed on the American Stock Exchange, from 5% to 10% of its adjusted gross real estate investment portfolio (which was approximately \$626,516,000 as of December 31, 1996). Currently, two of the Company's executive officers serve as members of the Board of Directors of ALC. As of December 31, 1996, three executive officers of the Company own approximately 5.5% of ALC's common stock. The Company has discussed with its Board of Directors and anticipates increasing the percentage of its adjusted gross real estate investment portfolio that can be invested in ALFs and properties operated by ALC to 30% and 15%, respectively, during 1997. At December 31, 1996, the Company had investments in ALFs and properties operated by ALC of approximately 10.64% and 6.48%, respectively of the Company's total adjusted gross real estate investment portfolio.

In July 1996, in connection with obtaining a \$50,180,000 firm commitment to purchase assisted living facilities through sale leaseback transactions with

ALC, the Company agreed to sell back four ALFs it acquired during 1996 in Texas to ALC for approximately \$7,589,000. There was no gain or loss recognized on the sale, however, the Company received an administration fee of approximately \$214,000 in conjunction with the sale of the four ALF facilities. In connection with the commitment, the Company entered into a one-year forward ten-year interest rate swap agreement in November 1996 to hedge the firm commitment to purchase the assisted living facilities. The terms of the commitment provide for an initial lease term of twelve years and an lease rate of 9.90% on each facility acquired. The Company will finance this commitment with fixed rate financing, and as such, has utilized an interest rate swap to "lock-in" the rate at which such financing will be obtained. Interest rate swaps are contractual agreements between the Company and third parties to exchange fixed and floating interest payments periodically without the exchange of the underlying principal amounts (notional amounts). Under the November 1996 Agreement, the Company will be credited with interest at the three-month LIBOR and will incur interest at a fixed rate of 6.835% on a \$40,000,000 notional amount beginning on November 7, 1997. The November 1996 Agreement will be terminated on or before November 7, 1998 which is the latest date on which the Company expects to fully fund the commitment and have long-term financing in place. At December 31, 1996, the Company had an unrealized gain of \$251,000 under the November 1996 Agreement.

10. SUBSEQUENT EVENTS

On January 15, 1997, the Company sold, through a public offering, 1,000,000 shares of common stock at \$17.75 per share. Of the total net proceeds, \$17,300,000 was used to pay borrowings under the Company's unsecured line of credit.

During January 1997, the Company provided mortgage loans totaling approximately \$18,530,000 and acquired one skilled nursing facility for \$2,556,000. As of February 1, 1997, the Company had outstanding investment commitments totaling \$82,790,000, consisting of approximately \$22,650,000 in commitments to make mortgage loans and commitments for the acquisition of one nursing and 25

53

LTC PROPERTIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

assisted living facilities for an aggregate purchase price of approximately \$60,140,000, including the remaining \$35,330,000 commitment to Assisted Living Concepts, Inc. discussed in Note 8. The Company expects to fund substantially all of these commitments by the end of 1997.

During January 1997, an additional \$26,358,000 in principal amount of debentures converted into 1,614,153 shares of the Company's common stock.

11. QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

The following quarterly financial data summarizes the unaudited quarterly results for the years ended December 31, 1996 and 1995:

<TABLE>
<CAPTION>

	QUARTER ENDED (RESTATED)			
	March 31	June 30	September 30	DECEMBER 31
1996	(In thousands, except per share amounts)			
<S>	<C>	<C>	<C>	<C>
Revenues	\$12,363	\$12,920	\$14,292	\$15,355
Net income	11,831	4,906	5,636	6,337
Net income per share	0.63	0.26	0.29	0.32
Dividends per share	0.315	0.34	0.34	0.34

<TABLE>
<CAPTION>

	QUARTER ENDED (1)			
	March 31	June 30	September 30	DECEMBER 31
1995	(In thousands, except per share amounts)			
<S>	<C>	<C>	<C>	<C>
Revenues	\$7,505	\$8,560	\$9,232	\$10,272
Net income	4,718	5,199	4,971	5,152
Net income per share	0.26	0.29	0.27	0.28
Dividends per share	0.29	0.29	0.315	0.315

(1) The Company has restated its results of operations for the year ended December 31, 1995 (See Note 1) which reflects a revision in reported net

income to \$18,384,000 from the previously reported amount of \$20,040,000. Earnings per share has been revised to \$1.01 per share from \$1.10 per share. The quarterly information presented above for 1995 has not been revised to reflect the restatement because the quarterly data necessary to reflect the restatement is not available.

54

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ACCOUNTING AND FINANCIAL DISCLOSURE

Not Applicable.

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE COMPANY

Incorporated herein by reference from the Company's definitive proxy statement for the Annual Meeting of Stockholders to be held May 19, 1997, to be filed pursuant to Regulation 14A.

ITEM 11. EXECUTIVE COMPENSATION

Incorporated herein by reference from the Company's definitive proxy statement for the Annual Meeting of Stockholders to be held May 19, 1997, to be filed pursuant to Regulation 14A.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Incorporated herein by reference from the Company's definitive proxy statement for the Annual Meeting of Stockholders to be held May 19, 1997, to be filed pursuant to Regulation 14A.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Incorporated herein by reference from the Company's definitive proxy statement for the Annual Meeting of Stockholders to be held May 19, 1997, to be filed pursuant to Regulation 14A.

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K.

(a) 1 and 2. Consolidated Financial Statements and Consolidated Financial Statement Schedules

The consolidated financial statements and consolidated financial statement schedules listed in the accompanying index to consolidated financial statements and consolidated financial statement schedules are filed as part of this annual report.

3. Exhibits

The exhibits listed in the accompanying index to exhibits are filed as part of this annual report.

(b) Reports on Form 8-K

A report on Form 8-K was filed on January 30, 1996 reporting the Company's financial results for the year ended December 31, 1995.

55

INDEX TO FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULES
(ITEM 14(a))

<TABLE>
<CAPTION>

	Page

1. Financial Statements:	
<S>	<C>
Report of Independent Auditors.....	31
Consolidated Balance Sheets at December 31, 1996 and 1995.....	32
Consolidated Statements of Income for the years ended December 31, 1996, 1995 and 1994.....	33
Consolidated Statements of Stockholders' Equity for the years ended December 31, 1996, 1995 and 1994.....	34
Consolidated Statements of Cash Flows for the years ended December 31, 1996, 1995 and 1994.....	35
Notes to Consolidated Financial Statements.....	36
2. Financial Statement Schedules:	
VIII. Valuation and Qualifying Accounts.....	58

XI. Real Estate and Accumulated Depreciation.....	59
XII. Mortgage Loans on Real Estate.....	62

</TABLE>

All other schedules have been omitted since the required information is not present or not present in amounts sufficient to require submission of the schedule.

56

LTC PROPERTIES, INC.
SCHEDULE VIII
VALUATION AND QUALIFYING ACCOUNTS
December 31, 1996

(In thousands)

<TABLE>
<CAPTION>

period	Description	Balance at Beginning of period	Additions		Deductions	Balance at end of
			Charged to Operations	Charged to other accounts		
-	<S>	<C>	<C>	<C>	<C>	<C>
1994	Allowance for doubtful accounts	\$447	550	-	-	\$997
1995	Allowance for doubtful accounts	\$997	-	-	-	\$997
1996	Allowance for doubtful accounts	\$997	3	-	-	\$1,000

</TABLE>

57

LTC PROPERTIES, INC.
SCHEDULE XI
REAL ESTATE AND ACCUMULATED DEPRECIATION
December 31, 1996

<TABLE>
<CAPTION>

which Carried period	Description Total (1)	Encumbrances	Initial Cost to Company			Gross Amount at At Close of		
			Land	Building and Improvements	Subsequent to Acquisition	Land	Building and Improvements	
-	<S>	<C>	<C>	<C>	<C>	<C>	<C>	
	Long-term care nursing facilities:							
	Nursing Homes:							
	Demopolis, AL	\$ 10,668,066.99 (3)	\$ 70,786	\$ 2,141,276	\$ -	\$ 70,786	\$ 2,141,276	\$
	2,212,062							
	Fort Payne, AL	(3)	37,178	3,587,724	-	37,178	3,587,724	
	3,624,903							
	Jackson, AL	(3)	63,641	2,620,000	-	63,641	2,620,000	
	2,683,640							
	Madison, AL	(3)	30,083	2,327,808	-	30,083	2,327,808	
	2,357,891							
	Phoenix, AL	(3)	59,089	2,122,670	-	59,089	2,122,670	
	2,181,760							
	Phoenix, AZ	7,797,583.12	431,750	6,764,084	-	431,750	6,764,084	
	7,195,834							
	Tucson, AZ	6,592,231.54	145,614	3,931,592	-	145,614	3,931,592	
	4,077,206							
	East Whittier, CA	-	169,929	1,741,775	-	169,929	1,741,775	
	1,911,704							

West Whittier, CA 1,911,705	-	726,448	1,185,257	-	726,448	1,185,257
Yuba City, CA 3,555,058	-	521,083	3,033,975	-	521,083	3,033,975
Bradenton, FL 3,050,748	-	330,498	2,720,250	-	330,498	2,720,250
Clearwater, FL 3,356,495	-	454,114	2,902,381	-	454,114	2,902,381
Crestview, FL 2,445,979	-	140,000	2,305,979	-	140,000	2,305,979
San Destin, FL 4,049,808	-	175,155	3,874,653	-	175,155	3,874,653
Gulf Breeze, FL 6,620,146	-	600,000	6,020,146	-	600,000	6,020,146
Lecanto, FL 5,267,240	-	350,795	2,664,455	2,251,990	350,795	4,916,445
Pensacola, FL 4,485,297	-	190,000	4,295,297	-	190,000	4,295,297
Pensacola, FL 4,893,032	-	230,000	4,663,032	-	230,000	4,663,032
Starke, FL 4,895,546	-	113,000	4,782,546	-	113,000	4,782,546
Chicago Heights, IL 6,627,159	-	220,905	6,406,254	-	220,905	6,406,254
Alamagordo, NM 3,881,483	-	314,215	3,567,268	-	314,215	3,567,268
Roswell, NM 3,017,213	-	85,000	2,932,213	-	85,000	2,932,213
Great Falls, MT 3,830,608	4,335,297.45	397,217	3,433,391	-	397,217	3,433,391
Rusk, TX 2,433,219	-	34,174	2,399,045	-	34,174	2,399,045
Chesapeake, VA 3,670,885	-	372,667	3,298,218	-	372,667	3,298,218
Richmond, VA 3,670,885	-	372,667	3,298,218	-	372,667	3,298,218
Tappahannock, VA 3,670,885	-	372,667	3,298,218	-	372,667	3,298,218
Toppanish, WA 2,785,910	2,628,853 (4)	132,152	2,653,758	-	132,152	2,653,758
Vancouver, WA 3,092,720	(4)	60,000	3,032,720	-	60,000	3,032,720
Jefferson, IA 1,969,050	10,554,832 (5)	36,272	1,932,778	-	36,272	1,932,778
Houston, TX 4,659,695		201,744	4,457,951	-	201,744	4,457,951
Houston, TX 4,133,493		361,655	3,771,839	-	361,655	3,771,839
Montgomery, AL 5,569,290	3,939,977 (6)	143,724	5,425,566	-	143,724	5,425,566
Carroll, IA 1,080,287	(5)	60,016	1,020,271	-	60,016	1,020,271
Houston, TX 4,659,695		201,744	4,457,951	-	201,744	4,457,951
Woodbury, TN 3,000,000		100,000	2,900,000	-	100,000	2,900,000
Whiteright, TX 3,022,653	1,126,791	100,000	2,922,653	-	100,000	2,922,653
Granger, IA 1,418,146	(5)	92,725	1,325,421	-	92,725	1,325,421
Bedford, TX 3,539,985	(5)	344,683	3,195,303	-	344,683	3,195,303
Midland, TX 2,317,556	2,041,265	32,446	2,285,110	-	32,446	2,285,110
Tiptonville, TN 2,550,000		100,000	2,450,000	-	100,000	2,450,000
Gardendale, AL 6,400,000		83,660	6,316,340	-	83,660	6,316,340
Polk City, IA 1,439,666	(5)	88,238	1,351,428	-	88,238	1,351,428

</TABLE>

<TABLE>

<CAPTION>

Description	Accum. Deprec (2) (3)	Orig. Construc- tion/renovation Date	Date Acquired
- - - - -	- - - - -	- - - - -	- - - - -
<S>	<C>	<C>	<C>
Long-term care nursing facilities:			
Nursing Homes:			
Demopolis, AL	\$112,246	1972	Jun. 1995
Fort Payne, AL	202,835	1967/1973	Jun. 1995
Jackson, AL	133,842	1964	Jun. 1995

Madison, AL	127,640	1964/1974	Jun. 1995
Phoenix, AL	119,802	1969	Jun. 1995
Phoenix, AZ	655,290	1985/1992	May 1994
Tucson, AZ	504,450	1985	Mar. 1993
East Whittier, CA	161,433	1964	Sep. 1994
West Whittier, CA	124,898	1964	Sep. 1994
Yuba City, CA	555,383	1970	Jan. 1993
Bradenton, FL	305,559	1989	Sep. 1993
Clearwater, FL	387,360	1965/1993	Sep. 1993
Crestview, FL	198,998	1988	Jun. 1994
San Destin, FL	262,305	1986	Feb. 1995
Gulf Breeze, FL	518,010	1984	Jun. 1994
Lecanto, FL	445,201	1988	Sep. 1993
Pensacola, FL	375,378	1972	Jun. 1994
Pensacola, FL	401,645	1991	Jun. 1994
Starke, FL	410,182	1989	Jun. 1994
Chicago Heights, IL	524,818	1988	Sep. 1994
Alamagordo, NM	485,440	1985	Mar. 1993
Roswell, NM	511,603	1979	Nov. 1992
Great Falls, MT	604,046	1960/1990	Dec. 1992
Rusk, TX	279,030	1969	Mar. 1994
<CAPTION>			

Description	Accum. Deprec (2) (3)	Orig. Construc- tion/renovation Date	Date Acquired

<S>	<C>	<C>	<C>
Chesapeake, VA	173,090	1977	Oct. 1995
Richmond, VA	173,090	1970/1975/1980	Oct. 1995
Tappahannock, VA	173,090	1977/1978	Oct. 1995
Toppanish, WA	146,429	1960/1970	Jun. 1995
Vancouver, WA	172,831	1952/1994	Jun. 1995
Jefferson, IA	64,105	1968/1972	Jan. 1996
Houston, TX	90,254	1961	Jun. 1996
Houston, TX	75,971	1964/1968	Jun. 1996
Montgomery, AL	183,761	1967/1974	Jan. 1996
Carroll, IA	35,324	1969	Jan. 1996
Houston, TX	79,880	1967	Jun. 1996
Woodbury, TN	62,200	1972/75/90	May 1996
Whiteright, TX	106,990	1962/64/65	Jan. 1996
Granger, IA	45,973	1979	Jan. 1996
Bedford, TX	114,291	1960	Jan. 1996
Midland, TX	82,770	1973	Feb. 1996
Tiptonville, TN	56,833	1975	May 1996
Gardendale, AL	121,781	1976/1984	May 1996
Polk City, IA	44,981	1976	Jan. 1996

</TABLE>

58

LTC PROPERTIES, INC.
SCHEDULE XI
REAL ESTATE AND ACCUMULATED DEPRECIATION
December 31, 1996

<TABLE> <CAPTION>				
Description	Encumbrances	Initial Cost to Company		Cost Capitalized Subsequent to Acquisition
		Land	Building and Improvments	
<S>	<C>	<C>	<C>	<C>
Atmore, AL	(6)	23,142	2,985,308	-
Mesa, AZ	4,519,902	304,707	6,908,762	-
Houston, TX		571,889	5,964,457	-
Roberta, GA		100,000	2,400,000	-
Norwalk, IA	(5)	45,486	1,034,802	-
Altoona, IA	(5)	102,152	2,312,354	-
Sub-total	54,204,799	10,295,110	163,422,497	2,251,990
Assisted-living facilities:				
Dodge City, KS	1,678,763	87,500	1,662,500	-
Great Bend, KS	1,415,908	86,842	1,563,159	-
McPherson, KS	1,231,666	75,000	1,575,000	-
Salina, KS	1,413,023	71,739	1,578,261	-
Longview, TX	-	38,256	1,568,492	-
Marshall, TX	-	38,256	1,568,492	-
Walla Walla, WA	8,300,000 (7)	100,000	1,940,000	-
Greenville, TX		42,098	1,565,286	-

Camas, WA	(7)	100,000	2,175,000	-
Grandview, WA	(7)	100,000	1,940,000	-
Vancouver, WA	(7)	100,000	2,785,000	-
Athens, TX		95,678	1,511,707	-
Lufkin, TX		100,000	1,950,000	-
Kennewick. WA	(7)	100,000	1,940,000	-
Gardendale, AL		16,340	1,233,660	-
Jacksonville, TX		100,000	1,900,000	-
Kelso, WA		100,000	2,500,000	-
Battleground, WA		100,000	2,500,000	-
Hayden, ID		100,000	2,450,000	-
Klamath Falls, OR		100,000	2,300,000	-
Newport, OR		100,000	2,050,000	-
Tyler, TX		100,000	1,800,000	-
Wichita Falls, TX		100,000	1,850,000	-
Ada, OK		100,000	1,650,000	-
Subtotal	14,039,359	2,051,709	45,556,557	-
Grand total	\$68,244,158	\$12,346,818	\$208,979,053	\$2,251,990

<CAPTION>

Gross Amount at which Carried At Close of Period						
Description Acquired	Land	Building and Improvmnts	Total (1)	Accum. Deprec (2) (3)	Orig. Construc- tion/renovation Date	Date
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Atmore, AL 1996	23,142	2,985,308	3,008,450	98,518	1967/1974	Jan.
Mesa, AZ 1996	304,707	6,908,762	7,213,468	110,103	1975/1996	Jun.
Houston, TX 1996	571,889	5,964,457	6,536,346	131,548	1967	Jun.
Roberta, GA 1996	100,000	2,400,000	2,500,000	53,333	1964	May
Norwalk, IA 1996	45,486	1,034,802	1,080,287	35,548	1975	Jan.
Altoona, IA 1996	102,152	2,312,354	2,414,509	75,619	1973	Jan.
Sub-total	10,295,110	165,674,487	175,969,597	10,915,707		
Assisted-living facilities:						
Dodge City, KS 1995	87,500	1,662,500	1,750,000	49,896	1995	Dec.
Great Bend, KS 1995	86,842	1,563,158	1,650,000	46,921	1995	Dec.
McPherson, KS 1995	75,000	1,575,000	1,650,000	47,259	1994	Dec.
Salina, KS 1995	71,739	1,578,261	1,650,000	47,352	1994	Dec.
Longview, TX 1995	38,256	1,568,492	1,606,749	50,482	1995	Oct.
Marshall, TX 1995	38,256	1,568,492	1,606,748	50,482	1995	Oct.
Walla Walla, WA 1996	100,000	1,940,000	2,040,000	39,981	1996	Apr.
Greenville, TX 1996	42,098	1,565,286	1,607,384	43,192	1995	Jan.
Camas, WA 1996	100,000	2,175,000	2,275,000	34,524	1996	May
Grandview, WA 1996	100,000	1,940,000	2,040,000	44,424	1996	Mar.
Vancouver, WA 1996	100,000	2,785,000	2,885,000	44,043	1996	Jun.
Athens, TX 1996	95,678	1,511,707	1,607,384	41,435	1995	Jan.
Lufkin, TX 1996	100,000	1,950,000	2,050,000	40,169	1996	Apr.
Kennewick. WA 1996	100,000	1,940,000	2,040,000	48,866	1996	Feb.
Gardendale, AL 1996	16,340	1,233,660	1,250,000	23,786	1988	May
Jacksonville, TX 1996	100,000	1,900,000	2,000,000	44,003	1996	Mar.
Kelso, WA 1996	100,000	2,500,000	2,600,000	11,218	1996	Nov.
Battleground, WA 1996	100,000	2,500,000	2,600,000	5,609	1996	Nov.

Hayden, ID 1996	100,000	2,450,000	2,550,000	5,505	1996	Dec.
Klamath Falls, OR 1996	100,000	2,300,000	2,400,000	5,192	1996	Dec.
<CAPTION>						
	Gross Amount at which Carried At Close of Period					
				Accum. Deprec (2) (3)	Orig. Construc- tion/renovation Date	Date
Description Acquired	Land	Building and Improvements	Total (1)			

<S>	<C>	<C>	<C>	<C>	<C>	<C>
Newport, OR 1996	100,000	2,050,000	2,150,000	0	1996	Dec.
Tyler, TX 1996	100,000	1,800,000	1,900,000	0	1996	Dec.
Wichita Falls, TX 1996	100,000	1,850,000	1,950,000	0	1996	Dec.
Ada, OK 1996	100,000	1,650,000	1,750,000	0	1996	Dec.
Subtotal	2,051,709	45,556,557	47,608,266	724,339		
Grand total	\$12,346,818	\$211,231,043	\$223,577,863	\$11,640,046		
=====						

59

LTC PROPERTIES, INC.
SCHEDULE XI
REAL ESTATE AND ACCUMULATED DEPRECIATION
December 31, 1996

- (1) The aggregate cost for federal income tax purposes.
(2) Depreciation for building is calculated using a 35 year depreciation life for nursing facilities and 40 year life for assisted living facilities and additions to facilities (Lecanto, Florida). Depreciation for furniture and fixtures is calculated based on a 7- year life for all facilities.
(3) This is a single note backed by five facilities in Alabama.
(4) This is a single note backed by two facilities in Washington.
(5) This is a single note backed by a total of seven facilities: Six in Iowa and one in Texas
(6) This is a single note backed by two facilities in Alabama.
(7) This is a single note backed by five facilities in Washington.
(8) The activities for the years ended December 31, 1994, 1995 and 1996 are as follows:

<TABLE>		
<CAPTION>		
	Real Estate & Equipment	Accumulated Depreciation
	-----	-----
<S>	<C>	<C>
Beginning balance	\$ 28,560,689	\$ 768,213
Additions during period -		
Additions	44,557,538	1,722,148
Deductions during period -		
Cost of real estate sold	-	-
Balance at December 31, 1994	73,118,227	2,490,361
Additions during period -		
Additions	44,150,274	2,996,167
Deductions during period -		
Cost of real estate sold	-	-
Balance at December 31, 1995	117,268,501	5,486,528
Additions during period -		
Additions	113,959,361	6,214,190
Deductions during period -		
Cost of real estate sold	(7,650,000)	(60,672)
Balance at December 31, 1996	\$223,577,862	\$11,640,046
	=====	=====

</TABLE>

60

LTC PROPERTIES, INC.
SCHEDULE XII
MORTGAGE LOANS ON REAL ESTATE
DECEMBER 31, 1996

<TABLE>
<CAPTION>

STATE	Number of Facilities	Number of Beds	Interest Rate (A)	Final Maturity Date	Balloon Amount (B)
<S>	<C>	<C>	<C>	<C>	<C>
Long-term care facilities:					
FL	2	251	10.750%	Mar. 2006	\$ 7,326,841
FL	1	180	9.158%	Dec. 2006	6,212,944
MS	3	400	10.320%	Oct. 2006	10,656,431
SC	5	509	11.700%	Feb. 2003	11,118,772
Various (2)	73	7,920	9.75%-13.2%	Jun. 1997 - Oct. 2017	134,891,128
	84	9,260			\$170,206,116
	=====	=====			=====

<CAPTION>

STATE	Face Amount of Mortgages	Carrying Amount of Mortgages at December 31, 1995	Loan Subject to Delinquent Principal or Interest	Current Monthly Debt Service
<S>	<C>	<C>	<C>	<C>
Long-term care facilities:				
FL	\$ 8,200,000	\$ 8,154,021	\$ -	78,891.60
FL	7,200,000	7,200,000	-	61,203.05
MS	11,250,000	11,240,003	-	101,397.29
SC	11,250,000	11,229,957	-	113,127.66
Various (2)	141,790,842	140,437,709	1,666,420	1,379,781.10
	\$179,690,842	\$ 178,261,690 (1)(3)(4)	\$ 1,666,420	1,734,401.00
	=====	=====	=====	=====

</TABLE>

(A) Represents current stated interest rate. Generally, the loans have 25-year amortization with principal and interest payable at varying amounts over the life to maturity with annual interest adjustments through specified fixed rate increases effective either on the first anniversary or calendar year of the loan.

(B) Balloon payment is due upon maturity, principally on the 10th year of the loan, with various prepayment penalties (as defined in the loan agreement).

(1) The aggregate cost for federal income tax purposes.

(2) Includes 63 first-lien mortgage loans secured by skilled nursing facilities and assisted living facilities as follows:

<TABLE>
<CAPTION>

No. of loans <S>	Original loan amounts: <C>
37	\$ 305,000 - \$2,000,000
12	\$2,000,001 - \$3,000,000
5	\$3,000,001 - \$4,000,000
5	\$4,000,001 - \$5,000,000
4	\$5,000,001 - \$5,861,000

</TABLE>

LTC PROPERTIES, INC.
SCHEDULE XII
MORTGAGE LOANS ON REAL ESTATE
DECEMBER 31, 1996

The loans (each of which is less than 3% of the total carrying amount) are secured by properties located in Alabama, Arizona, Arkansas, California, Colorado, Florida, Georgia, Illinois, Iowa, Kansas, Louisiana, Missouri, Nebraska, Nevada, North Carolina, Ohio, Oklahoma, Oregon, Tennessee, Texas and Washington.

(3) Mortgage loans on real estate reconciliation:

<TABLE>	<C>
<S>	
Balance at December 31, 1993	\$ 78,499,874
Additions during period:	
New Mortgage loans	120,472,000
Deletions during period:	

Sales of notes to REMIC	(127,639,788)
Collections of principal	(8,549,726)

Balance at December 31, 1994	62,782,360
Additions during period:	
New Mortgage loans	101,907,720
Deletions during period:	
Collections of principal	(2,633,765)

Balance at December 31, 1995	\$ 162,056,315
Additions during period:	
New Mortgage loans	130,964,857
Deletions during period:	
Sales of notes to REMIC	(112,487,255)
Collections of principal	\$ (2,272,227)

Balance at December 31, 1996	178,261,690
	=====

</TABLE>

4) None of the Company's mortgage loans have any prior liens. One mortgage loan with a principal amount of \$1,666,420 is subject to delinquent principal of \$11,095 and interest of \$221,984 as of December 31, 1995. No loan has been renewed or extended.

5) The Company has established a general reserve totaling \$1,000,000. No loan has been written off against this reserve.

62

INDEX TO EXHIBITS

(ITEM 12(A))

<TABLE> <CAPTION> Exhibit NUMBER	
	DESCRIPTION -----
<S>	
3.1	Amended and Restated Articles of Incorporation of LTC Properties, Inc. (incorporated by reference to Exhibit 3.1 to Pre-Effective Amendment No. 4 to LTC Properties, Inc.'s Registration Statement on Form S-11 filed on August 7, 1992 (File No. 33-48085))
3.2	By-Laws of LTC Properties, Inc. (incorporated by reference to Exhibit 3.2 to LTC Properties, Inc.'s initial Registration Statement on Form S-11 filed on May 22, 1992 (File No. 33-48085))
3.3	Amended and Restated By-Laws of the Company (incorporated by reference to Exhibit 3.1 to LTC Properties, Inc.'s form 10-Q for the quarter ended June 30, 1996)
4.1	Indenture dated August 25, 1992 between LTC Properties, Inc. and Harris Trust and Savings Bank, as trustee with respect to 9.75% Convertible Subordinated Debentures due 2004 (incorporated by reference to Exhibit 4.1 to LTC Properties, Inc.'s Form 10-K for the year ended December 31, 1992)
4.2	Indenture dated September 23, 1994 between LTC Properties, Inc. and Harris Trust and Savings Bank, as trustee (incorporated by reference to Exhibit 4.2 to LTC Properties, Inc.'s Form 10-K for the year ended December 31, 1994)
4.3	First Supplemental Indenture dated as of September 23, 1994 to Indenture dated September 23, 1994 between LTC Properties, Inc. and Harris Trust and Savings Bank, as trustee with respect to \$30,000,000 in principal amount of 8.5% Convertible Subordinated Debentures due 2000 (incorporated by reference to Exhibit 4.3 to LTC Properties, Inc.'s Form 10-K for the year ended December 31, 1994)
4.4	Second Supplemental Indenture dated as of September 21, 1995 to Indenture dated September 23, 1994 between LTC Properties, Inc. and Harris Trust and Savings Bank, as trustee with respect to \$51,500,000 in principal amount of 8.5% Convertible Subordinated Debentures due 2001 (incorporated by reference to Exhibit 10.17 to LTC Properties, Inc.'s Form 10-Q for the quarter ended September 30, 1995)
4.5	Third Supplemental Indenture dated as of September 26, 1995 to Indenture dated September 23, 1994 between LTC Properties, Inc. and Harris Trust and Savings Bank, as trustee with respect to \$10,000,000 in principal amount of 8.25% Convertible Subordinated Debentures due 1999 (incorporated by reference to Exhibit 10.19 to LTC Properties, Inc.'s Form 10-Q for the quarter ended September 30, 1995)
4.6	Fourth Supplemental Indenture dated as of February 5, 1996 to Indenture dated September 23, 1994 between LTC Properties, Inc. and Harris Trust and Savings Bank, as trustee with respect to \$30,000,000 in principal amount of 7.75% Convertible Subordinated Debentures due 2002 (incorporated by reference to Exhibit 4.6 to LTC Properties, Inc.'s Form 10-K for the year ended December 31, 1995)
10.1	Employment contract with Andre C. Dimitriadis (incorporated by reference to Exhibit 10.2 to Pre-Effective Amendment No. 4 to LTC Properties, Inc.'s Registration Statement on Form S-11 filed on August 7, 1992 (File No. 33-48085))
10.2	Employment contract with William McBride III (incorporated by reference to Exhibit 10.3 to Pre-Effective Amendment No. 4 to LTC Properties, Inc.'s Registration Statement on Form S-11 filed on August 7, 1992 (File No. 33-48085))
10.3	1992 Stock Option Plan (incorporated by reference to Exhibit 10.4 to Post-Effective Amendment No. 4 to LTC Properties, Inc.'s Registration Statement on Form S-11 filed on August 7, 1992 (File No. 33-48085))

</TABLE>

INDEX TO EXHIBITS (CONTINUED)

<TABLE>
<CAPTION>

EXHIBIT NUMBER	DESCRIPTION
<S>	<C>
10.4	Master Repurchase Agreement dated May 14, 1993 between LTC Properties, Inc. and Goldman Sachs Mortgage Company (incorporated by reference to Exhibit 10.5 to LTC Properties, Inc.'s Form 10-Q for the quarter ended June 30, 1993)
10.5	Purchase Agreement dated July 28, 1993 between LTC Properties, Inc., LTC REMIC Corporation and Goldman Sachs Mortgage Company (incorporated by reference to Exhibit 10.6 to LTC Properties, Inc.'s Form 10-Q for the quarter ended June 30, 1993)
10.6	Master Repurchase Agreement dated December 15, 1993 between LTC Properties, Inc. and Goldman Sachs Mortgage Company (incorporated by reference to Exhibit 10.7 to LTC Properties, Inc.'s Form 10-K for the year ended December 31, 1994)
10.7	Amended and Restated 1992 Stock Option Plan (incorporated by reference to Exhibit 10.8 to LTC Properties, Inc.'s Form 10-K for the year ended December 31, 1994)
10.8	Revolving Credit Agreement dated as of January 18, 1995 among LTC Properties, Inc., the lenders named therein and Sanwa Bank California, as agent for such lenders (incorporated by reference to Exhibit 10.9 to LTC Properties, Inc.'s Form 10-K for the year ended December 31, 1994)
10.9	Transfer and Repurchase Agreement, dated as of July 20, 1993, between LTC Properties, Inc. and LTC REMIC Corporation (incorporated by reference to Exhibit 10.10 to LTC Properties, Inc.'s Form 10-K for the year ended December 31, 1994)
10.10	Pooling and Servicing Agreement, dated as of July 20, 1993, among LTC REMIC Corporation, as depositor, Bankers Trust Company, as master servicer, LTC Properties, Inc., as special servicer and originator and Union Bank, as trustee (incorporated by reference to Exhibit 10.11 to LTC Properties, Inc.'s Form 10-K for the year ended December 31, 1994)
10.11	Transfer and Repurchase Agreement, dated as of November 1, 1994, between LTC Properties, Inc. and LTC REMIC Corporation (incorporated by reference to Exhibit 10.12 to LTC Properties, Inc.'s Form 10-K for the year ended December 31, 1994)
10.12	Pooling and Servicing Agreement, dated as of November 1, 1994, among LTC REMIC Corporation, as depositor, Bankers Trust Company, as master servicer, LTC Properties, Inc., as special servicer and originator and Marine Midland Bank, as trustee (incorporated by reference to Exhibit 10.13 to LTC Properties, Inc.'s Form 10-K dated December 31, 1994)
10.13	Deferred Compensation Plan of LTC Properties, Inc. (incorporated by reference to Exhibit 10.14 to LTC Properties, Inc.'s Form 10-Q for the quarter ended June 30, 1995)
10.14	Swap Agreement by and between Goldman Sachs Capital Markets, L.P., Goldman Sachs Group, L.P. and LTC Properties, Inc. dated May 23, 1995 (incorporated by reference to Exhibit 10.15 to LTC Properties, Inc.'s Form 10-Q for the quarter ended June 30, 1995)
10.15	Swap Agreement by and between Goldman Sachs Capital Markets, L.P., Goldman Sachs Group, L.P. and LTC Properties, Inc. dated September 12, 1995 (incorporated by reference to Exhibit 10.16 to LTC Properties, Inc.'s Form 10-Q for the quarter ended September 30, 1995)
10.16	Amended and Restated Revolving Credit Agreement dated as of October 17, 1995 among LTC Properties, Inc., the lenders named therein and Sanwa Bank California, as agent for such lenders (incorporated by reference to Exhibit 10.19 to LTC Properties, Inc.'s Form 10-Q for the quarter ended September 30, 1995)
10.17	Amended Deferred Compensation Plan (incorporated by reference to Exhibit 10.17 to LTC Properties, Inc.'s Form 10-K for the year ended December 31, 1995)

</TABLE>

INDEX TO EXHIBITS (CONTINUED)

<TABLE>
<CAPTION>

EXHIBIT NUMBER	DESCRIPTION
<S>	<C>
10.18	Pooling and Servicing Agreement dated as of March 1, 1996, among LTC REMIC Corporation, as depositor, GMAC Commercial Mortgage Corporation, as Master Servicer, LTC Properties, Inc., as Special Servicer and Originator, LaSalle National Bank, as Trustee and ABN AMRO Bank, N.V., as fiscal agent (incorporated by reference to Exhibit 10.1 to LTC Properties, Inc.'s Form 10-Q for the quarter ended March 31, 1996)
10.19	Transfer and Repurchase Agreement by and between LTC Properties, Inc. and LTC REMIC Corporation dated as of March 1, 1996 (incorporated by reference to Exhibit 10.2 to LTC Properties, Inc.'s Form 10-Q for the quarter ended March 31, 1996)
10.20	Second Amended and Restated Revolving Credit Agreement between LTC Properties, Inc. and Sanwa Bank California, as agent, dated as of May 21, 1996 (incorporated by reference to Exhibit 10.1 to LTC Properties, Inc.'s Form 10-Q for the quarter ended June 30, 1996)
10.21	Guarantee Agreement between Kansas-LTC Corporation, L-Tex GP, Inc., and L-Tex LP, Inc., Rusk-Tex, LP, Inc., Texas-LTC Limited Partnership, as guarantors, and Sanwa Bank California, as the agent, dated as of May 21, 1996 (incorporated by reference to LTC Properties, Inc.'s Form 10-Q for the quarter ended June 30, 1996)
10.22	Amended and Restated 1992 Stock Option Plan (incorporated by reference to Exhibit 10.22 to LTC Properties, Inc.'s Form 10-K for the year ended December 31, 1996)
10.23	Swap Agreement by and between Goldman Sachs Capital Markets, L.P., Goldman Sachs Group, L.P. and LTC Properties, Inc. dated November 15, 1996 (incorporated by reference to Exhibit 10.23 to LTC Properties, Inc.'s Form 10-K for the year ended December 31, 1996)
10.24	Swap Agreement by and between Goldman Sachs Capital Markets, L.P., Goldman Sachs Group, L.P. and

20, LTC Properties, Inc. dated February 11, 1997 (incorporated by reference to Exhibit 10.24 to LTC Properties, Inc.'s Form 10-K for the year ended December 31, 1996)

10.25 Subservicing Agreement dated as July 20, 1993 by and between Bankers Trust Company, as Master Servicer and LTC Properties, Inc., as Special Servicer as filed herewith

10.26 Custodial Agreement dated as of July 20, 1993 by and among Union Bank, as Trustee, LTC REMIC Corporation, as Depositor, and Bankers Trust Company as Master Servicer and Custodian as filed herewith

10.27 Form of Certificates as Exhibit as filed herewith to the Pooling and Servicing Agreement dated as of July 1993 among LTC REMIC Corporation, as Depositor, Bankers Trust Company, as Master Servicer, LTC Properties, Inc. as Special Servicer and Originator and Union Bank as Trustee (incorporated by reference to Exhibit 10.11 to LTC Properties, Inc.'s Form 10-K for the year ended December 31, 1994)

10.28 Purchase Agreement dated November 16, 1994 between LTC REMIC Corporation, LTC Properties, Inc. and Goldman Sachs & Co. as filed herewith

10.29 Form of Certificates, Form of Custodial Agreement and Form of Subservicing Agreement as Exhibits as filed herewith to the Pooling and Servicing Agreement dated as of November 1, 1994 among LTC REMIC Corporation, as Depositor, Bankers Trust Company, as Master Servicer, LTC Properties, Inc. as Special Servicer and Originator and Marine Midland Bank as Trustee (incorporated by reference to Exhibit 10.13 to LTC Properties, Inc.'s Form 10-K for the year ended December 31, 1994)

10.30 Purchase Agreement dated March 27, 1996 between LTC REMIC Corporation, LTC Properties, Inc. and Goldman Sachs & Co. as filed herewith

10.31 Form of Certificates, Form of Custodial Agreement and Form of Subservicing Agreement as Exhibits as filed herewith to the Pooling and Servicing Agreement dated as of March 1, 1996 among LTC REMIC Corporation, as Depositor, GMAC Commercial Mortgage Corporation, as Master Servicer, LTC Properties, Inc. as Special Servicer and Originator and LaSalle National Bank as Trustee and ABN AMRO Bank N.V., as Fiscal Agent (incorporated by reference to Exhibit 10.1 to LTC Properties, Inc.'s Form 10-Q for the quarter ended March 31, 1996)

11.1 Computation of Net Income Per Share for the years ended December 31, 1996, 1995 and 1994 as filed herewith

21.1 List of Subsidiaries as filed herewith

23.1 Consent of Ernst & Young LLP with respect to the financial information of the Company as filed herewith

27 Financial Schedules as filed herewith

</TABLE>

65

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the securities Exchange Act of 1934, Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

LTC Properties, Inc.
Registrant

Dated: December 6, 1997 By: /s/ JAMES J. PIECZYNSKI

JAMES J. PIECZYNSKI
President and Chief Financial Officer

<TABLE> <CAPTION> <S> /s/ ANDRE C. DIMITRIADIS ----- ANDRE C. DIMITRIADIS	<C> Chairman of the Board, Chief Executive Officer and Director	<C> December 6, 1997
/s/ NEAL M. ELLIOTT ----- NEAL M. ELLIOTT	Director	December 6, 1997
/s/ EDMUND C. KING ----- EDMUND C. KING	Director	December 6, 1997
/s/ WENDY L. SIMPSON ----- WENDY L. SIMPSON	Director	December 6, 1997
/s/ SAM YELLEN ----- SAM YELLEN	Director	December 6, 1997

</TABLE>

66

SUBSERVICING AGREEMENT

THIS SUBSERVICING AGREEMENT (the "Agreement") is made as of this 20th day of July, 1993, by and between Bankers Trust Company, a New York banking corporation ("Bankers Trust") and LTC Properties, Inc., a Maryland corporation ("LTC").

RECITALS

A. Pursuant to that certain Pooling and Servicing Agreement dated as of July 20, 1993 (the "Pooling and Servicing Agreement") among LTC REMIC Corporation, as Depositor (the "Depositor"), Bankers Trust, as master servicer, LTC, as Special Servicer (the "Special Servicer") and Union Bank, as trustee (the "Trustee"), the Depositor sold the entire beneficial ownership in certain mortgage loans (the "Mortgage Loans") to the extent described in the Pooling and Servicing Agreement in exchange for certain pass-through certificates issued in multiple classes. Capitalized terms used herein and not otherwise defined shall have the respective meanings set forth in the Pooling and Servicing Agreement.

B. Pursuant to the Pooling and Servicing Agreement, Bankers Trust has agreed to service the Mortgage Loans and to perform certain other duties as more fully described in the Pooling and Servicing Agreement.

C. Bankers Trust and LTC desire to enter into this Agreement for the purpose of transferring from Bankers Trust to LTC certain of Bankers Trust's rights and obligations under the Pooling and Servicing Agreement, as more fully set forth herein.

NOW, THEREFORE, in consideration of the mutual covenants, agreements, representations and warranties set forth herein, the parties hereto do hereby agree as follows:

1. Representations, Warranties and Covenants of Subservicer. LTC

hereby represents and warrants to and covenants with Bankers Trust that as of the date hereof and at all times during the term hereof:

1.1 Organization. LTC is a corporation duly organized, validly

existing and in good standing under the laws of the State of Maryland and is or will be in compliance with the laws of each state in which any Mortgaged Property is located to the extent necessary to ensure the enforceability of each Mortgage Loan by LTC in accordance with the terms of this Agreement.

1.2 No Breach. The execution and delivery of this Agreement by

LTC and its performance of and compliance with the terms of this Agreement will not violate LTC's articles of incorporation or by-laws or constitute a default (or an event which, with

notice or the lapse of time or both, would constitute a default) under, or result in the breach of, any material contract, agreement or other instrument to which LTC is a party or which may be applicable to LTC or any of its assets.

1.3 Authority. This Agreement, assuming due authorization,

execution and delivery by Bankers Trust, constitutes a valid, legal and binding obligation of LTC, enforceable against it in accordance with the terms hereof, except as such enforcement may be limited by bankruptcy, insolvency, reorganization, receivership, moratorium or other laws relating to or affecting the rights of creditors generally, and by general principles of equity (regardless of whether such enforcement is considered in a proceeding in equity or at law).

1.4 No Violation. LTC is not in violation of, and the execution

and delivery of this Agreement by LTC and its performance and compliance with the terms of this Agreement will not constitute a violation with respect to, any law or regulation applicable to LTC, any order to decree of any court or of any federal, state, municipal or governmental agency having jurisdiction, which violation might have consequences that would adversely affect the condition (financial or otherwise) or operations of LTC or its properties, or might have consequences that would adversely affect the performance of its duties hereunder.

1.5 No Litigation. No litigation is pending or, to the best

knowledge of LTC, threatened, against LTC which would prohibit its entering into or performing its obligations under this Agreement.

2. Subservicing of Mortgage Loans.

2.1 General Duties. LTC shall perform for Bankers Trust all

services and duties described in the Schedule of Duties to be Performed by Subservicer attached to the Agreement as Exhibit A, in each case in accordance with the terms of the Pooling and Servicing Agreement and of applicable law. In performing its duties hereunder, LTC shall have the status of and shall act as an independent contractor. Nothing herein shall be construed to create a partnership or joint venture between Bankers Trust and LTC. Nothing contained in this Agreement shall prohibit Bankers Trust from taking any action, including the payment of advances or other amounts, which it deems necessary to assure the fulfillment of any of its duties under the Pooling and Servicing Agreement or any related document, agreement or instrument, whether or not LTC is also required to fulfill such duty pursuant to this Agreement.

2.2 Remittance Reports and Accounting. In addition to the other

reports and information that LTC is required to provide to Bankers Trust pursuant to this Agreement, LTC shall provide to Bankers Trust in each month during the term hereof, no later than the Determination Date (i) the information described in the letter attached hereto as Exhibit B and (ii) with respect to any Escrow Account, Subservicing Account or other fund or

-2-

account maintained by LTC hereunder, a statement prepared by LTC setting forth the status of the applicable fund or account as of the close of business on such Determination Date and detailing, for the period covered by such statement, each category of deposit into and withdrawal from and earnings on such fund or account (clauses (i) and (ii) together, "Servicing Information"); provided,

however, that LTC shall obtain and provide Bankers Trust with as much Servicing

Information as is available on the 22nd of the month in which the related Determination Date occurs and shall continuously update such Servicing Information through such Determination Date.

In addition, on or before April 15 of each year, beginning with April 15, 1994, LTC at its expense shall cause to be prepared and delivered to Bankers Trust, a statement in the form, and prepared by a firm of Independent public accountants satisfying the criteria described in Section 3.15 of the Pooling and Servicing Agreement, except that such statement shall relate to LTC's subservicing activities hereunder.

Notwithstanding any other provision contained herein, any required statements, certificates, elections, notices, reports, plans or responses to direction from any Person which are required by the Pooling and Servicing Agreement to be in the name of or to be otherwise provided by the Master Servicer and which are delegated to LTC hereunder shall be prepared by LTC at its expense in the form required by the Pooling and Servicing Agreement and shall be delivered, no later than the second Business Day prior to the day such item is required from the Master Servicer under the Pooling and Servicing Agreement, to Bankers Trust for its execution as Master and its distribution in accordance with Pooling and Servicing Agreement.

2.3 Fidelity Bond and Insurance. LTC, at no expense to Bankers

Trust, shall keep in force during the term of this Agreement, for the benefit of the Trustee and Bankers Trust, a policy or policies of insurance covering errors and omissions for failure in the performance of LTC's obligations under this Agreement, which policy or policies shall be in such form and amount that would meet the servicing requirements of prudent institutional commercial mortgage lenders and loan servicers. LTC shall also maintain a fidelity bond in the form and amount that would meet the servicing requirements of prudent institutional commercial mortgage lenders and loan servicers. LTC shall be deemed to have complied with this provision if an affiliate of LTC has such errors and omissions and fidelity bond coverage and, by the terms of such insurance policy or fidelity bond, the coverage afforded thereunder extends to LTC. Each such fidelity bond and errors and omissions policy shall be issued by an insurer having a claims-paying rating of at least "A" for S&P and "A" for Fitch or otherwise acceptable to the Rating Agencies. Any such errors and omissions policy and fidelity bond shall not be canceled without 10 days' prior written notice to the Trustee and Bankers Trust.

2.4 Documents Received After Termination. LTC shall promptly

deliver and remit to Bankers Trust any Mortgage Files and any and all bills,

invoices,

-3-

insurance policies, letters, documents and all other correspondence or communications relating to the Mortgage Loans (collectively, "Loan Documents") that are received by LTC after termination of this Agreement. LTC's obligations under this Section 2.4 with respect to such documents, correspondence and communications shall be those of a trustee or other fiduciary.

2.5 Establishment of Accounts. LTC shall establish and

maintain one or more accounts, referred to collectively as the Subservicing Account, in accordance with Section 3.01(c)(1) of the Pooling and Servicing Agreement. LTC shall deposit into the Subservicing Account not later than the first Business Day after receipt all proceeds of Mortgage Loans received by LTC, without any deduction for LTC's servicing compensation, and LTC shall deliver all Principal Prepayments and Balloon Payments to the Master Servicer in accordance with Section 3.01(c)(3) of the Pooling and Servicing Agreement not later than one Business Day after receipt.

2.6 Statements as to Compliance. On or before April 15 of

each year, beginning in April 15, 1994, LTC will deliver to Bankers Trust, the Trustee and the Depositor an Officers' Certificate stating, as to each signatory thereof, that (i) a review of the activities of LTC during the preceding calendar year (or such shorter period from the Closing Date to the end of the related calendar year) and of performance under this Agreement has been made under such officer's supervision, (ii) to the best of such officer's knowledge, based on such review, LTC has fulfilled all of its obligations under this Agreement throughout such year (or such shorter period from the Closing Date to the end of the related calendar year), or, if there has been a default in the fulfillment of any such obligation, specifying each such default known to such officer and the nature and status thereof and what action LTC proposes to take with respect thereto and (iii) whether it has received any notice regarding qualification, or challenging the status, of either of the Upper-Tier or the Lower-Tier REMIC as a REMIC from the Internal Revenue Service or any other governmental agency or body.

2.7 Purchase of All Outstanding Mortgage Loans. LTC shall

have the right of the Master Servicer during the term of this Agreement to exercise the option contained in Section 9.01(c) of the Pooling and Servicing Agreement to purchase all of the Mortgage Loans then included in the Trust Fund and all property acquired in respect of any Mortgage Loan.

If LTC elects to exercise such option, it shall notify Bankers Trust and the Trustee of such election no later than 30 days prior to the Early Termination Determination Date, as provided in Section 9.01.

Upon payment by LTC to Bankers Trust for deposit into the Distribution Account in accordance with the Pooling and Servicing Agreement of the amount required by Section 9.01 in connection with the exercise of such option, Bankers Trust shall release or cause to be released to LTC, promptly upon its receipt thereof, the Mortgage Files for the remaining Mortgage Loans and REO Properties, and shall execute and deliver such

-4-

instruments of transfer or assignment, in each case without recourse, as shall be necessary to vest in LTC title to such Mortgage Loans and REO Properties.

2.8 Filing and Recording Fees. All costs and fees incurred in

connection with the filing of any UCC-2 or UCC-3 filings or the recording of any Assignments or Reassignments of Leases, Rents and Profits pursuant to Section 2.01 of the Pooling and Servicing Agreement shall be borne by LTC at its sole expense.

3. Compensation to LTC.

3.1 Subservicing Fee. As compensation for the activities of

LTC hereunder, Bankers Trust shall, no later than the first Business Day following each Distribution Date, remit to LTC the Subservicing Fee, as described below, with respect to each Mortgage Loan, payable from amounts in the Collection Account paid to Bankers Trust pursuant to Section 3.06(iv) of the Pooling and Servicing Agreement. The Subservicing Fee, with respect to each Mortgage Loan and for each Due Period, shall be an amount equal to thirty days' interest (or, in the event of any payment of interest which accompanies a Principal Prepayment in full made by the Borrower during such Due Period, interest for the number of day covered by such payment of interest) at a rate equal to 0.015% per annum on the Scheduled Principal Balance of such Mortgage Loan; provided, however, that LTC's right to receive the Subservicing Fee is

subject to the requirement that the Servicing Fee be applied to make
Compensating Interest Payments pursuant to the Pooling and Servicing Agreement
and Section 3.6 hereof. The right to receive the Subservicing Fee may not be
transferred in whole or in part except in connection with the transfer of all of
LTC's responsibilities and obligations under this Agreement.

3.2 Reimbursements. Bankers Trust shall remit to LTC, solely

from funds available to Bankers Trust pursuant to the Pooling and Servicing
Agreement, the following amounts: (i) amounts sufficient to reimburse LTC for
advances in respect of Property Protection Expenses, taxes, assessments, ground
rents and insurance premiums and for P&I Advances and other advances made
pursuant to Section 3.22 of the Pooling and Servicing Agreement made by LTC plus
any applicable interest on any such advances pursuant to the Pooling and
Servicing Agreement, if and when funds are available for withdrawal in respect
thereof by Bankers Trust pursuant to Section 3.06(ii) of the Pooling and
Servicing Agreement; and (ii) amounts sufficient to indemnify LTC for any loss,
liability or expense incurred by LTC for which indemnity from the Trust Fund is
received by Bankers Trust pursuant to Section 6.03 of the Pooling and Servicing
Agreement if and when funds are available for withdrawal in respect thereof by
Bankers Trust pursuant to the Pooling and Servicing Agreement subject to Bankers
Trust's recovery of its loss, liability or expenses from such monies.

3.3 Other Expenses. LTC shall be required to pay all expenses

incurred by it in connection with its subservicing activities hereunder,
including payment of

-5-

premiums for the fidelity bond and insurance required by Section 2.3 hereof.
Except as otherwise provided herein, Bankers Trust shall not be responsible to
reimburse LTC for any expenses incurred by LTC or any disbursements or advances
required to be made by LTC in the performance of LTC's duties hereunder and
under the Pooling and Servicing Agreement. It is hereby understood that the
Subservicing Fee and the reimbursement payments payable under Section 3.2 hereof
represent the sole compensation payable by Bankers Trust to LTC hereunder.

3.4 Expenses of Bankers Trust. LTC covenants and agrees to pay or

reimburse Bankers Trust, upon request, for all reasonable expenses,
disbursements, and advances, if any, incurred or made by Bankers Trust in
accordance with any of the provisions of the Pooling and Servicing Agreement
(including the reasonable compensation and the expenses and disbursements of its
counsel and of all Persons not regularly in its employ, whether or not such
expenses are incurred in connection with any Opinion of Counsel required or
permitted to be obtained by Bankers Trust), including, without limitation, any
costs of enforcing this Agreement and any insurance premiums paid pursuant to
Section 3.08 of the Pooling and Servicing Agreement (other than any fees and
expenses of independent public accountants incurred pursuant to Section 3.15 of
the Pooling and Servicing Agreement on behalf of Bankers Trust and any premiums
for errors and omissions insurance with respect to Bankers Trust, for which
Bankers Trust shall be solely responsible); provided, however, that LTC shall

have no obligation to pay reimburse Bankers Trust for any such expense,
disbursement or advance as may arise solely and directly from Bankers Trust's
negligence, intentional misconduct or bad faith.

3.5 Bankers Trust Obligations. Bankers Trust agrees to request

payment and/or reimbursement as contemplated by Sections 3.1 and 3.2 hereof when
and as permitted by, and in accordance with, the Pooling and Servicing
Agreement. In addition, Bankers Trust shall furnish LTC with copies of all
notices received by Bankers Trust under the Pooling and Servicing Agreement
(other than such notices furnished by LTC) as soon as is practicable following
Bankers Trust's receipt of the same.

3.6 Compensating Interest: Any application of the Servicing Fee

to make Compensating Interest Payments pursuant to Section 3.22 of the Pooling
and Servicing Agreement shall first reduce the Subservicing Fee payable to LTC
hereunder and then to reduce the compensation of Bankers Trust.

3.7 Rating Agency Fees. All expenses of the Trust Fund in

connection with ongoing fees of the Rating Agencies shall be borne by LTC at its
sole expense.

-6-

4. Term. Except in event that this Agreement is terminated pursuant

to Section 5.1, 5.2 or 5.3 hereof, this Agreement shall continue in effect until
the termination of the obligations and responsibilities of the parties to the

5. Termination.

5.1 Termination for Cause. The occurrence of any of the

following events shall constitute a "Subservicer Default";

(a) If LTC shall fail to pay to Bankers Trust any amount due to Bankers Trust pursuant to Section 3.4 or 7.1 hereunder and such failure shall continue for a period of 50 days after notice thereof has been delivered to LTC by Bankers Trust;

(b) If LTC shall fail to make any payment, other than as described in (a) above, when due hereunder;

(c) If LTC shall materially breach any other term of this Agreement or any term of the Pooling and Servicing Agreement specified in Exhibit A hereto and such breach shall not be cured within 50 days;

(d) If a decree or order for relief of a court or agency or supervisory authority having jurisdiction in the premises in an involuntary case under any present or future federal or state bankruptcy, insolvency or similar law or the appointment of a conservator or receiver or liquidator in any insolvency, readjustment of debt, marshalling of assets and liabilities or similar proceeding, or for the winding-up or liquidation of its affairs, shall have been entered against LTC and such decree or order shall have remained in force undischarged or unstayed for a period of 50 days; or LTC shall consent to the appointment of a conservator or receiver or liquidator in any insolvency, readjustment of debt, marshalling of assets and liabilities or similar proceedings of or relating to LTC or of or relating to all or substantially all of its property; or LTC shall admit in writing its inability to pay its debts generally as they become due, file a petition to take advantage of any applicable bankruptcy, insolvency or reorganization statute, make an assignment for the benefit of its creditors, voluntarily suspend payment of its obligations; or

-7-

(e) If LTC shall assign or attempt to assign its interest under this Agreement or delegate or attempt to delegate any portion of its rights, duties or obligations hereunder without the written consent of Bankers Trust; provided, however, that delegation of LTC's duties and obligations shall not constitute a default hereunder so long as LTC remains primarily liable to Bankers Trust for the duties or obligations so delegated.

In each and every case, so long as a Subservicer Default shall not have been remedied, Bankers Trust may, by notice in writing to LTC, terminate all of the rights and obligations of LTC as subservicer under this Agreement. On or after the receipt by LTC of such written notice, all of its authority and power under this Agreement shall pass to and be vested in Bankers Trust pursuant to and under this Section.

5.2 Termination by Trustee. Notwithstanding anything to the

contrary contained herein, in the event that Bankers Trust shall, for any reason (including, without limitation, termination of the Master Servicer pursuant to Article VII of the Pooling and Servicing Agreement) no longer be the Master Servicer under the Pooling and Servicing Agreement, the Trustee or its designee shall, pursuant to Section 9 hereof, assume the rights and obligations of Bankers Trust under this Agreement. The Trustee shall only be entitled to terminate this Agreement upon the occurrence of the events described in 5.1 hereof.

5.3 Rights Upon Termination. Upon termination of this Agreement

pursuant to Section 5.1 hereof, LTC shall deliver to Bankers Trust all Loan Documents not previously delivered to Bankers Trust, together with all funds held with respect to the Mortgage Loans. In addition, LTC shall cooperate with Bankers Trust and use its best efforts to assist Bankers Trust in the transfer of the servicing rights to Bankers Trust or Bankers Trust's nominee. Upon termination of this Agreement pursuant to Section 5.2 hereof, LTC shall deliver to the Trustee, as successor to the rights and obligations of Bankers Trust hereunder, all Loan Documents not previously delivered to Bankers Trust, together with all funds held with respect to the Mortgage Loans, and shall cooperate with and assist the Trustee to the same extent as it would Bankers Trust pursuant to the preceding sentence. Bankers Trust and LTC each covenant and agree to comply with all laws, rules and regulations of any federal, state or local government authority applicable to the termination of this Agreement and the transfer of the servicing rights to Bankers Trust or the Trustee, as

applicable.

5.4 Limitation on Resignation of LTC. LTC shall not resign from

the obligations and duties hereby imposed on it except (a) by mutual consent of Bankers Trust and LTC, or (b) upon determination that its duties hereunder are no longer permissible under applicable law. Any such determination pursuant to the foregoing clauses shall be evidenced by an Opinion of Counsel to such effect delivered to Bankers Trust.

-8-

6. Additional Rights of Bankers Trust.

6.1 Ownership of Documentation. Subject to the rights of the

Trustee and the Certificateholders under the Pooling and Servicing Agreement, all Mortgage Files held or received by LTC in connection with the subservicing of the Mortgage Loans, whether or not prepared, developed or originated by LTC, shall be and remain at all times the property of Bankers Trust, it being expressly understood that any Mortgage Files in the possession of LTC are retained in a custodial capacity only in order, and during only such time as is necessary, to permit the performance of LTC's obligations hereunder. LTC shall not acquire any vested rights with respect to the Mortgage Files and shall not have the right to possession of them except as may be necessary to permit LTC to fulfill its obligations hereunder. Subsequent to the termination of this Agreement, LTC shall promptly deliver all such Mortgage Files to Bankers Trust or the Trustee, as applicable. Such delivery shall be accompanied by a list identifying the Mortgage Files for each Mortgage Loan, Bankers Trust's loan number (provided that Bankers Trust previously has furnished its loan numbers to LTC) and such other information as is requested by Bankers Trust or Trustee to identify the Mortgage Loans so delivered. Notwithstanding anything contained in this Section 6.1 to the contrary, copies of Mortgage Files maintained by LTC shall remain the property of LTC and may be retained by LTC after the termination of this Agreement.

6.2 Inspection of Mortgage Records. Bankers Trust and its

representatives, agents, consultants, examiners and other Persons authorized by Bankers Trust shall have the right to inspect the documents and records maintained by LTC with respect to the Mortgage Loans during LTC's regular business hours upon reasonable notice, and LTC shall make such documents and records available to Bankers Trust for inspection. LTC shall afford the Depositor and the Trustee access to records in accordance with Section 6.05 of the Pooling and Servicing Agreement.

7. Indemnification.

7.1 General. LTC agrees to pay, and shall indemnify, defend and

hold harmless, Bankers Trust (as used in this Section 7, "Bankers Trust" refers to Bankers Trust in its capacity as Master Servicer under the Pooling and Servicing Agreement and in any of its other capacities) and Bankers Trust's directors, officers, employees and agents (collectively, "Indemnatee"), from and against any loss, liability, penalty, fine or expense incurred in connection with any action or claim (including the reasonable compensation and the expenses and disbursements of its counsel and all persons not regularly in its employ) incurred in defending any claim or action or enforcing this indemnity that may result from, relate to or arise out of LTC's acting as subservicer under, breach of or failure to act under, this Agreement or any payment contemplated under, or transaction contemplated by, this Agreement; provided, however, that the

indemnity obligation of LTC shall not apply to loss, liability or expense arising or resulting from (a) the negligence, intentional misconduct or bad

-9-

faith of such Indemnatee, (b) the failure of Bankers Trust to perform its obligations hereunder (c) the breach of Bankers Trust's representations and warranties in Section 2.05 of the Pooling and Servicing Agreement or (d) actions taken, or omitted to be taken, by LTC specifically in accordance with instructions furnished by Bankers Trust pursuant to or in connection with this Agreement; and provided; further, that upon full payment of the indemnity

herein, LTC shall be subrogated to all rights and remedies of the Indemnatee so indemnified, in respect of the matter against which indemnity has been paid.

7.2 Survival. All indemnities, obligations, adjustments and

payments provided for in this Section 7 shall survive, and remain in full force and effect, notwithstanding the expiration or other termination of this Agreement or any other of the Pooling and Servicing Agreement. The obligations of LTC in respect of all such indemnities, obligations, adjustments and payments

are expressly made for the benefit of, and shall be enforceable by, the Indemnitee entitled thereto, without declaring any breach of or default under the Pooling and Servicing Agreement or taking any other action thereunder, and notwithstanding any provision of the Pooling and Servicing Agreement.

8. Notices. Any notices and communications hereunder shall be given

and deemed given as provided for in Section 10.04 of the Pooling and Servicing Agreement. For such purpose, the address of the Special Servicer contained in said Section shall be deemed to be the address of LTC hereunder.

9. Right of Assumption by Trustee. In the event that Bankers Trust

shall, for any reason, no longer be the Master Servicer under the Pooling and Servicing Agreement, including without limitation termination of the Master Servicer in accordance with Article VII thereof, the Trustee, as successor to Bankers Trust in its capacity as the Master Servicer under the Pooling and Servicing Agreement or its designee or any successor Master Servicer, shall be entitled to succeed to all of the rights, title and interest of Bankers Trust and assume all of the obligations, duties and liabilities of Bankers Trust under this Agreement without any further act. In such event, the Trustee, its designee or the successor Master Servicer appointed pursuant to the Pooling and Servicing Agreement, shall be deemed to have replaced Bankers Trust as a party to this Agreement to the same extent as if this Agreement had been assigned to the assuming party. Notwithstanding the foregoing, Bankers Trust shall not thereby be relieved of any obligations, duties or liabilities under this Agreement with regard to events occurring prior to the date Bankers Trust ceased to be the Master Servicer under the Pooling and Servicing Agreement. Following the assumption of the rights and obligations of Bankers Trust pursuant to this Section, LTC at the expense of Bankers Trust shall, upon the request of the Trustee, deliver to the assuming party all documents and records relating to this Agreement and the Mortgage Loans then being serviced and an accounting of amounts collected and held by it and otherwise use its best efforts to effect the orderly and efficient transfer of this Agreement to the assuming party.

-10-

10. Miscellaneous.

10.1 Entire Agreement: Amendments. This Agreement together with

the other written agreements referred to herein is intended by the parties to be the final expression of their agreement with respect to the subject matter hereof, and is intended as the complete and exclusive statement of the terms of the agreement between the parties. As such, this Agreement supersedes any prior understanding between the parties, whether oral or written. Notwithstanding the foregoing, in the event that the provisions of this Agreement are inconsistent with the provisions of the Pooling and Servicing Agreement, the provisions of the Pooling and Servicing Agreement shall prevail. Any amendments to this Agreement shall be in writing and shall be signed by all parties hereto.

10.2 Invalidity. To the extent permitted by law, the invalidity

of any portion of this Agreement shall in no way affect the remaining portions hereof.

10.3 Governing Law. This Agreement shall be governed by and

construed in accordance with the internal laws of the State of New York.

10.4 Agreement Binding. This Agreement shall be binding upon

and inure to the benefit of the parties hereto and their respective successors and permitted assigns.

10.5 Counterparts. This Agreement may be executed in any number

of counterparts. Each counterpart so executed shall be deemed an original, but all such counterparts shall together constitute one and the same instrument.

10.6 Assignment. Neither party shall assign this Agreement or

any rights hereunder (including but not limited to the right to receive compensation or money due hereunder) without the prior written consent of the other party hereto; provided, however, that any assumption of Bankers Trust's rights pursuant to Section 9 hereof shall not require the consent of either party hereto.

10.7 Disputes. In the event of any dispute between the parties

to this Agreement, the prevailing party shall be entitled to immediate payment of all costs incurred by such party in such dispute, including but not limited to court costs and reasonable attorneys' fees.

10.8 Section Headings. Section headings of this Agreement are

inserted for convenience only and do not in any manner limit or expand this
Agreement and do not constitute a part of this Agreement.

10.9 Further Assurances. To the extent permitted by law, each

of Bankers Trust and LTC agree that it will, from time to time, execute,
acknowledge and deliver, or cause to be executed, acknowledged and delivered,
such further instruments as

-11-

either party hereto or the Trustee may reasonably request to effectuate the
intention of or facilitate the performance of this Agreement or the Pooling and
Servicing Agreement.

10.10 Exercise of Rights. No failure or delay on the part of

either party to exercise any right, power or privilege under this Agreement and
no course or dealing between Bankers Trust and LTC shall operate as a waiver
thereof, nor shall any single or partial exercise of any right, power or
privilege under this Agreement preclude any other or further exercise thereof or
the exercise of any other right, power or privilege. The rights and remedies
herein expressly provided are cumulative and not exclusive of any rights or
remedies which a party would otherwise have pursuant to law or equity. No notice
to or demand on any party in any case shall entitle such party to any other or
further notice or demand in similar or other circumstances, or constitute a
waiver of the right of the other party to any other or further action in any
circumstances without notice or demand.

-12-

IN WITNESS WHEREOF, this Agreement is executed as of the date first
above written.

UNION BANK
as Trustee

By:/s/ Andrew R. Ball

Name: Andrew R. Ball
Title: Assistant Vice President

LTC REMIC CORPORATION,
as Depositor

By:/s/ William McBride III

Name: William McBride III
Title: President

BANKERS TRUST COMPANY,
as Master Servicer

By:/s/ Tracy A. Gevant

Name: Tracy A. Gevant
Title: Assistant Vice President

BANKERS TRUST COMPANY,
as Custodian

By:/s/ Tracy A. Gevant

Name: Tracy A. Gevant
Title: Assistant Vice President

-13-

EXHIBIT A

EXHIBIT A

Schedule of Duties
to be Performed by LTC

In addition to the duties otherwise contained in the Subservicing
Agreement, LTC shall be obligated to perform the following, in each case at the
time and in the manner required under the terms of the Pooling and Servicing
Agreement:

1. To provide the Trustee and Bankers Trust with the list of servicing officers of LTC as defined in the definition of "Servicing Officer" in Article I of the Pooling and Servicing Agreement.

2. Upon discovery by LTC of a breach of any of the representations and warranties made by the Originator pursuant to the Transfer and Repurchase Agreement in respect of any Mortgage Loan, to give prompt notice to the Trustee and Bankers Trust as required by the Master Servicer in Section 2.03 of the Pooling and Servicing Agreement.

3. To give the notices required of the Master Servicer by Section 2.03(b) of the Pooling and Servicing Agreement.

4. To give the notices required of the Master Servicer by Section 2.05(b) of the Pooling and Servicing Agreement.

5. To give the notices required of the Master Servicer by Section 2.06(b) of the Pooling and Servicing Agreement.

6. To (a) perform the duties of the Master Servicer set forth in Subsection 3.01(a) of the Pooling and Servicing Agreement, (b) indemnify Bankers Trust, the Trustee and the Depositor, as specified in the Pooling and Servicing Agreement, to the extent LTC breaches its obligations in this item or the Agreement, (c) comply with all statutory or regulatory requirements with regard to the manner in which it conducts its activities pursuant to this item and the Agreement, and (d) cooperate with Bankers Trust in its performance of the Master Servicer's duties in Section 3.01(a) of the Pooling and Servicing Agreement. The indemnities of LTC pursuant to this item shall survive the termination or discharge of the Agreement or the Pooling and Servicing Agreement.

7. To perform the duties of the Master Servicer set forth in Section 3.03 of the Pooling and Servicing Agreement.

8. To perform the duties of the Master Servicer set forth in Section 3.04 of the Pooling and Servicing Agreement.

A-2

9. To perform the duties of the Master Servicer set forth in Sections 3.08 through 3.10 of the Pooling and Servicing Agreement.

10. To provide information reasonably requested by Bankers Trust to enable Bankers Trust to deliver the statements required by Section 3.13 of the Pooling and Servicing Agreement.

11. To deliver to Bankers Trust (i) an officer's certificate of LTC, containing substantially the information required pursuant to Section 3.14 of the Pooling and Servicing Agreement, but referring to LTC's obligations under this Agreement, and (ii) such other information, certified by a responsible officer of LTC, regarding LTC's organization, activities and personnel as Bankers Trust or the Trustee may reasonably request from time to time.

12. To perform the inspections required of the Master Servicer by Section 3.19 of the Pooling and Servicing Agreement.

13. To perform the duties of the Master Servicer set forth in Section 6.05 of the Pooling and Servicing Agreement.

14. To make the P&I Advances and any other advances required of the Master Servicer by Section 3.22 of the Pooling and Servicing Agreement.

EXHIBIT B

[LETTERHEAD OF LTC PROPERTIES]

EXHIBIT B

August 4, 1993

Bankers Trust Company
Four Albany St.
New York, New York 10006

Re: LTC REMIC Corporation Mortgage Pass-Through
Certificates. Series 1993-1

With regard to Bankers Trust company ("Bankers Trust") as Master Servicer for the above mentioned transaction, LTC Properties, Inc., agrees to

provide Bankers Trust with the following loan level information no later than the closing date of the transaction and, thereafter, the second business day succeeding each Determination Date:

<TABLE>	
<S>	
1. Beginning Scheduled Principal Balance	<C> \$114,702,110.83
2. Mortgage Interest Rate	10.50% - 12.50%
3. Monthly Payment	\$ 1,152,974.09
4. Scheduled Interest	\$ 1,102,753.34
5. Scheduled Principal	\$ 50,220.75
6. Principal Prepayments	\$.00
7. Payoff Date or Prepayment Interest Shortfalls	\$.00
</TABLE>	

LTC PROPERTIES, INC.

Page 2

<TABLE>	
<S>	
8. Ending Scheduled Principal Balance	<C> \$114,651,890.08
9. Interest Paid-Through-Date	See attached
</TABLE>	

On receiving this data, Bankers Trust shall be under no duty to recalculate, verify or recompute the information provided to it hereunder by LTC.

LTC Properties, Inc.

By: /s/ Evelyn Yalung

Name: Evelyn Yalung
Title: Controller

<TABLE>
<CAPTION>

SCHEDULE B					
LOAN	BEGINNING SCHEDULED PRINCIPAL BALANCE	MORTGAGE INTEREST RATE	MONTHLY PAYMENT	SCHEDULED INTEREST	SCHEDULED PRINCIPAL

<S>	<C>	<C>	<C>	<C>	<C>
1-4	19,168,815.45	11.50%	190,462.75	183,701.15	6,761.60
5	1,257,788.42	11.50%	12,497.48	12,053.81	443.67
6	4,597,605.50	11.50%	45,682.14	44,060.39	1,621.75
7-9	17,885,113.72	11.50%	177,707.80	171,399.01	6,308.79
10	3,526,192.95	11.50%	35,036.51	33,792.68	1,243.83
11	2,932,181.97	11.50%	29,134.37	28,100.08	1,034.29
13	2,327,207.65	11.50%	23,123.30	22,302.41	820.89
14	723,577.15	11.50%	7,189.52	6,934.28	255.24
15	2,517,570.21	11.50%	25,014.76	24,126.71	888.05
16	2,268,404.55	11.50%	22,539.03	21,738.88	800.15
17	1,146,162.22	11.50%	11,388.35	10,984.05	404.30
18	9,457,333.25	11.50%	93,968.75	90,632.78	3,335.97
19	1,793,992.97	11.50%	17,825.25	17,192.43	632.82
20	1,694,326.79	11.50%	16,834.95	16,237.30	597.65
21	1,364,431.35	11.50%	13,557.09	13,075.80	481.29
22	2,334,184.20	11.50%	23,192.63	22,369.27	823.36
23	5,979,697.97	11.50%	61,037.42	57,305.44	3,731.98
24	2,986,468.56	10.00%	27,263.95	24,887.24	2,376.71
25	1,993,640.13	12.00%	21,066.48	19,936.40	1,130.08
26	4,088,697.72	11.75%	42,430.13	40,035.17	2,394.96
27	2,994,717.49	11.50%	30,494.07	28,699.38	1,794.69
28	6,690,413.14	12.50%	73,057.02	69,691.80	3,365.22
29	14,973,587.47	11.50%	152,470.34	143,496.88	8,973.46

	114,702,110.83		1,152,974.09	1,102,753.34	50,220.75
=====					

<CAPTION>

PRINCIPAL	PAYOFF DATE OR PREPAYMENT	ENDING SCHEDULED PRINCIPAL	INTEREST PAID - THROUGH
-----------	---------------------------	----------------------------	-------------------------

LOAN	PREPAYMENTS	INTEREST	SHORTFALL	BALANCE	DATE

<S>	<C>	<C>		<C>	<C>
1-4	0.00		0.00	19,162,053.85	19-AUG-93
5	0.00		0.00	1,257,344.75	19-AUG-93
6	0.00		0.00	4,595,983.75	19-AUG-93
7-9	0.00		0.00	17,878,804.93	19-AUG-93
10	0.00		0.00	3,524,949.12	19-AUG-93
11	0.00		0.00	2,931,147.68	19-AUG-93
13	0.00		0.00	2,326,386.76	19-AUG-93
14	0.00		0.00	723,321.91	19-AUG-93
15	0.00		0.00	2,516,682.16	19-AUG-93
16	0.00		0.00	2,267,604.40	19-AUG-93
17	0.00		0.00	1,145,757.92	19-AUG-93
18	0.00		0.00	9,453,997.28	19-AUG-93
19	0.00		0.00	1,793,360.15	19-AUG-93
20	0.00		0.00	1,693,729.14	19-AUG-93
21	0.00		0.00	1,363,950.06	19-AUG-93
22	0.00		0.00	2,333,360.84	19-AUG-93
23	0.00		0.00	5,975,965.99	31-JUL-93
24	0.00		0.00	2,984,091.85	31-JUL-93
25	0.00		0.00	1,992,510.05	14-AUG-93
26	0.00		0.00	4,086,302.76	31-JUL-93
27	0.00		0.00	2,992,922.80	31-JUL-93
28	0.00		0.00	6,687,047.92	31-JUL-93
29	0.00		0.00	14,964,614.01	31-JUL-93

	0.00		0.00	114,651,890.08	
=====					

</TABLE>

CUSTODIAL AGREEMENT

THIS CUSTODIAL AGREEMENT (as amended and supplemented from time to time, the "Agreement"), is entered into as of July 20, 1993, by and among Union Bank, having an address at 14500 Roscoe Boulevard, Panorama City, California 91402 (the "Trustee"), LTC REMIC Corporation, having an address at 300 Esplanade Drive, Suite 1260, Oxnard, California 93030 (the "Depositor"), Bankers Trust Company, having an address at Four Albany Street, New York, New York 10006 (the "Master Servicer") and Bankers Trust Company, having an address at Four Albany Street, New York, New York 10006, (the "Custodian").

W I T N E S S E T H T H A T:

- - - - -

WHEREAS, the Depositor, the Master Servicer, LTC Properties, Inc. (the "Special Servicer") and the Trustee have entered into a Pooling and Servicing Agreement dated as of July 20, 1993 (as amended and supplemented from time to time, the "Pooling and Servicing Agreement"); and

WHEREAS, the Custodian has agreed to (i) act as agent for the Trustee for the purposes of receiving and holding certain documents and other instruments delivered by the Depositor under the Pooling and Servicing Agreement, (ii) act as Paying Agent under the terms of the Pooling and Servicing Agreement, and (iii) act as Certificate Registrar under the terms of the Pooling and Servicing Agreement, all upon the terms and conditions and subject to the limitations hereinafter set forth;

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements hereinafter set forth, the Trustee, the Depositor, the Master Servicer, and the Custodian hereby agree as follows:

ARTICLE I

Definitions

Capitalized words and phrases used but not otherwise defined in this Agreement shall have the respective meanings assigned to them in the Pooling and Servicing Agreement.

ARTICLE II

Custody of Mortgage Documents

Section 2.1. Custodian to Act as Agent; Acceptance of Mortgage

Files. The Custodian, as the duly appointed agent and bailee of the Trustee,

 appointed pursuant to Section 2.02 of the Pooling and Servicing Agreement, for these purposes, hereby accepts the agency contemplated hereunder and acknowledges

receipt as of the Closing Date of the following documents and, as agent for the Trustee, agrees to verify receipt of the following documents pertaining to each of the Mortgage Loans identified on the Mortgage Loan Schedule attached to the Pooling and Servicing Agreement in accordance with Section 2.2 hereof:

- (a) the original Note, showing a complete chain of endorsement from the Originator to the Depositor, and endorsed by the Depositor without recourse to the order of the Trustee in the following form: "Pay to the order of Union Bank, as Trustee under that certain Pooling and Servicing Agreement, dated as of July 20, 1993, for LTC Commercial Mortgage Pass-Through Certificates, Series 1993-1, without recourse";
- (b) the original recorded Mortgage showing the Depositor as mortgagee or accompanied by original recorded assignments showing a complete chain of title to the Depositor, or, if any such original Mortgage or assignment has not been returned from the applicable public recording office, a copy of thereof certified by the Depositor to be a true and complete copy of the original thereof to be submitted for recording;
- (c) an executed Assignment of Mortgage, in form suitable for recordation in the jurisdiction in which the Mortgaged Property is located from Depositor to: "Union Bank, as Trustee under that certain Pooling and Servicing Agreement, dated as of July 20, 1993, for LTC Commercial Mortgage Pass-Through Certificates, Series 1993-1";
- (d) if the related security agreement is separate from the Mortgage, the original executed version of such security agreement and any

intervening assignments thereof, including the assignment thereof to the Depositor and the Trustee;

- (e) a copy of the UCC-1 financing statement or statements and related continuation statements, if any, relating to the Mortgage Loan, each with evidence of filing thereon, together with an original executed form UCC-2 or UCC-3, in a form suitable for filing in the jurisdiction in which the Mortgaged Property is located, disclosing the assignment to the Trustee of the Depositor's and the Originator's security interest in the personal property, if any, constituting security for repayment of the Mortgage Loan;
- (f) the original of each assumption, modification, written assurance or substitution agreement, if any, relating to such Mortgage Loan;

-2-

- (g) the original lender's title insurance policy, together with any endorsements thereto, or, with respect to each Mortgage Loan not covered by a title insurance policy, a preliminary title report and an attorney's opinion of title issued as of the date of origination of the Mortgage Loan given by an attorney licensed to practice law in the jurisdiction where the Mortgaged Property is located;
- (h) the original of any guaranty or letter of credit relating to the Mortgage Loan;
- (i) if any related Assignment of Leases, Rents and Profits is separate from the Mortgage, the original executed version thereof, together with an executed reassignment of such instrument (a "Reassignment of Assignment of Leases, Rents and Profits") in suitable form for recordation in the jurisdiction in which the Mortgaged Property is located from the Depositor to the Trustee (which reassignment, however, may be included in the Assignment of Mortgage and need not be a separate instrument);
- (j) any and all amendments, modifications and supplements to, and waivers related to, any of the foregoing;
- (k) any other written agreements related to the Mortgage Loan; and
- (l) the original of any environmental indemnity agreement relating to the Mortgage Loan.

The Trustee also hereby delivers to the Custodian a list (the "Assignments of Mortgage List"), that has been prepared by the Depositor or its agent and delivered to the Trustee pursuant to Section 2.01 of the Pooling and Servicing Agreement, of each Mortgage Loan, by Loan Number, as to which the related Assignment of Mortgage has been submitted for recording in the applicable jurisdiction.

On the Closing Date, the Custodian shall, to the extent possession thereof has been delivered to it, deliver to the Master Servicer (a) for recordation in accordance with Section 2.01 of the Pooling and Servicing Agreement, (i) each original Assignment of Mortgage referred to in Section 2.1(c) which has not yet been submitted for recording and (ii) each Reassignment of Assignment of Leases, Rents and Profits referred to in Section 2.1(i) (if not otherwise included in the related Assignment of Mortgage) which has not yet been submitted for recordation, and (b) for filing in accordance with Section 2.01 of the Pooling and Servicing Agreement, each UCC-2 or UCC-3 referred to in Section 2.1(e) which has not yet been submitted for filing.

-3-

From time to time the Depositor may forward or cause to be forwarded to the Custodian additional original documents evidencing an assumption or modification of a Mortgage Loan. All Mortgage Loan documents held by the Custodian as to each Mortgage Loan shall hereinafter be referred to as the "Mortgage File".

Section 2.2. Review of Mortgage Files.

Within 45 days following the Closing Date the Custodian shall review each Mortgage File to ascertain that all documents referred to in Section 2.1 above have been received, have been executed, appear to be what they purport to be, purport to be recorded or filed (as applicable) and have not been torn, mutilated or otherwise defaced, and that such documents relate to the Mortgage Loans identified in the Mortgage Loan Schedule. In so doing, the Custodian may rely on the purported due execution and genuineness of any such document and on the purported genuineness of any signature thereon. At the conclusion of such review, the Custodian shall promptly notify the Trustee and the Depositor, with a copy to the Master Servicer and the Special Servicer, by providing a written report in the form attached as Exhibit A (the "Custodian's Exception Report")

and, if the Custodian finds that (a) any document or documents constituting a part of a Mortgage File have not been executed or received, have not been recorded or filed (if required), are unrelated to the Mortgage Loans identified in the Mortgage Loan Schedule, appear not to be what they purport to be or have been torn, mutilated or otherwise defaced or (b) any Assignment of Mortgage has not been submitted for recording, such report shall set forth for each affected Mortgage Loan, with particularity, the nature of the defective or missing document or the lack of evidence of recordation. The Custodian shall not be responsible for any loss, cost, damage or expense to the Trust Fund resulting from any failure to receive any document constituting a portion of a Mortgage File noted on a Custodian's Exception Report or for any failure by the Depositor to use its best efforts to deliver any such documents.

The Custodian shall have no responsibility for reviewing any Mortgage File except as expressly provided above. Without limiting the effect of the preceding sentence, in reviewing any Mortgage File pursuant to this Agreement, the Custodian shall have no responsibility for determining whether any document or opinion is valid and binding, whether the text of any deed, assignment or endorsement is in proper or recordable form (except, if applicable, to determine if the Trustee is the grantee, assignee or endorsee), whether any document has been recorded in accordance with the requirements of any applicable jurisdiction, whether a blanket assignment is permitted in any applicable jurisdiction, or whether any Person executing any document or rendering any opinion is authorized to do so or whether any signature thereon is genuine.

-4-

The Custodian shall hold that portion of the Trust Fund delivered to the Custodian consisting of "instruments" (as such term is defined in Section 9105 (i) of the Uniform Commercial Code as in effect in New York on the date thereof) in New York, and, except as otherwise specifically provided in this Agreement, shall not remove such instruments from New York unless it receives an Opinion of Counsel (obtained and delivered at the expense of the Person requesting the removal of such instruments from New York) that in the event the transfer of the Mortgage Loans to the Trustee is deemed not to be a sale, after such removal, the Trustee will possess a first priority perfected security interest in such instruments.

Section 2.3. Release of Mortgage Files. Upon (i) the payment in full

of any Mortgage Loan, or (ii) the repurchase of any Mortgage Loan pursuant to the Pooling and Servicing Agreement, and upon receipt by the Custodian of an Officers' Certificate of the Master Servicer, the Special Servicer, as the case may be, stating that all amounts required by the Pooling and Servicing Agreement in connection with such payment, purchase or repurchase have been deposited in the Collection Account pursuant to the Pooling and Servicing Agreement, the Custodian shall promptly release the related Mortgage File to the Master Servicer or Servicer, as applicable.

From time to time, the Custodian, shall, upon request of the Master Servicer or Special Servicer and delivery to the Custodian of a Request for Release, promptly release the Mortgage File (or any portion thereof) designated in such Request for Release to the Master Servicer or Special Servicer, as applicable. The Trustee agrees promptly to deliver to the Custodian any such Request for Release received by it. Upon receipt of (a) such Mortgage File (or portion thereof) from the Master Servicer or the Special Servicer as applicable, or (b) in the event of a liquidation or the loan becoming an REO Property, of a certificate of a Special Servicer Officer stating that such Mortgage Loan was liquidated and that all amounts received or to be received in connection with such liquidation which are required to be deposited into the Collection Account or Distribution Account have been remitted to the Master Servicer for such deposit or that such Mortgage Loan has become an REO Property, the Custodian shall release a true and correct copy of the Request for Release to the Master Servicer or the Special Servicer, as applicable, with a notation thereon acknowledging receipt of the Mortgage File or the certificate of the Special Servicer specified in clause (b) above.

Section 2.6. Audit and Examination of Mortgage Files. Upon reasonable

notice to the Custodian, the Trustee, the Master Servicer, the Special Servicer, the Depositor, or any of their respective agents will be permitted, during normal business hours, to examine the Mortgage Files, documents, records and

-5-

other papers in possession of or under the control of Custodian relating to any or all of the Mortgage Loans.

Section 2.7. Copies of Mortgage Files. Upon the written request of the

Trustee, the Master Servicer, the Special Servicer, the Custodian shall timely provide to the Trustee, the Master Servicer, the Special Servicer or the Depositor, as the case may be, copies of the documents which constitute the Mortgage Files. The Master Servicer shall pay all costs and expenses incurred by the Custodian in preparing such copies.

Section 2.8. Safekeeping. The Custodian shall segregate the Mortgage Files

from all other mortgages and mortgage notes and similar records in its possession, and agrees to hold the Mortgage Files in California on behalf of the Trustee for the use and benefit of all present and future Certificateholders, to maintain accurate records pertaining to each Note and Mortgage in the Mortgage Files as will enable the Trustee to comply with the terms and conditions of the Pooling and Servicing Agreement and at all times to maintain a current inventory thereof and to conduct periodic physical inspections of the Mortgage Files held by it under this Agreement in such a manner as shall enable the Trustee to verify the accuracy of such inventory and record keeping. The Custodian will promptly report to the Trustee any failure on its part to hold the Mortgage Files as herein provided and promptly take appropriate action to remedy any such failure.

Section 2.9. Administration; Reports. In general, the Custodian shall

attend to all nondiscretionary details in connection with maintaining custody of the Mortgage Files on behalf of the Trustee, and to provide the Trustee with notification of any change in status of any Mortgage File. In addition, the Custodian shall assist the other parties hereto who are preparing reports to Certificateholders or to regulatory bodies, at the request of any such party and to the extent necessitated by the Custodian's custody of the Mortgage Files.

ARTICLE III

Concerning the Custodian

Section 3.1. Custodian a Bailee and Agent of the Trustee. With respect to

each Mortgage Note, Mortgage, policy and other documents constituting each Mortgage File which are delivered to the Custodian, the Custodian hereby agrees to act as the agent and bailee of the Trustee, and to hold such documents, in trust, for the exclusive use and benefit of all present and future Certificateholders and undertakes to perform such duties and only such duties as are specifically set forth in this Agreement. The Custodian may not delegate any of its duties hereunder without the prior written consent of the Trustee. The Custodian shall segregate and maintain all documents constituting

-6-

the Mortgage Files received by it for the benefit of the Certificateholders in secure facilities in accordance with customary standards for such custody. The Mortgage Files shall be maintained in secure fireproof facilities. Except upon compliance with the provisions of Section 2.3 of this Agreement, no Mortgage Note, Mortgage or other document constituting a part of a Mortgage File shall be delivered by the Custodian to the Depositor, the Master Servicer or the Special Servicer or otherwise released from the possession of the Custodian.

Section 3.2. Indemnification. The Depositor hereby agrees to indemnify

and hold harmless the Custodian from and against all claims, liabilities, losses, actions, suits or proceedings at law or in equity, or any other expenses, fees or charges of any character or nature, which the Custodian may incur or with which the Custodian may be threatened by reasons of its acting as custodian under this Agreement, including indemnification of the Custodian against any and all expenses, including attorneys' fees if counsel for the Custodian has been approved by the Depositor (provided such consent shall not be unreasonably withheld), and the cost of defending any action, suit or proceeding or resisting any claim. The Depositor further agrees to indemnify the Trustee from and against all claims, liabilities, losses, actions, suits, or proceedings at law or in equity, or any other expenses, fees or charges of any character or nature, which the Trustee may incur by reason of any negligent act or any negligent failure to act on the part of the Custodian.

Section 3.3. No Adverse Interest of Custodian. By execution of this

Agreement, the Custodian represents, warrants and covenants that it currently holds, and during the existence of this Agreement shall hold, no interest adverse to the Trustee or the Certificateholders, by way of security or otherwise, in any Mortgage Loan, and hereby waives and releases any such interest which it may have in any Mortgage Loan as of the date hereof. Without limiting the generality of the foregoing, the Custodian shall not at any time exercise or seek to enforce any claim, right or remedy, including any statutory or common law right of set-off, if any, that the Custodian may otherwise have against any Mortgage Loan, against all or part of any Mortgage File or against the proceeds of either.

Section 3.4. Master Servicer to Pay Custodian's Fees and Expenses. The

Master Servicer covenants and agrees to pay to the Custodian from time to time, and the Custodian shall be entitled to, reasonable compensation for all services rendered by it in the exercise and performance of any of the powers and duties hereunder of the Custodian, and the Master Servicer will pay or reimburse the

Custodian upon its request for all reasonable expenses, disbursements and advances incurred or made by the Custodian in accordance with any of the provisions of this Agreement (including the reasonable compensation and the expenses and disbursements of its counsel and of all persons not regularly

-7-

in its employ), except any such expense, disbursement or advance as may arise from its negligence or bad faith.

Section 3.5. Custodian May Resign; Trustee May Remove Custodian. The

Custodian may resign from the obligations and duties hereby imposed upon it as such obligations and duties relate to its acting as Custodian of the Mortgage Loans by giving 90 days' prior written notice thereof to the Depositor, the Master Servicer, the Special Servicer and the Trustee. Upon receiving such notice of resignation, the Trustee shall either take custody of the Mortgage Files itself and give prompt notice thereof to the Depositor, the Master Servicer and the Special Servicer or promptly appoint a successor Custodian by written instrument, in duplicate, which instrument shall be delivered to the resigning Custodian, the successor Custodian, the Depositor, the Master Servicer and the Special Servicer. If the Trustee shall not have taken custody of the Mortgage Files and no successor Custodian shall have been so appointed and have accepted appointment within 30 days after the giving of such notice of resignation, the resigning Custodian may petition any court of competent jurisdiction for the appointment of a successor Custodian.

The Trustee may, with or without cause, remove the Custodian at any time. In such event, the Trustee shall appoint, or petition a court of competent jurisdiction to appoint, a successor Custodian hereunder. Any successor Custodian shall be a depository institution or a trust company subject to supervision by federal or state authority and shall be able to satisfy the other requirements contained in Section 3.7.

Any resignation or removal of the Custodian and appointment of a successor Custodian pursuant to any of the provisions of this Section 3.5 shall become effective upon acceptance of appointment by the successor Custodian. The Trustee shall give prompt notice to the Depositor, the Master Servicer and the Special Servicer of the appointment of any successor Custodian. No successor Custodian shall be appointed by the Trustee without the prior approval of the Depositor.

Section 3.6. Merger or Consolidation of Custodian. Any Person into

which the Custodian may be merged or converted or with which it may be consolidated, or any Person resulting from any merger, conversion or consolidation to which the Custodian shall be a party, or any Person succeeding to the business of the Custodian, shall be the successor of the Custodian hereunder, provided such Person shall be able to satisfy the requirements in Section 3.7., without the execution or filing of any paper or any further act on the part of any of the parties hereto, anything herein to the contrary notwithstanding.

Section 3.7. Representations of the Custodian. The Custodian hereby

represents and warrants that (i) it is a

-8-

depository institution or a trust company subject to supervision by a federal or state authority, has a combined capital and surplus of at least \$50,000,000 and is qualified to do business in the jurisdiction in which it will hold any Mortgage File, (ii) it has been duly organized and is validly existing in good standing under the laws of its jurisdiction of organization, (iii) it is duly authorized to execute and deliver this Agreement and to perform its obligations hereunder and has taken all necessary action to authorize such execution, delivery and performance, (iv) the person signing this Agreement on its behalf is duly authorized to do so on its behalf, (v) it has obtained all authorizations of any governmental body required in connection with this Agreement and such authorizations are in full force and effect, (vi) the execution, delivery and performance of this Agreement will not violate any law, ordinance, charter, by-law or rule applicable to it, any agreement by which it is bound or by which any of its assets are affected or any judgment, decree or order applicable to it of any court or other governmental authority and (vii) this Agreement constitutes its legal, valid and binding obligation, enforceable in accordance with its respective terms, except that the enforceability hereof may be subject to the effects of any applicable bankruptcy, insolvency, reorganization, moratorium or other similar law now or hereafter in effect relating to creditors' rights and to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

Section 3.8. Insurance. The Custodian shall, at its own expense,

maintain in full force and effect at all times during the existence of this Agreement the following:

- (a) fidelity insurance;
- (b) theft of documents insurance;
- (c) forgery insurance; and
- (d) errors and omission insurance.

All such insurance shall be in amounts with standard coverage and subject to deductibles as is customary for insurance typically maintained by depository institutions or trust companies which act as custodians, which insurance may be self-insurance. The Custodian shall, upon written request, provide to the Depositor or the Trustee a copy of any policy or certificate of insurance required to be maintained by the Custodian pursuant to this Agreement.

ARTICLE IV

Custodian to Act as Certificate Registrar and Paying Agent

Section 4.1. Custodian as Certificate Registrar. Pursuant to Section

5.02 of the Pooling and Servicing Agreement,

-9-

the Trustee hereby appoints the Custodian and the Custodian hereby accepts the appointment, to act as Certificate Registrar in accordance with the terms of the Pooling and Servicing Agreement.

Section 4.2. Custodian as Paying Agent. Pursuant to Section 5.06 of

the Pooling and Servicing Agreement, the Trustee hereby appoints the Custodian, and the Custodian hereby accepts the appointment, to act as Paying Agent in accordance with the terms of the Pooling and Servicing Agreement.

ARTICLE V

Miscellaneous Provisions

Section 5.1. Notices. All demands, notices and communications required

under this Agreement or pursuant to any other instrument or document delivered hereunder shall be in writing and shall be deemed to have been given upon receipt at the addresses shown on the first page hereof, or such other address as may hereafter be furnished to the other parties by like notice.

Section 5.2. Amendments. No modification or amendment of or supplement

to this Agreement shall be valid or effective unless the same is in writing and signed by all parties hereto and neither the Depositor, the Master Servicer, nor the Trustee shall enter into any amendment hereof except as permitted by the Pooling and Servicing Agreement. The Trustee shall give prompt notice to the Custodian of any amendment or supplement to the Pooling and Servicing Agreement and furnish the Custodian with written copies thereof.

Section 5.3. Governing Law. This Agreement shall be deemed a contract

made under the laws of the State of New York and shall be construed and enforced in accordance with and governed by the laws of the State of New York.

Section 5.4. Recordation of Agreement. To the extent permitted by

applicable law, this Agreement is subject to recordation in all appropriate public offices for real property records in all the counties or other comparable jurisdictions in which any or all of the properties subject to the Mortgages are situated, and in any other appropriate public recording office or elsewhere, such recordation to be effected by the Master Servicer and at its expense, but only upon direction of the Trustee accompanied by an Opinion of Counsel to the effect that such recordation materially and beneficially affects the interests of the Certificateholders.

Section 5.5. Counterparts. For purpose of facilitating the recordation

of this Agreement as herein provided and for other purposes, this Agreement may be executed

-10-

simultaneously in any number of counterparts, each of which counterparts shall be deemed to be an original, and such counterparts shall constitute but one and the same instrument.

Section 5.6. Severability of Provisions. If any one or more of the

covenants, agreements, provisions or terms of this Agreement shall be for any reason whatsoever held invalid, then, to the extent permitted by applicable law, such covenants, agreements, provisions or terms shall be deemed severable from the remaining covenants, agreements, provisions or terms of this Agreement and shall in no way affect the validity or enforceability of the other provisions of this Agreement or of the Certificates or the rights of the Holders thereof.

Section 5.7. Termination of Agreement. Unless terminated earlier by

the parties hereto, this Agreement shall terminate upon the termination of the Pooling and Servicing Agreement.

Section 5.8. Assignment. Except as otherwise expressly set forth in

this Agreement, no party to this Agreement may assign its rights or delegate its obligations under this Agreement without the express written consent of the other parties, and any assignment made without such consent shall be null and void for all purposes.

Section 5.9. No Partnership. Nothing herein shall be deemed or

construed to create a partnership or joint venture between or among the parties hereto.

Section 5.10. Prior Agreements. This Agreement shall supersede all

agreements prior to the date hereof with respect to the subject matter hereof.

-11-

IN WITNESS WHEREOF, this Agreement is executed as of the date first above written.

UNION BANK
as Trustee

By: /s/ Andrew R. Bill

Name: Andrew R. Bill
Title: Assistant Vice President

LTC REMIC CORPORATION,
as Depositor

By: /s/ William McBride III

Name: William McBride III
Title: President

BANKERS TRUST COMPANY,
as Master Servicer

By: /s/ Tracy A. Gevant

Name: Tracy A. Gevant
Title: Assistant Vice President

BANKERS TRUST COMPANY,
as Custodian

By: /s/ Tracy A. Gevant

Name: Tracy A. Gevant
Title: Assistant Vice President

-12-

CUSTODIANS'S EXCEPTION REPORT

[DATE]

Union Bank
14500 Roscoe Boulevard
Panorama City, CA 91402
Attention: _____

LTC REMIC Corporation
300 Esplanade Drive
Suite 1260
Oxnard, CA 93030

Re: Custodial Agreement dated as of July 20, 1993 among LTC REMIC Corporation, as Depositor, BANKERS Trust Company, in its capacity as

both Master Servicer and Custodian, and Union Bank, as Trustee (the "Custodial Agreement")

Ladies and Gentlemen:

This exception report is being delivered to you in accordance with Section 2.2 of the Custodial Agreement.

The Custodian certifies that it has reviewed the Mortgage Files with respect to the Mortgage Loans listed on the Mortgage Loan Schedule and that, except as noted on the exception list attached hereto, as to each Mortgage Loan listed in the Mortgage Loan Schedule:

(1) it has received all documents referred to in Section 2.1 of the Custodial Agreement (as identified to it in writing by the Depositor in the case of the documents referred to in Section 2.1(d), (e), (f), (g) (in the case of endorsements), (h), (i), (j) and (k));

(2) it has received all documents described in Section 2.1 as original or certified recorded documents in such form;

(3) each such document has been executed, appears to be what it purports to be, purports to be recorded or filed (as applicable) and has not been torn, mutilated or otherwise defaced; and

(4) each document relates to the Mortgage Loan identified in the Mortgage Loan Schedule.

The Custodian has made no independent examination of any documents contained in the Mortgage Files beyond the review specifically required by the Custodial Agreement. The Custodian makes no representations as to whether any document is valid and binding, whether the text of any assignment or endorsement is in proper or recordable form (except, if applicable, to determine if the Custodian is the assignee or endorsee), whether any document has been recorded in accordance with the requirements of any applicable jurisdiction, whether a blanket assignment is permitted in any applicable jurisdiction, or whether any person executing any document is authorized to do so or whether any signature thereon is genuine.

Capitalized terms used in this report have the meanings assigned to them in the Custodial Agreement.

BANKERS TRUST COMPANY,
as Custodian

By _____
Name:
Title:

EXHIBIT A-5

PRINCIPAL PAYMENTS ON THIS CERTIFICATE ARE PAYABLE IN INSTALLMENTS AS SET FORTH HEREIN. ACCORDINGLY, THE OUTSTANDING PRINCIPAL AMOUNT OF THIS CERTIFICATE AT ANY TIME MAY BE LESS THAN THE INITIAL CERTIFICATE PRINCIPAL AMOUNT SET FORTH BELOW.

THE RIGHTS OF HOLDERS OF THE CLASS E CERTIFICATES TO RECEIVE DISTRIBUTIONS OF PRINCIPAL AND INTEREST IN RESPECT OF THE MORTGAGE LOANS WILL BE SUBORDINATED TO THE RIGHTS OF THE CLASS A, CLASS B, CLASS C, CLASS D, CLASS I-1, CLASS I-2, CLASS R AND CLASS LR CERTIFICATES TO RECEIVE DISTRIBUTIONS OF INTEREST AND THE RIGHTS OF HOLDERS OF THE CLASS A, CLASS B, CLASS C, CLASS D, CLASS R AND CLASS LR CERTIFICATES TO RECEIVE DISTRIBUTIONS OF PRINCIPAL.

THIS CERTIFICATE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "1933 ACT") OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES ("BLUE SKY LAWS"), AND SUCH CERTIFICATE MAY NOT BE OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) TO A PERSON THAT THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A PROMULGATED UNDER THE 1933 ACT IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (2) PURSUANT TO AN EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE 1933 ACT (IF AVAILABLE) OR (3) TO AN ACCREDITED INVESTOR AS DEFINED IN REGULATION D UNDER THE 1933 ACT IN A TRANSACTION EXCEPT FROM THE REGISTRATION REQUIREMENTS OF THE 1933 ACT, AND IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. NO REPRESENTATION IS MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 FOR REALES OF THIS CERTIFICATE.

THIS CERTIFICATE MAY NOT BE PURCHASED BY OR TRANSFERRED TO ANY PERSON WHICH IS AN EMPLOYEE BENEFIT PLAN SUBJECT TO THE FIDUCIARY RESPONSIBILITY PROVISIONS OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), OR SECTION 4975 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE") OR ANY GOVERNMENTAL PLAN, AS DEFINED IN SECTION 3(32) OF ERISA SUBJECT TO ANY FEDERAL, STATE OR LOCAL LAW WHICH IS, TO A MATERIAL EXTENT, SIMILAR TO THE FOREGOING PROVISIONS OF ERISA OR THE CODE (COLLECTIVELY, A "PLAN"), OR ANY PERSON INVESTING THE ASSETS OF A PLAN EXCEPT AS PROVIDED IN SECTION 5.03(b) OF THE POOLING AND SERVICING AGREEMENT REFERRED TO HEREIN.

LTC COMMERCIAL MORTGAGE PASS-THROUGH CERTIFICATE,
SERIES 1993-1, CLASS E

evidencing a nonassessable, fully paid
percentage interest in a trust fund
which includes a pool of commercial mortgage loans

Pass-Through Rate: 9.78%

No. R-

Initial Certificate Principal
Amount: \$

First Distribution Date:
August 28, 1993

Original Class E Aggregate
Certificate Principal Amount:
\$26,382,110.83

Final Scheduled
Distribution Date: November 28, 2012

Cut-Off Date: July 20, 1993

-2-

This certifies that _____ is the registered owner of the Percentage Interest evidenced by this Certificate (obtained by dividing the initial Certificate Principal Amount of this Certificate by the Original Class E Aggregate Certificate Principal Amount, each as noted on the face hereof) in the Trust Fund, including the distributions to be made with respect to the Class E Certificates. The Trust Fund, described more fully below, consists primarily of Mortgage Loans held in trust by the Trustee and serviced by the Master Servicer and the Special Servicer, as applicable. The Trust Fund was created, and the Mortgage Loans are to be serviced, pursuant to the Agreement (as defined below). The Holder of this Certificate, by virtue of the acceptance hereof, assents to the terms, provisions and conditions of the Agreement and is bound thereby. Also issued under the Agreement are Class A, Class B, Class C, Class D, Class I-1 Class I-2, Class R and Class LR Certificates (together with the Class E Certificates, the "Certificates") (the Holders of Certificates issued under the Agreement are collectively referred to herein as "Certificateholders").

This Certificate is issued pursuant to, and in accordance with, the terms of a Pooling and Servicing Agreement dated as of July 20, 1993 (the "Agreement") among LTC REMIC Corporation, as Depositor, Bankers Trust Company, as Master Servicer, LTC Properties, Inc., as Special Servicer, and Union Bank, as Trustee. To the extent not defined herein, capitalized terms used herein shall have the meanings assigned thereto in the Agreement.

THIS CERTIFICATE DOES NOT REPRESENT AN INTEREST IN OR A DEPOSIT OR OBLIGATION OF THE DEPOSITOR, THE ORIGINATOR, THE MASTER SERVICER, THE SPECIAL SERVICER OR THE TRUSTEE, OR ANY OF THEIR AFFILIATES. THIS CERTIFICATE IS NOT INSURED OR GUARANTEED BY ANY GOVERNMENTAL AGENCY OR INSTRUMENTALITY OR BY ANY PRIVATE ENTITY.

This Certificate represents a "regular interest" in a "real estate mortgage investment conduit," as those terms are defined, respectively, in Sections 860G(a) (1) and 860D of the Internal Revenue Code of 1986, as amended (the "Code"). Each Holder of this Certificate, by acceptance hereof, agrees to treat, and to take no action inconsistent with the treatment of, this Certificate in accordance with the preceding sentence for purposes of federal income taxes, state and local income and franchise taxes and other taxes imposed on or measured by income.

This Certificate is issued on August 4, 1993, and based on its issue price of 73.90317%, including accrued interest, and a stated redemption price at maturity equal to its initial principal balance (plus six days of interest at the pass-through rate hereon), is issued with original issue discount ("OID") for federal income tax purposes. Assuming that this Certificate pays

-3-

in accordance with projected cash flows reflecting the prepayment assumption of 3% CPR (as defined in the Offering Circular dated July 28, 1993 with respect to the offering of the Class A Certificates, Class B Certificates, Class R Certificates and Class LR Certificates) used to price this Certificate: (i) the amount of OID as a percentage of the initial principal balance of this Certificate is approximately 26.25983328%; (ii) the annual yield to maturity of this Certificate, compounded monthly, is approximately 14.55%; and (iii) the amount of OID allocable to the short first accrual period (August 4, 1993 to August 28, 1993) as a percentage of the initial principal balance of this Certificate, calculated using the exact method, is approximately 0.06392639%.

The Trustee makes no representation or warranty as to any of the statements contained herein or the validity or sufficiency of the Certificates or the Mortgage Loans and has executed and authenticated this Certificate in its limited capacity as Trustee under the Agreement.

Pursuant to the terms of the Agreement, the Trustee, or the Paying Agent on behalf of the Trustee, will distribute, on the twenty-eighth day of each month or if any such twenty-eighth day is not a Business Day, on the next succeeding Business Day (each such date, a "Distribution Date"), commencing in August 1993, to the Person in whose name this Certificate is registered as of the related Record Date, an amount equal to such Person's pro rata share (based on the Percentage Interest represented by this Certificate) of that portion of the aggregate amount of principal and interest then distributable, if any, allocable to the Class E Certificates for such Distribution Date, all as more fully described in the Agreement. The amount of interest which accrues on this Certificate during an Interest Accrual Period will be subject to reduction with respect to any Net Aggregate Prepayment Interest Shortfall allocated to the Class E Certificates, as described in the Agreement.

Interest will accrue on the outstanding Certificate Principal Amount of this Certificate at the Pass-Through Rate specified on the face of this Certificate. Interest will be calculated on the basis of a 360-day year of twelve 30-day months. Interest accrued on this Certificate during an Interest Accrual Period, plus the Outstanding Class Interest Shortfall with respect to this Certificate, if any, will be payable on the related Distribution Date to the extent provided in the Agreement. The "Interest Accrual Period" relating to any Distribution Date is the month beginning on the 21st day of the month preceding the month in which such Distribution Date occurs and ending on the 20th day of the month in which such Distribution Date occurs, commencing in July, 1993.

With the exception of the final distribution in respect of this Certificate, distributions on this Certificate will be

-4-

made by the Trustee, Trustee, or the Paying Agent on behalf of the Trustee, without the presentation or surrender of this Certificate or the making of any notation hereon, by check mailed by first-class mail to the address of the Holder set forth in the Certificate Register, or, provided the Holder holds Certificates the aggregate initial Certificate Principal Amount of which exceeds \$5,000,000 and has provided the Trustee with wire instructions in writing at least five Business Days before the related Record Date, by wire transfer of

immediately available funds to the account of such Holder at a bank or other entity located in the United States and having appropriate facilities therefor. The final distribution on this Certificate will be made in like manner after notice by the Trustee of the pendency of such distribution and only upon presentation and surrender of this Certificate at the Corporate Trust Office or such other location specified in the notice to Holders of such final distribution.

This Certificate is one of a duly authorized issue of Certificates designated as LTC Commercial Mortgage Pass-Through Certificates, Series 1993-1 and represents a fractional undivided interest in a Trust Fund. As more fully described in and subject to the limitations of the Agreement, the Trust Fund will consist primarily of (i) such Mortgage Loans as from time to time are subject to the Agreement, together with the Mortgage Files relating thereto; (ii) all payments due on or collections in respect of the Mortgage Loans due after the Cut-Off Date; (iii) any REO Property; (iv) all revenues received in respect of any REO Property; (v) the rights of the Trustee, Master Servicer and Special Servicer under the insurance policies with respect to the Mortgage Loans required to be maintained pursuant to this Agreement and any proceeds thereof; (vi) any Assignments of Leases, Rents and Profits; (vii) any guaranties given as additional security for any Mortgage Loans; (viii) all assets deposited in the Collection Account, the Distribution Account, the Upper-Tier Distribution Account and the REO Account including reinvestment income; and (ix) the proceeds of any of the foregoing.

This Certificate is limited in right of payment to, among other things, certain collections and recoveries in respect of the Mortgage Loans, as more specifically set forth herein and in the Agreement.

As provided in the Agreement, withdrawals from the Collection Account may be made by the Master Servicer from time to time for purposes other than distributions to Certificateholders, such purposes including, among other things, reimbursement or payment to the Master Servicer, the Special Servicer or the Trustee of certain expenses incurred or certain fees earned by the Master Servicer, the Special Servicer or the Trustee, including, without limitation, certain Nonrecoverable Advances.

-5-

This Certificate does not purport to summarize the Agreement, and reference is made to the Agreement for the interests, rights, benefits, obligations and duties evidenced hereby, and the limitations thereon, and the rights, duties and immunities of the Trustee.

As provided in the Agreement and subject to certain limitations therein set forth, the transfer of this Certificate is registrable in the Certificate Register only upon surrender of this Certificate for registration of transfer at the office of the Certificate Registrar or at the office of its agent in the City of New York. The Trustee or the Certificate Registrar may require that this Certificate be duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Trustee and the Certificate Registrar duly executed by, the Holder hereof or such Holder's attorney duly authorized in writing. Thereupon, one or more new Certificates of a like aggregate Percentage Interest in the same Class of authorized denominations will be executed and authenticated by the Trustee and delivered by the Certificate Registrar to the designated transferee or transferees.

Prior to due presentation of this Certificate for registration of transfer, the Depositor, the Master Servicer, the Special Servicer, the Trustee, the Certificate Registrar, any Paying Agent and any agent of any of them may treat the Person in whose name this Certificate is registered as the owner hereof for all purposes, and none of the Depositor, Master Servicer, the Special Servicer, the Trustee, the Certificate Registrar, any Paying Agent or any agent of any of them shall be affected by notice to the contrary.

As provided in the Agreement and subject to certain limitations herein set forth, this Certificate is exchangeable for other Certificates of the same Class of authorized denominations of like aggregate Percentage Interests, as requested by the Holder surrendering the same.

No service charge will be made to a Certificateholder for any such registration of transfer or exchange, but the Certificate Registrar may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

The Agreement permits, with certain exceptions therein provided, the amendment of the Agreement and the modification of the rights of the Certificateholders under the Agreement at any time by the Depositor, the Master Servicer, the Special Servicer and the Trustee with the consent of the Holders of Class A, Class B, Class C, Class D, Class E, Class I-1 Class I-2, Class R and Class LR Certificates representing not less than 66-2/3% of the Voting Rights allocated to each such Class of the Certificates affected by the amendment. Any such consent by the Holder of

-6-

this Certificate shall be conclusive and binding on such Holder and upon all future Holders of this Certificate and of any Certificates issued upon the transfer hereof or in exchange herefor or in lieu hereof whether or not notation of such consent is made upon this Certificate. The Agreement also permits the amendment thereof in certain circumstances without the consent of the Holders of any of the Certificates, provided that such amendment would not adversely affect in any material respect the interests of any Certificateholder.

Each of the Master Servicer, any Holder of a Class LR Certificate and, if all the Mortgage Loans are then Specially Serviced Mortgage Loans, the Special Servicer, may at its option, upon not less than 30 days' prior notice given to the Trustee, repurchase the Mortgage Loans and thereby effect an early termination of the Trust Fund on any Distribution Date after the date on which the aggregate Certificate Principal Amount of the Certificates (other than the Class R or Class LR Certificates) is reduced to less than 10% of the initial aggregate Certificate Principal Amount of the Certificates. All, but not less than all, of the Mortgage Loans then included in the Trust Fund, and all property acquired in respect of any Mortgage Loans, may be repurchased at a purchase price, payable in cash, equal to not less than the greater of:

(i) the sum of:

(A) 100% of the unpaid principal balance of each Mortgage Loan included in the Trust Fund as of the Early Termination Determination Date;

(B) all unpaid interest accrued on such principal balance of each such Mortgage Loan at the related Mortgage Interest Rate to such Early Termination Determination Date; and

(C) the fair market value of all other property included in the Trust Fund as of such Early Termination Determination Date; and

(ii) the aggregate fair market value (determined in accordance with Section 9.01(d) (ii) (B) of the Agreement) of the Mortgage Loans, and all other property acquired in respect of any Mortgage Loan in the Trust Fund, as of the date of purchase.

The obligations created by the Agreement shall terminate upon the earliest to occur of (i) the repurchase of all Mortgage Loans by the Master Servicer, any Holder of a Class LR Certificate or the Special Servicer as described above; (ii) the later of (a) the distribution to Certificateholders of final payment with respect to the last outstanding Mortgage Loan or (b) the disposition of all property acquired upon foreclosure or deed

-7-

in lieu of foreclosure with respect to the last outstanding Mortgage Loan and the remittance to the Certificateholders of all funds due under the Agreement; or (iii) the sale of assets of the Trust Fund after the Certificate Principal Amounts of all the Certificates (other than the Class R and Class LR Certificates) have been reduced to zero under circumstances set forth in the Agreement. In no event, however, will the trust created by the Agreement continue beyond the expiration of 21 years from the death of the last surviving descendant of a certain individual named in the Agreement living on the date thereof.

Unless the Certificate of Authentication on this Certificate has been executed by or on behalf of the Trustee, by manual signature, this Certificate shall not be entitled to any benefit under the Agreement or be valid for any purpose.

-8-

IN WITNESS WHEREOF, the Trustee has caused this Certificate to be duly executed.

UNION BANK, not in its individual
capacity but solely as Trustee

By: _____
Authorized Officer

This is one of the Class E Certificates referred to in the Agreement.

Dated: _____

BANKERS TRUST COMPANY, as Certificate

Registrar

By: _____
Authorized Officer

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned ("Assignor(s)") hereby sell(s),
assign(s) and transfer(s) unto _____

_____ (please print or typewrite name(s) and address(es), including
postal zip code(s) of assignee(s)) ("Assignee(s)") the entire Percentage
Interest represented by the within Class E Certificate and hereby authorize(s)
the registration of transfer of such interest to Assignee(s) on the Certificate
Register of the Trust Fund.

I (we) further direct the Certificate Registrar to issue a new Class E
Certificate of the entire Percentage Interest represented by the within Class E
Certificates to the above-named Assignee(s) and to deliver such Class E
Certificate to the following address:

Dated: _____

Signature by or on behalf of
Assignor(s)

Taxpayer Identification Number

DISTRIBUTION INSTRUCTIONS

The Assignee(s) should include the following for purposes of
distribution:

Address of the Assignee(s) for the purpose of receiving notices and
distributions: _____

Distributions, if be made by wire transfer in immediately available funds to ____

for account of _____
account number _____

This information is provided by _____
the Assignee(s) named above, or _____
as its (their) agent.

By _____

[Please print or type name(s)]

Title

Taxpayer Identification Number

EXHIBIT A-6

THIS CERTIFICATE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES
ACT OF 1933, AS AMENDED (THE "1933 ACT") OR THE SECURITIES LAWS OF ANY STATE OF
THE UNITED STATES ("BLUE SKY LAWS"), AND SUCH CERTIFICATE MAY NOT BE OFFERED,
RESOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) TO A PERSON THAT THE SELLER
REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF
RULE 144A PROMULGATED UNDER THE 1933 ACT IN A TRANSACTION MEETING THE
REQUIREMENTS OF RULE 144A, (2) PURSUANT TO AN EXEMPTION FROM REGISTRATION
PROVIDED BY RULE 144 UNDER THE 1933 ACT (IF AVAILABLE) OR (3) TO AN ACCREDITED
INVESTOR AS DEFINED IN REGULATION D UNDER THE 1933 ACT IN A TRANSACTION EXEMPT
FROM THE REGISTRATION REQUIREMENTS OF THE 1933 ACT, AND IN EACH CASE IN
ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED
STATES.

THIS CERTIFICATE MAY NOT BE PURCHASED BY OR TRANSFERRED TO ANY PERSON WHICH IS
AN EMPLOYEE BENEFIT PLAN SUBJECT TO THE FIDUCIARY RESPONSIBILITY PROVISIONS OF

THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), OR SECTION 4975 OF THE CODE OR ANY GOVERNMENTAL PLAN, AS DEFINED IN SECTION 3(32) OF ERISA SUBJECT TO ANY FEDERAL, STATE OR LOCAL LAW WHICH IS, TO A MATERIAL EXTENT, SIMILAR TO THE FOREGOING PROVISIONS OF ERISA OR THE CODE (COLLECTIVELY, A "PLAN"), OR ANY PERSON INVESTING THE ASSETS OF A PLAN.

LTC COMMERCIAL MORTGAGE PASS-THROUGH CERTIFICATE,
SERIES 1993-1, CLASS I-1

evidencing a nonassessable, fully paid
percentage interest in a trust fund
which includes a pool of commercial mortgage loans

No. R

Percentage Interest evidenced
by this Certificate:

First Distribution Date:
August 28, 1993

Initial Class I-1 Certificate
Notional Amount \$88,270,000.00

Final Scheduled
Distribution Date: November 28, 2012

Cut-off Date: July 20, 1993

This certifies that _____ is the registered owner of the Percentage Interest evidenced by this Certificate in monthly Distributions to Holders of Class I-1 Certificates with respect to the Trust Fund. The Trust Fund, described more fully below, consists primarily of Mortgage Loans held in trust by the Trustee and serviced by the Master Servicer and the Special Servicer, as applicable. The Trust Fund was created, and the Mortgage Loans are to be serviced, pursuant to the Agreement (as defined below). The Holder of this Certificate, by virtue of the acceptance hereof, assents to the terms, provisions and conditions of the Agreement and is bound thereby. Also issued under the Agreement are Class A, Class B, Class C, Class D, Class E, Class I-2, Class R and Class LR Certificates (together with the Class I-1 Certificates, the "Certificates") (the Holders of Certificates issued under the Agreement are collectively referred to herein as "Certificateholders").

This Certificate is issued pursuant to, and in accordance with, the terms of a Pooling and Servicing Agreement dated as of July 20, 1993 (the "Agreement") among LTC REMIC Corporation, as Depositor, Bankers Trust Company, as Master Servicer, LTC Properties, Inc., as Special Servicer, and Union Bank, as Trustee. To the extent not defined herein, capitalized terms used herein shall have the meanings assigned thereto in the Agreement.

THIS CERTIFICATE DOES NOT REPRESENT AN INTEREST IN OR A DEPOSIT OR OBLIGATION OF THE DEPOSITOR, THE ORIGINATOR, THE MASTER SERVICER, THE SPECIAL SERVICER OR THE TRUSTEE, OR ANY OF THEIR AFFILIATES. THIS CERTIFICATE IS NOT INSURED OR GUARANTEED BY ANY GOVERNMENTAL AGENCY OR INSTRUMENTALITY OR BY ANY PRIVATE ENTITY.

This Certificate represents a "regular interest" in a "real estate mortgage investment conduit," as those terms are defined, respectively, in Sections 860G(a) (1) and 860D of the Internal Revenue Code of 1986, as amended (the "Code"). Each Holder of this Certificate, by acceptance hereof, agrees to treat, and to take no action inconsistent with the treatment of, this Certificate in accordance with the preceding sentence for purposes of federal income taxes, state and local income and franchise taxes and other taxes imposed on or measured by income.

The Trustee makes no representation or warranty as to any of the statements contained herein or the validity or sufficiency of the Certificates or the Mortgage Loans and has executed and authenticated this Certificate in its limited capacity as Trustee under the Agreement.

Pursuant to the terms of the Agreement, the Trustee, or the Paying Agent on behalf of the Trustee, will distribute, on the twenty-eighth day of each month or if any such twenty-eighth day is not a Business Day, on the next succeeding Business Day

-2-

(as defined in the Offering Circular dated July 28, 1993 with respect to the offering of the Class A Certificates, Class B Certificates, Class R Certificates and Class LR Certificates) used to price this Certificate : (i) the amount of OID as a percentage of the initial Class I-1 Notional Amount is approximately 5.93847162%; (ii) the annual yield to maturity of this Certificate, compounded monthly, is approximately 14.55%; and (iii) the amount of OID allocable to the short first accrual period (August 4, 1993 to August 28, 1993) as a percentage of the initial Class I-1 Notional Amount, calculated using the exact method, is approximately 0.09007530%.

The Trustee makes no representation or warranty as to any of the statements contained herein or the validity or sufficiency of the Certificates or the Mortgage Loans and has executed and authenticated this Certificate in its

limited capacity as Trustee under the Agreement.

Pursuant to the terms of the Agreement, the Trustee, or the Paying Agent on behalf of the Trustee, will distribute, on the twenty-eighth day of each month or if any such twenty-eighth day is not a Business Day, on the next succeeding Business Day (each such date, a "Distribution Date"), commencing in August 1993, to the Person in whose name this Certificate is registered as of the related Record Date, an amount equal to such Person's pro rata share (based on the Percentage Interest represented by this Certificate) of that portion of the aggregate amount of interest then distributable, if any, allocable to the Class I-1 Certificates for such Distribution Date, all as more fully described in the Agreement. The Class I-1 Certificates are not entitled to receive distributions of principal. Interest will accrue on the Class I-1 Certificates during each Interest Accrual Period in an amount equal to the sum of (i) the product of 1/12 of 2.68% and the then outstanding Class A Certificate Principal Amount, (ii) the product of 1/12 of 1.98% and the then outstanding Class B Certificate Principal Amount, (iii) the product of 1/12 of 1.28% and the then outstanding Class C Certificate Principal Amount, (iv) the product of 1/12 of 0.58% and the then outstanding Class D Certificate Principal Amount and (v) the product of 1/12 of 3.06285714% and the then outstanding Class R Certificate Principal Amount. The amount of interest which accrues on this Certificate during an Interest Accrual Period will be subject to reduction with respect to any Net Aggregate Prepayment Interest Shortfall allocated to the Class I-1 Certificates, as described in the Agreement.

Interest will be calculated on the basis of a 360-day year of twelve 30-day months. Interest accrued on this Certificate during an Interest Accrual Period, plus the Outstanding Class Interest Shortfall with respect to this Certificate, if any, will be payable on the related Distribution Date to the extent provided in the Agreement. The "Interest Accrual Period" relating to any Distribution Date is the month beginning on the 21st day of the month preceding the month in

-3-

which such Distribution Date occurs and ending on the 20th day of the month in which such Distribution Date occurs, commencing in July, 1993.

With the exception of the final distribution in respect of this Certificate, distributions on this Certificate will be made by the Trustee, or the Paying Agent on behalf of the Trustee, without the presentation or surrender of this Certificate or the making of any notation hereon, by check mailed by first-class mail to the address of the Holder set forth in the Certificate Register, or, provided the Holder holds Certificates the aggregate initial Notional Amount of which exceeds \$5,000,000 and has provided the Trustee with wire instructions in writing at least five Business Days before the related Record Date, by wire transfer of immediately available funds to the account of such Holder at a bank or other entity located in the United States and having appropriate facilities therefor. The final distribution on this Certificate will be made in like manner after notice by the Trustee of the pendency of such distribution and only upon presentation and surrender of this Certificate at the Corporate Trust Office or such other location specified in the notice to Holders of such final distribution.

This Certificate is one of a duly authorized issue of Certificates designated as LTC Commercial Mortgage Pass-Through Certificates, Series 1993-1 and represents a fractional undivided interest in a Trust Fund consisting of (i) such Mortgage Loans as from time to time are subject to the Agreement, together with the Mortgage Files relating thereto; (ii) all payments due on or collections in respect of the Mortgage Loans due after the dates specified in Section 2.01 of the Agreement; (iii) any REO Property; (iv) all revenues received in respect of any REO Property; (v) the rights of the Trustee, Master Servicer and Special Servicer under the insurance policies with respect to the Mortgage Loans required to be maintained pursuant to this Agreement and any proceeds thereof; (vi) any Assignments of Leases, Rents and Profits; (vii) any guaranties given as additional security for any Mortgage Loans; (viii) all assets deposited in the Collection Account, the Distribution Account, the Upper-Tier Distribution Account and the REO Account including reinvestment income; and (ix) the proceeds of any of the foregoing.

This Certificate is limited in right of payment to, among other things, certain collections and recoveries in respect of the Mortgage Loans, as more specifically set forth herein and in the Agreement.

As provided in the Agreement, withdrawals from the Collection Account may be made by the Master Servicer from time to time for purposes other than distributions to Certificateholders, such purposes including, among other things, reimbursement or payment to the Master Servicer, the Special Servicer or the Trustee of certain expenses incurred or certain

-4-

fees earned by the Master Servicer, the Special Servicer or the Trustee, including, without limitation, certain Nonrecoverable Advances.

This Certificate does not purport to summarize the Agreement, and reference is made to the Agreement for the interests, rights, benefits, obligations and duties evidenced hereby, and the limitations thereon, and the rights, duties and immunities of the Trustee.

As provided in the Agreement and subject to certain limitations therein set forth, the transfer of this Certificate is registrable in the Certificate Register only upon surrender of this Certificate for registration of transfer at the office of the Certificate Registrar or at the office of its agent in the City of New York. The Trustee or the Certificate Registrar may require that this Certificate be duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Trustee and the Certificate Registrar duly executed by, the Holder hereof or such Holder's attorney duly authorized in writing. Thereupon, one or more new Certificates of a like aggregate Percentage Interest in the same Class of authorized denominations will be executed and authenticated by the Trustee and delivered by the Certificate Registrar to the designated transferee or transferees.

Prior to due presentation of this Certificate for registration of transfer, the Depositor, the Master Servicer, the Special Servicer, the Trustee, the Certificate Registrar, any Paying Agent and any agent of any of them may treat the Person in whose name this Certificate is registered as the owner hereof for all purposes, and none of the Depositor, Master Servicer, the Special Servicer, the Trustee, the Certificate Registrar, any Paying Agent or any agent of any of them shall be affected by notice to the contrary.

As provided in the Agreement and subject to certain limitations herein set forth, this Certificate is exchangeable for other Certificates of the same Class of authorized denominations of like aggregate Percentage Interests, as requested by the Holder surrendering the same.

No service charge will be made to a Certificateholder for any such registration of transfer or exchange, but the Certificate Registrar may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

The Agreement permits, with certain exceptions therein provided, the amendment of the Agreement and the modification of the rights of the Certificateholders under the Agreement at any time by the Depositor, the Master Servicer, the Special Servicer and the Trustee with the consent of the Holders of Class A, Class B, Class C, Class D, Class E, Class I-1 Class I-2, Class R and

-5-

Class LR Certificates representing not less than 66-2/3% of the Voting Rights allocated to each such Class of the Certificates affected by the amendment. Any such consent by the Holder of this Certificate shall be conclusive and binding on such Holder and upon all future Holders of this Certificate and of any Certificates issued upon the transfer hereof or in exchange herefor or in lieu hereof whether or not notation of such consent is made upon this Certificate. The Agreement also permits the amendment thereof in certain circumstances without the consent of the Holders of any of the Certificates, provided that such amendment would not adversely affect in any material respect the interests of any Certificateholder.

Each of the Master Servicer, any Holder of a Class LR Certificate and, if all the Mortgage Loans are then Specially Serviced Mortgage Loans, the Special Servicer, may at its option, upon not less than 30 days' prior notice given to the Trustee, repurchase the Mortgage Loans and thereby effect an early termination of the Trust Fund on any Distribution Date after the date on which the aggregate Certificate Principal Amount of the Certificates (other than the Class R or Class LR Certificates) is reduced to less than 10% of the initial aggregate Certificate Principal Amount of the Certificates. All, but not less than all, of the Mortgage Loans then included in the Trust Fund, and all property acquired in respect of any Mortgage Loans, may be repurchased at a purchase price, payable in cash, equal to not less than the greater of:

(i) the sum of:

(A) 100% of the unpaid principal balance of each Mortgage Loan included in the Trust Fund as of the Early Termination Determination Date;

(B) all unpaid interest accrued on such principal balance of each such Mortgage Loan at the related Mortgage Interest Rate to such Early Termination Determination Date; and

(C) the fair market value of all other property included in the Trust Fund as of such Early Termination Determination Date; and

(ii) the aggregate fair market value (determined in accordance with Section 9.01(d)(ii)(B) of the Agreement) of the Mortgage Loans, and all other property acquired in respect of any Mortgage Loan in the Trust Fund, as of the date of purchase.

The obligations created by the Agreement shall terminate upon the earliest to occur of (i) the repurchase of all Mortgage Loans by the Master Servicer, any Holder of a Class LR Certificate or the Special Servicer as described above; (ii) the later of (a) the distribution to Certificateholders of final

-6-

payment with respect to the last outstanding Mortgage Loan or (b) the disposition of all property acquired upon foreclosure or deed in lieu of foreclosure with respect to the last outstanding Mortgage Loan and the remittance to the Certificateholders of all funds due under the Agreement; or (iii) the sale of assets of the Trust Fund after the Certificate Principal Amounts of all the Certificates (other than the Class R and Class LR Certificates) have been reduced to zero under circumstances set forth in the Agreement. In no event, however, will the trust created by the Agreement continue beyond the expiration of 21 years from the death of the last surviving descendant of a certain individual named in the Agreement living on the date thereof.

Unless the Certificate of Authentication on this Certificate has been executed by or on behalf of the Trustee, by manual signature, this Certificate shall not be entitled to any benefit under the Agreement or be valid for any purpose.

-7-

IN WITNESS WHEREOF, the Trustee has caused this Certificate to be duly executed.

UNION BANK, not in its individual
capacity but solely as Trustee

By: _____
Authorized Officer

This is one of the Class I-1 Certificates referred to in the Agreement.

Dated: _____

BANKERS TRUST COMPANY, as Certificate
Registrar

By: _____
Authorized Officer

-8-

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned ("Assignor(s)") hereby sell(s), assign(s) and transfer(s) unto _____

_____ (please print or typewrite name(s) and address(es), including postal zip code(s) of assignee(s)) ("Assignee(s)") the entire Percentage Interest represented by the within Class I-1 Certificate and hereby authorize(s) the registration of transfer of such interest to Assignee(s) on the Certificate Register of the Trust Fund.

I (we) further direct the Certificate Registrar to issue a new Class I-1 Certificate of the entire Percentage Interest represented by the within Class I-1 Certificates to the above-named Assignee(s) and to deliver such Class I-1 Certificate to the following address:

Date: _____

Signature by or on behalf of
Assignor (s)

Taxpayer Identification Number

-9-

The Assignee(s) should include the following for purposes of distribution:

Address of the Assignee(s) for the purpose of receiving notices and distributions: _____

Distributions, if be made by wire transfer in available funds to _____
for the account of _____
account number _____

This information is provided by _____
the Assignee(s) named above, or _____
as its (their) agent.

By _____

[Please print or type name(s)]

Title

Taxpayer Identification Number

-10-

EXHIBIT A-7

THIS CERTIFICATE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "1933 ACT") OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES ("BLUE SKY LAWS"), AND SUCH CERTIFICATE MAY NOT BE OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) TO A PERSON THAT THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A PROMULGATED UNDER THE 1933 ACT IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (2) PURSUANT TO AN EXEMPT FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE 1933 ACT (IF AVAILABLE) OR (3) TO AN ACCREDITED INVESTOR AS DEFINED IN REGULATION D UNDER THE 1933 ACT IN A TRANSACTION EXEMPT FROM THE REGISTRATION REQUIREMENTS OF THE 1933 ACT, AND IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES.

THIS CERTIFICATE MAY NOT BE PURCHASED BY OR TRANSFERRED TO ANY PERSON WHICH IS AN EMPLOYEE BENEFIT PLAN SUBJECT TO THE FIDUCIARY RESPONSIBILITY PROVISIONS OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), OR SECTION 4975 OF THE CODE OR ANY GOVERNMENTAL PLAN, AS DEFINED IN SECTION 3(32) OF ERISA SUBJECT TO ANY FEDERAL, STATE OR LOCAL LAW WHICH IS, TO A MATERIAL EXTENT, SIMILAR TO THE FOREGOING PROVISIONS OF ERISA OR THE CODE (COLLECTIVELY, A "PLAN"), OR ANY PERSON INVESTING THE ASSETS OF A PLAN.

LTC COMMERCIAL MORTGAGE PASS-THROUGH CERTIFICATE,
SERIES 1993-1, CLASS 1-2

evidencing a nonassessable, fully paid
percentage interest in a trust fund
which includes a pool of commercial mortgage loans

No. R-

Percentage Interest evidenced
by this Certificate:

First Distribution Date:
August 28, 1993

Initial Class 1-2 Certificate
Notional Amount \$114,702,110.83

Final Scheduled
Distribution Date: November 28, 2012

Cut-Off Date: July 20, 1993

This certifies that _____ is the registered owner of the Percentage Interest evidenced by this Certificate in monthly Distributions to Holders of Class 1-2 Certificates with respect to the Trust Fund. The Trust Fund, described more fully below, consists primarily of Mortgage Loans held in trust by the Trustee and serviced by the Master Servicer and the Special Servicer, as applicable. The Trust Fund was created, and the Mortgage Loans are to be serviced, pursuant to the Agreement (as defined below). The Holder of this Certificate, by virtue of the acceptance hereof, assents to the terms, provisions and conditions of the Agreement and is bound thereby. Also issued under the Agreement are Class A, Class B, Class C, Class D, Class E, Class I-1, Class R and Class LR Certificates (together with the Class 1-2 Certificates, the "Certificates") (the Holders of Certificates issued under the Agreement are collectively referred to herein as "Certificateholders").

This Certificate is issued pursuant to, and in accordance with, the terms of a Pooling and Servicing Agreement dated as of July 20, 1993 (the "Agreement") among LTC REMIC Corporation, as Depositor, Bankers Trust Company, as Master Servicer, LTC Properties, Inc., as Special Servicer, and Union Bank, as Trustee. To the extent not defined herein, capitalized terms used herein shall have the meanings assigned thereto in the Agreement.

THIS CERTIFICATE DOES NOT REPRESENT AN INTEREST IN OR A DEPOSIT OR OBLIGATION OF THE DEPOSITOR, THE ORIGINATOR, THE MASTER SERVICER, THE SPECIAL SERVICER OR THE TRUSTEE, OR ANY OF THEIR AFFILIATES. THIS CERTIFICATE IS NOT INSURED OR GUARANTEED BY ANY GOVERNMENTAL AGENCY OR INSTRUMENTALITY OR BY ANY PRIVATE ENTITY.

This Certificate represents a "regular interest" in a "real estate mortgage investment conduit," as those terms are defined, respectively, in Sections 860G(a)(1) and 860D of the Internal Revenue Code of 1986, as amended (the "Code"). Each Holder of this Certificate, by acceptance hereof, agrees to treat, and to take no action inconsistent with the treatment of, this Certificate in accordance with the preceding sentence for purposes of federal income taxes, state and local income and franchise taxes and other taxes imposed on or measured by income.

The Trustee makes no representation or warranty as to any of the statements contained herein or the validity or sufficiency of the Certificates or the Mortgage Loans and has executed and authenticated this Certificate in its limited capacity as Trustee under the Agreement.

Pursuant to the terms of the Agreement, the Trustee, or the Paying Agent on behalf of the Trustee, will distribute, on the twenty-eighth day of each month or if any such twenty-eighth day is not a Business Day, on the next succeeding Business Day

-2-

Class LR Certificates) used to price this Certificate and (b) that the interest rate at which distributions of interest on this Certificate actually will be made will be determined as though the pass-through rate on this Certificate applicable to the first Distribution Date will not change thereafter: (i) the amount of OID as a percentage of the initial Class 1-2 Notional Amount is approximately 5.25227465%; (ii) the annual yield to maturity of this Certificate, compounded monthly, is approximately 14.55%; and (iii) the amount of OID allocable to the short first accrual period (August 4, 1993 to August 28, 1993) as a percentage of the initial Class 1-2 Notional Amount, calculated using the exact method, is approximately 0.06577873%.

The Trustee makes no representation or warranty as to any of the statements contained herein or the validity or sufficiency of the Certificates or the Mortgage Loans and has executed and authenticated this Certificate in its limited capacity as Trustee under the Agreement.

Pursuant to the terms of the Agreement, the Trustee, or the Paying Agent on behalf of the Trustee, will distribute, on the twenty-eighth day of each month or if any such twenty-eighth day is not a Business Day, on the next succeeding Business Day (each such date, a "Distribution Date"), commencing in August 1993, to the Person in whose name this Certificate is registered as of the related Record Date, an amount equal to such Person's pro rata share (based on the Percentage Interest represented by this Certificate) of that portion of the aggregate amount of interest then distributable, if any, allocable to the Class 1-2 Certificates for such Distribution Date, all as more fully described in the Agreement. The Class 1-2 Certificates are not entitled to receive distributions of principal. Interest will accrue on the Class 1-2 Certificates during each Interest Accrual Period in an amount equal to the aggregate of (a) 1/12 of the excess of the weighted average of the Mortgage Interest Rates (net of the related Servicing Fees) of all Mortgage Loans with net Mortgage Interest Rates greater than 9.78% per annum over 9.78% (the "Class 1-2 Rate") multiplied by the principal balance of such Mortgage Loans as of the related Determination Date. The amount of interest which accrues on this Certificate during an Interest Accrual Period will be subject to reduction with respect to any Net Aggregate Prepayment Interest Shortfall allocated to the Class 1-2 Certificates, as described in the Agreement.

Interest will be calculated on the basis of a 360-day year of twelve 30-day months. Interest accrued on this Certificate during an Interest Accrual Period, plus the Outstanding Class Interest Shortfall with respect to this Certificate, if any, will be payable on the related Distribution Date to the extent provided in the Agreement. The "Interest Accrual Period" relating to any Distribution Date is the month beginning on the 21st day of the month preceding the month in which such Distribution Date occurs and ending on the 20th day of

-3-

the month in which such Distribution Date occurs, commencing in July, 1993.

With the exception of the final distribution in respect of this Certificate, distributions on this Certificate will be made by the Trustee, or

the Paying Agent on behalf of the Trustee, without the presentation or surrender of this Certificate or the making of any notation hereon, by check mailed by first-class mail to the address of the Holder set forth in the Certificate Register, or, provided the Holder holds Certificates the aggregate initial Notional Amount of which exceeds \$5,000,000 and has provided the Trustee with wire instructions in writing at least five Business Days before the related Record Date, by wire transfer of immediately available funds to the account of such Holder at a bank or other entity located in the United States and having appropriate facilities therefor. The final distribution on this Certificate will be made in like manner after notice by the Trustee of the pendency of such distribution and only upon presentation and surrender of this Certificate at the Corporate Trust Office or such other location specified in the notice to Holders of such final distribution.

This Certificate is one of a duly authorized issue of Certificates designated as LTC Commercial Mortgage Pass-Through Certificates, Series 1993-1 and represents a fractional undivided interest in a Trust Fund consisting of (i) such Mortgage Loans as from time to time are subject to the Agreement, together with the Mortgage Files relating thereto; (ii) all payments due on or collections in respect of the Mortgage Loans due after the dates specified in Section 2.01 of the Agreement; (iii) any REO Property; (iv) all revenues received in respect of any REO Property; (v) the rights of the Trustee, Master Servicer and Special Servicer under the insurance policies with respect to the Mortgage Loans required to be maintained pursuant to this Agreement and any proceeds thereof; (vi) any Assignments of Leases, Rents and Profits; (vii) any guaranties given as additional security for any Mortgage Loans; (viii) all assets deposited in the Collection Account, the Distribution Account, the Upper-Tier Distribution Account and the REO Account including reinvestment income; and (ix) the proceeds of any of the foregoing.

This Certificate is limited in right of payment to, among other things, certain collections and recoveries in respect of the Mortgage Loans, as more specifically set forth herein and in the Agreement.

As provided in the Agreement, withdrawals from the Collection Account may be made by the Master Servicer from time to time for purposes other than distributions to Certificateholders, such purposes including, among other things, reimbursement or payment to the Master Servicer, the Special Servicer or the Trustee of certain expenses incurred or certain fees earned by the Master Servicer, the Special Servicer or the

-4-

Trustee, including, without limitation, certain Nonrecoverable Advances.

This Certificate does not purport to summarize the Agreement, and reference is made to the Agreement for the interests, rights, benefits, obligations and duties evidenced hereby, and the limitations thereon, and the rights, duties and immunities of the Trustee.

As provided in the Agreement and subject to certain limitations therein set forth, the transfer of this Certificate is registrable in the Certificate Register only upon surrender of this Certificate for registration of transfer at the office of the Certificate Registrar or at the office of its agent in the City of New York. The Trustee or the Certificate Registrar may require that this Certificate be duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Trustee and the Certificate Registrar duly executed by, the Holder hereof or such Holder's attorney duly authorized in writing. Thereupon, one or more new Certificates of a like aggregate Percentage Interest in the same Class of authorized denominations will be executed and authenticated by the Trustee and delivered by the Certificate Registrar to the designated transferee or transferees.

Prior to due presentation of this Certificate for registration of transfer, the Depositor, the Master Servicer, the Special Servicer, the Trustee, the Certificate Registrar, any Paying Agent and any agent of any of them may treat the Person in whose name this Certificate is registered as the owner hereof for all purposes, and none of the Depositor, Master Servicer, the Special Servicer, the Trustee, the Certificate Registrar, any Paying Agent or any agent of any of them shall be affected by notice to the contrary.

As provided in the Agreement and subject to certain limitations herein set forth, this Certificate is exchangeable for other Certificates of the same Class of authorized denominations of like aggregate Percentage Interests, as requested by the Holder surrendering the same.

No service charge will be made to a Certificateholder for any such registration of transfer or exchange, but the Certificate Registrar may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

The Agreement permits, with certain exceptions therein provided, the amendment of the Agreement and the modification of the rights of the Certificateholders under the Agreement at any time by the Depositor, the Master Servicer, the Special Servicer and the Trustee with the consent of the Holders

of Class A, Class B, Class C, Class D, Class E, Class I-1, Class 1-2, Class R and Class LR Certificates representing not less than 66-2/3% of the

-5-

Voting Rights allocated to each such Class of the Certificates affected by the amendment. Any such consent by the Holder of this Certificate shall be conclusive and binding on such Holder and upon all future Holders of this Certificate and of any Certificates issued upon the transfer hereof or in exchange hereof or in lieu hereof whether or not notation of such consent is made upon this Certificate. The Agreement also permits the amendment thereof in certain circumstances without the consent of the Holders of any of the Certificates, provided that such amendment would not adversely affect in any material respect the interests of any Certificateholder.

Each of the Master Servicer, any Holder of a Class LR Certificate and, if all the Mortgage Loans are then Specially Serviced Mortgage Loans, the Special Servicer, may at its option, upon not less than 30 days' prior notice given to the Trustee, repurchase the Mortgage Loans and thereby effect an early termination of the Trust Fund on any Distribution Date after the date on which the aggregate Certificate Principal Amount of the Certificates (other than the Class R or Class LR Certificates) is reduced to less than 10% of the initial aggregate Certificate Principal Amount of the Certificates. All, but not less than all, of the Mortgage Loans then included in the Trust Fund, and all property acquired in respect of any Mortgage Loans, may be repurchased at a purchase price, payable in cash, equal to not less than the greater of:

(i) the sum of:

(A) 100% of the unpaid principal balance of each Mortgage Loan included in the Trust Fund as of the Early Termination Determination Date;

(B) all unpaid interest accrued on such principal balance of each such Mortgage Loan at the related Mortgage Interest Rate to such Early Termination Determination Date; and

(C) the fair market value of all other property included in the Trust Fund as of such Early Termination Determination Date; and

(ii) the aggregate fair market value (determined in accordance with Section 9.01(d)(ii)(B) of the Agreement) of the Mortgage Loans, and all other property acquired in respect of any Mortgage Loan in the Trust Fund, as of the date of purchase.

The obligations created by the Agreement shall terminate upon the earliest to occur of (i) the repurchase of all Mortgage Loans by the Master Servicer, any Holder of a Class LR Certificate or the Special Servicer as described above; (ii) the later of (a) the distribution to Certificateholders of final payment with respect to the last outstanding Mortgage Loan or (b)

-6-

the disposition of all property acquired upon foreclosure or deed in lieu of foreclosure with respect to the last outstanding Mortgage Loan and the remittance to the Certificateholders of all funds due under the Agreement; or (iii) the sale of assets of the Trust Fund after the Certificate Principal Amounts of all the Certificates (other than the Class R and Class LR Certificates) have been reduced to zero under circumstances set forth in the Agreement. In no event, however, will the trust created by the Agreement continue beyond the expiration of 21 years from the death of the last surviving descendant of a certain individual named in the Agreement living on the date thereof.

Unless the Certificate of Authentication on this Certificate has been executed by or on behalf of the Trustee, by manual signature, this Certificate shall not be entitled to any benefit under the Agreement or be valid for any purpose.

-7-

IN WITNESS WHEREOF, the Trustee has caused this Certificate to be duly executed.

UNION BANK, not in its individual
capacity but solely as Trustee

By: _____
Authorized Officer

This is one of the Class 1-2 Certificates referred to in the Agreement.

Dated: _____

BANKERS TRUST COMPANY, as Certificate
Registrar

By: _____
Authorized Officer

-8-

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned ("Assignor(s)") hereby sell(s),
assign(s) and transfer(s) unto _____

_____ (please print or typewrite name(s) and address(es), including
postal zip code(s) of assignee(s)) ("Assignee(s)") the entire Percentage
Interest represented by the within Class 1-2 Certificate and hereby authorize(s)
the registration of transfer of such interest to Assignee(s) on the Certificate
Register of the Trust Fund.

I (we) further direct the Certificate Registrar to issue a new Class
1-2 Certificate of the entire Percentage Interest represented by the within
Class 1-2 Certificates to the above-named Assignee(s) and to deliver such Class
1-2 Certificate to the following address:

Date: _____

Signature by or on behalf of
Assignor (s)

Taxpayer Identification Number

-9-

DISTRIBUTION INSTRUCTIONS

The Assignee(s) should include the following for purposes of
distribution:

Address of the Assignee(s) for the purpose of receiving notices and
distributions: _____

Distributions, if be made by wire transfer in available funds to _____
for the account of _____
account number _____

This information is provided by _____
the Assignee(s) named above, or _____
as its (their) agent.

By _____

[Please print or type name(s)]

Title

Taxpayer Identification Number

-10-

LTC COMMERCIAL MORTGAGE PASS-THROUGH CERTIFICATES

SERIES 1994-1

PURCHASE AGREEMENT

Dated November 16, 1994

LTC COMMERCIAL MORTGAGE PASS-THROUGH CERTIFICATES

SERIES 1994-1

PURCHASE AGREEMENT

November 16, 1994

Goldman, Sachs & Co.
85 Broad Street
New York, New York 10004

Ladies and Gentlemen:

LTC REMIC Corporation, a Delaware corporation (the "Company"), LTC Properties, Inc., a Maryland corporation, as originator ("LTC"), hereby agree with Goldman Sachs & Co., a New York limited partnership (the "Purchaser"), as follows:

1. The Certificates. The Company expects to enter into a Transfer

and Repurchase Agreement to be dated as of November 1, 1994 (the "Transfer Agreement"), which will provide for the transfer by LTC to the Company of all of the right, title and interest of LTC in a pool of mortgage loans (the "Mortgage Loans") secured by first and second mortgage liens on properties that provide healthcare and/or long-term nursing care (the "Mortgaged Properties"), together with certain related assets. The Company, in its capacity as depositor, expects to enter into a Pooling and Servicing Agreement, to be dated as of November 1, 1994 (the "Pooling Agreement"), with Marine Midland Bank, as trustee (the "Trustee"), Bankers Trust Company, as master servicer (the "Master Servicer") and LTC, as special servicer and originator. In addition, LTC will enter into a subservicing agreement to be dated as of November 1, 1994 with Bankers Trust Company (the "Subservicing Agreement"). The Pooling Agreement will provide for the issuance of pass-through certificates (the "Certificates") that evidence undivided interests in a trust (the "Trust Fund") whose assets will consist of the Mortgage Loans and other related assets. The Mort-

gage Loans have an aggregate unpaid principal balance of approximately \$127,639,788 as of the close of business on November 1, 1994 (the "Cut-Off Date"), after giving effect to payments of principal due on or before the Cut-Off Date. Unless otherwise specifically defined herein, all capitalized terms shall have the meanings ascribed to them in the Pooling Agreement or the Offering Circular. The Pooling Agreement, the Transfer Agreement, the Subservicing Agreement, this Agreement and each Assignment (as defined in the Transfer Agreement) relating to a Mortgage Loan are hereinafter referred to collectively as the "Agreements."

2. Representations and Warranties of the Company and LTC.

(a) Each of the Company and LTC represents and warrants, jointly and severally, to the Purchaser as of the date hereof, with respect to itself, as follows:

(i) A preliminary offering circular dated November 7, 1994 (the "Preliminary Offering Circular") and a final offering circular dated November 16, 1994 (the "Final Offering Circular" and, together with the Preliminary Offering Circular, the "Offering Circular") has been prepared in connection with the offering of the Offered Certificates (as defined

herein). The Preliminary Offering Circular and the Offering Circular and any amendments or supplements thereto will not, as of the date thereof, contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. There are no facts known to it which, individually or in the aggregate, may impair its ability to perform its obligations under any of the Agreements;

(ii) Each of the Agreements to which it is or will be a party has or will have been duly authorized, executed and delivered by such party at the time of closing and, assuming due execution and delivery by the other parties thereto, constitutes or will constitute a legal, valid and binding agreement of such party, enforceable against such party in accordance with its terms. The Certificates and

2

the Agreements will conform to the description thereof in the Offering Circular;

(iii) the issuance and sale of the Offered Certificates and the compliance by it with all of the provisions of the Certificates and the Agreements, and the consummation of the transactions herein and therein contemplated will not conflict with or result in a breach or violation of any of the terms or provisions of, or constitute a default under, any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which it is a party or by which it is bound or to which any of its property or assets is subject, nor will such action result in any violation of the provisions of its Charter or By-laws or other similar documents or any statute or any order, rule or regulation of any court or governmental agency or body having jurisdiction over it or any of its properties; and no consent, approval, authorization, order, registration or qualification of or with any such court or governmental agency or body is required for the issue and sale of the Offered Certificates or consummation by it of the transactions contemplated by any of the Agreements, except such consents, approvals, authorizations, registrations or qualifications as may be required under the securities or Blue Sky laws of the United States or any state in connection with the purchase and resale of the Offered Certificates by the Purchaser and except for recordation of assignments of the Mortgage Loans which will be effected following the Closing. It is not in breach or violation of any indenture or other material agreement or instrument to which it is a party or by which it is bound, or in violation of any applicable statute or regulation or any order of any court, regulatory body, administrative agency or governmental body having jurisdiction over it, which breach or violation would have a material adverse effect on the ability of such party to perform its obligations under any of the Agreements to which it is a party;

(iv) Any taxes, fees and other governmental charges in connection with the execution and delivery of the Agreements, the transfer of the Mortgage Loans to the Trust Fund and the execution,

3

authentication, issuance and delivery of the Offered Certificates have been or will be paid at or prior to the Closing Date;

(v) There is no action, suit or proceeding against, or investigation of, such party pending or to its knowledge threatened, before any court, administrative agency or other tribunal which, either individually or in the aggregate, (A) asserts the invalidity of any of the Agreements or the Certificates, (B) seeks to prevent the issuance of the Certificates or the consummation of any of the transactions contemplated by any of the Agreements, (C) could either individually or in the aggregate, materially and adversely affect the performance by it of its obligations under, or the validity or enforceability of, any of the Agreements or the Certificates or (D) seeks to affect the federal income tax or ERISA attributes of the Certificates described in the Offering Circular;

(vi) Neither it, nor any of its Affiliates, nor any person authorized or employed by it has, directly or indirectly, sold or offered for sale or disposed of, or attempted or offered to sell or dispose of, any Offered Certificate or similar security other than the Certificates that are not Offered Certificates, or solicited offers to buy any Offered Certificate or similar security other than the Certificates that are not Offered Certificates from, or otherwise approached or negotiated with respect thereto, any person or persons other than the Purchaser. Neither it, nor any of its Affiliates will, directly or indirectly, offer or sell any Certificate or similar security in a manner which would render the issuance and sale of the Certificates a violation of Section 5 of the Securities Act of 1933, as amended (the "1933 Act"), or require registration pursuant thereto, nor will it authorize any person to act in such manner;

(vii) (A) It is not an open-end investment company, unit investment company, unit investment trust or face-amount certificate company that is or is required to be registered under Section 8 of the United States Investment Company Act of 1940, as amended (the "1940 Act"), and (B) neither it, nor any person

4

acting on its behalf, other than the Purchaser, has offered or sold the Certificates by means of any general solicitation or general advertising within the meaning of Rule 502(c) under the 1933 Act;

(viii) It has been duly incorporated or created and is validly existing as a corporation in good standing under the laws of the jurisdiction of its incorporation, and, as applicable, has elected to be treated as a real estate investment trust under Section 856(c) of the Code, with the power and authority (corporate and other) to own its properties and conduct its business as described in the Offering Circular, with respect to it, and to enter into the Agreements to which it is party and has been duly qualified as a foreign corporation for the transaction of business and is in good standing under the laws of each other jurisdiction in which it owns its properties or conducts any such business as to require such qualification, except where failure to obtain such qualification would not have a material adverse effect on the condition (financial or otherwise), assets, business or results of operations of the Company and LTC taken as a whole; provided, however, that in no event shall LTC or the Company be

obligated to qualify to do business in any jurisdiction where it is not now so qualified or to take any action which would subject it to service of process in suits, other than those arising out of the offering or sale of the Offered Certificates, in any jurisdiction where it is not so subject;

(ix) It is not in violation of its Charter or By-laws or in default in the performance or observance of any material obligation, covenant or condition contained in any indenture, mortgage, deed of trust, loan agreement, lease or other material agreement or instrument to which it is respectively, a party or by which it or any of its properties may be bound;

(x) It is not under any obligation to pay any broker's fee or any commission in connection with the transactions contemplated by this Agreement, other than the purchase discount and other amounts payable to the Purchaser set forth in Schedule I hereto;

5

(xi) For federal income tax purposes, the Upper-Tier REMIC and the Lower-Tier REMIC will each qualify as a REMIC pursuant to Section 860D of the Internal Revenue Code of 1986 (the "Code"). Each Class of Certificates other than the Class R Certificates and the Class LR Certificates, will qualify as "regular interests" in the Upper-Tier REMIC, each class of Lower-Tier Interests will qualify as "regular interests" in the Lower-Tier REMIC, and the Class R and Class LR Certificates will be the "residual interest" in the Upper-Tier REMIC and the Lower-Tier REMIC, respectively, within the meaning of the Code; and

(xii) The offering and sale of the Offered Certificates are exempt from the registration requirements of the 1933 Act. The Pooling Agreement is not required to be qualified under the Trust Indenture Act of 1939, as amended.

(b) LTC represents and warrants to the Purchaser as of the date hereof as follows;

(i) Immediately prior to the transfer of the Mortgage Loans to the Company pursuant to the Transfer Agreement, LTC will own full legal and equitable title to each Mortgage Loan free and clear of any lien, mortgage, pledge, charge, encumbrance, adverse claim or other security interest. The transfer of the Mortgage Loans to the Company pursuant to the Transfer Agreement will be effective to convey to the Company all of LTC's right, title and interest in and to the Mortgage Loans; and

(ii) The transactions contemplated by the Transfer Agreement do not involve all or substantially all of the assets of LTC. The transfer, assignment and conveyance of the Mortgage Loans and related assets by LTC pursuant to the Transfer Agreement is not subject to bulk transfer laws or any similar statutory provisions in effect in any applicable jurisdiction.

(c) The Company represents and warrants to the Purchaser as of the date hereof as follows:

(i) Immediately prior to the transfer of the Mortgage Loans to the Trust Fund pursuant to the Pooling Agreement, the Company will own full legal and equitable title to each Mortgage Loan free and clear of any lien, mortgage, pledge, charge, encumbrance, adverse claim or other security interest.

6

The transfer of the Mortgage Loans to the Trust Fund pursuant to the Pooling Agreement, either (A) will be effective to transfer to the Trust Fund all of the Company's right, title and interest in and to the Mortgage Loans or (B) will be effective to create a valid and perfected first priority security interest (other than any lien granted pursuant to Article II of the Transfer Agreement) in the Mortgage Loans in favor of the Trustee for the benefit of the Certificateholders;

(ii) When the Offered Certificates are issued and delivered pursuant to the Pooling Agreement and this Agreement, such Certificates will not be of the same class (within the meaning of Rule 144A under the 1933 Act) as securities which are listed on a national securities exchange registered under Section 6 of the Securities Exchange Act of 1934, as amended (the "1934 Act"), or quoted in a U.S. automated inter-dealer quotation system;

(iii) The transfer, assignment and conveyance of the Mortgage Loans and related assets by the Company pursuant to the Pooling Agreement is not subject to bulk transfer laws or any similar statutory provisions in effect in any applicable jurisdiction; and

(vi) All of the issued shares of capital stock of the Company have been duly and validly authorized and issued and are fully paid and non-assessable.

3. Representations and Warranties of the Purchaser. The Purchaser

represents to the Company as follows:

(a) The Purchaser agrees not to solicit any offer to buy any Offered Certificates from, or offer to sell any Offered Certificates to, any person in the United States unless (i) the Purchaser reasonably believes that at such time such person and each other person for whom such person is acting are "qualified institutional buyers" within the meaning of Rule 144A under the 1933 Act or pursuant to an exemption from registration provided by Rule 144 under the 1933 Act, and (ii) the Purchaser reasonably believes that any purchase

7

of Offered Certificates by such person will be for such person's own account or for one or more accounts as to each of which such person exercises sole investment discretion and not with a view to any distribution, as such term is interpreted under the 1933 Act; provided, however, that if the purchase is of a

class of Certificates other than the Class A Certificates, then the person shall not be a person that is an employee benefit plan subject to the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), or Section 4975 of the Code, or any person acting on behalf of such plan or using the assets of any such plan in such transfer unless an exemption from the Plan Assets Rule thereunder is applicable. The Purchaser understands that any such employee benefit plan subject to the fiduciary responsibility provisions of ERISA or Section 4975 of the Code, any governmental plan, as defined in Section 3(32) of ERISA, and any such plan, are prohibited from acquiring the Class X-1, Class X-2, Class R, Class LR, Class B, Class C, Class D, Class E or Class F Certificates, and that disqualified organizations (as defined in the Code) are prohibited from acquiring the Class R and Class LR Certificates unless such an exemption applies.

(b) The Purchaser is an accredited investor within the meaning of Rule 501(a) (1) under the 1933 Act.

(c) The Purchaser is not an employee benefit plan subject to ERISA.

(d) The Purchaser has not offered or sold and will not offer or sell the Offered Certificates by means of any general solicitation or general advertising within the meaning of Rule 502(c) under the 1933 Act.

4. Purchase and Sale of the Certificates. In reliance upon the

representations and warranties contained in the Agreements and subject to the terms and conditions set forth herein, the Company agrees to sell to the Purchaser, and the Purchaser agrees to purchase from the Company, (i) \$68,901,000 aggregate principal amount of 8.85% Class A Certificates (the "Class A Certificates"), (ii) \$6,382,000 aggregate principal amount of 9.30% Class B Certificates (the "Class B Certificates"), (iii) \$6,381,000 aggregate principal

9.50% Class C Certificates (the "Class C Certificates"), (iv) \$1,000,000 aggregate principal amount of 8.85% Class R Certificates (the "Class R Certificates") and (v) \$300,000 aggregate principal amount of 8.85% Class LR Certificates (the "Class LR Certificates" and, together with the Class A, Class B, Class C and Class R Certificates, the "Offered Certificates) at an aggregate price (the "Purchase Price") equal to the amount described in Schedule I hereto

The Purchase Price shall be payable to the Company by wire transfer to an account at a bank in New York City specified by the Company, in immediately available funds, or by such other method as the Purchaser and the Company may agree upon in writing.

5. The Closing; Delivery of the Certificates. The purchase and sale

of the Offered Certificates pursuant hereto (the "Closing") shall be held on or prior to November 29, 1994, or on such other date as shall be mutually acceptable to the Company and the Purchaser (the "Closing Date"). The Closing shall take place at the offices of Skadden, Arps, Slate, Meagher & Flom, 919 Third Avenue, New York, New York 10022 at 10:00 a.m. (New York City time) on the Closing Date or at such other time and place in New York City as the Purchaser and the Company may agree upon in writing. Not later than 1:00 p.m. (New York City time) on the Business Day prior to the Closing Date the Company shall deliver through, and place in the custody of, the facilities of The Depository Trust Company ("DTC"), against payment of the Purchase Price, one global certificate for the Class A Certificates in the denomination of \$68,901,000 registered in the name of Cede & Co., as nominee of DTC. At the Closing, the Company will deliver to the Purchaser against payment of the Purchase Price, one Class B Certificate in the denomination of \$6,382,000, one Class C Certificate in the denomination of \$6,381,000, one Class R Certificate in the denomination of \$1,000,000 and one Class LR Certificate in the denomination of \$300,000 in all cases registered in the Purchaser's name or in the name of its nominee and delivered to the Purchaser in definitive certificated form; provided, however, that if the Purchaser requests the Company in writing

not less than forty-eight hours prior to the Closing Date to the Purchaser Offered Certificates in other denominations (authorized pursuant to Section 5.1 of the Pooling Agree-

ment) that equal in the aggregate the denominations mentioned in this sentence for the relevant Class, the Company will comply with such request. The Certificates will be made available for checking and delivery at least twenty-four hours prior to the Closing at the offices of Skadden, Arps, Slate, Meagher & Flom, 919 Third Avenue, New York, New York 10022.

6. Covenants of the Company and LTC. Each of the Company and LTC

jointly and severally, agree with the Purchaser:

(a) To prepare the Offering Circular in a form approved by the Purchaser and to make no further amendment or any supplement to the Offering Circular to which the Purchaser objects promptly after reasonable notice thereof; and to advise the Purchaser promptly of any such amendment or supplement after such Closing and to furnish the Purchaser with copies thereof;

(b) Promptly from time to time to take such action as the Purchaser may reasonably request to qualify the Offered Certificates for offering and sale under the securities laws of such jurisdictions in the United States as the Purchaser may request and to comply with such laws so as to permit the continuance of sales and dealings therein in such jurisdictions for as long as may be necessary to complete the distribution of the Offered Certificates; provided, that in connection therewith neither the Company nor LTC shall be

required to qualify as a foreign corporation or to file a general consent to service of process in any jurisdiction;

(c) To furnish the Purchaser with such number of copies as the Purchaser may reasonably request of the Offering Circular and each amendment or supplement thereto and additional copies in such quantities as the Purchaser may from time to time reasonably request, and, if at any time prior to the expiration of six months after the date hereof for such Offered Certificates, any event shall have occurred as a result of which the Offering Circular as then amended or supplemented would include an untrue statement of a material fact or omit to state any material fact necessary in order to make the statements

therein, in light of the circumstances under which they were made when such Offering Circular was which they were made when such Offering Circular was delivered, not misleading, or, if for any other reason it

10

shall be necessary or desirable during such same period to amend or supplement the Offering Circular, to notify the Purchaser and upon its request to prepare and furnish without charge to the Purchaser as many copies as the Purchaser may from time to time reasonably request of an amended Offering Circular or a supplement to the Offering Circular which will correct such statement or omission or effect such compliance;

(d) If at any time after the period referred to in Section 6(c) the Purchaser shall be required to deliver an Offering Circular in connection with the offering or sale of Certificates, to promptly provide, at the expense of the Purchaser, as many copies of an appropriately updated Offering Circular as the Purchaser shall reasonably request;

(e) During the period beginning from the date hereof and continuing until the expiration of six months after the Closing, not to offer, sell, contract to sell or otherwise dispose of any securities which are substantially similar to the Offered Certificates, without the prior written consent of the Purchaser;

(f) Not to offer, sell, contract to sell or otherwise dispose of any of the Certificates, or any securities that are substantially similar to the Certificates, in any manner that would cause the offering and sale of the Offered Certificates pursuant to this Agreement to fail to qualify for the exemption from registration afforded by Section 4(2) of the Act; provided,

however, that if the purchase is of a class of Certificates other than the Class

A, Class X-1 or Class X-2 Certificates, then the person shall not be a person that is an employee benefit plan subject to the Employment Retirement Income Security Act of 1974, as amended ("ERISA"), or Section 4975 of the Code, or any person acting on behalf of such plan or using the assets of any such plan; and

7. Expenses. The Company and LTC jointly and severally covenant and

agree with the Purchaser that, whether or not the transactions contemplated hereby shall be consummated, it will pay, cause to be paid, or reimburse the Purchaser upon demand for, all reasonable expenses (including, without limitation, all reasonable out-of-pocket expenses which the Purchaser, in its sole

11

discretion, may incur) in connection with any of the Agreements, the Certificates and the transactions contemplated thereby, including, without limitation, (i) the fees, disbursements and expenses of the Company's counsel and accountants in connection with the issuance of the Certificates, the preparation and printing of the Offering Circular and amendments and supplements thereto and the mailing and delivering of copies thereof to the Purchaser; (ii) the cost of printing or producing this Agreement and any other Agreements, the blue sky and legal investment memoranda and any other documents in connection with the offering, purchase, sale and delivery of the Certificates; (iii) all expenses in connection with the qualification of the Certificates for offering and sale under state securities laws as provided in Section 6(b) hereof, including the fees and disbursements of counsel for the Purchaser in connection with such qualification and in connection with the Blue Sky and legal investment surveys; (iv) any fees charged by securities rating services for rating the Certificates; (v) the cost of preparing the Certificates, obtaining a private placement number for the Certificates and delivering the Certificates to the Purchaser; (vi) the fees and expenses of the Trustee and any agent of the Trustee and the fees and disbursements of counsel for the Trustee in connection with any of the Agreements and the Certificates; (vii) the legal fees, expenses and disbursements of counsel to the Purchaser; and (viii) all other costs and expenses incident to the performance by either of the Company or LTC or of its obligations hereunder which are not otherwise specifically provided for in this Section.

8. Conditions of the Purchaser's Obligation. The obligation of the

Purchaser set forth in Section 4 to purchase the Offered Certificates on the Closing Date shall be subject to the accuracy of the representations and warranties as of the date hereof and as of the Closing Date that are made on the part of either or both of the Company and LTC and contained in this Agreement, the accuracy of the statements made by either or both of the Company or LTC in any certificates furnished pursuant to the provisions hereof and the following additional conditions:

(i) Each of the Company and LTC shall have complied with all the agreements and satisfied all the obligations on its part to be performed or

satisfied at or prior to the Closing Date under any of the Agreements;

(ii) The Purchaser shall have completed a review of such documentation relating to the Mortgage Loans as the Purchaser may deem appropriate and, on the basis of such review, nothing shall have come to the attention of the Purchaser that causes it to conclude that there is any breach of or inaccuracy in the representations and warranties of either the Company or LTC set forth in this Agreement;

(iii) On or prior to the date hereof and on or prior to the Closing Date, the Purchaser shall have received a letter, dated as of each such date, of Coopers and Lybrand, certified public accountants, to which the Purchaser has previously agreed and otherwise in form and substance satisfactory to the Purchaser and to counsel to the Purchaser;

(iv) The Purchaser shall have received an opinion from Weil, Gotshal & Manges, counsel to the Company and LTC, dated the Closing Date in form and substance satisfactory to the Purchaser to the effect that:

(a) The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and has all requisite corporate power and authority to own, lease and operate its properties and to carry on its business as now being conducted. The Company is duly qualified to transact business and is in good standing as a foreign corporation in each jurisdiction where the character of its activities requires such qualification, except where the failure of the Company to be so qualified would not have a material adverse effect on the business, operations or financial condition of the Company;

(b) The Company has all requisite corporation power and authority to execute and deliver the Agreements and the Assignments and to perform its obligations thereunder. The execution, delivery and performance of the Agree-

ments and the Assignments by the Company and the consummation by the Company of the transactions contemplated thereby have been duly authorized by all necessary corporate action on the part of the Company. The Agreements and the Assignments have been duly and validly executed and delivered by the Company and the Agreements (assuming the due authorization, execution and delivery thereof by LTC, the Trustee and the Master Servicer) constitute the legal, valid and binding obligations of the Company and LTC, to the extent a party thereto, enforceable against them in accordance with their respective terms, subject to applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and similar laws affecting creditors' rights and remedies generally, and subject, as to enforceability, to general principles of equity, including principles of commercial reasonableness, good faith and fair dealing (regardless of whether enforcement is sought in a proceeding at law or in equity) and except that (A) rights to indemnification thereunder may be limited by federal or state securities laws or public policy relating thereto and (B) certain remedial provisions of the Agreements are or may be unenforceable in whole or in part under the laws of the State of New York, but the inclusion of such provisions does not affect the validity of the Agreements, and the Agreements contain adequate provisions for the practical realization of the rights and benefits afforded thereby. No opinion shall be expressed in this paragraph as to the perfection or priority of any liens granted pursuant to the Pooling Agreement;

(c) Neither the issuance or sale of the Certificates nor the execution and delivery of the Agreements, the consummation of the transactions contemplated thereby and compliance by the Company with any of the provisions thereof will conflict with, constitute a default under or violate (i) any of the terms, conditions or provisions of the certificate of incorporation or by-laws of the Company, (ii) any of the

terms, conditions or provisions of any material agreement or other instrument to which the Company is a party or by which it is bound of which such counsel is aware, (iii) any New York, Delaware corporate or federal law or regulation (other than federal and state securities or Blue Sky laws, as to which such counsel may express no opinion except as set forth in paragraph (g) below), or (iv) any judgment, writ, injunction, decree, order or ruling of any court or governmental authority binding on the Company of which such counsel is aware;

(d) No consent, approval, waiver, license or authorization or other action by or filing with any New York, Delaware corporate or federal governmental authority is required in connection with the execution and delivery by the Company of the Agreements, the issuance of the Certificates or the offer, sale or delivery of the Certificates in the manner and under the circumstances contemplated by this Agreement or the consummation by the Company of the transactions contemplated thereby, except for federal and state securities or Blue Sky laws, as to which such counsel may express no opinion except as set forth in paragraph (g) below;

(e) To such counsel's knowledge, there is no litigation, proceeding or governmental investigation pending or overtly threatened against the Company that relates to any of the transactions contemplated by any of the Agreements;

(f) Each Certificate, when executed and authenticated by the Trustee in accordance with the Pooling Agreement and delivered and paid for by the Purchaser in accordance with this Agreement, will be validly issued and outstanding and entitled to the benefits of the Pooling Agreement, subject to applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and similar laws affecting creditors' rights and remedies generally, and subject, as to enforceability, to general principles of equity, including principles of com-

15

mercial reasonableness, good faith and fair dealing (regardless of whether enforcement is sought in a proceeding at law or in equity) and except that (A) rights to indemnification thereunder may be limited by federal or state securities laws or public policy relating thereto and (B) certain remedial provisions of the Pooling Agreement are or may be unenforceable in whole or in part under the laws of the State of New York, but the inclusion of such provisions does not affect the validity of the Pooling Agreement, and the Pooling Agreement contains adequate provisions for the practical realization of the rights and benefits afforded thereby. No opinion shall be expressed in this paragraph as to the perfection or priority of any liens granted pursuant to the Pooling Agreement;

(g) Assuming the accuracy of the representations and warranties of the Company in Section 2 of this Agreement and of the Purchaser in Section 3 of this Agreement, the offer, issuance, sale and delivery of the Class A, Class B, Class C, Class R and Class LR Certificates to the Purchaser and the reoffer, resale and delivery of the Class A, Class B, Class C, Class R and Class LR Certificates by the Purchaser in compliance with the applicable provisions of this Agreement and the Pooling Agreement does not require registration under the 1933 Act. The Pooling Agreement is not required to be qualified under the Trust Indenture Act of 1939, as amended;

(h) The statements contained in the Offering Circular under the headings "Certain Federal Income Tax Consequences," "ERISA Considerations" and "Certain Legal Aspects of the Mortgage Loans," to the extent that they constitute matters of law or legal conclusions with respect thereto, are a fair and accurate summary of the matters addressed therein under existing law and the assumptions stated therein;

16

(i) The Trust Fund is not required to be registered as an "investment company" under the Investment Company Act of 1940, as amended (the "1940 Act"); and

(j) The Pooling Agreement provides and the Company and the Trustee state therein that they intend, that the transfer of the Mortgage Loans to the Trustee constitutes a sale. If, however, a court were to find that such transfer did not constitute a sale then assuming (i) delivery and continued possession in New York by the Custodian of the Notes, endorsed in the name of the Trustee or in blank, and (ii) that the Custodian was without notice of any adverse claim (as such term is used in Section 8-302 of the New York Uniform Commercial Code (the "UCC")) with respect to the Notes, the execution and delivery of the Pooling Agreement are effective to create a valid and duly perfected lien on and security interest in the Notes, as security for the obligations of the Company to the Trustee pursuant to the Pooling Agreement, which is subject to no prior lien or security interest. The opinion set forth in this paragraph is subject to standard exceptions.

(k) Such counsel have participated in conferences with officers and other representatives of the Company, Stern, Neubauer, Greenwald & Pauly, LTC's California real estate counsel, the Purchaser and the Purchaser's counsel in connection with the preparation of the Offering Circular and although such counsel have not independently verified and are not passing

upon and assume no responsibility for the accuracy, completeness or fairness of the statements contained in the Offering Circular, no facts have come to such counsel's attention which lead such counsel to believe that the Offering Circular, at any time from the date thereof through the date of such opinion, contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements contained therein, in light of the circumstances under which they were made, not

17

misleading (it being understood that such counsel may express no view with respect to the financial, statistical and accounting data included in or appended as exhibits to the Offering Circular).

(v) The Purchaser shall have received an opinion of counsel from Weil, Gotshal & Manges, counsel to the Company and LTC, dated the Closing Date, in form and substance satisfactory to the Purchaser to the effect that:

(a) the Trust Fund will qualify for treatment for Federal income tax purposes as two separate real estate mortgage investment conduits, as defined in Section 860D of the Code (the "Upper-Tier REMIC" and the "Lower-Tier REMIC");

(b) the Class A Certificates, Class B Certificates, Class C Certificates, Class D Certificates, Class E Certificates, Class F Certificates, Class X-1 Certificates, and Class X-2 Certificates will constitute "regular interests" in the Upper-Tier REMIC and the Class R Certificates will constitute the single class of "residual interests" in the Upper-Tier REMIC within the meaning of the Code; and

(c) The Class AL Interest, the Class BL Interest, the Class CL Interest, the Class DL Interest, the Class EL Interest, the Class FL Interest, and the Class X-1L Interest will constitute "regular interests" in the Lower-Tier REMIC and the Class LR Certificates will constitute the single class or "residual interests" in the Lower-Tier REMIC within the meaning of the Code.

(vi) The Purchaser shall have received an opinion from Ballard Spahr Andrews & Ingersoll, Maryland local counsel to LTC, dated the Closing Date in form and substance satisfactory to the Purchaser to the effect that:

18

(a) LTC has been duly incorporated and is validly existing as a corporation in good standing under the laws of the State of Maryland;

(b) LTC possesses the corporate power and authority to own its current properties and to conduct its business as now being conducted and as described in the Offering Circular and to execute and deliver, and perform its obligations under, the Agreements. LTC has all requisite corporate power and authority to convey to the Company, the Mortgage Loans (as defined in the Transfer Agreement) as contemplated by the Transfer Agreement;

(c) All necessary corporate action has been taken to authorize the execution and delivery by LTC of the Agreements and the performance by LTC of its obligations thereunder; and the Agreements, have been duly executed and delivered on behalf of LTC;

(d) The execution and delivery by LTC of the Agreements and compliance by LTC with the provisions thereof: (i) does not, and will not, conflict with or violate any of the terms and provisions of LTC's Charter or By-laws or the Maryland General Corporation Law (the "MGCL"); (ii) will not conflict with, result in a breach or violation of or the acceleration of indebtedness under or constitute a default under the terms of any indenture or other agreement or instrument known to us and to which LTC is a party or by which it is bound; and (iii) does not, and will not, require any consent, approval, authorization of, registration or filing with, or notice to, any governmental or regulatory authority, agency, department, commission, board, bureau, body or instrumentality of the State of Maryland pursuant to any provision of the MGCL; and

(e) Based solely upon an officer's certificate and to such counsel's knowledge, there is no action, suit or proceeding

against, or governmental investigation of LTC, pending or threatened before any Maryland court or Mary-

19

land administrative agency which (i) seeks to prevent the performance by LTC of its obligations under the Agreements, (ii) might materially and adversely affect the performance by LTC of its obligations under, or the validity of, the Agreements or (iii) might materially and adversely affect the rights of LTC with regard to any Mortgaged Property except as disclosed in the applicable title insurance policies and related documentation delivered at Closing.

(vii) the Purchaser shall have received an opinion from Latham & Watkins, California counsel to LTC dated the Closing Date in form and substance satisfactory to the Purchaser to the effect that:

(a) LTC is qualified to do business in the State of California;

(b) The execution and delivery of the Transfer Agreement and Pooling Agreement by LTC and the performance of the obligations of LTC under the Transfer Agreement and Pooling Agreement do not (i) violate any California statute or regulation applicable to LTC, (ii) require any consents, approvals, authorizations, registrations, declarations or filings by LTC under any California statute or regulation applicable to LTC (except for any filings with respect to any UCC financing statement for the transfer of the Mortgage Loans, as to which we express no opinion), (iii) result in the creation or imposition of any lien, charge or encumbrance upon the Mortgage Loans, the Certificates or any property or assets of LTC, except such liens, charges or encumbrances, if any, that may arise as a result of the Transfer Agreement and Pooling Agreement, or (iv) violate any judgment, writ, injunction, decree, order or ruling of any court or governmental authority binding on LTC of which we are aware. No opinion is expressed in this paragraph (b) as to the application of any antifraud laws or securities or Blue Sky laws (not including the California Real Property Securities Dealers law);

20

(c) The transfer, assignment and conveyance of the Mortgage Loans by LTC to the Company pursuant to the Transfer Agreement are not subject to the Bulk Sales Law of Division 6 of the California Commercial Code;

(d) A federal or state court sitting in California would honor the parties' choice of law of New York as the law applicable to the Transfer Agreement and Pooling Agreement subject to the qualification that a court in California might not apply the laws of New York respecting (a) the procedural rules governing or affecting any action in California to enforce the Transfer Agreement and Pooling Agreement or (b) any provision or practice condoned or permitted by New York law which is determined to be against a strong public policy of the State of California;

(e) the Lower-Tier REMIC and the Upper-Tier REMIC will each qualify as a REMIC for purposes of the California Revenue and Taxation Code;

(f) As a result of the qualification of the Lower-Tier REMIC and the Upper-Tier REMIC as REMICs for purposes of the California Taxation Code, the Lower-Tier REMIC and the Upper-Tier will not be subject to California income or franchise taxes, except as provided below. The Lower-Tier REMIC and the Upper-Tier REMIC may be subject to California income or franchise tax in certain circumstances where Federal income tax is also imposed, such as in the case of net income from foreclosure property. In addition, the Lower-Tier REMIC and the Upper-Tier REMIC may be subject to the minimum California franchise tax under section 23153 of the California Revenue and Taxation Code. The minimum California franchise tax is currently \$800.00 for each income year; and

(g) We are unaware of any other California taxes that might be imposed on the Lower-Tier REMIC and the Upper-Tier REMIC, except for (i) local taxes, such as real property taxes

21

and documentary transfer taxes, that might apply to the acquisition, holding or disposition of real property as the result of foreclosure

of one more of the Mortgage Loans and (ii) local business license taxes that might be imposed by various jurisdictions within California.

(viii) The Purchaser shall have received an opinion of counsel to the Trustee, dated the Closing Date and in form and substance satisfactory to the Purchaser;

(ix) The Purchaser shall have received an opinion of its counsel, dated the Closing Date and in form and substance satisfactory to the Purchaser;

(x) The Purchaser shall have received an opinion of counsel to Bankers Trust Company as Master Servicer, dated the Closing Date and in form and substance satisfactory to the Purchaser;

(xi) The Purchaser shall have received all opinions required by each of Standard & Poors Ratings Group and Fitch Investors Service, Inc. in order to obtain the required ratings on the Offered Certificates;

(xii) The Company shall have furnished or caused to be furnished to the Purchaser on the Closing Date certificates of officers of the Company satisfactory to the Purchaser as to the accuracy of the representations and warranties of the Company herein at and as of the Closing Date, as to the performance by the Company of all of its obligations hereunder to be performed at or prior to such Closing Date and as to such matters as the Purchaser may reasonably request;

(xiii) LTC shall have furnished or caused to be furnished to the Purchaser at the Closing Date certificates of officers of LTC satisfactory to the Purchaser as to the accuracy of the representations and warranties of LTC herein at and as of such Closing Date, as to the performance by LTC of all of its obligations hereunder to be performed at or

22

prior to such Closing Date as to such matters as the Purchaser may reasonably requested;

(xiv) The Class A Certificates shall have been rated not less than "AAA," by each of Standard & Poor's Ratings Group and Fitch Investors Service, Inc;

(xv) All other opinions, certificates and other documents incident to, and all proceedings in connection with the transactions contemplated by any of the Agreements shall be reasonably satisfactory in form and substance to the Purchaser and its counsel. The Purchaser and its counsel shall have received copies of all documents and other information as they may reasonably request, in form and substance satisfactory to the Purchaser and its counsel, with respect to such transactions and the taking of all proceedings in connection therewith;

(xvi) On or after the date hereof there shall not have occurred any of the following: (i) a suspension or material limitation in trading in securities generally on the New York Stock Exchange; (ii) a suspension or material limitation in trading in LTC securities on the New York Stock Exchange; (iii) a general moratorium on commercial banking activities in New York declared by either Federal or New York State authorities; or (iv) the outbreak or escalation of hostilities involving the United States or the declaration by the United States of a national emergency or war if the effect of any such event specified in this clause (iv) in the Purchaser's judgement makes it impracticable or inadvisable to proceed with the offering or the delivery of, on the terms and in the manner contemplated by this Agreement and the Offering Circular; and

(xvii) Subsequent to the date hereof, there shall not have been any change, or any development involving a prospective change, in or affecting the business or properties of the Company or LTC singly or in the aggregate, which the Purchaser concludes in its judgement, materially impairs the investment quality of the Offered Certificates so as to make it impractical or inadvisable to market the

23

Offered Certificates as contemplated by the Offering Circular.

If any of the conditions specified in this Section 8 shall not have been fulfilled when and as provided by this Agreement, or if any of the opinions and certificates mentioned above or elsewhere in this Agreement shall not be satisfactory in form and substance to the Purchaser and counsel to the Purchaser, this Agreement and all obligations of the Purchaser hereunder may be cancelled at, or at any time prior to, the Closing Date by the Purchaser. Notice of such cancellation shall be given to the Company in writing, or by telephone

confirmed in writing. Such cancellation shall be without prejudice to any rights, claims or remedies that the Purchaser may have pursuant to this Agreement or otherwise against any of the Company or LTC or any other person by reason of such cancellation.

9. Indemnification and Contribution. (a) The Company and LTC will,

jointly and severally, indemnify and hold harmless the Purchaser, the partners, officers, employees and agents of the Purchaser and each person who controls the Purchaser within the meaning of either the 1933 Act or the 1934 Act or otherwise, against any losses, claims, damages or liabilities, joint or several, to which they or any of them may become subject, under the 1933 Act, the 1934 Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon an untrue statement or alleged untrue statement of a material fact contained in the Offering Circular, any amendment or supplement thereto, or any information provided to any holder or prospective purchaser of Offered Certificates pursuant to Section 6(d) herein, or arise out of or are based upon the omission or alleged omission to state therein a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, and will reimburse each such indemnified party for any legal or other expenses reasonably incurred by it in connection with investigating or defending any such action or claim as such expenses are incurred; provided, however, that the Company and LTC

will not be liable in any such case to the extent that any loss, claim, damage or liability arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in the Offering

24

Circular or any such amendment or supplement in reliance upon and in conformity with the information hereto furnished to the Company and LTC by the Purchaser expressly for use therein.

(b) The Purchaser agrees to indemnify and hold harmless each of the Company and LTC and their respective directors, officers, employees and agents and each person who controls the Company or LTC within the meaning of either the 1933 Act or the 1934 Act or otherwise, against any losses, claims, damages or liabilities, joint or several, to which they or any of them may become subject, under the 1933 Act, the 1934 Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon an untrue statement or alleged untrue statement of a material fact contained in the Offering Circular or any amendment or supplement thereto, or arise out of or are based upon the omission or alleged omission to state therein a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, in each case to the extent, but only to the extent, that such statement or alleged untrue statement or omission or alleged omission was made in the Offering Circular or any such amendment or supplement in reliance upon and in conformity with the information hereto furnished to the Company or LTC expressly for use therein, and will reimburse each such indemnified party for any legal or other expenses reasonably incurred by it in connection with investigating or defending any such action or claim as such expenses are incurred. This indemnity agreement shall be in addition to any liability which the Purchaser may otherwise have.

(c) Promptly after receipt by an indemnified party under subsection (a) or (b) above of notice of the commencement of any action, such indemnified party shall, if a claim in respect thereof is to be made against an indemnifying party under such subsection, notify the indemnifying party or parties in writing of the commencement thereof, but the omission so to notify the indemnifying party or parties shall not relieve the indemnifying party or parties from any liability which it or they may have to any indemnified party otherwise than under such subsection. In case any such action shall be brought against any indemnified party, it shall notify the indemnifying party or parties of the commencement

25

thereof, and the indemnifying party or parties shall be entitled to participate therein and, to the extent that it or they shall wish, jointly with any other indemnifying party similarly notified, to assume the defense thereof, with counsel satisfactory to such indemnified party (who shall not, except with the consent of the indemnified party, be counsel to the indemnifying party or parties), and, after notice from the indemnifying party or parties to such indemnified party of its or their election so to assume the defense thereof, the indemnifying party or parties shall not be liable to such indemnified party under such subsection for any legal expenses of other counsel or any other expenses, in each case subsequently incurred by such indemnified party, in connection with the defense thereof other than reasonable costs of investigation. No indemnifying party shall, without the written consent of the indemnified party, effect the settlement or compromise of, or consent to the entry of any judgment with respect to, any pending or threatened action or claim in respect of which indemnification or contribution may be sought hereunder (whether or not the indemnified party is an actual or potential party to such action or claim) unless such settlement, compromise or judgement (i) includes an

unconditional release of the indemnified party from all liability arising out of such action or claim and (ii) does not include a statement as to or an admission of fault, culpability or a failure to act, by or on behalf of any indemnified party.

(d) If the indemnification provided for in this Section 9 is unavailable to or insufficient to hold harmless an indemnified party under subsection (a) or (b) above in respect of any losses, claims, damages or liabilities (or actions in respect thereof), then the Company and LTC on the one hand and the Purchaser on the other shall contribute to the amount paid or payable as a result of such losses, claims, damages or liabilities (or actions in respect thereof) in such proportion as is appropriate to reflect the relative benefits received by the Company and LTC on the one hand and the Purchaser on the other from the offering of the Offered Certificates. If, however, the allocation provided by the immediately preceding sentence is not permitted by applicable law or if the indemnified party failed to give the notice required under subsection (c) above, then each indemnifying party shall contribute to such amount paid or payable by

26

such indemnified party in such proportion as is appropriate to reflect not only such relative benefits but also the relative fault of the Company and LTC on the one hand and the Purchaser on the other in connection with the statements or omissions which resulted in such losses, claims, damages or liabilities (or actions in respect thereof) as well as any other relevant equitable considerations. The relative benefits received by the Company and LTC on the one hand and the Purchaser on the other shall be deemed to be in the same proportion as the total net proceeds from the offering (before deducting expenses) received by the Company bear to the total purchase discounts and commissions received by the Purchaser. The relative fault shall be determined by reference to, among other things, the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statements or omissions. The amount paid or payable by a party as a result of the losses, claims, damages or liabilities (or actions in respect thereof) referred to above shall be deemed to include any legal or other fees or expenses incurred by such party in connection with investigating or defending any such claim. The Company and LTC and the Purchaser agree that it would not be just and equitable if contribution were determined by pro rata allocation or any other method of allocation which does not take

account of the equitable considerations referred to above. Notwithstanding the provisions of this subsection (d), no person guilty of fraudulent misrepresentation (within the meaning of Section 11 (f) of the 1933 Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.

(e) The obligations of the Company under this Section 9 shall be in addition to any liability which the Company may otherwise have and shall extend, upon the same terms and conditions, to each person, if any, who controls the Purchaser within the meaning of the 1933 Act; and the obligations of the Purchaser under this Section 9 shall be in addition to any liability which the Purchaser may otherwise have and shall extend, upon the same terms and conditions, to each officer and director of the Company and to each person, if any, who controls the Company within the meaning of the 1933 Act.

10. Survival. The respective indemnities, agreements, representations, warranties and other state-

27

ments of the Company, LTC and the Purchaser, as set forth in this Agreement or made by or on behalf of them, respectively, pursuant to this Agreement, shall remain in full force and effect, regardless of any investigation (or any statement as to the results thereof) made by or on behalf of the Purchaser or any controlling person of the Purchaser, the Company or LTC or any officer, director, employee, agent or controlling person of the Company or LTC and shall survive delivery of and payment for the Offered Certificates.

11. Notices. All notices and other communications hereunder shall be in writing and shall be sent by mail, telex or facsimile transmission, addressed (a) if to the Purchaser, to Goldman, Sachs & Co., 85 Broad Street, New York, New York 10004, Attention: Steven Stuart, facsimile: (212) 363-6148, (b) if to the Company, to LTC REMIC Corporation, 300 Esplanade Avenue, Suite 1260, Oxnard, CA 93030, Attention: Andre Dimitriadis; and (c) if to the Originator or LTC, to LTC Properties, Inc., 300 Esplanade Drive, Suite 1860, Oxnard, CA 93030 Attention: James Pieczynski, facsimile: (805) 981-8663. Any notice so given shall take effect upon receipt thereof.

12. Miscellaneous. (a) THIS AGREEMENT SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH AND GOVERNED BY THE LAW OF THE STATE OF NEW YORK.

(b) The headings in this Agreement are for purposes of reference only

and shall not limit or define the meaning hereof.

(c) This Agreement shall be binding upon, and inure solely to the benefit of, the Purchaser, LTC and the Company and, to the extent provided in Sections 9 and 10 hereof, the partners, officers, employees and agents of the Purchaser and the directors, officers, employees and agents of each of the Company and LTC and each person who controls the Company and LTC or the Purchaser, and their respective heirs, executors, administrators, successors and assigns, and no other person shall acquire or have any right under or by virtue of this Agreement. Except with respect to Section 6(e), no purchaser of any of the Offered Certificates from the Purchaser shall be deemed a successor or assign by reason merely of such purchase. No right or duty under this Agreement may be

28

assigned or delegated by the Company or LTC without the written consent of the Purchaser and any such assignment or delegation made without such consent shall be null and void for all purposes.

(d) Except as otherwise provided in the final paragraph of Section 8, this Agreement may be changed, waived, discharged or terminated only by an instrument in writing signed by the party against which enforcement of such change, waiver, discharge or termination is sought.

(e) This Agreement may be executed in any number of counterparts, each of which counterparts shall be an original, but all of which shall constitute one instrument.

29

If the foregoing is in accordance with your understanding, please sign and return to us two counterparts hereof, and upon the acceptance hereof by the Purchaser, this letter and such acceptance hereof shall constitute a binding agreement between the Purchaser, the Company and LTC.

Very truly yours,

LTC REMIC CORPORATION

By: /s/ James J. Pieczynski

Name: James J. Pieczynski
Title: Vice President

LTC PROPERTIES, INC.

By: /s/ James J. Pieczynski

Name: James J. Pieczynski
Title: Senior Vice President and C.F.O

Accepted as of the date hereof:
GOLDMAN, SACHS & CO.

By /s/ Goldman, Sachs & Co.

(Goldman, Sachs & Co.)

30

SCHEDULE I TO PURCHASE AGREEMENT

Title of Offered Certificates:
LTC Commercial Mortgage Pass-Through
Certificates, Series 1994-1

Aggregate principal amount:

\$68,901,000 Class A Certificates
\$ 6,382,000 Class B Certificates
\$ 6,381,000 Class C Certificates
\$ 1,000,000 Class R Certificates
\$ 300,000 Class LR Certificates

<TABLE>
<CAPTION>

Price to Investor*	Purchase Price to Purchaser*
-----	-----
As a % of	As a % of

Class	Price	The Principal Amt. of Offered Certificates Price %	Price	The Principal Amt. of Offered Certificates Price %
<S>	<C>	<C>	<C>	<C>
A	\$68,881,708	99.972%	\$68,192,698	98.972%
B	\$ 6,381,681	99.995%	\$ 6,317,861	98.995%
C	\$ 6,364,792	99.746%	\$ 6,300,982	98.746%
R	\$ 459,986	45.999%	\$ 459,986	45.999%
LR	\$ 137,996	45.999%	\$ 137,996	45.999%
	-----	-----	-----	-----
	\$82,226,163	99.111%	\$81,409,523	98.126%

</TABLE>

* Does not include accrued interest which will be paid from November 1, 1994 up to the Closing Date.

Specified funds for payment of purchase price:
Immediately available funds

Pooling and Servicing Agreement:

Pooling and Servicing Agreement, to be dated as of November 1, 1994, among LTC, as depositor, Bankers Trust Company as Master Servicer and Marine Midland Bank, as trustee, LTC, as special servicer and, as to certain provisions described therein, LTC, as originator.

Final Scheduled Distribution Date: June 15, 2026

I-1

Interest Rate:

8.85% Class A Certificates
9.30% Class B Certificates
9.50% Class C Certificates
8.85% Class R Certificates
8.85% Class LR Certificates

Interest Payment Dates:

The 15th day of each month, or if such day is not a Business Day, on the next succeeding Business Day.

Time of Delivery: November 29, 1994 (for Class A, B, R and LR Certificates)
December 23, 1994 (for Class C Certificates)

Closing Location: Skadden, Arps, Slate, Meagher & Flom 919 Third Avenue
New York, New York, 10022

Name and address of Purchaser:

Goldman, Sachs & Co.
85 Broad Street
New York, New York, 10004

Supplemental Documents, if any, to be delivered with the Final Offering Circular:

None.

I-2

EXHIBIT A-5

[FORM OF CLASS E CERTIFICATE]

PRINCIPAL PAYMENTS ON THIS CERTIFICATE ARE PAYABLE IN INSTALLMENTS AS SET FORTH HEREIN. ACCORDINGLY, THE OUTSTANDING PRINCIPAL AMOUNT OF THIS CERTIFICATE AT ANY TIME MAY BE LESS THAN THE INITIAL CERTIFICATE PRINCIPAL AMOUNT SET FORTH BELOW.

THE RIGHTS OF HOLDERS OF THE CLASS E CERTIFICATES TO RECEIVE DISTRIBUTIONS OF PRINCIPAL AND INTEREST IN RESPECT OF THE MORTGAGE LOANS WILL BE SUBORDINATED TO THE RIGHTS OF HOLDERS OF THE CLASS A, CLASS B, CLASS C, CLASS D, CLASS R AND CLASS LR CERTIFICATES TO RECEIVE DISTRIBUTIONS OF INTEREST AND PRINCIPAL.

THIS CERTIFICATE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "1933 ACT") OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES ("BLUE SKY LAWS"), AND SUCH CERTIFICATES MAY NOT BE OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (A) BY THE INITIAL INVESTOR (1) TO A PERSON THAT THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A PROMULGATED UNDER THE 1933 ACT IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A OR (2) PURSUANT TO AN EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE 1933 ACT (IF AVAILABLE) AND (B) BY SUBSEQUENT INVESTORS AS SET FORTH IN (A) ABOVE AND, IN ADDITION, TO AN INSTITUTIONAL ACCREDITED INVESTOR AS DEFINED IN RULE 501(A)(1), (2), (3) OR (7) OF REGULATION D PROMULGATED UNDER THE 1933 ACT IN A TRANSACTION EXEMPT FROM THE REGISTRATION REQUIREMENTS OF THE 1933 ACT AND DELIVERY OF AN OPINION OF COUNSEL, IF REQUIRED BY THE TRUSTEE, THE CERTIFICATE REGISTRAR OR THE SELLER, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES.

NOTWITHSTANDING THE ABOVE, THIS CERTIFICATE MAY NOT BE PURCHASED BY OR PLEDGED, SOLD OR OTHERWISE TRANSFERRED TO ANY PERSON WHICH IS AN EMPLOYEE BENEFIT PLAN SUBJECT TO THE FIDUCIARY RESPONSIBILITY PROVISIONS OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), OR SECTION 4975 OF THE INTERNAL REVENUE CODE OF 1986, OR ANY PERSON ACTING ON BEHALF OF ANY SUCH PLAN OR USING THE ASSETS OF SUCH PLAN TO ACQUIRE THIS CERTIFICATE EXCEPT PURSUANT TO AN APPLICABLE PROHIBITED TRANSACTION EXEMPTION ISSUED BY THE UNITED STATES DEPARTMENT OF LABOR.

A-5-1

LTC COMMERCIAL MORTGAGE PASS-THROUGH CERTIFICATES,
SERIES 1994-1, CLASS E-1

evidencing a nonassessable, fully paid
percentage interest in a trust fund
which includes a pool of commercial mortgage loans

Pass-Through Rate: ____% No. E-1

Initial Certificate Principal
Amount: \$19,145,000

First Distribution Date:
December 15, 1994

Original Class C Aggregate
Certificate Principal Amount:
\$19,145,000

Final Scheduled
Distribution Date:
June 15, 2026

Cut-Off Date: November 1, 1994

A-5-2

This certifies that LTC REMIC Corporation is the registered owner of the Percentage Interest evidenced by this Certificate (obtained by dividing the initial Certificate Principal Amount of this Certificate by the Original Class E Aggregate Certificate Principal Amount, each as noted on the face hereof) in the Trust Fund, including the distributions to be made with respect to the Class E Certificates. The Trust Fund, described more fully below, consists primarily of Mortgage Loans held in trust by the Trustee and serviced by the Master Servicer and the Special Servicer, as applicable. The Trust Fund was created, and the Mortgage Loans are to be serviced, pursuant to the Agreement (as defined below). The Holder of this Certificate, by virtue of the acceptance hereof, assents to the terms, provisions and conditions of the Agreement and is bound thereby. Also issued under the Agreement are the Class A, Class B, Class C, Class D, Class F, Class X-1, Class X-2, Class R and Class LR Certificates (together with the Class E Certificates, the "Certificates") (the Holders of Certificates issued under the Agreement are collectively referred to herein as "Certificateholders").

This Certificate is issued pursuant to, and in accordance with, the

terms of a Pooling and Servicing Agreement dated as of November 1, 1994 (the "Agreement") among LTC REMIC Corporation, as Depositor, Marine Midland Bank, as Trustee, Bankers Trust Company, as Master Servicer and LTC Properties, Inc., as Originator and Special Servicer. In addition, LTC will be subservicer for the Mortgage Loans pursuant to a subservicing agreement to be dated as of November 1, 1994 with Bankers Trust Company (in such capacity the "Subservicer"). To the extent not defined herein, capitalized terms used herein shall have the meanings assigned thereto in the Agreement.

THIS CERTIFICATE DOES NOT REPRESENT AN INTEREST IN OR A DEPOSIT OR OBLIGATION OF THE DEPOSITOR, THE ORIGINATOR, THE MASTER SERVICER, THE SPECIAL SERVICER, THE SUBSERVICER OR THE TRUSTEE, OR ANY OF THEIR AFFILIATES. THIS CERTIFICATE WILL NOT BE A SAVINGS ACCOUNT OR DEPOSIT AND IS NOT INSURED OR GUARANTEED BY ANY GOVERNMENTAL AGENCY OR INSTRUMENTALITY OR BY ANY PRIVATE ENTITY.

This Certificate represents a "regular interest" in a "real estate mortgage investment conduit," as those terms are defined, respectively, in Sections 860G(a)(1) and 860D of the Internal Revenue Code of 1986 (the "Code"). Each Holder of this Certificate, by acceptance hereof, agrees to treat, and to take no action inconsistent with the treatment of, this Certificate in accordance with the preceding sentence for purposes of federal income taxes, state and local income and franchise taxes and other taxes imposed on or measured by income.

The Trustee makes no representation or warranty as to

A-5-3

any of the statements contained herein or the validity or sufficiency of the Certificates or the Mortgage Loans and has caused to be executed and authenticated this Certificate in its limited capacity as Trustee under the Agreement.

Pursuant to the terms of the Agreement, the Paying Agent will distribute, on the fifteenth day of each month or if any such fifteenth day is not a Business Day, on the next succeeding Business Day (each such date, a "Distribution Date"), commencing in December 1994, to the Person in whose name this Certificate is registered as of the related Record Date, an amount equal to such Person's pro rata share (based on the Percentage Interest represented by this Certificate) of that portion of the aggregate amount of principal and interest then distributable, if any, allocable to the Class E Certificates for such Distribution Date, all as more fully described in the Agreement. The amount of interest which accrues on this Certificate during an Interest Accrual Period will be subject to reduction with respect to any Net Prepayment Interest Shortfall allocated to the Class E Certificates, as described in the Agreement.

Interest will accrue on the outstanding Certificate Principal Amount of this Certificate at the Pass-Through Rate specified on the face of this Certificate. Interest will be calculated on the basis of a 360-day year of twelve 30-day months. Interest accrued on this Certificate during an Interest Accrual Period, plus the Outstanding Class Interest Shortfall with respect to this Certificate, if any, will be payable on the related Distribution Date to the extent provided in the Agreement. The "Interest Accrual Period" relating to any Distribution Date is the one-month period from and including the first day of the month preceding the month in which such Distribution Date occurs to and including the last day of such month, commencing in November 1994.

With the exception of the final distribution in respect of this Certificate, distributions on this Certificate will be made by the Paying Agent without the presentation or surrender of this Certificate or the making of any notation hereon, by check mailed by first-class mail to the address of the Holder set forth in the Certificate Register, or, provided the Holder holds Certificates the aggregate initial Certificate Principal Amount of which exceeds \$5,000,000 and has provided the Paying Agent with wire instructions in writing at least five Business Days before the related Record Date, by wire transfer of immediately available funds to the account of such Holder at a bank or other entity located in the United States and having appropriate facilities therefor. The final distribution on this Certificate will be made in like manner after notice by the Trustee of the pendency of such distribution and only upon presentation and

A-5-4

surrender of this Certificate at the Corporate Trust Office or such other location specified in the notice to Holders of such final distribution.

This Certificate is one of a duly authorized issue of Certificates designated as LTC Commercial Mortgage Pass-Through Certificates, Series 1994-1 and represents a fractional undivided interest in a Trust Fund. As more fully described in and subject to the limitations of the Agreement, the Trust Fund will consist primarily of (i) such Mortgage Loans as from time to time are subject to the Agreement, together with the Mortgage Files relating thereto; (ii) all payments due on or collections in respect of the Mortgage Loans due after the Cut-Off Date; (iii) any REO Property; (iv) all revenues received in

respect of any REO Property; (v) the rights of the Trustee, Master Servicer and Special Servicer under the insurance policies with respect to the Mortgage Loans required to be maintained pursuant to this Agreement and any proceeds thereof; (vi) any Assignments of Leases, Rents and Profits; (vii) any guaranties given as additional security for any Mortgage Loans; (viii) all assets deposited in the Collection Account, the Distribution Account, the Upper-Tier Distribution Account and the REO Account including reinvestment income; and (ix) the proceeds of any of the foregoing.

This Certificate is limited in right of payment to, among other things, certain collections and recoveries in respect of the Mortgage Loans, as more specifically set forth herein and in the Agreement.

As provided in the Agreement, withdrawals from the Collection Account may be made by the Master Servicer from time to time for purposes other than distributions to Certificateholders, such purposes including, among other things, reimbursement or payment to the Master Servicer, the Special Servicer, the Subservicer or the Trustee of certain expenses incurred or certain fees earned by the Master Servicer, the Special Servicer or the Trustee, including, without limitation, certain Nonrecoverable Advances.

This Certificate does not purport to summarize the Agreement, and reference is made to the Agreement for the interests, rights, benefits, obligations and duties evidenced hereby, and the limitations thereon, and the rights, duties and immunities of the Trustee. This Certificate is issued under and is subject to the terms, provisions and conditions of the Agreement, to which Agreement, as amended from time to time, the holder of this Certificate by virtue of the acceptance hereof assents and by which the holder of this Certificate is bound.

As provided in the Agreement and subject to certain limitations therein set forth, the transfer of this Certificate

A-5-5

is registrable in the Certificate Register only upon surrender of this Certificate for registration of transfer at the office of the Certificate Registrar or at the office of its agent in the City of New York. The Trustee or the Certificate Registrar may require that this Certificate be duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Trustee and the Certificate Registrar duly executed by, the Holder hereof or such Holder's attorney duly authorized in writing. Thereupon, one or more new Certificates of a like aggregate Percentage Interest in the same Class of authorized denominations will be executed and authenticated by the Trustee and delivered by the Certificate Registrar to the designated transferee or transferees.

Prior to due presentation of this Certificate for registration of transfer, the Depositor, the Master Servicer, the Special Servicer, the Subservicer, the Trustee, the Certificate Registrar and any agent of any of them may treat the Person in whose name this Certificate is registered as the owner hereof for all purposes, and none of the Depositor, Master Servicer, the Special Servicer, the Subservicer, the Trustee, the Certificate Registrar or any agent of any of them shall be affected by notice to the contrary.

As provided in the Agreement and subject to certain limitations herein set forth, this Certificate is exchangeable for other Certificates of the same Class of authorized denominations of like aggregate Percentage Interests, as requested by the Holder surrendering the same.

No service charge will be made to a Certificateholder for any such registration of transfer or exchange, but the Certificate Registrar may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

The Agreement permits, with certain exceptions therein provided, the amendment of the Agreement and the modification of the rights of the Certificateholders under the Agreement at any time by the Depositor, the Master Servicer, the Special Servicer and the Trustee with the consent of the Holders of Class A, Class B, Class C, Class D, Class E, Class F, Class R, Class LR, Class X-1 and Class X-2 Certificates representing not less than 66-2/3% of the Voting Rights allocated to each such Class of the Certificates affected by the amendment. Any such consent by the Holder of this Certificate shall be conclusive and binding on such Holder and upon all future Holders of this Certificate and of any Certificates issued upon the transfer hereof or in exchange herefor or in lieu hereof whether or not notation of such consent is made upon this Certificate. The Agreement also permits the amendment thereof in certain circumstances without the consent of

A-5-6

the Holders of any of the Certificates, provided that such amendment would not adversely affect in any material respect the interests of any Certificateholder.

Each of the Master Servicer, any Holder of a Class LR Certificate and,

if all the Mortgage Loans are then Specially Serviced Mortgage Loans, the Special Servicer, may at its option, upon not less than 30 days' prior notice given to the Trustee, repurchase the Mortgage Loans and thereby effect an early termination of the Trust Fund on any Distribution Date after the date on which the aggregate Certificate Principal Amount of the Certificates is reduced to less than 10% of the initial aggregate Certificate Principal Amount of the Certificates, all, but not less than all, of the Mortgage Loans then included in the Trust Fund, and all property acquired in respect of any Mortgage Loans, may be repurchased at a purchase price, payable in cash, equal to not less than the greater of:

(i) the sum of (without duplication of any amount in clauses (A) through (E) below):

(A) 100% of the unpaid principal balance of each Mortgage Loan included in the Trust Fund as of the Early Termination Determination Date;

(B) all unpaid interest accrued on such principal balance of each such Mortgage Loan at the related Mortgage Interest Rate Interest Rate to such Early Termination Determination Date; and

(C) the fair market value of all other property included in the Trust Fund as of such Early Termination Determination Date; and

(D) all unreimbursed P&I Advances, unreimbursed Servicing Advances and interest thereon at the Advance Rate; and

(E) all unreimbursed Servicing Fees, Special Servicing Fees and Trustee Fees; and

(ii) the aggregate fair market value (determined in accordance with Section 9.01(d)(ii)(B) of the Agreement) of the Mortgage Loans, and all other property acquired in respect of any Mortgage Loan in the Trust Fund, as of the date of purchase.

The obligations created by the Agreement shall terminate upon the earliest to occur of (i) the repurchase of all Mortgage Loans by the Master Servicer, any Holder of a Class LR Certificate or the Special Servicer as described above; (ii) the

A-5-7

later of (a) the distribution to Certificateholders of final payment with respect to the last outstanding Mortgage Loan or (b) the disposition of all property acquired upon foreclosure or deed in lieu of foreclosure with respect to the last outstanding Mortgage Loan and the remittance to the Certificateholders of all funds due under the Agreement; or (iii) the sale of assets of the Trust Fund after the Certificate Principal Amounts of all the Certificates have been reduced to zero under circumstances set forth in the Agreement. In no event, however, will the trust created by the Agreement continue beyond the expiration of 21 years from the death of the last surviving descendant of a certain individual named in the Agreement living on the date thereof.

Unless the Certificate of Authentication on this Certificate has been executed by or on behalf of the Trustee, by manual signature, this Certificate shall not be entitled to any benefit under the Agreement or be valid for any purpose.

IN WITNESS WHEREOF, the Authenticating Agent has caused this Certificate to be duly executed.

BANKERS TRUST COMPANY,
As Authenticating Agent

By: _____
Authorized Signatory

Certificate of Authentication

This is one of the Class E Certificates referred to in the Agreement.

Dated: November 29, 1994

BANKERS TRUST COMPANY
as Authenticating Agent

By: _____
Authorized Officer

A-5-8

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned ("Assignor(s)") hereby sell(s), assign(s) and transfer(s) unto _____

_____ (please print or typewrite name(s) and address(es), including postal zip code(s) of assignee(s)) ("Assignee(s)") the entire Percentage Interest represented by the Class E Certificate and hereby authorize (i) the registration of transfer of such interest to Assignee(s) on the Certificate Register of the Trust Fund.

I (we) further direct the Certificate Registrar to issue a new Class E Certificate of the entire Percentage Interest represented by the within Class E Certificates to the above-named Assignee(s) and to deliver such Class E Certificate to the following address:

Date: _____

Signature by or on behalf
of Assignor(s)

Taxpayer Identification Number

A-5-9

DISTRIBUTION INSTRUCTIONS

The Assignee(s) should include the following for purposes of distribution:

Address of the Assignee(s) for the purpose of receiving notices and distributions: _____

Distributions, if be made by wire transfer in immediately available funds to _____

for the account of _____
account number _____

This information is provided by _____
the Assignee(s) named above, or _____
as its (their) agent.

By _____

[Please print or type name(s)]

Title

Taxpayer Identification Number

A-5-10

EXHIBIT A-6

[FORM OF CLASS F CERTIFICATE]

PRINCIPAL PAYMENTS ON THIS CERTIFICATE ARE PAYABLE IN INSTALLMENTS AS SET FORTH HEREIN. ACCORDINGLY, THE OUTSTANDING PRINCIPAL AMOUNT OF THIS CERTIFICATE AT ANY TIME MAY BE LESS THAN THE INITIAL CERTIFICATE PRINCIPAL AMOUNT SET FORTH BELOW.

THE RIGHTS OF HOLDERS OF THE CLASS F CERTIFICATES TO RECEIVE DISTRIBUTIONS OF PRINCIPAL AND INTEREST IN RESPECT OF THE MORTGAGE LOANS WILL BE SUBORDINATED TO THE RIGHTS OF HOLDERS OF THE CLASS A, CLASS B, CLASS C, CLASS D, CLASS E, CLASS R AND CLASS LR CERTIFICATES TO RECEIVE DISTRIBUTIONS OF INTEREST AND PRINCIPAL.

THIS CERTIFICATE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "1933 ACT") OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES ("BLUE SKY LAWS"), AND SUCH CERTIFICATES MAY NOT BE OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (A) BY THE INITIAL INVESTOR (1) TO A PERSON THAT THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A PROMULGATED UNDER THE 1933 ACT IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A OR (2) PURSUANT TO AN EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE 1933 ACT (IF AVAILABLE) AND (B) BY SUBSEQUENT INVESTORS AS SET FORTH IN (A) ABOVE AND, IN ADDITION, TO AN INSTITUTIONAL ACCREDITED INVESTOR AS DEFINED IN RULE 501(A)(1), (2), (3) OR (7) OF REGULATION D PROMULGATED UNDER THE 1933 ACT IN A TRANSACTION

EXEMPT FROM THE REGISTRATION REQUIREMENTS OF THE 1933 ACT AND DELIVERY OF OPINION OF COUNSEL, IF REQUIRED BY THE TRUSTEE, THE CERTIFICATE REGISTRAR OR THE SELLER, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES.

NOTWITHSTANDING THE ABOVE, THIS CERTIFICATE MAY NOT BE PURCHASED BY OR PLEDGED, SOLD OR OTHERWISE TRANSFERRED TO ANY PERSON WHICH IS AN EMPLOYEE BENEFIT PLAN SUBJECT TO THE FIDUCIARY RESPONSIBILITY PROVISIONS OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), OR SECTION 4975 OF THE INTERNAL REVENUE CODE OF 1986, OR ANY PERSON ACTING ON BEHALF OF ANY SUCH PLAN OR USING THE ASSETS OF SUCH PLAN TO ACQUIRE THIS CERTIFICATE EXCEPT PURSUANT TO AN APPLICABLE PROHIBITED TRANSACTION EXEMPTION ISSUED BY THE UNITED STATES DEPARTMENT OF LABOR.

A-6-1

LTC COMMERCIAL MORTGAGE PASS-THROUGH CERTIFICATES,
SERIES 1994-1, CLASS F-1

evidencing a nonassessable, fully paid
percentage interest in a trust fund
which includes a pool of commercial mortgage loans

Pass-Through Rate: ____%

No. F-1

Initial Certificate Principal
Amount: \$19,148,788

First Distribution Date:
December 15, 1994

Original Class C Aggregate
Certificate Principal Amount:
\$19,148,788

Final Scheduled
Distribution Date:
June 15, 2026

Cut-Off Date: November 1, 1994

A-6-2

This certifies that LTC REMIC Corporation is the registered owner of the Percentage Interest evidenced by this Certificate (obtained by dividing the initial Certificate Principal Amount of this Certificate by the Original Class F Aggregate Certificate Principal Amount, each as noted on the face hereof) in the Trust Fund, including the distributions to be made with respect to the Class F Certificates. The Trust Fund, described more fully below, consists primarily of Mortgage Loans held in trust by the Trustee and serviced by the Master Servicer and the Special Servicer, as applicable. The Trust Fund was created, and the Mortgage Loans are to be serviced, pursuant to the Agreement (as defined below). The Holder of this Certificate, by virtue of the acceptance hereof, assents to the terms, provisions and conditions of the Agreement and is bound thereby. Also issued under the Agreement are the Class A, Class B, Class C, Class D, Class E, Class F, Class X-1, Class X-2, Class R and Class LR Certificates (together with the Class F Certificates, the "Certificates") (the Holders of Certificates issued under the Agreement are collectively referred to herein as "Certificateholders").

This Certificate is issued pursuant to, and in accordance with, the terms of a Pooling and Servicing Agreement dated as of November 1, 1994 (the "Agreement") among LTC REMIC Corporation, as Depositor, Marine Midland Bank, as Trustee, Bankers Trust Company, as Master Servicer and LTC Properties, Inc., as Originator and Special Servicer. In addition, LTC will be subservicer for the Mortgage Loans pursuant to a subservicing agreement to be dated as of November 1, 1994 with Bankers Trust Company (in such capacity the "Subservicer"). To the extent not defined herein, capitalized terms used herein shall have the meanings assigned thereto in the Agreement.

THIS CERTIFICATE DOES NOT REPRESENT AN INTEREST IN OR A DEPOSIT OR OBLIGATION OF THE DEPOSITOR, THE ORIGINATOR, THE MASTER SERVICER, THE SPECIAL SERVICER, THE SUBSERVICER OR THE TRUSTEE, OR ANY OF THEIR AFFILIATES. THIS CERTIFICATE WILL NOT BE A SAVINGS ACCOUNT OR DEPOSIT AND IS NOT INSURED OR GUARANTEED BY ANY GOVERNMENTAL AGENCY OR INSTRUMENTALITY OR BY ANY PRIVATE ENTITY.

This Certificate represents a "regular interest" in a "real estate mortgage investment conduit," as those terms are defined, respectively, in Sections 860G(a)(1) and 860D of the Internal Revenue Code of 1986 (the "Code"). Each Holder of this Certificate, by acceptance hereof, agrees to treat, and to take no action inconsistent with the treatment of, this Certificate in accordance with the preceding sentence for purposes of federal income taxes, state and local income and franchise taxes and other taxes imposed on or measured by income.

The Trustee makes no representation or warranty as to

A-6-3

any of the statements contained herein or the validity or sufficiency of the

Certificates or the Mortgage Loans and has caused to be executed and authenticated this Certificate in its limited capacity as Trustee under the Agreement.

Pursuant to the terms of the Agreement, the Paying Agent will distribute, on the fifteenth day of each month or if any such fifteenth day is not a Business Day, on the next succeeding Business Day (each such date, a "Distribution Date"), commencing in December 1994, to the Person in whose name this Certificate is registered as of the related Record Date, an amount equal to such Person's pro rata share (based on the Percentage Interest represented by this Certificate) of that portion of the aggregate amount of principal and interest then distributable, if any, allocable to the Class F Certificates for such Distribution Date, all as more fully described in the Agreement. The amount of interest which accrues on this Certificate during an Interest Accrual Period will be subject to reduction with respect to any Net Prepayment Interest Shortfall allocated to the Class F Certificates, as described in the Agreement.

Interest will accrue on the outstanding Certificate Principal Amount of this Certificate at the Pass-Through Rate specified on the face of this Certificate. Interest will be calculated on the basis of a 360-day year of twelve 30-day months. Interest accrued on this Certificate during an Interest Accrual Period, plus the Outstanding Class Interest Shortfall with respect to this Certificate, if any, will be payable on the related Distribution Date to the extent provided in the Agreement. The "Interest Accrual Period" relating to any Distribution Date is the one-month period from and including the first day of the month preceding the month in which such Distribution Date occurs to and including the last day of such month, commencing in November 1994.

With the exception of the final distribution in respect of this Certificate, distributions on this Certificate will be made by the Paying Agent without the presentation or surrender of this Certificate or the making of any notation hereon, by check mailed by first-class mail to the address of the Holder set forth in the Certificate Register, or, provided the Holder holds Certificates the aggregate initial Certificate Principal Amount of which exceeds \$5,000,000 and has provided the Paying Agent with wire instructions in writing at least five Business Days before the related Record Date, by wire transfer of immediately available funds to the account of such Holder at a bank or other entity located in the United States and having appropriate facilities therefor. The final distribution on this Certificate will be made in like manner after notice by the Trustee of the pendency of such distribution and only upon presentation and

A-6-4

surrender of this Certificate at the Corporate Trust Office or such other location specified in the notice to Holders of such final distribution.

This Certificate is one of a duly authorized issue of Certificates designated as LTC Commercial Mortgage Pass-Through Certificates, Series 1994-1 and represents a fractional undivided interest in a Trust Fund. As more fully described in and subject to the limitations of the Agreement, the Trust Fund will consist primarily of (i) such Mortgage Loans as from time to time are subject to the Agreement, together with the Mortgage Files relating thereto; (ii) all payments due on or collections in respect of the Mortgage Loans due after the Cut-Off Date; (iii) any REO Property; (iv) all revenues received in respect of any REO Property; (v) the rights of the Trustee, Master Servicer and Special Servicer under the insurance policies with respect to the Mortgage Loans required to be maintained pursuant to this Agreement and any proceeds thereof; (vi) any Assignments of Leases, Rents and Profits; (vii) any guaranties given as additional security for any Mortgage Loans; (viii) all assets deposited in the Collection Account, the Distribution Account, the Upper-Tier Distribution Account and the REO Account including reinvestment income; and (ix) the proceeds of any of the foregoing.

This Certificate is limited in right of payment to, among other things, certain collections and recoveries in respect of the Mortgage Loans, as more specifically set forth herein and in the Agreement.

As provided in the Agreement, withdrawals from the Collection Account may be made by the Master Servicer from time to time for purposes other than distributions to Certificateholders, such purposes including, among other things, reimbursement or payment to the Master Servicer, the Special Servicer, the Subservicer or the Trustee of certain expenses incurred or certain fees earned by the Master Servicer, the Special Servicer or the Trustee, including, without limitation, certain Nonrecoverable Advances.

This Certificate does not purport to summarize the Agreement, and reference is made to the Agreement for the interests, rights, benefits, obligations and duties evidenced hereby, and the limitations thereon, and the rights, duties and immunities of the Trustee. This Certificate is issued under and is subject to the terms, provisions and conditions of the Agreement, to which Agreement, as amended from time to time, the holder of this Certificate by virtue of the acceptance hereof assents and by which the holder of this Certificate is bound.

As provided in the Agreement and subject to certain limitations therein set forth, the transfer of this Certificate

A-6-5

is registrable in the Certificate Register only upon surrender of this Certificate for registration of transfer at the office of the Certificate Registrar or at the office of its agent in the City of New York. The Trustee or the Certificate Registrar may require that this Certificate be duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Trustee and the Certificate Registrar duly executed by, the Holder hereof or such Holder's attorney duly authorized in writing. Thereupon, one or more new Certificates of a like aggregate Percentage Interest in the same Class of authorized denominations will be executed and authenticated by the Trustee and delivered by the Certificate Registrar to the designated transferee or transferees.

Prior to due presentation of this Certificate for registration of transfer, the Depositor, the Master Servicer, the Special Servicer, the Subservicer, the Trustee, the Certificate Registrar and any agent of any of them may treat the Person in whose name this Certificate is registered as the owner hereof for all purposes, and none of the Depositor, Master Servicer, the Special Servicer, the Subservicer, the Trustee, the Certificate Registrar or any agent of any of them shall be affected by notice to the contrary.

As provided in the Agreement and subject to certain limitations herein set forth, this Certificate is exchangeable for other Certificates of the same Class of authorized denominations of like aggregate Percentage Interests, as requested by the Holder surrendering the same.

No service charge will be made to a Certificateholder for any such registration of transfer or exchange, but the Certificate Registrar may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

The Agreement permits, with certain exceptions therein provided, the amendment of the Agreement and the modification of the rights of the Certificateholders under the Agreement at any time by the Depositor, the Master Servicer, the Special Servicer and the Trustee with the consent of the Holders of Class A, Class B, Class C, Class D, Class E, Class F, Class R, Class LR, Class X-1 and Class X-2 Certificates representing not less than 66-2/3% of the Voting Rights allocated to each such Class of the Certificates affected by the amendment. Any such consent by the Holder of this Certificate shall be conclusive and binding on such Holder and upon all future Holders of this Certificate and of any Certificates issued upon the transfer hereof or in exchange hereof or in lieu hereof whether or not notation of such consent is made upon this Certificate. The Agreement also permits the amendment thereof in certain circumstances without the consent of

A-6-7

the Holders of any of the Certificates, provided that such amendment would not adversely affect in any material respect the interests of any Certificateholder.

Each of the Master Servicer, any Holder of a Class LR Certificate and, if all the Mortgage Loans are then Specially Serviced Mortgage Loans, the Special Servicer, may at its option, upon not less than 30 days' prior notice given to the Trustee, repurchase the Mortgage Loans and thereby effect an early termination of the Trust Fund on any Distribution Date after the date on which the aggregate Certificate Principal Amount of the Certificates is reduced to less than 10% of the initial aggregate Certificate Principal Amount of the Certificates, all, but not less than all, of the Mortgage Loans then included in the Trust Fund, and all property acquired in respect of any Mortgage Loans, may be repurchased at a purchase price, payable in cash, equal to not less than the greater of:

(i) the sum of (without duplication of any amount in clauses (A) through (E) below):

(A) 100% of the unpaid principal balance of each Mortgage Loan included in the Trust Fund as of the Early Termination Determination Date;

(B) all unpaid interest accrued on such principal balance of each such Mortgage Loan at the related Mortgage Interest Rate Interest Rate to such Early Termination Determination Date; and

(C) the fair market value of all other property included in the Trust Fund as of such Early Termination Determination Date; and

(D) all unreimbursed P&I Advances, unreimbursed Servicing Advances and interest thereon at the Advance Rate; and

(E) all unreimbursed Servicing Fees, Special Servicing Fees and Trustee Fees; and

(ii) the aggregate fair market value (determined in accordance with Section 9.01(d)(ii)(B) of the Agreement) of the Mortgage Loans, and all other property acquired in respect of any Mortgage Loan in the Trust Fund, as of the date of purchase.

The obligations created by the Agreement shall terminate upon the earliest to occur of (i) the repurchase of all Mortgage Loans by the Master Servicer, any Holder of a Class LR Certificate or the Special Servicer as described above; (ii) the

A-6-7

later of (a) the distribution to Certificateholders of final payment with respect to the last outstanding Mortgage Loan or (b) the disposition of all property acquired upon foreclosure or deed in lieu of foreclosure with respect to the last outstanding Mortgage Loan and the remittance to the Certificateholders of all funds due under the Agreement; or (iii) the sale of assets of the Trust Fund after the Certificate Principal Amounts of all the Certificates have been reduced to zero under circumstances set forth in the Agreement. In no event, however, will the trust created by the Agreement continue beyond the expiration of 21 years from the death of the last surviving descendant of a certain individual named in the Agreement living on the date thereof.

Unless the Certificate of Authentication on this Certificate has been executed by or on behalf of the Trustee, by manual signature, this Certificate shall not be entitled to any benefit under the Agreement or be valid for any purpose.

IN WITNESS WHEREOF, the Authenticating Agent has caused this Certificate to be duly executed.

BANKERS TRUST COMPANY,
As Authenticating Agent

By: _____
Authorized Signatory

Certificate of Authentication

This is one of the Class F Certificates referred to in the Agreement.

Dated: November 29, 1994

BANKERS TRUST COMPANY,
as Authenticating Agent

By: _____
Authorized Officer

A-6-8

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned ("Assignor(s)") hereby sell(s), assign(s) and transfer(s) unto _____

(please print or typewrite name(s) and address(es), including postal zip code(s) of assignee(s)) ("Assignee(s)") the entire Percentage Interest represented by Class A Certificate and hereby authorize(s) registration of transfer of such interest to Assignee(s) the Certificate Register of the Trust Fund.

I (we) further direct the Certificate Registrar to issue a new Class A Certificate of the entire Percentage Interest represented by the within Class A Certificates to the above-named Assignee(s) and to deliver such Class A Certificate to the following address:

Date: _____

Signature by or on behalf
of Assignor(s)

Taxpayer Identification Number

DISTRIBUTION INSTRUCTIONS

The Assignee(s) should include the following for purposes of distribution:

Address of the Assignee(s) for the purpose of receiving notices and distributions: _____

Distributions, if be made by wire transfer in immediately available funds to

for the account of _____
account number _____

This information is provided by _____
the Assignee(s) named above, or _____
as its (their) agent.

By _____

[Please print or type name(s)]

Title

Taxpayer Identification Number

A-6-10

EXHIBIT A-7

FORM OF CLASS X-1 CERTIFICATES

THE RIGHTS OF HOLDERS OF THE CLASS X-1 CERTIFICATES TO RECEIVE DISTRIBUTIONS OF INTEREST IN RESPECT OF THE MORTGAGE LOANS WILL BE SUBORDINATED TO THE RIGHTS OF HOLDERS OF THE CLASS A, CLASS B, CLASS C, CLASS D, CLASS E, CLASS R AND CLASS LR CERTIFICATES TO RECEIVE DISTRIBUTIONS OF INTEREST AND PRINCIPAL.

THIS CERTIFICATE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "1933 ACT") OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES ("BLUE SKY LAWS"), AND SUCH CERTIFICATES MAY NOT BE OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (A) BY THE INITIAL INVESTOR (1) TO A PERSON THAT THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A PROMULGATED UNDER THE 1933 ACT IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A OR (2) PURSUANT TO AN EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE 1933 ACT (IF AVAILABLE) AND (B) BY SUBSEQUENT INVESTORS AS SET FORTH IN (A) ABOVE AND, IN ADDITION, TO AN INSTITUTIONAL ACCREDITED INVESTOR AS DEFINED IN RULE 501(A)(1), (2), (3) OR (7) OF REGULATION D PROMULGATED UNDER THE 1933 ACT IN A TRANSACTION EXEMPT FROM THE REGISTRATION REQUIREMENTS OF THE 1933 ACT AND DELIVERY OF AN OPINION OF COUNSEL, IF REQUIRED BY THE TRUSTEE, THE CERTIFICATE REGISTRAR OR THE SELLER, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES.

NOTWITHSTANDING THE ABOVE, THIS CERTIFICATE MAY NOT BE PURCHASED BY OR PLEDGED, SOLD OR OTHERWISE TRANSFERRED TO ANY PERSON WHICH IS AN EMPLOYEE BENEFIT PLAN SUBJECT TO THE FIDUCIARY RESPONSIBILITY PROVISIONS OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), OR SECTION 4975 OF THE INTERNAL REVENUE CODE OF 1986, OR ANY PERSON ACTING ON BEHALF OF ANY SUCH PLAN OR USING THE ASSETS OF SUCH PLAN TO ACQUIRE THIS CERTIFICATE EXCEPT PURSUANT TO AN APPLICABLE PROHIBITED TRANSACTION EXEMPTION ISSUED BY THE UNITED STATES DEPARTMENT OF LABOR.

A-7-1

LTC COMMERCIAL MORTGAGE PASS-THROUGH CERTIFICATES,
SERIES 1994-1, CLASS X-1

evidencing a nonassessable, fully paid
percentage interest in a trust fund
which includes a pool of commercial mortgage loans

No. X-1

Percentage Interest evidenced
by this Certificate: 100%

First Distribution Date
December 15, 1994

Final Scheduled
Distribution Date:

June 15, 2026

Cut-Off Date: November 1, 1994

A-7-2

This certifies that LTC REMIC Corporation, is the registered owner of the Percentage Interest evidenced by this Certificate in monthly Distributions to Holders of Class X-1 Certificates with respect to the Trust Fund. The Trust Fund, described more fully below, consists primarily of Mortgage Loans held in trust by the Trustee and serviced by the Master Servicer and the Special Servicer, as applicable. The Trust Fund was created, and the Mortgage Loans are to be serviced, pursuant to the Agreement (as defined below). The Holder of this Certificate, by virtue of the acceptance hereof, assents to the terms, provisions and conditions of the Agreement and is bound thereby. Also issued under the Agreement are Class A, Class B, Class C, Class D, Class E, Class F, Class X-2, Class R and Class LR Certificates (together with the Class X-1 Certificates, the "Certificates") (the Holders of Certificates issued under the Agreement are collectively referred to herein as "Certificateholders").

This Certificate is issued pursuant to, and in accordance with, the terms of a Pooling and Servicing Agreement dated as of November 1, 1994 (the "Agreement") among LTC REMIC Corporation, as Depositor, Marine Midland Bank, as Trustee, Bankers Trust Company, as Master Servicer and LTC Properties, Inc., as Originator and Special Servicer. In addition, LTC will be subservicer for the Mortgage Loans pursuant to a subservicing agreement to be dated as of November 1, 1994 with Bankers Trust Company (in such capacity the "Subservicer"). To the extent not defined herein, capitalized terms used herein shall have the meanings assigned thereto in the Agreement.

THIS CERTIFICATE DOES NOT REPRESENT AN INTEREST IN OR A DEPOSIT OR OBLIGATION OF THE DEPOSITOR, THE ORIGINATOR, THE MASTER SERVICER, THE SPECIAL SERVICER THE SUBSERVICER OR THE TRUSTEE, OR ANY OF THEIR AFFILIATES. THIS CERTIFICATE WILL NOT BE A SAVINGS ACCOUNT OR DEPOSIT AND IS NOT INSURED OR GUARANTEED BY ANY GOVERNMENTAL AGENCY OR INSTRUMENTALITY OR BY ANY PRIVATE ENTITY.

This Certificate represents a "regular interest" in a "real estate mortgage investment conduit," as those terms are defined, respectively, in Sections 860G(a)(1) and 860D of the Internal Revenue Code of 1986 (the "Code"). Each Holder of this Certificate, by acceptance hereof, agrees to treat, and to take no action inconsistent with the treatment of, this Certificate in accordance with the preceding sentence for purposes of federal income taxes, state and local income and franchise taxes and other taxes imposed on or measured by income.

The Trustee makes no representation or warranty as to any of the statements contained herein or the validity or sufficiency of the Certificates or the Mortgage Loans and has caused to be executed and authenticated this Certificate in its limited

A-7-3

capacity as Trustee under the Agreement.

Pursuant to the terms of the Agreement, the Paying Agent will distribute, on the fifteenth day of each month or if any such fifteenth day is not a Business Day, on the next succeeding Business Day (each such date, a "Distribution Date"), commencing in December 1994, to the Person in whose name this Certificate is registered as of the related Record Date, an amount equal to such Person's pro rata share (based on the Percentage Interest represented by this Certificate) of that portion of the aggregate amount of interest then distributable, if any allocable to the Class X-1 Certificates for such Distribution Date, all as more fully described in the Agreement. The Class X-1 Certificates are not entitled to receive distributions of principal. Interest will accrue on the Class X-1 Certificates during each Interest Accrual Period in an amount equal to a portion of the interest accrued on each Mortgage Loan during the related Mortgage Loan Due Period equal to interest accrued on such Mortgage Loan during such period at a rate per annum equal to the excess of the Net Mortgage Interest Rate of such Mortgage Loan over 10.00%, calculated on the basis of the actual number of days for which interest accrues on such Mortgage Loan during the related Mortgage Loan Due Period according to the terms of such Mortgage Loan and a 360-day year. The amount of interest which accrues on this Certificate during an Interest Accrual Period will be subject to reduction with respect to any Net Prepayment Interest Shortfall allocated to the Class X-1 Certificates, as described in the Agreement.

Interest will be calculated on the basis of a 360-day year of twelve 30-day months. Interest accrued on this Certificate during an Interest Accrual Period, plus the Outstanding Class Interest Shortfall with respect to this Certificate, if any, will be payable on the related Distribution Date to the extent provided in the Agreement. The "Interest Accrual Period" relating to any Distribution Date is the one-month period from and including the first day of the month preceding the month in which such Distribution Date occurs to and including the last day of such month, commencing in November 1994.

With the exception of the final distribution in respect of this Certificate, distributions on this Certificate will be made by the Paying Agent without the presentation or surrender of this Certificate or the making of any notation hereon, by check mailed by first-class mail to the address of the Holder set forth in the Certificate Register, or, provided the Holder holds Certificates the aggregate initial Notional Amount of which exceeds \$5,000,000 and has provided the Paying Agent with wire instructions in writing at least five Business Days before the related Record Date, by wire transfer of immediately available funds to the account of such Holder at a bank or other entity

A-7-4

located in the United States and having appropriate facilities therefor. The final distribution on this Certificate will be made in like manner after notice by the Trustee of the pendency of such distribution and only upon presentation and surrender of this Certificate at the Corporate Trust Office or such other location specified in the notice to Holders of such final distribution.

This Certificate is one of a duly authorized issue of Certificates designated as LTC Commercial Mortgage Pass-Through Certificates, Series 1994-1 and represents a fractional undivided interest in a Trust Fund. As more fully described in and subject to the limitations of the Agreement, the Trust Fund will consist primarily of (i) such Mortgage Loans as from time to time are subject to the Agreement, together with the Mortgage Files relating thereto; (ii) all payments due on or collections in respect of the Mortgage Loans due after the Cut-Off Date; (iii) any REO Property; (iv) all revenues received in respect of any REO Property; (v) the rights of the Trustee, Master Servicer and Special Servicer under the insurance policies with respect to the Mortgage Loans required to be maintained pursuant to this Agreement and any proceeds thereof; (vi) any Assignments of Leases, Rents and Profits; (vii) any guaranties given as additional security for any Mortgage Loans; (viii) all assets deposited in the Collection Account, the Distribution Account, the Upper-Tier Distribution Account and the REO Account including reinvestment income; and (ix) the proceeds of any of the foregoing.

This Certificate is limited in right of payment to, among other things, certain collections and recoveries in respect of the Mortgage Loans, as more specifically set forth herein and in the Agreement.

As provided in the Agreement, withdrawals from the Collection Account may be made by the Master Servicer from time to time for purposes other than distributions to Certificateholders, such purposes including, among other things, reimbursement or payment to the Master Servicer, the Special Servicer, the Subservicer or the Trustee of certain expenses incurred or certain fees earned by the Master Servicer, the Special Servicer or the Trustee, including, without limitation, certain Nonrecoverable Advances.

This Certificate does not purport to summarize the Agreement, and reference is made to the Agreement for the interests, rights, benefits, obligations and duties evidenced hereby, and the limitations thereon, and the rights, duties and immunities of the Trustee. This Certificate is issued under and is subject to the terms, provisions and conditions of the Agreement, to which Agreement, as amended from time to time, the holder of this Certificate by virtue of the acceptance hereof assents and

A-7-5

by which the holder of this Certificate is bound.

As provided in the Agreement and subject to certain limitations therein set forth, the transfer of this Certificate is registrable in the Certificate Register only upon surrender of this Certificate for registration of transfer at the office of the Certificate Registrar or at the office of its agent in the City of New York. The Trustee or the Certificate Registrar may require that this Certificate be duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Trustee and the Certificate Registrar duly executed by, the Holder hereof or such Holder's attorney duly authorized in writing. Thereupon, one or more new Certificates of a like aggregate Percentage Interest in the same Class of authorized denominations will be executed and authenticated by the Trustee and delivered by the Certificate Registrar to the designated transferee or transferees.

Prior to due presentation of this Certificate for registration of transfer, the Depositor, the Master Servicer, the Special Servicer, the Subservicer, the Trustee, the Certificate Registrar and any agent of any of them may treat the Person in whose name this Certificate is registered as the owner hereof for all purposes, and none of the Depositor, Master Servicer, the Special Servicer, the Subservicer, the Trustee, the Certificate Registrar, any Paying Agent or any agent of any of them shall be affected by notice to the contrary.

As provided in the Agreement and subject to certain limitations herein set forth, this Certificate is exchangeable for other Certificates of the same Class of authorized denominations of like aggregate Percentage Interests, as

requested by the Holder surrendering the same.

No service charge will be made to a Certificateholder for any such registration of transfer or exchange, but the Certificate Registrar may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

The Agreement permits, with certain exceptions therein provided, the amendment of the Agreement and the modification of the rights of the Certificateholders under the Agreement at any time by the Depositor, the Master Servicer, the Special Servicer and the Trustee with the consent of the Holders of Class A, Class B, Class C, Class D, Class E, Class F, Class R, Class LR, Class X-1 and Class X-2 Certificates representing not less than 66-2/3% of the Voting Rights allocated to each such Class of the Certificates affected by the amendment. Any such consent by the Holder of this Certificate shall be conclusive and binding on such Holder and upon all future Holders of this Certificate and of any

A-7-7

Certificates issued upon the transfer hereof or in exchange herefor or in lieu hereof whether or not notation of such consent is made upon this Certificate. The Agreement also permits the amendment thereof in certain circumstances without the consent of the Holders of any of the Certificates, provided that such amendment would not adversely affect in any material respect the interests of any Certificateholder.

Each of the Master Servicer, any Holder of a Class LR Certificate and, if all the Mortgage Loans are then Specially Serviced Mortgage Loans, the Special Servicer, may at its option, upon not less than 30 days' prior notice given to the Trustee, repurchase the Mortgage Loans and thereby effect an early termination of the Trust Fund on any Distribution Date after the date on which the aggregate Certificate Principal Amount of the Certificates is reduced to less than 10% of the initial aggregate Certificate Principal Amount of the Certificates. All, but not less than all, of the Mortgage Loans then included in the Trust Fund, and all property acquired in respect of any Mortgage Loans may be repurchased at a purchase price, payable in cash, equal to not less than the greater of:

(i) the sum of (without duplication of any amount in clauses (A) through (E) below):

(A) 100% of the unpaid principal balance of each Mortgage Loan included in the Trust Fund as of the Early Termination Determination Date;

(B) all unpaid interest accrued on such principal balance of each such Mortgage Loan at the related Mortgage Interest Rate Interest Rate to such Early Termination Determination Date; and

(C) the fair market value of all other property included in the Trust Fund as of such Early Termination Determination Date; and

(D) all unreimbursed P&I Advances, unreimbursed Servicing Advances and interest thereon at the Advance Rate; and

(E) all unreimbursed Servicing Fees, Special Servicing Fees and Trustee Fees; and

(ii) the aggregate fair market value (determined in accordance with Section 9.01(d)(ii)(B) of the Agreement) of the Mortgage Loans, and all other property acquired in respect of any Mortgage Loan or Underlying Certificate in the Trust Fund, as of the date of purchase.

A-7-7

The obligations created by the Agreement shall terminate upon the earliest to occur of (i) the repurchase of all Mortgage Loans by the Master Servicer, any Holder of a Class LR Certificate or the Special Servicer as described above; (ii) the later of (a) the distribution to Certificateholders of final payment with respect to the last outstanding Mortgage Loan or (b) the disposition of all property acquired upon foreclosure or deed in lieu of foreclosure with respect to the last outstanding Mortgage Loan and the remittance to the Certificateholders of all funds due under the Agreement; or (iii) the sale of assets of the Trust Fund after the Certificate Principal Amounts of all the Certificates have been reduced to zero under circumstances set forth in the Agreement. In no event, however, will the trust created by the Agreement continue beyond the expiration of 21 years from the death of the last surviving descendant of a certain individual named in the Agreement living on the date thereof.

Unless the Certificate of Authentication on this Certificate has been executed by or on behalf of the Trustee, by manual signature, this Certificate shall not be entitled to any benefit under the Agreement or be valid for any purpose.

A-7-8

IN WITNESS WHEREOF, the Authenticating Agent has caused this Certificate to be duly executed.

BANKERS TRUST COMPANY,
As Authenticating Agent

By: _____
Authorized Signatory

Certificate of Authentication

This is one of the Class X-1 Certificates referred to in the Agreement.

Dated: November 29, 1994

BANKERS TRUST COMPANY,
as Authenticating Agent

By: _____
Authorized Officer

A-7-9

DISTRIBUTION INSTRUCTIONS

The Assignee(s) should include the following for purposes of distribution:

Address of the Assignee(s) for the purpose of receiving notices and distributions:

Distributions, if be made by wire transfer in immediately available funds to _____

or the account of _____
account number _____

This information is provided by _____ the Assignee(s) named above, or _____ as its (their) agent.

By _____

[Please print or type name(s)]

Title

Taxpayer Identification Number

A-7-10

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned ("Assignor(s)" hereby sell(s), assign(s) and transfer(s) unto _____

_____ (please print or typewrite name(s) and address(es), including postal zip code(s) of assignee(s)) ("Assignee(s)") the entire Percentage Interest represented by the Class X-1 Certificate and hereby authorize(s) the registration of transfer of such interest to Assignee(s) on the Certificate Register of the Trust Fund.

I (we) further direct the Certificate Registrar to issue a new Class X-1 Certificate of the entire Percentage Interest represented by the within Class X-1 Certificates to the above-named Assignee(s) and to deliver such Class X-1 Certificate to the following address:

Date: _____

Signature by or on behalf of
Assignor(s)

Taxpayer Identification Number

A-7-11

EXHIBIT A-8

FORM OF CLASS X-2 CERTIFICATE

THE RIGHTS OF HOLDERS OF THE CLASS X-2 CERTIFICATES TO RECEIVE DISTRIBUTIONS OF INTEREST IN RESPECT OF THE MORTGAGE LOANS WILL BE SUBORDINATED TO THE RIGHTS OF HOLDERS OF THE CLASS A, CLASS B, CLASS C, CLASS D, CLASS E, CLASS R AND CLASS LR CERTIFICATES TO RECEIVE DISTRIBUTIONS OF INTEREST AND PRINCIPAL.

THIS CERTIFICATE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "1933 ACT") OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES ("BLUE SKY LAWS"), AND SUCH CERTIFICATES MAY NOT BE OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (A) BY THE INITIAL INVESTOR (1) TO A PERSON THAT THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A PROMULGATED UNDER THE 1933 ACT IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A OR (2) PURSUANT TO AN EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE 1933 ACT (IF AVAILABLE) AND (B) BY SUBSEQUENT INVESTORS AS SET FORTH IN (A) ABOVE AND IN ADDITION, TO AN INSTITUTIONAL ACCREDITED INVESTOR AS DEFINED IN RULE 501(A)(1), (2), (3) OR (7) OF REGULATION D PROMULGATED UNDER THE 1933 ACT IN A TRANSACTION EXEMPT FROM THE REGISTRATION REQUIREMENTS OF THE 1933 ACT AND DELIVERY OF AN OPINION OF COUNSEL, IF REQUIRED BY THE TRUSTEE, THE CERTIFICATE REGISTRAR OR THE SELLER, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES.

NOTWITHSTANDING THE ABOVE, THIS CERTIFICATE MAY NOT BE PURCHASED BY OR PLEDGED, SOLD OR OTHERWISE TRANSFERRED TO ANY PERSON WHICH IS AN EMPLOYEE BENEFIT PLAN SUBJECT TO THE FIDUCIARY RESPONSIBILITY PROVISIONS OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), OR SECTION 4975 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED, OR ANY PERSON ACTING ON BEHALF OF ANY SUCH PLAN OR USING THE ASSETS OF SUCH PLAN TO ACQUIRE THIS CERTIFICATE EXCEPT PURSUANT TO AN APPLICABLE PROHIBITED TRANSACTION EXEMPTION ISSUED BY THE UNITED STATES DEPARTMENT OF LABOR.

A-8-1

LTC COMMERCIAL MORTGAGE PASS-THROUGH CERTIFICATES,
SERIES 1994-1, CLASS X-2

evidencing a nonassessable, fully paid
percentage interest in a trust fund
which includes a pool of commercial mortgage loans

No. X-2

Percentage Interest evidenced
by this Certificate: 100%

First Distribution Date:
December 15, 1994

Final Scheduled
Distribution Date:
June 15, 2026

Cut-Off Date: November 1, 1994

A-8-2

This certifies that LTC REMIC Corporation, is the registered owner of the Percentage Interest evidenced by this Certificate in monthly Distributions to Holders of Class X-2 Certificates with respect to the Trust Fund. The Trust Fund, described more fully below, consists primarily of Mortgage Loans held in trust by the Trustee and serviced by the Master Servicer and the Special Servicer, as applicable. The Trust Fund was created, and the Mortgage Loans are to be serviced, pursuant to the Agreement (as defined below). The Holder of this Certificate, by virtue of the acceptance hereof, assents to the terms, provisions and conditions of the Agreement and is bound thereby. Also issued under the Agreement are Class A, Class B, Class C, Class D, Class E, Class F, Class X-1, Class R and Class LR Certificates (together with the Class X-2

Certificates, the "Certificates") (the Holders of Certificates issued under the Agreement are collectively referred to herein as "Certificateholders").

This Certificate is issued pursuant to, and in accordance with, the terms of a Pooling and Servicing Agreement dated as of November 1, 1994 (the "Agreement") among LTC REMIC Corporation, as Depositor, Marine Midland Bank, as Trustee, Bankers Trust Company, as Master Servicer and LTC Properties, Inc., as Originator and Special Servicer. In addition, LTC will be subservicer for the Mortgage Loans pursuant to a subservicing agreement to be dated as of November 1, 1994 with Bankers Trust Company (in such capacity the "Subservicer"). To the extent not defined herein, capitalized terms used herein shall have the meanings assigned thereto in the Agreement.

THIS CERTIFICATE DOES NOT REPRESENT AN INTEREST IN OR A DEPOSIT OR OBLIGATION OF THE DEPOSITOR, THE ORIGINATOR, THE MASTER SERVICER, THE SPECIAL SERVICER THE SUBSERVICER OR THE TRUSTEE, OR ANY OF THEIR AFFILIATES. THIS CERTIFICATE WILL NOT BE A SAVINGS ACCOUNT OR DEPOSIT AND IS NOT INSURED OR GUARANTEED BY ANY GOVERNMENTAL AGENCY OR INSTRUMENTALITY OR BY ANY PRIVATE ENTITY.

This Certificate represents a "regular interest" in a "real estate mortgage investment conduit," as those terms are defined, respectively, in Sections 860G(a)(1) and 860D of the Internal Revenue Code of 1986 (the "Code"). Each Holder of this Certificate, by acceptance hereof, agrees to treat, and to take no action inconsistent with the treatment of, this Certificate in accordance with the preceding sentence for purposes of federal income taxes, state and local income and franchise taxes and other taxes imposed on or measured by income.

The Trustee makes no representation or warranty as to any of the statements contained herein or the validity or sufficiency of the Certificates, the Mortgage Loans and has caused to

A-8-3

be executed and authenticated this Certificate in its limited capacity as Trustee under the Agreement.

Pursuant to the terms of the Agreement, the Paying Agent will distribute, on the fifteenth day of each month or if any such fifteenth day is not a Business Day, on the next succeeding Business Day (each such date, a "Distribution Date"), commencing in December 1994, to the Person in whose name this Certificate is registered as of the related Record Date, an amount equal to such Person's pro rata share (based on the Percentage Interest represented by this Certificate) of that portion of the aggregate amount of interest then distributable, if any allocable to the Class X-2 Certificates for such Distribution Date, all as more fully described in the Agreement. The Class X-2 Certificates are not entitled to receive distributions of principal. Interest will accrue on the Class X-2 Certificates during each Interest Accrual Period in an amount equal to the aggregate of the interest accrued (on the basis of a 360-day year consisting of twelve 30-day months) on the Certificate Principal Amount of the Class AL Interest at the Class A Spread Rate, on the Certificate Principal Amount of the Class AR-L Interest at the Class R Spread Rate, on the Certificates Principal Amount of the Class BL Interest at the Class B Spread Rate, on the Certificate Principal Amount of the Class CL Interest at the Class C Spread Rate on the Certificate Principal Amount of the Class DL Interest at the Class D Spread Rate, on the Certificate Principal Amount of the Class EL Interest at the Class E Spread Rate and on the Certificate Principal Amount of the Class FL Interest at the Class F Spread Rate. The amount of interest which accrues on this Certificate during an Interest Accrual Period will be subject to reduction with respect to any Net Prepayment Interest Shortfall allocated to the Class X-2 Certificates, as described in the Agreement.

Interest will be calculated on the basis of a 360-day year of twelve 30-day months. Interest accrued on this Certificate during an Interest Accrual Period, plus the Outstanding Class Interest Shortfall with respect to this Certificate, if any, will be payable on the related Distribution Date to the extent provided in the Agreement. The "Interest Accrual Period" relating to any Distribution Date is the one-month period from and including the first day of the month preceding the month in which such Distribution Date occurs to and including the last day of such month, commencing in November 1994.

With the exception of the final distribution in respect of this Certificate, distributions on this Certificate will be made by the Paying Agent without the presentation or surrender of this Certificate or the making of any notation hereon, by check mailed by first-class mail to the address of the Holder set forth in the Certificate Register, or, provided the Holder holds

A-8-4

Certificates the aggregate initial Notional Amount of which exceeds \$5,000,000 and has provided the Paying Agent with wire instructions in writing at least five Business Days before the related Record Date, by wire transfer of immediately available funds to the account of such Holder at a bank or other entity located in the United States and having appropriate facilities therefor.

The final distribution on this Certificate will be made in like manner after notice by the Trustee of the pendency of such distribution and only upon presentation and surrender of this Certificate at the Corporate Trust Office or such other location specified in the notice to Holders of such final distribution.

This Certificate is one of a duly authorized issue of Certificates designated as LTC Commercial Mortgage Pass-Through Certificates, Series 1994-1 and represents a fractional undivided interest in a Trust Fund. As more fully described in and subject to the limitations of the Agreement, the Trust Fund will consist primarily of (i) such Mortgage Loans as from time to time are subject to the Agreement, together with the Mortgage Files relating thereto; (ii) all payments due on or collections in respect of the Mortgage Loans due after the Cut-Off Date; (iii) any REO Property; (iv) all revenues received in respect of any REO Property; (v) the rights of the Trustee, Master Servicer and Special Servicer under the insurance policies with respect to the Mortgage Loans required to be maintained pursuant to this Agreement and any proceeds thereof; (vi) any Assignments of Leases, Rents and Profits; (vii) any guaranties given as additional security for any Mortgage Loans; (viii) all assets deposited in the Collection Account, the Distribution Account, the Upper-Tier Distribution Account and the REO Account including reinvestment income; and (ix) the proceeds of any of the foregoing.

This Certificate is limited in right of payment to, among other things, certain collections and recoveries in respect of the Mortgage Loans, as more specifically set forth herein and in the Agreement.

As provided in the Agreement, withdrawals from the Collection Account may be made by the Master Servicer from time to time for purposes other than distributions to Certificateholders, such purposes including, among other things, reimbursement or payment to the Master Servicer, the Special Servicer, the Subservicer or the Trustee of certain expenses incurred or certain fees earned by the Master Servicer, the Special Servicer or the Trustee, including, without limitation, certain Nonrecoverable Advances.

This Certificate does not purport to summarize the Agreement, and reference is made to the Agreement for the interests, rights, benefits, obligations and duties evidenced hereby,

A-8-5

and the limitations thereon, and the rights, duties and immunities of the Trustee. This Certificate is issued under and is subject to the terms, provisions and conditions of the Agreement, to which Agreement, as amended from time to time, the holder of this Certificate by virtue of the acceptance hereof assents and by which the holder of this Certificate is bound.

As provided in the Agreement and subject to certain limitations therein set forth, the transfer of this Certificate is registrable in the Certificate Register only upon surrender of this Certificate for registration of transfer at the office of the Certificate Registrar or at the office of its agent in the City of New York. The Trustee or the Certificate Registrar may require that this Certificate be duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Trustee and the Certificate Registrar duly executed by, the Holder hereof or such Holder's attorney duly authorized in writing. Thereupon, one or more new Certificates of a like aggregate Percentage Interest in the same Class of authorized denominations will be executed and authenticated by the Trustee and delivered by the Certificate Registrar to the designated transferee or transferees.

Prior to due presentation of this Certificate for registration of transfer, the Depositor, the Master Servicer, the Special Servicer, the Subservicer, the Trustee, the Certificate Registrar and any agent of any of them may treat the Person in whose name this Certificate is registered as the owner hereof for all purposes, and none of the Depositor, Master Servicer, the Special Servicer, the Subservicer, the Trustee, the Certificate Registrar, any Paying Agent or any agent of any of them shall be affected by notice to the contrary.

As provided in the Agreement and subject to certain limitations herein set forth, this Certificate is exchangeable for other Certificates of the same Class of authorized denominations of like aggregate Percentage Interests, as requested by the Holder surrendering the same.

No service charge will be made to a Certificateholder for any such registration of transfer or exchange, but the Certificate Registrar may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

The Agreement permits, with certain exceptions therein provided, the amendment of the Agreement and the modification of the rights of the Certificateholders under the Agreement at any time by the Depositor, the Master Servicer, the Special Servicer and the Trustee with the consent of the Holders of Class A-2, Class B, Class C, Class D, Class E, Class F, Class R, Class LR,

Class X-1 and Class X-2 Certificates representing not less than 66-2/3% of the Voting Rights allocated to each such Class of the Certificates affected by the amendment. Any such consent by the Holder of this Certificate shall be conclusive and binding on such Holder and upon all future Holders of this Certificate and of any Certificates issued upon the transfer hereof or in exchange herefor or in lieu hereof whether or not notation of such consent is made upon this Certificate. The Agreement also permits the amendment thereof in certain circumstances without the consent of the Holders of any of the Certificates, provided that such amendment would not adversely affect in any material respect the interests of any Certificateholder.

Each of the Master Servicer, any Holder of a Class LR Certificate and, if all the Mortgage Loans are then Specially Serviced Mortgage Loans, the Special Servicer, may at its option, upon not less than 30 days' prior notice given to the Trustee, repurchase the Mortgage Loans and thereby effect an early termination of the Trust Fund on any Distribution Date after the date on which the aggregate Certificate Principal Amount of the Certificates is reduced to less than 10% of the initial aggregate Certificate Principal Amount of the Certificates. All, but not less than all, of the Mortgage Loans then included in the Trust Fund, and all property acquired in respect of any Mortgage Loans may be repurchased at a purchase price, payable in cash, equal to not less than the greater of:

(i) the sum of (without duplication of any amount in clauses (A) through (E) below):

(A) 100% of the unpaid principal balance of each Mortgage Loan included in the Trust Fund as of the Early Termination Determination Date;

(B) all unpaid interest accrued on such principal balance of each such Mortgage Loan at the related Mortgage Interest Rate Interest Rate to such Early Termination Determination Date; and

(C) the fair market value of all other property included in the Trust Fund as of such Early Termination Determination Date; and

(D) all unreimbursed P&I Advances, unreimbursed Servicing Advances and interest thereon at the Advance Rate; and

(E) all unreimbursed Servicing Fees, Special Servicing Fees and Trustee Fees; and

(ii) the aggregate fair market value (determined in

A-8-7

accordance with Section 9.01(d)(ii)(B) of the Agreement) of the Mortgage Loans, and all other property acquired in respect of any Mortgage Loan in the Trust Fund, as of the date of purchase.

The obligations created by the Agreement shall terminate upon the earliest to occur of (i) the repurchase of all Mortgage Loans by the Master Servicer, any Holder of a Class LR Certificate or the Special Servicer as described above; (ii) the later of (a) the distribution to Certificateholders of final payment with respect to the last outstanding Mortgage Loan or (b) the disposition of all property acquired upon foreclosure or deed in lieu of foreclosure with respect to the last outstanding Mortgage Loan and the remittance to the Certificateholders of all funds due under the Agreement; or (iii) the sale of assets of the Trust Fund after the Certificate Principal Amounts of all the Certificates have been reduced to zero under circumstances set forth in the Agreement. In no event, however, will the trust created by the Agreement continue beyond the expiration of 21 years from the death of the last surviving descendant of a certain individual named in the Agreement living on the date thereof.

Unless the Certificate of Authentication on this Certificate has been executed by or on behalf of the Trustee, by manual signature, this Certificate shall not be entitled to any benefit under the Agreement or be valid for any purpose.

A-8-8

IN WITNESS WHEREOF, the Authenticating Agent has caused this Certificate to be duly executed.

BANKERS TRUST COMPANY,
As Authenticating Agent

By: _____
Authorized Signatory

Certificate of Authentication

This is one of the Class X-2 Certificates referred to in the Agreement.

Dated: November 29, 1994

BANKERS TRUST COMPANY
as Authenticating Agent

By: _____
Authorized Officer

A-8-9

DISTRIBUTION INSTRUCTIONS

The Assignee(s) should include the following for purposes of distribution:

Address of the Assignee(s) for the purpose of receiving notices and distributions:

Distributions, if be made by wire transfer in immediately available funds to

or the account of _____
account number _____

This information is provided by _____ the Assignee(s) named above, or _____ as its (their) agent.

By _____

[Please print or type name(s)]

Title

Taxpayer Identification Number

A-8-10

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned ("Assignor(s)" hereby sell(s), assign(s) and transfer(s) unto _____

(please print or typewrite name(s) and address(es), including postal zip code(s) of assignee(s)) ("Assignee(s)") the entire Percentage Interest represented by the Class X-2 Certificate and hereby authorize(s) the registration of transfer of such interest to Assignee(s) on the Certificate Register of the Trust Fund.

I (we) further direct the Certificate Registrar to issue a new Class X-2 Certificate of the entire Percentage Interest represented by the within Class X-2 Certificates to the above-named Assignee(s) and to deliver such Class X-2 Certificate to the following address:

Date: _____

Signature by or on behalf of
Assignor(s)

Taxpayer Identification Number

A-8-11

EXHIBIT D

FORM OF CUSTODIAL AGREEMENT

THIS CUSTODIAL AGREEMENT, dated as of [] by and among [NAME OF CUSTODIAN], as Custodian (the "Custodian"), Bankers Trust Company, as Master Servicer (the "Master Servicer"), and Marine Midland Bank, as Trustee (the "Trustee").

W I T N E S S E T H :

WHEREAS, the Master Servicer and the Trustee are parties to a Pooling and Servicing Agreement (the "Pooling and Servicing Agreement"), dated as of November 1, 1994, among LTC REMIC Corporation, as Depositor, the Master Servicer, LTC Properties Inc. as Special Servicer and Originator and the Trustee, relating to Commercial Mortgage Pass-Through Certificates, Series 1994-1 (capitalized terms used but not defined herein having the meaning assigned thereto in the Pooling and Servicing Agreement);

WHEREAS, the parties hereto desire the Custodian to take possession of the documents specified in Section 2.1 of the Pooling and Servicing Agreement, as custodian for the Trustee, in accordance with the terms hereof;

NOW, THEREFORE, in consideration of the mutual undertakings herein expressed, the parties hereto hereby agree as follows:

1. The Trustee hereby certifies that it has caused to be delivered and released to the Custodian and the Custodian hereby acknowledges receipt of the documents specified in Section 2.1 of the Pooling and Servicing Agreement pertaining to each of the Mortgage Loans identified in the Mortgage Loan Schedule attached to the Pooling and Servicing Agreement as Exhibit B. From time to time, the Master Servicer shall forward to the Custodian additional original documents evidencing an assumption or modification of a Mortgage Loan approved by the Master Servicer. All Mortgage Loan documents held by the Custodian as to each Mortgage Loan are referred to herein as the "Custodian's Mortgage File." The Custodian hereby agrees to review each of the Custodian's Mortgage Files and perform such other obligations of the Custodian as such obligations are set forth in the Pooling and Servicing Agreement (including Sections 2.1 and 2.2 thereof).

2. With respect to each Note, each Mortgage, each Assignment of Mortgage and each other document constituting each Custodian's Mortgage File which is delivered to the Custodian or which at any time comes into the possession of the Custodian, the Custodian is exclusively the custodian for and the bailee of the

Trustee or the Master Servicer. The Custodian shall hold all documents constituting each Custodian's Mortgage File received by it for the exclusive use and benefit of the Trustee, and shall make disposition thereof only in accordance with the instructions furnished by the Master Servicer. The Custodian shall segregate and maintain continuous custody of all documents constituting the Custodian's Mortgage File received in secure and fire resistant facilities located in the State of New York in accordance with customary standards for such custody. In the event the Custodian discovers any defect with respect to any Custodian's Mortgage File, the Custodian shall give written specification of such defect to the Master Servicer and the Trustee.

3. From time to time and as appropriate for the foreclosure or servicing of any of the Mortgage Loans, the Custodian is hereby directed, upon written request and receipt from the Master Servicer (a copy of which shall be forwarded to the Trustee), to release to the Master Servicer the related Custodian's Mortgage File or the documents set forth in such receipt to the Master Servicer. All documents so released to the Master Servicer shall be held by it in trust for the benefit of the Trustee. The Master Servicer shall return to the Custodian the Custodian's Mortgage File or such documents when the Master Servicer's need therefor in connection with such foreclosure or servicing no longer exists, unless the Mortgage Loan shall be liquidated, in which case, upon receipt of a certification to this effect from the Master Servicer to the Custodian, the Master Servicer's receipt shall be released by the Custodian to the Master Servicer.

4. Upon the re-purchase of any Mortgage Loan pursuant to the terms of the Pooling and Servicing Agreement or the payment in full of any Mortgage Loan, and upon receipt by the Custodian of the Master Servicer's request for release, receipt and certification (which certification shall include a statement to the effect that all amounts received in connection with such payment or repurchase have been credited to the Collection Account or Distribution Account as provided in the Pooling and Servicing Agreement), the Custodian shall promptly release the related Custodian's Mortgage File to the Master Servicer.

5. It is understood that the Custodian will charge such fees for its services under this Agreement as set forth in a separate agreement between the Custodian and the Master Servicer, the payment of which, together with the

Custodian's expenses in connection therewith, shall be solely the obligation of the Master Servicer.

6. The Trustee may upon 30 days written notice (with a copy to the Master Servicer) remove and discharge the Custodian

D-2

or any successor Custodian thereafter appointed from the performance of its duties under this Custodial Agreement. Simultaneously, the Trustee shall appoint a successor Custodian to act on its behalf by written instrument, one original counterpart of which instrument shall be delivered to each Rating Agency, one copy to the Master Servicer and one copy to the successor Custodian. In the event of any such removal, the Custodian shall promptly transfer to the successor Custodian, as directed, all Custodian's Mortgage Files being administered under this Custodial Agreement. Notwithstanding the foregoing, so long as Bankers Trust Company is Master Servicer , the Trustee shall not have a right to remove the Custodian.

7. Upon reasonable prior written notice to the Custodian, the Trustee and its agents, accountants, attorneys and auditors will be permitted during normal business hours to examine the Custodian's Mortgage Files, documents, records and other papers in the possession of or under the control of the Custodian relating to any or all of the Mortgage Loans.

8. If the Custodian is furnished with written notice from the Trustee or the Master Servicer that the Pooling and Servicing Agreement has been terminated as to any or all of the Mortgage Loans, it shall upon written request of the Trustee or the Master Servicer release to such persons as the Trustee or the Master Servicer shall designate the Custodian's Mortgage Files relating to such Mortgage Loans as the Trustee or the Master Servicer shall request and shall complete the Assignments of Mortgage and endorse the Notes only as, and if, the Trustee or the Master Servicer shall request. The person making such written request shall send notice of such request to all other parties to the Pooling and Servicing Agreement.

9. The Custodian shall, at its own expense, maintain at all times during the existence of this Custodial Agreement and keep in full force and effect (a) fidelity insurance, (b) theft of documents insurance, (c) forgery insurance and (d) errors and omissions insurance. All such insurance shall be in amounts, with standard coverage and subject to deductibles, as are customary for insurance typically maintained by banks which act as custodian in similar transactions provided, however, that so long as the Custodian is rated at least "A" no such insurance shall be required.

10. This Custodial Agreement may be executed simultaneously in any number of counterparts, each of which counterparts shall be deemed to be an original, and such counterparts shall constitute and be one and the same instrument.

11. Within 10 days of each anniversary of the date of

D-3

this Custodial Agreement, or upon the request of the Trustee or the Master Servicer at any other time, the Custodian shall provide to the Trustee and the Master Servicer a list of all the Mortgage Loans for which the Custodian holds a Custodian's Mortgage File pursuant to this Custodial Agreement. Such list may be in the form of a copy of the Mortgage Loan Schedule with manual deletions to specifically denote any Mortgage Loans paid off, liquidated or repurchased since the date of this Custodial Agreement.

12. THIS CUSTODIAL AGREEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, AND THE OBLIGATIONS, RIGHTS AND REMEDIES OF THE PARTIES HEREUNDER SHALL BE DETERMINED IN ACCORDANCE WITH SUCH LAWS.

13. By execution of this Custodial Agreement, the Custodian warrants that it currently does not hold and during the existence of this Custodial Agreement shall not hold any adverse interest, by way of security or otherwise, in any Mortgage Loan, and hereby waives and releases any such interest which it may have in any Mortgage Loan as of the date hereof.

14. The Custodian may terminate its obligations under this Custodial Agreement upon at least 60 days notice to the Trustee and the Master Servicer , provided that so long as Bankers Trust Company is the Master Servicer, Bankers Trust Company will not resign from its duties hereunder. In the event of such termination, the Trustee shall appoint a successor Custodian. Upon such appointment, the Custodian shall promptly transfer to the successor Custodian, as directed, all Custodian's Mortgage Files being administered under this Custodial Agreement.

15. This Custodial Agreement shall terminate upon the final payment or other liquidation (or advance with respect thereto) of the last Mortgage Loan or the disposition of all property acquired upon foreclosure or deed in lieu of foreclosure of any Mortgage Loan, and the final remittance of all funds due the

Certificateholders under the Pooling and Servicing Agreement. In such event, all documents remaining the Custodian's Mortgage Files shall be forwarded to the Trustee.

16. All demands, notices and communications hereunder shall be in writing and shall be deemed to have been duly given when received by the addressee. Any such demand, notice or communication hereunder shall be deemed to have been received on the date delivered to or received at the premises of the addressee (as evidenced, in the case of registered or certified mail, by the date noted on the return receipt).

17. The Master Servicer shall indemnify, defend, and

D-4

hold harmless the Custodian for any actions taken by the Custodian at its written request.

D-5

IN WITNESS WHEREOF, the Custodian, the Master Servicer and the Trustee have caused their names to be signed hereto by their respective officers thereunto duly authorized, all as of the date first written above.

BANKERS TRUST COMPANY
as Custodian

By: _____
Name: Kellie R. Rodriguez
Title: Assistant Vice President

BANKERS TRUST COMPANY,
as Master Servicer

By: _____
Name: Kellie R. Rodriguez
Title: Assistant Vice President

MARINE MIDLAND BANK,
as Trustee

By: _____
Name: BarbaraJean McCauley
Title: Assistant Vice President

D-6

EXHIBIT A

Notes Not in the Possession of the Custodian

Loan Number

-----*

* Seller claims that the original Note was transmitted by it to the Custodian but the Custodian cannot confirm that the original Note is in its possession.

D-7

EXHIBIT E

FORM OF SUBSERVICING AGREEMENT

E-1

SUBSERVICING AGREEMENT

THIS SUBSERVICING AGREEMENT (the "Agreement") is made as of this [____] day of [____], by and between [____] and [____], as subservicer in such capacity (the "Subservicer").

RECITALS

A. Pursuant to that certain Pooling and Servicing Agreement dated as of November 1, 1994 (the "Pooling and Servicing Agreement") among LTC REMIC Corporation, as Depositor (the "Depositor"), Marine Midland Bank, as Trustee (the "Trustee"), Bankers Trust Company as Master Servicer (the "Master Servicer") and LTC Properties, Inc., as Special Servicer and originator ("LTC"), the Depositor transferred the entire beneficial ownership in certain mortgage loans (the "Mortgage Loans") to the extent described in the Pooling and Servicing Agreement in exchange for certain pass-through certificates issued in multiple classes. Capitalized terms used herein and not otherwise defined shall have the respective meanings set forth in the Pooling and Servicing Agreement.

B. Pursuant to the Pooling and Servicing Agreement, the Master Servicer has agreed to service the Mortgage Loans and to perform certain other duties as more fully described in the Pooling and Servicing Agreement.

C. The Master Servicer and the Subservicer desire to enter into this Agreement for the purpose of transferring from the Master Servicer to the Subservicer certain of the Master Servicer's rights and obligations under the Pooling and Servicing Agreement, as more fully set forth herein.

NOW, THEREFORE, in consideration of the mutual covenants, agreements, representations and warranties set forth herein, the parties hereto do hereby agree as follows:

1. Representations, Warranties and Covenants of Subservicer. The

Subservicer hereby represents and warrants to and covenants with the Master Servicer that as of the date hereof and at all times during the term hereof:

1.1 Organization. The Subservicer is a corporation duly organized,

validly existing and in good standing under the laws of the State of [_____] and is or will be in compliance with the laws of each state in which any Mortgaged Property is located to the extent necessary to ensure the enforceability of

E-2

each Mortgage Loan by the Subservicer in accordance with the terms of this Agreement.

1.2 No Breach. The execution and delivery of this Agreement by the

Subservicer and its performance of and compliance with the terms of this Agreement will not violate the Subservicer's articles of incorporation or by-laws or constitute a default (or an event which, with notice or the lapse of time or both, would constitute a default) under, or result in the breach of, any material contract, agreement or other instrument to which the Subservicer is a party or which may be applicable to the Subservicer or any of its assets.

1.3 Authority. This Agreement, assuming due authorization,

execution and delivery by the Master Servicer, constitutes a valid, legal and binding obligation of the Subservicer, enforceable against it in accordance with the terms hereof, except as such enforcement may be limited by applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, receivership, moratorium and similar laws affecting the rights and remedies of creditors generally and by general principles of equity, including principles of commercial reasonableness, good faith and fair dealing (regardless of whether such enforcement is sought in a proceeding in equity or at law).

1.4 No Violation. The Subservicer is not in violation of, and the

execution and delivery of this Agreement by the Subservicer and its performance and compliance with the terms of this Agreement will not constitute a violation with respect to, any law or regulation applicable to the Subservicer, any order or decree of any court or of any federal, state, municipal or governmental agency having jurisdiction, which violation could reasonably be expected to materially affect the performance of its duties hereunder.

1.5 No Litigation. No litigation is pending or, to the best

knowledge of the Subservicer, threatened, against the Subservicer which would prohibit its entering into or performing its obligations under this Agreement.

2. Subservicing of Mortgage Loans.

2.1 General Duties. The Subservicer shall perform for the Master

Servicer all services and duties described herein and in the Schedule of Duties

to be performed by the Subservicer attached to this Agreement as Exhibit A, in each case in accordance with the terms of the Pooling and Servicing Agreement and of applicable law. In performing its duties hereunder, the Subservicer shall have the status of and shall act as an independent contractor. Nothing herein shall be construed to create a

E-3

partnership or joint venture between the Master Servicer and the Subservicer. Nothing contained in this Agreement shall prohibit the Master Servicer from taking any action, including the payment of advances or other amounts, which it deems necessary to assure the fulfillment of any of its duties under the Pooling and Servicing Agreement or any related document, agreement or instrument, whether or not the Subservicer is also required to fulfill such duty pursuant to this Agreement.

2.2 Remittance Reports and Accounting. In addition to the other

reports and information that the Subservicer is required to provide to the Master Servicer pursuant to this Agreement, the Subservicer shall provide to the Master Servicer in each month during the term hereof, no later than the Determination Date, (i) the information described in Exhibit B attached hereto and (ii) with respect to any Subservicing Account (as defined below) or other fund or account maintained by the Subservicer hereunder, a statement prepared by the Subservicer setting forth the status of the applicable fund or account as of the close of business on such Determination Date and detailing, for the period covered by such statement, each category of deposit into and withdrawal from and earnings on such fund or account (clauses (i) and (ii) together, "Servicing Information"); provided, however, that the Subservicer shall obtain and provide

the Master Servicer with as much Servicing Information as is available on the [] day of the month in which the related Determination Date occurs and shall continuously update such Servicing Information through such Determination Date.

In addition, on or before April 30 of each year, beginning with April 30, 1995, the Subservicer at its expense shall cause to be prepared and delivered to the Master Servicer, a statement in the form, and prepared by a firm of Independent public accountants satisfying the criteria described in Section 3.15 of the Pooling and Servicing Agreement, except that such statement shall relate to the Subservicer's subservicing activities hereunder.

Notwithstanding any other provision contained herein, any required statements, certifications, elections, notices, reports, plans or responses to direction from any Person which are required by the Pooling and Servicing Agreement to be in the name of or to be otherwise provided by the Master Servicer and which are delegated to the Subservicer hereunder shall be prepared by the Subservicer at its expense in the form required by the Pooling and Servicing Agreement and shall be delivered, no later than the second Business Day prior to the day such item is required from the Master Servicer under the Pooling and Servicing Agreement, to the Master Servicer for its execution as Master Servicer and its distribution in accordance with the Pooling and Servicing Agreement.

E-4

2.3 Fidelity Bond and Insurance. The Subservicer, at no expense to

the Master Servicer, shall keep in force during the term of this Agreement, for the benefit of the Trustee and the Master Servicer, a policy or policies of insurance covering errors and omissions for failure in the performance of the Subservicer's obligations under this Agreement, which policy or policies shall be in such form and amount that would meet the servicing requirements of prudent institutional commercial mortgage lenders and loan servicers. The Subservicer shall also maintain a fidelity bond in the form and amount that would meet the servicing requirements of prudent institutional commercial mortgage lenders and loan servicers. The Subservicer shall be deemed to have complied with this provision if an affiliate of the Subservicer has such errors and omissions and fidelity bond coverage and, by the terms of such insurance policy or fidelity bond, the coverage afforded thereunder extends to the Subservicer. Each such fidelity bond and errors and omissions policy shall be issued by an insurer having a claims-paying ability of at least "A" by S&P and "A" by Fitch or otherwise acceptable to the Rating Agencies; provided, however, that so long as

the long term debt or deposit obligations of the Subservicer are rated at least "A" by S&P and Fitch, the Subservicer shall be allowed to provide self-insurance with respect to an errors and omissions insurance policy; provided further that if such long term debt or deposit obligation is at the time of such investment not rated by Fitch, such long term debt or deposit need only be rated by S&P. Any such errors and omissions policy and fidelity bond shall not be canceled without 10 days' prior written notice to the Trustee and the Master Servicer.

2.4 Documents Received After Termination. The Subservicer shall

promptly deliver and remit to the Master Servicer any Mortgage Files and any and all bills, invoices, insurance policies, letters, documents and all other

correspondence or communications relating to the Mortgage Loans (collectively, "Loan Documents") that are received by the Subservicer after termination of this Agreement. The Subservicer's obligations under this Section 2.4 with respect to such documents, correspondence and communications shall be those of a trustee or other fiduciary.

2.5 Establishment of Accounts. The Subservicer shall establish and

maintain one or more accounts, referred to collectively as the "Subservicing Account," in accordance with Section 3.1(b)(l) of the Pooling and Servicing Agreement. The Subservicer shall deposit into the Subservicing Account not later than the first Business Day after receipt thereof all proceeds of Mortgage Loans received by the Subservicer in accordance with

E-5

Section 3.1(b)(2) of the Pooling and Servicing Agreement, without any deduction for the Subservicer's servicing compensation, and the Subservicer shall deliver all Principal Prepayments and Balloon Payments to the Master Servicer in accordance with Section 3.1(b)(3) of the Pooling and Servicing Agreement not later than one Business Day after receipt thereof. If the Subservicer fails to remit to the Master Servicer any amounts required to be remitted pursuant to this section, the Subservicer shall pay interest at the Advance Rate on amounts not remitted.

2.6 Statements as to Compliance. On or before April 15 of each

year, beginning April 30, 1995, the Subservicer will deliver to the Master Servicer, the Trustee and the Depositor an Officers' Certificate stating, as to the signatory thereof, that (i) a review of the activities of the Subservicer during the preceding calendar year (or such longer period from the Closing Date to the end of the related calendar year) and of its performance under this Agreement has been made under such officer's supervision, (ii) to the best of such officer's knowledge, based on such review, the Subservicer has fulfilled all of its obligations under this Agreement in all material respects throughout such year (or such longer period), or, if there has been a default in the fulfillment of any such obligation in any material respect, specifying each such default known to such officer, the nature and status thereof and what action the Subservicer proposes to take with respect thereto and (iii) whether it has received any notice regarding qualification, or challenging the status, of either of the Upper-Tier REMIC or the Lower-Tier REMIC as a REMIC from the Internal Revenue Service or any other governmental agency or body.

2.7 Purchase of All Outstanding Mortgage Loans. The Subservicer shall

be assigned, the right of the Master Servicer during the term of this Agreement to exercise the option contained in Section 9.1(c) of the Pooling and Servicing Agreement to purchase all of the Mortgage Loans then included in the Trust Fund, all property acquired in respect of any Mortgage Loan and any assets conveyed to the Trust Fund.

If the Subservicer elects to exercise such option, it shall notify the Master Servicer and the Trustee of such election no later than 30 days prior to the Early Termination Determination Date, as provided in Section 9.1 of the Pooling and Servicing Agreement.

Upon payment by the Subservicer to the Master Servicer for deposit into the Collection Account in accordance with the Pooling and Servicing Agreement of the amount required by Section 9.1 thereof in connection with the exercise of such option, the Master Servicer shall release or cause to be released to the

E-6

Subservicer, promptly upon its receipt thereof, the Mortgage Files for the remaining Mortgage Loans and REO Properties, and shall execute and deliver such instruments of transfer or assignment, in each case without recourse, as shall be necessary to vest in the Subservicer title to such Mortgage Loans and REO Properties.

2.8 Filing and Recording Fees. All costs and fees incurred in

connection with the filing of any UCC-2 or UCC-3 filings or the recording of any assignments or reassignments of leases, rents and profits pursuant to Section 2.01 of the Pooling and Servicing Agreement shall be borne by LTC REMIC Corporation.

3. Compensation to the Subservicer.

3.1 Subservicing Fee. As compensation for the activities of the

Subservicer hereunder, the Master Servicer shall, no later than the first Business Day following each Distribution Date, remit to the Subservicer the Subservicing Fee, as described below, with respect to each Mortgage Loan,

payable from amounts in the Collection Account paid to the Master Servicer. The Subservicing Fee, with respect to each Mortgage Loan and for each Due Period, shall be an amount equal to thirty days' interest (or, in the event of any payment of interest which accompanies a Principal Prepayment in full made by the related Borrower during such Due Period, interest for the number of day covered by such payment of interest) at a rate equal to .0015 per annum on the Scheduled Principal Balance of such Mortgage Loan; provided however, that the Subservicer's right to receive the Subservicing Fee shall be subject to the requirement that the Subservicing Fee be applied to cover any excess of Prepayment Interest Shortfalls over prepayment Interest Excess for such Due Period. The right to receive the Subservicing Fee may not be transferred in whole or in part except in connection with the transfer of all of the Subservicer's responsibilities and obligations under this Agreement.

3.2 Reimbursements. The Master Servicer shall remit to the

Subservicer, solely from funds available to the Master Servicer pursuant to the Pooling and Servicing Agreement, amounts sufficient to indemnify the Subservicer for any loss, liability or expense incurred by the Subservicer for which indemnity from the Trust Fund is received by the Master Servicer pursuant to Section 6.3 of the Pooling and Servicing Agreement if and when funds are available for withdrawal in respect thereof by the Master Servicer pursuant to the Pooling and Servicing Agreement, subject to the Master Servicer's recovery of its loss, liability or expenses from such monies.

3.3 Other Expenses. The Subservicer shall be

E-7

required to pay all expenses incurred by it in connection with its subservicing activities hereunder, including payment of premiums for the fidelity bond and insurance required by Section 2.3 hereof. Except as otherwise provided herein, the Master Servicer shall not be responsible to reimburse the Subservicer for any expenses incurred by the Subservicer or any disbursements or advances required to be made by the Subservicer in the performance of the Subservicer's duties hereunder and under the Pooling and Servicing Agreement. It is hereby understood that the Subservicing Fee and the reimbursement payments payable under Section 3.2 hereof represent the sole compensation payable by the Master Servicer to the Subservicer hereunder.

3.4 Expenses of the Master Servicer. The Subservicer covenants and

agrees to pay or reimburse the Master Servicer, upon request, for all reasonable expenses, disbursements, and advances, if any, incurred or made by the Master Servicer in accordance with any of the provisions of the Pooling and Servicing Agreement (including the reasonable compensation and the expenses and disbursements of its counsel and of all Persons not regularly in its employ, whether or not such expenses are incurred in connection with any Opinion of Counsel required or permitted to be obtained by the Master Servicer), including, without limitation, any costs of enforcing this Agreement and any insurance premiums paid pursuant to Section 3.8 of the Pooling and Servicing Agreement (other than any fees and expenses of independent public accountants incurred pursuant to Section 3.15 of the Pooling and Servicing Agreement on behalf of the Master Servicer and any premiums for errors and omissions insurance with respect to the Master Servicer, for which the Master Servicer shall be solely responsible); provided, however, that the Subservicer shall have no obligation

to pay or reimburse the Master Servicer for any such expense, disbursement or advance as may arise solely and directly from the Master Servicer's negligence, intentional misconduct or bad faith.

3.5 Master Servicer Obligations. The Master Servicer agrees to

request payment and/or reimbursement as contemplated by Sections 3.1 and 3.2 hereof when and as permitted by, and in accordance with, the Pooling and Servicing Agreement. In addition, the Master Servicer shall furnish the Subservicer with copies of all notices received by the Master Servicer under the Pooling and Servicing Agreement (other than such notices furnished by the Subservicer) as soon as is practicable following the Master Servicer's receipt of the same.

4. Term. Except in the event that this Agreement is terminated

pursuant to Section 5.1, 5.2 or 5.3 hereof, this Agreement shall continue in effect until the termination of the obligations and responsibilities of the parties to the Pooling

E-8

and Servicing Agreement under the Pooling and Servicing Agreement pursuant to Article IX thereof.

5. Termination.

5.1 Termination for Cause. The occurrence of any of the following

events shall constitute a "Subservicer Default:"

(a) If the Subservicer shall fail to pay to the Master Servicer any amount due to the Master Servicer pursuant to Section 3.4 or 7.1 hereunder and such failure shall continue for a period of 50 days after written notice thereof has been delivered to the Subservicer by the Master Servicer;

(b) If the Subservicer shall fail to make any payment, other than as described in (a) above, when due hereunder;

(c) If the Subservicer shall materially breach any other term of this Agreement or any term of the Pooling and Servicing Agreement specified in Exhibit A hereto and such breach shall not be cured within 50 days after written notice thereof has been delivered to the Subservicer by the Master Servicer;

(d) If a decree or order for relief of a court or agency or supervisory authority having jurisdiction in the premises in an involuntary case under any present or future federal or state bankruptcy, insolvency or similar law or the appointment of a conservator or receiver or liquidator in any insolvency, readjustment of debt, marshalling of assets and liabilities or similar proceeding, or for the winding-up or liquidation of its affairs, shall have been entered against the Subservicer and such decree or order shall have remained in force undischarged or unstayed for a period of 60 days; or the Subservicer shall consent to the appointment of a conservator or receiver or liquidator in any insolvency, readjustment of debt, marshalling of assets and liabilities or similar proceedings of or relating to the Subservicer or of or relating to all or substantially all of its property; or the Subservicer shall admit in writing its inability to pay its debts generally as they become due, file a petition to take advantage of any applicable bankruptcy, insolvency or reorganization statute, make an assignment for the benefit of its creditors, voluntarily suspend payment of its obligations; or

(e) If the Subservicer shall assign or attempt to assign its interest under this Agreement or delegate or attempt to delegate any portion of its rights, duties or

E-9

obligations hereunder without the written consent of the Master Servicer; provided, however, that delegation of the Subservicer's duties and obligations shall not constitute a default hereunder so long as the Subservicer remains primarily liable to the Master Servicer for the duties or obligations so delegated.

In each and every case, so long as a Subservicer Default shall not have been remedied, the Master Servicer may, by notice in writing to the Subservicer, terminate all of the rights and obligations of the Subservicer as subservicer under this Agreement. On or after the receipt by the Subservicer of such written notice, all of its authority and power under this Agreement shall pass to and be vested in the Master Servicer pursuant to and under this Section.

5.2 Termination by Trustee or Other Successor Master Servicer.

Notwithstanding anything to the contrary contained herein, in the event that the Master Servicer shall, for any reason (including, without limitation, termination of the Master Servicer pursuant to Article VII of the Pooling and Servicing Agreement) no longer be the Master Servicer under the Pooling and Servicing Agreement, the Trustee or any successor Master Servicer under the Pooling and Servicing Agreement shall, pursuant to Section 9 hereof, assume the rights and obligations of the Master Servicer under this Agreement. The Trustee or such successor Master Servicer shall be entitled to terminate this Agreement without cause upon 10 days' prior written notice to the Subservicer.

5.3 Rights Upon Termination. Upon termination of this Agreement

pursuant to Section 5.1 hereof, the Subservicer shall deliver to the Master Servicer all documents relating to the Mortgage Loans in its possession not previously delivered to the Master Servicer, together with all funds held with respect to the Mortgage Loans. In addition, the Subservicer shall cooperate with the Master Servicer and use its reasonable best efforts to assist the Master Servicer in the transfer of the servicing rights to the Master Servicer or the Master Servicer's nominee. Upon termination of this Agreement pursuant to Section 5.2 hereof, the Subservicer shall deliver to the Trustee, as successor to the rights and obligations of the Master Servicer hereunder, all documents relating to the Mortgage Loans in its possession not previously delivered to the Master Servicer, together with all funds held with respect to the Mortgage Loans, and shall cooperate with and assist the Trustee to the same extent as it would the Master Servicer pursuant to the preceding sentence. The Master Servicer and the Subservicer each covenants and agrees to comply with all laws,

rules and regulations of any federal, state or local government authority applicable to the termination

E-10

of this Agreement and the transfer of the servicing rights to the Master Servicer or the Trustee, as applicable.

5.4 Limitation on Resignation of the Subservicer. The Subservicer

shall not resign from the obligations and duties hereby imposed on it except (a) by mutual consent of the Master Servicer and the Subservicer, or (b) upon determination that its duties hereunder are no longer permissible under applicable law. Any such determination pursuant to the foregoing clauses shall be evidenced by an Opinion of Counsel to such effect delivered to the Master Servicer.

6. Additional Rights of the Master Servicer.

6.1 Ownership of Documentation. Subject to the rights of the

Trustee and the Certificateholders under the Pooling and Servicing Agreement, all Mortgage Files held or received by the Subservicer in connection with the subservicing of the Mortgage Loans, whether or not prepared, developed or originated by the Subservicer, shall be and remain at all times the property of the Master Servicer, it being expressly understood that any Mortgage Files in the possession of the Subservicer are retained in a custodial capacity only in order, and during only such time as is necessary, to permit the performance of the Subservicer's obligations hereunder. Subject to the last sentence of this Section 6.1, the Subservicer shall not acquire any vested rights with respect to the Mortgage Files and shall not have the right to possession of them except as may be necessary to permit the Subservicer to fulfill its obligations hereunder. Subsequent to the termination of this Agreement, the Subservicer shall promptly deliver all such Mortgage Files to the Master Servicer or the Trustee, as applicable. Such delivery shall be accompanied by a list identifying the Mortgage File for each Mortgage Loan, the Master Servicer's loan number (provided that the Master Servicer previously has furnished its loan numbers to the Subservicer) and such other information as is reasonably requested by the Master Servicer or the Trustee to identify the Mortgage Loans so delivered. Notwithstanding anything contained in this Section 6.1 to the contrary, copies of Mortgage Files maintained by the Subservicer shall remain the property of the Subservicer and may be retained by the Subservicer after the termination of this Agreement.

6.2 Inspection of Mortgage Records. The Master Servicer and its

representatives, agents, consultants, examiners and other Persons authorized by the Master Servicer shall have the right to inspect the documents and records maintained by the Subservicer with respect to the Mortgage Loans during the Subservicer's regular business hours upon reasonable notice, and the Subservicer shall make such documents and records available to

E-11

the Master Servicer for inspection. The Subservicer shall afford the Depositor and the Trustee access to records in accordance with Section 6.5 of the Pooling and Servicing Agreement.

7. Indemnification.

7.1 General. The Subservicer agrees to pay, and shall indemnify,

defend and hold harmless, the Master Servicer and the Master Servicer's directors, officers, employees and agents (collectively, "Indemnatee"), from and against any loss, liability, penalty, fine or expense incurred in connection with any action or claim (including the reasonable compensation and the expenses and disbursements of its counsel) incurred in defending any claim or action or enforcing this indemnity that may result from, relate to or arise out of the Subservicer's acting as subservicer under, breach of or failure to act under, this Agreement or any payment contemplated under, or transaction contemplated by, this Agreement; provided, however, that the indemnity obligation of the

Subservicer shall not apply to any loss, liability or expense arising or resulting from (a) the negligence, intentional misconduct or bad faith of such Indemnatee, (b) the failure of the Master Servicer to perform its obligations hereunder, (c) the breach of the Master Servicer's representations and warranties in Section 2.5 of the Pooling and Servicing Agreement or (d) actions taken, or omitted to be taken, by the Subservicer specifically in accordance with instructions furnished by the Master Servicer pursuant to or in connection with this Agreement; and provided, further, that upon full payment of the

indemnity provided herein, the Subservicer shall be subrogated to all rights and

remedies of the Indemnitee so indemnified, in respect of the matter against which indemnity has been paid.

7.2 Survival. All indemnities, obligations, adjustments and payments

provided for in this Section 7 shall survive, and remain in full force and effect, notwithstanding the expiration or other termination of this Agreement or of the Pooling and Servicing Agreement. The obligations of the Subservicer in respect of all such indemnities, obligations, adjustments and payments are expressly made for the benefit of, and shall be enforceable by, the Indemnitee entitled thereto, without declaring any breach of or default under the Pooling and Servicing Agreement or taking any other action thereunder, and notwithstanding any provision of the Pooling and Servicing Agreement.

8. Notices. Any notices and communications hereunder shall be given and

deemed given as provided for in Section 10.4 of the Pooling and Servicing Agreement.

9. Right of Assumption by Trustee. In the event that the

E-12

Master Servicer shall, for any reason, no longer be the Master Servicer under the Pooling and Servicing Agreement, including without limitation termination of the Master Servicer in accordance with Article VII thereof, the Trustee, as successor to the Master Servicer in its capacity as the Master Servicer under the Pooling and Servicing Agreement or any successor Master Servicer, shall succeed to all of the rights, title and interest of the Master Servicer and assume all of the obligations, duties and liabilities of the Master Servicer under this Agreement without any further act. In such event, the Trustee or the successor Master Servicer appointed pursuant to the Pooling and Servicing Agreement shall be deemed to have replaced the Master Servicer as a party to this Agreement to the same extent as if this Agreement had been assigned to the assuming party. Notwithstanding the foregoing, the Master Servicer shall not thereby be relieved of any obligations, duties or liabilities under this Agreement with regard to events occurring prior to the date the Master Servicer ceased to be the Master Servicer under the Pooling and Servicing Agreement. Following the assumption of the rights and obligations of the Master Servicer pursuant to this Section, the Subservicer at the expense of the Master Servicer shall, upon the request of the Trustee or such successor Master Servicer, deliver to the assuming party all documents and records relating to this Agreement and the Mortgage Loans then being serviced and an accounting of amounts collected and held by it and otherwise use its reasonable best efforts to effect the orderly and efficient transfer of this Agreement to the assuming party.

10. Miscellaneous.

10.1 Entire Agreement; Amendments. This Agreement together with the

other written agreements referred to herein is intended by the parties to be the final expression of their agreement with respect to the subject matter hereof, and is intended as the complete and exclusive statement of the terms of the agreement between the parties. As such, this Agreement supersedes any prior understanding between the parties, whether oral or written. Notwithstanding the foregoing, in the event that the provisions of this Agreement are inconsistent with the provisions of the Pooling and Servicing Agreement, the provisions of the Pooling and Servicing Agreement shall prevail. Any amendments to this Agreement shall be in writing and shall be signed by all parties hereto.

10.2 Invalidity. To the extent permitted by law, the invalidity of any

portion of this Agreement shall in no way affect the remaining portions hereof.

10.3 GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY AND

CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW

E-13

YORK.

10.4 Agreement Binding. This Agreement shall be binding upon and

inure to the benefit of the parties hereto and their respective successors and permitted assigns.

10.5 Counterparts. This Agreement may be executed in any number of

counterparts. Each counterpart so executed shall be deemed an original, but all such counterparts shall together constitute one and the same instrument.

10.6 Assignment. Neither party shall assign this Agreement or any

rights hereunder (including but not limited to the right to receive compensation or money due hereunder) without the prior written consent of the other party hereto; provided, however, that any assumption of the Master Servicer's rights

pursuant to Section 9 hereof shall not require the consent of either party hereto.

10.7 Disputes. In the event of any dispute between the parties to

this Agreement, the prevailing party shall be entitled to immediate payment of all costs incurred by such party in such dispute, including but not limited to court costs and reasonable attorneys's fees.

10.8 Section Headings. Section headings of this Agreement are

inserted for convenience only and do not in any manner limit or expand this Agreement and do not constitute a part of this Agreement.

10.9 Further Assurances. To the extent permitted by law, each of the

Master Servicer and the Subservicer agree that it will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such further instruments as either party hereto or the Trustee may reasonably request to effectuate the intention of or facilitate the performance of this Agreement or the Pooling and Servicing Agreement.

10.10 Exercise of Rights. No failure or delay on the part of either

party to exercise any right, power or privilege under this Agreement and no course of dealing between the Master Servicer and the Subservicer shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege under this Agreement preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein expressly provided are cumulative and not exclusive of any rights or remedies which a party would otherwise have pursuant to law or equity. No notice to or demand on any party in any case shall entitle such party to

E-14

any other or further notice or demand in similar or other circumstances, or constitute a waiver of the right of the other party to any other or further action in any circumstances without notice or demand.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first set forth above.

[_____]

By: _____
Name:
Title:

[_____]

By: _____
Name:
Title:

E-15

EXHIBIT A

Schedule of Duties to be Performed by the Subservicer

In addition to the duties otherwise contained in the Subservicing Agreement, the Subservicer shall be obligated to perform the following, in each case at the time and in the manner required under the terms of the Pooling and Servicing Agreement (capitalized terms used in this Exhibit A have the meanings assigned thereto in the Subservicing Agreement or the Pooling and Servicing Agreement, as the case may be):

1. To provide the Trustee and the Master Servicer with the list of

[illegible]

<C>

<CAPTION>

	Paid Through Date	Liquidation Date	Liquidation Amount	Loan Status	Payment Retension Account Indicate

<S>	<C>	<C>	<C>	<C>	<C>

</TABLE>

E-19

0.00	0.00	0.00	0.00	0.00
-----	-----	-----	-----	-----

E-20

LTC COMMERCIAL MORTGAGE PASS-THROUGH CERTIFICATES

SERIES 1996-1

PURCHASE AGREEMENT

Dated March 27, 1996

LTC COMMERCIAL MORTGAGE PASS-THROUGH CERTIFICATES

SERIES 1996-1

PURCHASE AGREEMENT

March 27, 1996

Goldman, Sachs & Co.
85 Broad Street
New York, New York 10004

Ladies and Gentlemen:

LTC REMIC Corporation, a Delaware corporation (the "Company") and LTC Properties, Inc., a Maryland corporation, as originator ("LTC"), hereby agree with Goldman Sachs & Co., a New York limited partnership (the "Purchaser"), as follows:

1. The Certificates. The Company expects to enter into a Transfer and

Repurchase Agreement to be dated as of March 1, 1996 (the "Transfer Agreement"), which will provide for the transfer by LTC to the Company of all of the right, title and interest of LTC in a pool of mortgage loans (the "Mortgage Loans") secured by first and second mortgage liens on properties that provide healthcare and/or long-term nursing care (the "Mortgaged Properties"), together with certain related assets. The Company, in its capacity as depositor, expects to enter into a Pooling and Servicing Agreement, to be dated as of March 1, 1996 (the "Pooling Agreement"), with LaSalle National Bank, as trustee (the "Trustee"), ABN AMRO Bank N.V., as fiscal agent (the "Fiscal Agent"), GMAC Commercial Mortgage Corporation, as master servicer (the "Master Servicer") and LTC, as special servicer and originator. In addition, LTC will enter into a subservicing agreement to be dated as of March 1, 1996 with GMAC Commercial Mortgage Corporation (the "Subservicing Agreement"). The Pooling Agreement will provide for the issuance of pass-through certificates (the "Certificates") that evidence undivided interests in a trust (the "Trust

Fund") whose assets will consist of the Mortgage Loans and other related assets. The Mortgage Loans have an aggregate unpaid principal balance of approximately \$112,487,255 as of the close of business on March 1, 1996 (the "Cut-Off Date"), after giving effect to payments of principal due on or before the Cut-Off Date. Unless otherwise specifically defined herein, all capitalized terms shall have the meanings ascribed to them in the Pooling Agreement or the Offering Circular. The Pooling Agreement, the Transfer Agreement, the Subservicing Agreement, this Agreement and each Assignment (as defined in the Transfer Agreement) relating to a Mortgage Loan are hereinafter referred to collectively as the "Agreements."

2. Representations and Warranties of the Company and LTC.

(a) Each of the Company and LTC represents and warrants, jointly and severally, to the Purchaser as of the date hereof, with respect to itself, as follows:

(i) A preliminary offering circular dated March 15, 1996 (the "Preliminary Offering Circular") and a final offering circular dated March 27, 1996 (the "Final Offering Circular" and, together with the Preliminary Offering Circular, the "Offering Circular") has been prepared in connection with the offering of the Offered Certificates (as defined herein). The Preliminary Offering Circular and the Offering Circular and any amendments or supplements thereto will not, as of the date thereof, contain any untrue

statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. There are no facts known to it which, individually or in the aggregate, may impair its ability to perform its obligations under any of the Agreements;

(ii) Each of the Agreements to which it is or will be a party has or will have been duly authorized, executed and delivered by such party at the time of closing and, assuming due execution and delivery by the other parties thereto, constitutes or will constitute a legal, valid and binding agree-

2

ment of such party, enforceable against such party in accordance with its terms. The Certificates and the Agreements will conform to the description thereof in the Offering Circular;

(iii) The issuance and sale of the Offered Certificates and the compliance by it with all of the provisions of the Certificates and the Agreements, and the consummation of the transactions herein and therein contemplated will not conflict with or result in a breach or violation of any of the terms or provisions of, or constitute a default under, any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which it is a party or by which it is bound or to which any of its property or assets is subject, nor will such action result in any violation of the provisions of its Charter or By-laws or other similar documents or any statute or any order, rule or regulation of any court or governmental agency or body having jurisdiction over it or any of its properties; and no consent, approval, authorization, order, registration or qualification of or with any such court or governmental agency or body is required for the issue and sale of the Offered Certificates or consummation by it of the transactions contemplated by any of the Agreements, except such consents, approvals, authorizations, registrations or qualifications as may be required under the securities or Blue Sky laws of the United States or any state in connection with the purchase and resale of the Offered Certificates by the Purchaser and except for recordation of assignments of the Mortgage Loans which will be effected following the Closing. It is not in breach or violation of any indenture or other material agreement or instrument to which it is a party or by which it is bound, or in violation of any applicable statute or regulation or any order of any court, regulatory body, administrative agency or governmental body having jurisdiction over it, which breach or violation would have material adverse effect on the ability of such party to perform its obligations under any of the Agreements to which it is a party;

(iv) Any taxes, fees and other governmental charges in connection with the execution and

3

delivery of the Agreements, the transfer of the Mortgage Loans to the Trust Fund and the execution, authentication, issuance and delivery of the Offered Certificates have been or will be paid at or prior to the Closing Date;

(v) There is no action, suit or proceeding against, or investigation of, such party pending or to its knowledge threatened, before any court, administrative agency or other tribunal which, either individually or in the aggregate, (A) asserts the invalidity of any of the Agreements or the Certificates, (B) seeks to prevent the issuance of the Certificates or the consummation of any of the transactions contemplated by any of the Agreements, (C) could either individually or in the aggregate, materially and adversely affect the performance by it of its obligations under, or the validity or enforceability of, any of the Agreements or the Certificates or (D) seeks to affect the federal income tax or ERISA attributes of the Certificates described in the Offering Circular;

(vi) Neither it, nor any of its Affiliates, nor any person authorized or employed by it has, directly or indirectly, sold or offered for sale or disposed of, or attempted or offered to sell or dispose of, any Offered Certificate or similar security other than the Certificates that are not Offered Certificates, or solicited offers to buy any Offered Certificate or similar security other than the Certificates that are not Offered Certificates from, or otherwise approached or negotiated with respect thereto, any person or persons other than the Purchaser. Neither it, nor any of its Affiliates will, directly or indirectly, offer or sell any Certificate or similar security in a manner which would render the issuance and sale of the Certificates a violation of Section 5 of the Securities Act of 1933, as amended (the "1933 Act"), or require registration pursuant thereto, nor will it authorize any person to act in such manner;

(vii) (A) It is not an open-end investment company, unit

investment trust or face-amount certificate company that is or is required to be registered under Section 8 of the United States

4

Investment Company Act of 1940, as amended (the "1940 Act"), and (B) neither it, nor any person acting on its behalf, other than the Purchaser, has offered or sold the Certificates by means of any general solicitation or general advertising within the meaning of Rule 502(c) under the 1933 Act;

(viii) It has been duly incorporated or created and is validly existing as a corporation in good standing under the laws of the jurisdiction of its incorporation, and, as applicable, has elected to be treated as a real estate investment trust under Section 856(c) of the Code, with the power and authority (corporate and other) to own its properties and conduct its business as described in the Offering Circular, with respect to it, and to enter into the Agreements to which it is party and has been duly qualified as a foreign corporation for the transaction of business and is in good standing under the laws of each other jurisdiction in which it owns its properties or conducts any such business as to require such qualification, except where failure to obtain such qualification would not have a material adverse effect on the condition (financial or otherwise), assets, business or results of operations of the Company and LTC taken as a whole provided, however, that in no event shall LTC or the

Company be obligated to qualify to do business in any jurisdiction where it is not now so qualified or to take any action which would subject it to service of process in suits, other than those arising out of the offering or sale of the Offered Certificates, in any jurisdiction where it is not so subject;

(ix) It is not in violation of its Charter or By-laws or in default in the performance or observance of any material obligation, covenant or condition contained in any indenture, mortgage, deed of trust, loan agreement, lease or other material agreement or instrument to which it is respectively a party or by which it or any of its properties may be bound;

(x) It is not under any obligation to pay any broker's fee or any commission in connection with the transactions contemplated by this Agreement, other than the purchase discount and other

5

amounts payable to the Purchaser set forth in Schedule I hereto;

(xi) For federal income tax purposes, the Upper-Tier REMIC and the Lower-Tier REMIC will each qualify as a REMIC pursuant to Section 860D of the Internal Revenue Code of 1986 (the "Code"). Each Class of Certificates other than the Class R Certificates and the Class LR Certificates, will qualify as "regular interests" in the Upper-Tier REMIC, each class of Lower-Tier Interests will qualify as "regular interests" in the Lower-Tier REMIC, and the Class R and Class LR Certificates will be the "residual interest" in the Upper-Tier REMIC and the Lower-Tier REMIC, respectively, within the meaning of the Code; and

(xii) The offering and sale of the Offered Certificates are exempt from the registration requirements of the 1933 Act. The Pooling Agreement is not required to be qualified under the Trust Indenture Act of 1939, as amended.

(b) LTC represents and warrants to the Purchaser as of the date hereof as follows:

(i) Immediately prior to the transfer of the Mortgage Loans to the Company pursuant to the Transfer Agreement, LTC will own full legal and equitable title to each Mortgage Loan free and clear of any lien, mortgage, pledge, charge, encumbrance, adverse claim or other security interest. The transfer of the Mortgage Loans to the Company pursuant to the Transfer Agreement will be effective to convey to the Company all of LTC's right, title and interest in and to the Mortgage Loans; and

(ii) The transactions contemplated by the Transfer Agreement do not involve all or substantially all of the assets of LTC. The transfer, assignment and conveyance of the Mortgage Loans and related assets by LTC pursuant to the Transfer Agreement is not subject to bulk transfer laws or any similar statutory provisions in effect in any applicable jurisdiction.

(c) The Company represents and warrants to the Purchaser as of the date hereof as follows:

(i) Immediately prior to the transfer of the Mortgage Loans

to the Trust Fund pursuant to the Pooling Agreement, the Company will own full legal

6

and equitable title to each Mortgage Loan free and clear of any lien, mortgage, pledge, charge, encumbrance, adverse claim or other security interest. The transfer of the Mortgage Loans to the Trust Fund pursuant to the Pooling Agreement, either (A) will be effective to transfer to the Trust Fund all of the Company's right, title and interest in and to the Mortgage Loans or (B) will be effective to create a valid and perfected first priority security interest (other than any lien granted pursuant to Article II of the Transfer Agreement) in the Mortgage Loans in favor of the Trustee for the benefit of the Certificateholders;

(ii) When the Offered Certificates are issued and delivered pursuant to the Pooling Agreement and this Agreement, such Certificates will not be of the same class (within the meaning of Rule 144A under the 1933 Act) as securities which are listed on a national securities exchange registered under Section 6 of the Securities Exchange Act of 1934, as amended (the "1934 Act"), or quoted in a U.S. automated inter-dealer quotation system;

(iii) The transfer, assignment and conveyance of the Mortgage Loans and related assets by the Company pursuant to the Pooling Agreement is not subject to bulk transfer laws or any similar statutory provisions in effect in any applicable jurisdiction; and

(iv) All of the issued shares of capital stock of the Company have been duly and validly authorized and issued and are fully paid and non-assessable.

3. Representations and Warranties of the Purchaser. The

Purchaser represents to the Company as follows:

(a) The Purchaser agrees not to solicit any offer to buy any Offered Certificates from, or offer to sell any Offered Certificates to, any person in the United States unless (i) the Purchaser reasonably believes that at such time such person and each other person for whom such person is acting are "qualified institutional buyers" within the meaning of Rule 144A

7

under the 1933 Act or pursuant to an exemption from registration provided by Rule 144 under the 1933 Act, and (ii) the Purchaser reasonably believes that any purchase of Offered Certificates by such person will be for such person's own account or for one or more accounts as to each of which such person exercises sole investment discretion and not with a view to any distribution, as such term is interpreted under the 1933 Act; provided, however, that if the purchase

is of a class of Certificates other than the Class A Certificates, then the person shall not be a person that is an employee benefit plan subject to the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), or Section 4975 of the Code, or any person acting on behalf of such plan or using the assets of any such plan in such transfer unless an exemption from the Plan Assets Rule thereunder is applicable. The Purchaser understands that any such employee benefit plan subject to the fiduciary responsibility provisions of ERISA or Section 4975 of the Code, any governmental plan, as defined in Section 3(32) of ERISA, and any such person acting on behalf of or using the assets of any such plan, are prohibited from acquiring the Class X-1, Class X-2, Class R, Class LR, Class B, Class C, Class D, Class E, Class F or Class G Certificates, and that disqualified organizations (as defined in the Code) are prohibited from acquiring the Class R and Class LR Certificates unless such an exemption applies.

(b) The Purchaser is an accredited investor within the meaning of Rule 501(a) (1) under the 1933 Act.

(c) The Purchaser is not an employee benefit plan subject to ERISA or a disqualified organization (as defined in the Code) prohibited from acquiring the Class R and Class LR Certificates.

(d) The Purchaser has not offered or sold and will not offer or sell the Offered Certificates by means of any general solicitation or general advertising within the meaning of Rule 502(c) under the 1933 Act.

4. Purchase and Sale of the Certificates. In reliance upon the

representations and warranties contained in the Agreements and subject to the terms and conditions set forth herein, the Company agrees to sell to the Purchaser, and the Purchaser agrees to purchase

from the Company, (i) \$69,177,000 aggregate principal amount of 7.06% Class A Certificates (the "Class A Certificates"), (ii) \$8,718,000 aggregate principal amount of 7.44% Class B Certificates (the "Class B Certificates"), (iii) \$7,593,000 aggregate principal amount of 7.56% Class C Certificates (the "Class C Certificates"), (iv) \$5,062,000 aggregate principal amount of 7.97% Class D Certificates (the "Class D Certificates"), (v) \$1,000 aggregate principal amount of 9.16% Class R Certificates (the "Class R Certificates") and (vi) \$1,000 aggregate principal amount of 9.16% Class LR Certificates (the "Class LR Certificates") and, together with the Class A, Class B, Class C, Class D and Class R Certificates, the "Offered Certificates") at an aggregate price (the "Purchase Price") equal to the amount described in Schedule I hereto.

The Purchase Price shall be payable to the Company by wire transfer to an account at a bank in New York City specified by the Company, in immediately available funds, or by such other method as the Purchaser and the Company may agree upon in writing.

5. The Closing; Delivery of the Certificates. The purchase and sale

of the Offered Certificates pursuant hereto (the "Closing") shall be held on or prior to March 29, 1996, or on such other date as shall be mutually acceptable to the Company and the Purchaser (the "Closing Date"). The Closing shall take place at the offices of Skadden, Arps, Slate, Meagher & Flom, 919 Third Avenue, New York, New York 10022 at 10:00 a.m. (New York City time) on the Closing Date or at such other time and place in New York City as the Purchaser and the Company may agree upon in writing. Not later than 1:00 p.m. (New York City Time) on the Business Day prior to the Closing Date the Company shall deliver through, and place in the custody of, the facilities of The Depository Trust Company ("DTC"), against payment of the Purchase Price, one global certificate for the Class A Certificates in the denomination of \$69,177,000, one global certificate for the Class B Certificates in the denomination of \$8,718,000, one global certificate for the Class C Certificates in the denomination of \$7,593,000 and one global certificate for the Class D Certificates in the denomination of \$5,062,000, each registered in the name of Cede & Co., as nominee of DTC. At the Closing, the Company will deliver to the Purchaser against payment of

the Purchase Price, one Class R Certificate in the denomination of \$1,000 and one Class LR Certificate in the denomination of \$1,000 in all cases registered in the Purchaser's name or in the name of its nominee and delivered to the Purchaser in definitive certificated form; provided, however, that if the

Purchaser requests the Company in writing not less than forty-eight hours prior to the Closing Date to issue to the Purchaser Offered Certificates in other denominations (authorized pursuant to Section 5.1 of the Pooling Agreement) that equal in the aggregate the denominations mentioned in this sentence for the relevant Class, the Company will comply with such request. The Certificates will be made available for checking and delivery at least twenty-four hours prior to the Closing at the offices of Skadden, Arps, Slate, Meagher & Flom, 919 Third Avenue, New York, New York 10022.

6. Covenants of the Company and LTC. Each of the Company and LTC

jointly and severally, agree with the Purchaser:

(a) To prepare the Offering Circular in a form approved by the Purchaser and to make no further amendment or any supplement to the Offering Circular to which the Purchaser objects promptly after reasonable notice thereof; and to advise the Purchaser promptly of any such amendment or supplement after such Closing and to furnish the Purchaser with copies thereof;

(b) Promptly from time to time to take such action as the Purchaser may reasonably request to qualify the Offered Certificates for offering and sale under the securities laws of such jurisdictions in the United States as the Purchaser may request and to comply with such laws so as to permit the continuance of sales and dealings therein in such jurisdictions for as long as may be necessary to complete the distribution of the Offered Certificates; provided, that in connection therewith neither the Company nor LTC shall be

required to qualify as a foreign corporation or to file a general consent to service of process in any jurisdiction;

(c) To furnish the Purchaser with such number of copies as the Purchaser may reasonably request of the Offering Circular and each amendment or supplement thereto and additional copies in such quantities as the

Purchaser may from time to time reasonably request, and, if at any time prior to

the expiration of six months after the date hereof for such Offered Certificates, any event shall have occurred as a result of which the Offering Circular as then amended or supplemented would include an untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in light of the circumstances under which they were made when such Offering Circular was delivered, not misleading, or, if for any other reason it shall be necessary or desirable during such same period to amend or supplement the Offering Circular, to notify the Purchaser and upon its request to prepare and furnish without charge to the Purchaser as many copies as the Purchaser may from time to time reasonably request of an amended Offering Circular or a supplement to the Offering Circular which will correct such statement or omission or effect such compliance;

(d) If at any time after the period referred to in Section 6(c) the Purchaser shall be required to deliver an Offering Circular in connection with the offering or sale of Certificates, to promptly provide, at the expense of the Purchaser, as many copies of an appropriately updated Offering Circular as the Purchaser shall reasonably request;

(e) During the period beginning from the date hereof and continuing until the expiration of six months after the Closing, not to offer, sell, contract to sell or otherwise dispose of any securities which are substantially similar to the Offered Certificates, without the prior written consent of the Purchaser; and

(f) Not to offer, sell, contract to sell or otherwise dispose of any of the Certificates, or any securities that are substantially similar to the Certificates, in any manner that would cause the offering and sale of the Offered Certificates pursuant to this Agreement to fail to qualify for the exemption from registration afforded by Section 4(2) of the Act; provided, however, that if the purchase is of a class of Certificates other than

the Class A, Class X-1 or Class X-2 Certificates, then the person shall not be a person that is an employee benefit plan subject to the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), or Section 4975 of the Code, or any person

11

acting on behalf of such plan or using the assets of any such plan.

7. Expenses. The Company and LTC jointly and severally covenant and

agree with the Purchaser that, whether or not the transactions contemplated hereby shall be consummated, it will pay, cause to be paid, or reimburse the Purchaser upon demand for, all reasonable expenses (including, without limitation, all reasonable out-of-pocket expenses which the Purchaser, in its sole discretion, may incur) in connection with any of the Agreements, the Certificates and the transactions contemplated thereby, including, without limitation, (i) the fees, disbursements and expenses of the Company's counsel and accountants in connection with the issuance of the Certificates, the preparation and printing of the Offering Circular and amendments and supplements thereto and the mailing and delivering of copies thereof to the Purchaser; (ii) the cost of printing or producing this Agreement and any other Agreements, the blue sky and legal investment memoranda and any other documents in connection with the offering, purchase, sale and delivery of the Certificates; (iii) all expenses in connection with the qualification of the Certificates for offering and sale under state securities laws as provided in Section 6(b) hereof, including the fees and disbursements of counsel for the Purchaser in connection with such qualification and in connection with the Blue Sky and legal investment surveys; (iv) any fees charged by securities rating services for rating the Certificates; (v) the cost of preparing the Certificates, obtaining a private placement number for the Certificates and delivering the Certificates to the Purchaser; (vi) the fees and expenses of the Trustee and any agent of the Trustee and the fees and disbursements of counsel for the Trustee in connection with any of the Agreements and the Certificates; (vii) the legal fees, expenses and disbursements of counsel to the Purchaser; and (viii) all other costs and expenses incident to the performance by either of the Company or LTC of its obligations hereunder which are not otherwise specifically provided for in this Section.

8. Conditions of the Purchaser's Obligation. The obligation of the

Purchaser set forth in Section 4 to purchase the Offered Certificates on the Closing Date shall be subject to the accuracy of the representations and warranties as of the date hereof and as of the Clos-

12

ing Date that are made on the part of either or both of the Company and LTC and contained in this Agreement, the accuracy of the statements made by either or both of the Company or LTC in any certificates furnished pursuant to the provisions hereof and the following additional conditions:

(i) Each of the Company and LTC shall have complied with all the agreements and satisfied all the obligations on its part to be performed or satisfied at or prior to the Closing Date under any of the Agreements;

(ii) The Purchaser shall have completed a review of such documentation relating to the Mortgage Loans as the Purchaser may deem appropriate and, on the basis of such review, nothing shall have come to the attention of the Purchaser that causes it to conclude that there is any breach of or inaccuracy in the representations and warranties of either the Company or LTC set forth in this Agreement;

(iii) On or prior to the date hereof and on or prior to the Closing Date, the Purchaser shall have received a letter, dated as of each such date, of Coopers and Lybrand, certified public accountants, to which the Purchaser has previously agreed and otherwise in form and substance satisfactory to the Purchaser and to counsel to the Purchaser;

(iv) The Purchaser shall have received an opinion from Weil, Gotshal & Manges, LLP, counsel to the Company and LTC, dated the Closing Date in form and substance satisfactory to the Purchaser to the effect that:

(a) The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and has all requisite corporate power and authority to own, lease and operate its properties and to carry on its business as now being conducted. The Company is duly qualified to transact business and is in good standing as a foreign corporation in each jurisdiction where the character of its activities requires such qualifica-

13

tion, except where the failure of the Company to be so qualified would not have a material adverse effect on the business, operations or financial condition of the Company;

(b) The Company has all requisite corporate power and authority to execute and deliver the Agreements and the Assignments and to perform its obligations thereunder. The execution, delivery and performance of the Agreements and the Assignments by the Company and the consummation by the Company of the transactions contemplated thereby have been duly authorized by all necessary corporate action on the part of the Company. The Agreements and the Assignments have been duly and validly executed and delivered by the Company and the Agreements (assuming the due authorization, execution and delivery thereof by LTC, the Trustee and the Master Servicer) constitute the legal, valid and binding obligations of the Company and LTC, to the extent a party thereto, enforceable against them in accordance with their respective terms, subject to applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and similar laws affecting creditors' rights and remedies generally, and subject, as to enforceability, to general principles of equity, including principles of commercial reasonableness, good faith and fair dealing (regardless of whether enforcement is sought in a proceeding at law or in equity) and except that (A) rights to indemnification thereunder may be limited by federal or state securities laws or public policy relating thereto and (B) certain remedial provisions of the Agreements are or may be unenforceable in whole or in part under the laws of the State of New York, but the inclusion of such provisions does not affect the validity of the Agreements, and the Agreements contain adequate provisions for the practical realization of the rights and benefits afforded thereby. No opinion shall be expressed in this paragraph as to the perfection or priority of any liens granted pursuant to the Pooling Agreement;

14

(c) Neither the issuance or sale of the Certificates nor the execution and delivery of the Agreements, the consummation of the transactions contemplated thereby and compliance by the Company with any of the provisions thereof will conflict with, constitute a default under or violate (i) any of the terms, conditions or provisions of the certificate of incorporation or by-laws of the Company, (ii) any of the terms, conditions or provisions of any material agreement or other instrument to which the Company is a party or by which it is bound of which such counsel is aware, (iii) any New York, Delaware corporate or federal law or regulation (other than federal and state securities or Blue Sky laws, as to which such counsel may express no opinion except as set forth in paragraph (g) below), or (iv) any judgement, writ, injunction, decree, order or ruling of any court or governmental authority binding on the Company of which such counsel is

aware;

(d) No consent, approval, waiver, license or authorization or other action by or filing with any New York, Delaware corporate or federal governmental authority is required in connection with the execution and delivery by the Company of the Agreements, the issuance of the Certificates of the offer, sale or delivery of the Certificates in the manner and under the circumstances contemplated by this Agreement or the consummation by the Company of the transactions contemplated thereby, except for federal and state securities or Blue Sky laws, as to which such counsel may express no opinion except as set forth in paragraph (g) below;

(e) To such counsel's knowledge, there is no litigation, proceeding or governmental investigation pending or overtly threatened against the Company that relates to any of the transactions contemplated by any of the Agreements;

(f) Each Certificate, when executed and authenticated by the Trustee in accordance with the Pooling Agreement and delivered and paid

15

for by the Purchaser in accordance with this Agreement, will be validly issued and outstanding and entitled to the benefits of the Pooling Agreement, subject to applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and similar laws affecting creditors' rights and remedies generally, and subject, as to enforceability, to general principles of equity, including principles of commercial reasonableness, good faith and fair dealing (regardless of whether enforcement is sought in a proceeding at law or in equity) and except that (A) rights to indemnification thereunder may be limited by federal or state securities laws or public policy relating thereto and (B) certain remedial provisions of the Pooling Agreement are or may be unenforceable in whole or in part under the laws of the State of New York, but the inclusion of such provisions does not affect the validity of the Pooling Agreement, and the Pooling Agreement contains adequate provisions for the practical realization of the rights and benefits afforded thereby. No opinion shall be expressed in this paragraph as to the perfection or priority of any liens granted pursuant to the Pooling Agreement;

(g) Assuming the accuracy of the representations and warranties of the Company in Section 2 of this Agreement and of the Purchaser in Section 3 of this Agreement, the offer, issuance, sale and delivery of the Class A, Class B, Class C, Class D, Class R and Class LR Certificates to the Purchaser and the reoffer, resale and delivery of the Class A, Class B, Class C, Class D, Class R and Class LR Certificates by the Purchaser in compliance with the applicable provisions of this Agreement and the Pooling Agreement does not require registration under the 1933 Act. The Pooling Agreement is not required to be qualified under the Trust Indenture Act of 1939, as amended;

(h) The statements contained in the Offering Circular under the headings "Certain Federal Income Tax Consequences," "ERISA Con-

16

siderations" and "Certain Legal Aspects of the Mortgage Loans," to the extent that they constitute matters of law or legal conclusions with respect thereto, are a fair and accurate summary of the matters addressed therein under existing law and the assumptions stated therein;

(i) The Trust Fund is not required to be registered as an "investment company" under the Investment Company Act of 1940, as amended (the "1940 Act");

(j) The Pooling Agreement provides and the Company and the Trustee state therein that they intend, that the transfer of the Mortgage Loans to the Trustee constitutes a sale. If, however, a court were to find that such transfer did not constitute a sale then assuming (i) delivery and continued possession in New York by the Custodian of the Notes, endorsed in the name of the Trustee or in blank, and (ii) that the Custodian was without notice of any adverse claim (as such term is used in Section 8-302 of the New York Uniform Commercial Code (the "UCC")) with respect to the Notes, the execution and delivery of the Pooling Agreement are effective to create a valid and duly perfected lien on and security interest in the Notes, as security for the obligations of the Company to the Trustee pursuant to the Pooling Agreement, which is subject to no prior lien or security

interest. The opinion set forth in this paragraph is subject to standard exceptions; and

(k) Such counsel have participated in conferences with officers and other representatives of the Company, Stern, Neubauer, Greenwald & Pauly, LTC's California real estate counsel, the Purchaser and the Purchaser's counsel in connection with the preparation of the Offering Circular and although such counsel have not independently verified and are not passing upon and assume no responsibility for the accuracy, completeness or fairness of the statements contained in the Offering Circular no facts have come to such counsel's attention

17

which lead such counsel to believe that the Offering Circular, at any time from the date thereof through the date of such opinion, contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements contained therein, in light of the circumstances under which they were made, not misleading (it being understood that such counsel may express no view with respect to the financial, statistical and accounting data included in or appended as exhibits to the Offering Circular).

(v) The Purchaser shall have received an opinion of counsel from Weil, Gotshal & Manges, LLP counsel to the Company and LTC, dated the Closing Date, in form and substance satisfactory to the Purchaser to the effect that:

(a) the Trust Fund will qualify for treatment for Federal income tax purposes as two separate real estate mortgage investment conduits, as defined in Section 860D of the Code (the "Upper-Tier REMIC" and the "Lower-Tier REMIC");

(b) the Class A Certificates, Class B Certificates, Class C Certificates, Class D Certificates, Class E Certificates, Class F Certificates, Class G Certificates, Class X-1 Certificates and Class X-2 Certificates will constitute "regular interests" in the Upper-Tier REMIC and the Class R Certificates will constitute the single class of "residual interests" in the Upper-Tier REMIC within the meaning of the Code; and

(c) The Class AL Interest, the Class BL Interest, the Class CL Interest, the Class DL Interest, the Class EL Interest, the Class FL Interest, Class GL Interest, and the Class X-1L Interest will constitute "regular interests" in the Lower-Tier REMIC and the Class LR Certificates will constitute the single class of "residual interests" in the Lower-Tier REMIC within the meaning of the Code.

18

(vi) The Purchaser shall have received an opinion from Ballard Spahr Andrews & Ingersoll, Maryland local counsel to LTC, dated the Closing Date in form and substance satisfactory to the Purchaser to the effect that:

(a) LTC has been duly incorporated and is validly existing as a corporation in good standing under the laws of the State of Maryland;

(b) LTC possesses the corporate power and authority to own its current properties and to conduct its business as now being conducted and as described in the Offering Circular and to execute and deliver, and perform its obligations under, the Agreements. LTC has all requisite corporate power and authority to convey to the Company, the Mortgage Loans (as defined in the Transfer Agreement) as contemplated by the Transfer Agreement;

(c) All necessary corporate action has been taken to authorize the execution and delivery by LTC of the Agreements and the performance by LTC of its obligations thereunder; and the Agreements, have been duly executed and delivered on behalf of LTC;

(d) The execution and delivery by LTC of the Agreements and compliance by LTC with the provisions thereof: (i) does not, and will not, conflict with or violate any of the terms and provisions of LTC's Charter or By-Laws or the Maryland General Corporation Law (the "MGCL"); (ii) will not conflict with, result in a breach or violation of or the acceleration of indebtedness under or constitute a default under the terms of any indenture or other agreement or instrument known to us and to which LTC is a party or by which it is bound; and (iii) does not, and will not, require any consent, approval, authorization

or, registration or filing with, or notice to, any governmental or regulatory authority, agency, department, commission, board, bureau, body or instrumentality of the State of Maryland pursuant to any provision of the MGCL; and

19

(e) Based solely upon an officer's certificate and to such counsel's knowledge, there is no action, suit or proceeding against, or governmental investigation of LTC, pending or threatened before any Maryland court or Maryland administrative agency which (i) seeks to prevent the performance by LTC of its obligations under the Agreements, (ii) might materially and adversely affect the performance by LTC of its obligations under, or the validity of, the Agreements or (iii) might materially and adversely affect the rights of LTC with regard to any Mortgaged Property except as disclosed in the applicable title insurance policies and related documentation delivered at Closing.

(vii) the Purchaser shall have received an opinion from Latham & Watkins, California Counsel to LTC dated Closing Date in form and substance satisfactory to the Purchaser to the effect that:

(a) LTC is qualified to do business in the State of California;

(b) The execution and delivery of the Transfer Agreement and Pooling Agreement by LTC and the performance of the obligations of LTC under the Transfer Agreement and Pooling Agreement do not (i) violate any California statute or regulation applicable to LTC, (ii) require any consents, approvals, authorizations, registrations, declarations or filing by LTC under and California statute or regulation applicable to LTC (except for any filings with respect to any UCC financing statement for the transfer of the Mortgage Loans, as to which we express no opinion), (iii) result in the creation or imposition of any lien, charge or encumbrance upon the Mortgage Loans, the Certificates or any property or assets of LTC, except such liens, charges or encumbrances, if any, that may arise as a result of the Transfer Agreement and Pooling Agreement, or (iv) violate any judgement, writ, injunction, decree, order or ruling of any court or governmental authority binding on LTC of which we are aware. No opinion is ex-

20

pressed in this paragraph (b) as to the application of any antifraud laws or securities or Blue Sky laws (not including the California Real Property Securities Dealers law);

(c) The transfer, assignment and conveyance of the Mortgage Loans by LTC to the Company pursuant to the Transfer Agreement are not subject to the Bulk Sales Law of Division 6 of the California Commercial Code;

(d) A federal or state court sitting in California would honor the parties' choice of law of New York as the law applicable to the Transfer Agreement and Pooling Agreement subject to the qualification that a court in California might not apply the laws of New York respecting (a) the procedural rules governing or affecting any action in California to enforce the Transfer Agreement and Pooling Agreement or (b) any provision or practice condoned or permitted by New York law which is determined to be against a strong public policy of the State of California;

(e) the Lower-Tier REMIC and the Upper-Tier REMIC will each qualify as a REMIC for purposes of the California Revenue and Taxation Code;

(f) As a result of the qualification of the Lower-Tier REMIC and the Upper-Tier REMIC as REMICs for purposes of the California Taxation Code, the Lower-Tier REMIC and the Upper-Tier REMIC will not be subject to California income or franchise taxes, except as provided below. The Lower-Tier REMIC and the Upper-Tier

REMIC may be subject to California income or franchise tax in certain circumstances where Federal income tax is also imposed, such as in the case of net income from foreclosure property. In addition, the Lower-Tier REMIC and the Upper-Tier REMIC may be subject to the minimum California franchise tax under section 23153 of the California Revenue and Taxation Code. The minimum California franchise tax is currently \$800.00 for each income year; and

21

(g) We are unaware of any other California taxes that might be imposed on the Lower-Tier REMIC and the Upper-Tier REMIC, except for (i) local taxes, such as real property taxes and documentary transfer taxes, that might apply to the acquisition, holding or disposition of real property as the result of foreclosure of one more of the Mortgage Loans and (ii) local business license taxes that might be imposed by various jurisdictions within California.

(viii) The Purchaser shall have received an opinion of counsel to the Trustee, dated the Closing Date and in form and substance satisfactory to the Purchaser;

(ix) The Purchaser shall have received an opinion of its counsel, dated the Closing Date and in form and substance satisfactory to the Purchaser;

(x) The Purchaser shall have received an opinion of counsel to GMAC Commercial Mortgage Corporation, as Master Servicer, dated the Closing Date and in form and substance satisfactory to the Purchaser;

(xi) The Purchaser shall have received all opinions required by each of Standard & Poor's Ratings Group and Fitch Investors Service, Inc. in order to obtain the required ratings on the Offered Certificates;

(xii) The Company shall have furnished or caused to be furnished to the Purchaser on the Closing Date certificates of officers of the Company satisfactory to the Purchaser as to the accuracy of the representations and warranties of the Company herein at and as of the Closing Date, as to the performance by the Company of all of its obligations hereunder to be performed at or prior to such Closing Date and as to such matters as the Purchaser may reasonably request;

(xiii) LTC shall have furnished or caused to be furnished to the Purchaser at the Closing Date certificates of officers of LTC satisfactory to the

22

Purchaser as to the accuracy of the representations and warranties of LTC herein at and as such Closing Date, as to the performance by LTC of all of its obligations hereunder to be performed at or prior to such Closing Date as to such matters as the Purchaser may reasonably request;

(xiv) The Class A Certificates shall have been rated not less than "AAA," by each of Standard & Poor's Ratings Services and Fitch Investors Service, L.P.;

(xv) All other opinions, certificates and other documents incident to, and all proceedings in connection with the transactions contemplated by any of the Agreements shall be reasonably satisfactory in form and substance to the Purchaser and its counsel. The Purchaser and its counsel shall have received copies of all documents and other information as they may reasonably request, in form and substance satisfactory to the Purchaser and its counsel, with respect to such transactions and the taking of all proceedings in connection therewith;

(xvi) On or after the date hereof there shall not have occurred any of the following: (i) a suspension or material limitation in trading in securities generally on the New York Stock Exchange; (ii) a suspension or material limitation in trading in LTC securities on the New York Stock Exchange; (iii) a general moratorium on commercial banking activities in New York declared by either Federal or New York State authorities; or (iv) the outbreak or escalation of hostilities involving the United States or the declaration by the United States of a national emergency or war if the effect of any such event specified in this clause (iv) in the Purchaser's judgement makes it impracticable or inadvisable to proceed with the offering or the delivery of, on the terms and in the manner contemplated by this Agreement and the Offering Circular; and

(xvii) Subsequent to the date hereof, there shall not have been any change, or any development involving a prospective change, in or affecting the business or properties of the Company or LTC

singly or in the aggregate, which the Purchaser concludes in its judgment, materially impairs the investment quality of the Offered Certificates so as to make it impractical or inadvisable to market the Offered Certificates as contemplated by the Offering Circular.

If any of the conditions specified in this Section 8 shall not have been fulfilled when and as provided by this Agreement, or if any of the opinions and certificates mentioned above or elsewhere in this Agreement shall not be satisfactory in form and substance to the Purchaser and counsel to the Purchaser, this Agreement and all obligations of the Purchaser hereunder may be cancelled at, or at any time prior to, the Closing Date by the Purchaser. Notice of such cancellation shall be given to the Company in writing, or by telephone confirmed in writing. Such cancellation shall be without prejudice to any rights, claims or remedies that the Purchaser may have pursuant to this Agreement or otherwise against any of the Company or LTC or any other person by reason of such cancellation.

9. Indemnification and Contribution. (a) The Company and LTC will,

jointly and severally, indemnify and hold harmless the Purchaser, the partners, officers, employees and agents of the Purchaser and each person who controls the Purchaser within the meaning of either the 1933 Act or the 1934 Act or otherwise, against any losses, claims, damages or liabilities, joint or several, to which they or any of them may become subject, under the 1933 Act, the 1934 Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon an untrue statement alleged untrue statement of a material fact contained in the Offering Circular, any amendment or supplement thereto, or any information provided to any holder or prospective purchaser of Offered Certificates pursuant to Section 6(d) herein, or any ABS Term Sheets, Structured Term Sheets or Collateral Term Sheets (as such terms are defined in the no action letter dated February 17, 1995, issued by the Securities and Exchange Commission to the Public Securities Association), or arise out of or are based upon the omission or alleged omission to state therein a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, and will reimburse

each such indemnified party for any legal or other expenses reasonably incurred by it in connection with investigating or defending any such action or claim as such expenses are incurred; provided, however, that the Company and LTC will not

be liable in any such case to the extent that any loss, claim, damage or liability arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in the Offering Circular or any such amendment or supplement in reliance upon and in conformity with the information hereto furnished to the Company and LTC by the Purchaser expressly for use therein.

(b) The Purchaser agrees to indemnify and hold harmless each of the Company and LTC and their respective directors, officers, employees and agents and each person who controls the Company or LTC within the meaning of either the 1933 Act or the 1934 Act or otherwise, against any losses, claims, damages or liabilities, joint or several, to which they or any of them may become subject, under the 1933 Act, the 1934 Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon an untrue statement or alleged untrue statement of a material fact contained in the Offering Circular or any amendment or supplement thereto, or any ABS Term Sheets, Structured Term Sheets or Collateral Term Sheets (as such terms are defined in the no action letter dated February 17, 1995, issued by the Securities and Exchange Commission to the Public Securities Association), or arise out of or are based upon the omission or alleged omission to state therein a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, in each case to the extent, but only to the extent, that such statement or alleged untrue statement or omission or alleged omission was made in the Offering Circular or any such amendment or supplement in reliance upon and in conformity with the information hereto furnished to the Company or LTC expressly for use therein, and will reimburse each such indemnified party for any legal or other expenses reasonably incurred by it in connection with investigating or defending any such action or claim as such expenses are incurred. This indemnity agreement shall be in addition to any liability which the Purchaser may otherwise have

(c) Promptly after receipt by an indemnified party under subsection (a) or (b) above of notice of the commencement of any action, such indemnified party shall, if a claim in respect thereof is to be made against an indemnifying party under such subsection, notify the indemnifying party or parties in writing of the commencement thereof, but the omission so to notify the indemnifying party or parties shall not relieve the indemnifying party or

parties form any liability which it or they may have to any indemnified party otherwise than under such subsection. In case any such action shall be brought against any indemnified party, it shall notify the indemnifying party or parties of the commencement thereof, and the indemnifying party or parties shall be entitled to participate therein and, to the extent that it or they shall wish, jointly with any other indemnifying party similarly notified, to assume the defense thereof, with counsel satisfactory to such indemnified party (who shall not, except with the consent of the indemnified party, be counsel to the indemnifying party or parties), and, after notice from the indemnifying party or parties to such indemnified party of its or their election so to assume the defense thereof, the indemnifying party or parties shall not be liable to such indemnified party under such subsection for any legal expense of other counsel or any other expenses, in each case subsequently incurred by such indemnified party, in connection with the defense thereof other than reasonable costs or investigation. No indemnifying party shall, without the written consent of the indemnified party, effect the settlement or compromise of, or consent to the entry of any judgment with respect to, any pending or threatened action or claim in respect of which indemnification or contribution may be sought hereunder (whether or not the indemnified party is an actual or potential party to such action or claim) unless such settlement, compromise or judgment (i) includes an unconditional release of the indemnified party from all liability arising out of such action or claim and (ii) does not include a statement as to or an admission of fault, culpability or a failure to act, by or on behalf of any indemnified party.

(d) If the indemnification provided for in this Section 9 is unavailable to or insufficient to hold harmless an indemnified party under subsection (a) or (b) above in respect of any losses, claims, damages or

26

liabilities (or actions in respect thereof), then the Company and LTC on the one hand and the Purchaser on the other shall contribute to the amount paid or payable as a result of such losses, claims, damages or liabilities (or actions in respect thereof) in such proportion as is appropriate to reflect the relative benefits received by the Company and LTC on the one hand and the Purchaser on the other from the offering of the Offered Certificates. If, however, the allocation provided by the immediately preceding sentence is not permitted by applicable law or if the indemnified party failed to give the notice required under subsection (c) above, then each indemnifying party shall contribute to such amount paid or payable by such indemnified party in such proportion as is appropriate to reflect not only such relative benefits but also the relative fault of the Company and LTC on the one hand and the Purchaser on the other in connection with the statements or omissions which resulted in such losses, claims, damages or liabilities (or actions in respect thereof) as well as any other relevant equitable considerations. The relative benefits received by the Company and LTC on the one hand and the Purchaser on the other shall be deemed to be in the same proportion as the total net proceeds from the offering (before deducting expenses) received by the Company bear to the total purchase discounts and commissions received by the Purchaser. The relative fault shall be determined by reference to, among other things, the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statements or omissions. The amount paid or payable by a party as a result of the losses, claims, damages or liabilities (or actions in respect thereof) referred to above shall be deemed to include any legal or other fees or expenses incurred by such party in connection with investigating or defending any such claim. The Company and LTC and the Purchaser agree that it would not be just and equitable if contribution were determined by pro rata allocation or any other

method of allocation which does not take account of the equitable considerations referred to above. Notwithstanding the provisions of this subsection (d), no person guilty of fraudulent misrepresentation (within the meaning of Section 11 (f) of the 1933 Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.

27

(e) The obligations of the Company under this Section 9 shall be in addition to any liability which the Company may otherwise have and shall extend, upon the same terms and conditions, to each person, if any, who controls the Purchaser within the meaning of the 1933 Act; and the obligations of the Purchaser under this Section 9 shall be in addition to any liability which the Purchaser may otherwise have and shall extend, upon the same terms and conditions, to each officer and director of the Company and to each person, if any, who controls the Company within the meaning of the 1933 Act.

10. Survival. The respective indemnities, agreements,

representations, warranties and other statements of the Company, LTC and the Purchaser, as set forth in this Agreement or made by or on behalf of them, respectively, pursuant to this Agreement, shall remain in full force and effect, regardless of any investigation (or any statement as to the results thereof) made by or on behalf of the Purchaser or any controlling person of the Purchaser, the Company or LTC or any officer, director, employee, agent or controlling person of the Company or LTC and shall survive delivery of and

payment for the offered Certificates.

11 Notices. All notices and other communications hereunder shall be

in writing and shall be sent by mail, telex or facsimile transmission, addressed (a) if to the Purchaser, to Goldman, Sachs & Co., 85 Broad Street, New York, New York 10004, Attention: Steven Stuart, facsimile; (212) 357-5505, (b) if to the Company, to LTC REMIC Corporation, 300 Esplanade Avenue, Suite 1260, Oxnard, CA 93030, Attention: Andre Dimitriadis; and (c) if to the Originator or LTC, to LTC Properties, Inc., 300 Esplanade Drive, Suite 1860, Oxnard, CA 93030 Attention: James Pieczynski, facsimile: (805) 981-8663. Any notice so given shall take effect upon receipt thereof.

12. Miscellaneous. (A) THIS AGREEMENT SHALL BE CONSTRUED AND

ENFORCED IN ACCORDANCE WITH AND GOVERNED BY THE LAW OF THE STATE OF NEW YORK.

(b) The Headings in this Agreement are for purposes of reference only and shall not limit or define the meaning hereof.

28

(c) This Agreement shall be binding upon, and inure solely to the benefit of, the Purchaser, LTC and the Company and, to the extent provided in Sections 9 and 10 hereof, the partners, officers, employees and agents of the Purchaser and the directors, officers, employees and agents of each of the Company and LTC and each person who controls the Company and LTC or the Purchaser, and their respective heirs, executors, administrators, successors and assigns, and no other person shall acquire or have any right under or by virtue of this Agreement. Except with respect to Section 6(e), no purchaser of any of the Offered Certificates from the Purchaser shall be deemed a successor or assign by reason merely of such purchase. No right duty under this Agreement may be assigned or delegated by the Company or LTC without the written consent of the Purchaser and any such assignment or delegation made without such consent shall be null and void for all purposes.

(d) Except as otherwise provided in the final paragraph of Section 8, this Agreement may be changed, waived, discharged or terminated only by an instrument in writing signed by the party against which enforcement of such change, waiver, discharge or termination is sought.

(e) This Agreement may be executed in any number of counterparts, each of which counterparts shall be an original, but all of which shall constitute one instrument.

29

If the foregoing is in accordance with your understanding, please sign and return to us two counterparts hereof, and upon the acceptance hereof by the Purchaser, this letter and such acceptance hereof shall constitute a binding agreement between the Purchaser, the Company and LTC.

Very truly yours,

LTC REMIC CORPORATION

By: /s/ Chris Ishikawa

Name: Chris Ishikawa

Title: Treasurer

LTC PROPERTIES, INC.

By: /s/ James J. Pieczynski

Name: James J. Pieczynski

Title: SUP & CFO

Accepted as of the date hereof:

GOLDMAN, SACHS & CO.

By /s/ Goldman Sachs & Co.

Name: Todd Eagle

Title: Associate

If the foregoing is in accordance with your understanding, please sign and return to us two counterparts hereof, and upon the acceptance hereof by the Purchaser, this letter and such acceptance hereof shall constitute a binding agreement between the Purchaser, the Company and LTC.

Very truly yours,

LTC REMIC CORPORATION

By: _____
Name:
Title:

LTC PROPERTIES, INC.

By: _____
Name:
Title:

Accepted as of the date hereof:

GOLDMAN, SACHS & CO.

By /s/ Goldman Sach & Co

Name: Todd Eagle
Title: Associate

SCHEDULE I TO PURCHASE AGREEMENT

Title of Offered Certificates:
LTC Commercial Mortgage Pass-Through
Certificates, Series 1996-1

Aggregate principal amount:

\$69,177,000 Class A Certificates
\$ 8,718,000 Class B Certificates
\$ 7,593,000 Class C Certificates
\$ 5,062,000 Class D Certificates
\$ 1,000 Class R Certificates
\$ 1,000 Class LR Certificates

<TABLE>
<CAPTION>

Class	Price	Price to Investor*		Purchase Price to Purchaser*	
		As a % of The Principal Amt. of Offered Certificates Price %	Price	As a % of The Principal Amt. of Offered Certificates Price %	Price
<S>	<C>	<C>	<C>	<C>	<C>
A	\$69,151,750	99.9635%	\$68,459,980	98.9635%	
B	\$ 8,716,222	99.9796%	\$ 8,629,042	98.9796%	
C	\$ 7,591,846	99.9848%	\$ 7,515,916	98.9848%	
D	\$ 5,060,497	99.9703%	\$ 5,009,877	98.9703%	
R**	\$ (300,000)	--	\$ (300,000)	--	
LR**	\$ (25,000)	--	\$ (25,000)	--	
	-----	-----	-----	-----	
	\$90,195,314	99.6061%	\$89,289,814	99.6061%	

</TABLE>

* Does not include accrued interest which will be paid from March 1, 1996 up to the Closing Date.

** LTC will pay to the Purchaser an amount equal to the above stated price for the Class R and LR Certificates.

Specified funds for payment of purchase price:
Immediately available funds

Pooling and Servicing Agreement:

Pooling and Servicing Agreement, to be dated as of March 1, 1996, among LTC, as depositor, GMAC Commercial Mortgage Corporation, as Master Servicer LaSalle National Bank, as Trustee, ABN AMRO Bank NV, as fiscal agent, LTC, as special servicer and, as to

I-1

certain provisions described therein, LTC, as originator.

Final Scheduled Distribution Date: April 15, 2028

Interest Rate:

7.06% Class A Certificates
7.44% Class B Certificates
7.56% Class C Certificates
7.97% Class D Certificates

9.16% Class R Certificates
9.16% Class LR Certificates

Interest Payment Dates:

The 15th day of each month, or if such day is not a Business Day, on the next succeeding Business Day.

Time of Delivery: March 29, 1996

Closing Location: Skadden, Arps, Slate, Meagher & Flom 919 Third Avenue
New York, New York, 10022

Name and address of Purchaser:

Goldman, Sachs & Co.
85 Broad Street
New York, New York, 10004

Supplemental Documents, if any, to be delivered with the Final Offering Circular:

None.

I-2

[LETTERHEAD OF GOLDMAN, SACHS & CO.]

\$90,552,000
LTC COMMERCIAL MORTGAGE PASS-THROUGH
CERTIFICATES, SERIES 1996-1
Class A,B,C,D,R,LR Certificates

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS that Goldman, Sachs & Co. does hereby make, constitute and appoint TODD EAGLE of 85 Broad Street, New York, New York

its true and lawful attorney, to execute and deliver in its name and on its behalf, whether Goldman, Sachs & Co. is acting individually or as representative of others,

Purchase Agreement and other related closing documents

giving and granting unto said attorney-in-fact full power and authority to act in the premises as fully and to all intents and purposes as Goldman, Sachs & Co. might or could do if personally present by one of its partners, hereby ratifying and confirming all that said attorney-in-fact shall lawfully do or cause to be done by virtue hereof.

We hereby acknowledge and declare that the said TODD EAGLE as

attorney-in-fact for said firm, constituted by these presents, is hereby directed and authorized to sign such documents and any other instruments or papers necessary or proper in connection with the exercise of the power conferred on him/her by these presents with the signature only of Goldman, Sachs & Co. and that the authorized signature of the name of our said firm, by our said attorney-in-fact, is in the form and chirography as follows:

/s/ Goldman Sachs & Co

IN WITNESS WHEREOF, the undersigned has duly subscribed these presents this 21st day of March, 1996

/s/ Goldman Sachs

(Goldman, Sachs & Co.)

By: [SIGNATURE ILLEGIBLE]

General Partner

EXHIBIT A-5

[FORM OF CLASS E CERTIFICATE]

A-5-1

PRINCIPAL PAYMENTS ON THIS CERTIFICATE ARE PAYABLE IN INSTALLMENTS AS SET FORTH HEREIN. ACCORDINGLY, THE OUTSTANDING PRINCIPAL AMOUNT OF THIS CERTIFICATE AT ANY TIME MAY BE LESS THAN THE INITIAL CERTIFICATE PRINCIPAL AMOUNT SET FORTH BELOW.

THE RIGHTS OF HOLDERS OF THE CLASS E CERTIFICATES TO RECEIVE DISTRIBUTIONS OF PRINCIPAL AND INTEREST IN RESPECT OF THE MORTGAGE LOANS WILL BE SUBORDINATED TO THE RIGHTS OF HOLDERS OF THE CLASS A, CLASS B, CLASS C, CLASS D, CLASS R AND CLASS LR CERTIFICATES TO RECEIVE DISTRIBUTIONS OF INTEREST AND PRINCIPAL.

THIS CERTIFICATE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES ("BLUE SKY LAWS"), AND SUCH CERTIFICATE MAY NOT BE OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (A) BY AN INITIAL INVESTOR (1) TO A PERSON THAT THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A PROMULGATED UNDER THE SECURITIES ACT IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A OR (2) PURSUANT TO AN EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE) AND DELIVERY OF AN OPINION OF COUNSEL, IF REQUIRED BY THE TRUSTEE OR THE CERTIFICATE REGISTRAR AND (B) BY SUBSEQUENT INVESTORS, AS SET FORTH IN (A) ABOVE AND, IN ADDITION, TO INSTITUTIONAL ACCREDITED INVESTORS AS DEFINED IN RULE 501(A)(1), (2), (3) OR (7) OF REGULATION D PROMULGATED UNDER THE SECURITIES ACT IN A TRANSACTION EXEMPT FROM REGISTRATION REQUIREMENTS UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION.

NOTWITHSTANDING THE ABOVE, THIS CERTIFICATE MAY NOT BE PURCHASED BY OR PLEDGED, SOLD OR OTHERWISE TRANSFERRED TO ANY PERSON WHICH IS AN EMPLOYEE BENEFIT PLAN SUBJECT TO THE FIDUCIARY RESPONSIBILITY PROVISIONS OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED, OR SECTION 4975 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED, OR ANY PERSON ACTING ON BEHALF OF ANY SUCH PLAN OR USING THE ASSETS OF SUCH PLAN TO ACQUIRE THIS CERTIFICATE UNLESS THE DEPOSITOR, THE CERTIFICATE REGISTRAR AND THE TRUSTEE ARE PROVIDED WITH AN OPINION OF COUNSEL WHICH ESTABLISHES TO THEIR SATISFACTION THAT THE ACQUISITION AND SUBSEQUENT HOLDING OF SUCH OFFERED CERTIFICATES WOULD NOT CONSTITUTE A NON-EXEMPT PROHIBITED TRANSACTION UNDER ERISA OR THE CODE.

THIS SECURITY WAS ISSUED ON MARCH 29, 1996 AT A PRICE EQUAL TO 87.195200% OF ITS ORIGINAL PRINCIPAL AMOUNT. BASED ON THAT ISSUE PRICE, THIS SECURITY WAS ISSUED WITH ORIGINAL ISSUE DISCOUNT ("OID") FOR FEDERAL INCOME TAX PURPOSES IN AN AMOUNT EQUAL TO

A-5-2

12.8048% OF ITS ORIGINAL PRINCIPAL AMOUNT. THE MONTHLY YIELD TO MATURITY OF THIS SECURITY EXPRESSED ON AN ANNUAL BASIS IS APPROXIMATELY 11.5092% AND THE AMOUNT OF OID ALLOCABLE TO THE SHORT FIRST ACCRUAL PERIOD (MARCH 29, 1996 THROUGH APRIL 15, 1996) AS A PERCENTAGE OF THE ORIGINAL PRINCIPAL AMOUNT OF THE SECURITY IS APPROXIMATELY 3.118106%. THE STATED INTEREST RATE ON THIS SECURITY IS 9.16% PER ANNUM. IN COMPUTING THE MONTHLY YIELD TO MATURITY AND THE OID AMOUNTS SPECIFIED ABOVE, THE FOLLOWING ASSUMPTIONS HAVE BEEN USED:) A METHOD EMBODYING AN ECONOMIC ACCRUAL OF INCOME,) A CONSTANT ANNUAL PREPAYMENT RATE OF 3% ON THE MORTGAGE COLLATERAL UNDERLYING THE CERTIFICATES, AND) 30 DAYS PER MONTH/360 DAYS PER YEAR ACCOUNTING CONVENTION. THE ACTUAL YIELD TO MATURITY AND OID AMOUNTS MAY DIFFER FROM THE PROJECTED AMOUNTS.

LTC COMMERCIAL MORTGAGE PASS-THROUGH CERTIFICATES,
SERIES 1996-1, CLASS E

evidencing a nonassessable, fully paid
percentage interest in a trust fund
which includes a pool of commercial mortgage loans

Pass-Through Rate: 9.16%

No. E-1

Initial Certificate Principal
Amount: \$11,811,000

First Distribution Date:
April 15, 1996

Original Class E Aggregate
Certificate Principal Amount:
\$11,811,000 April 15, 2028

Final Scheduled
Distribution Date:

Cut-Off Date: March 1, 1996

A-5-4

This certifies that LTC REMIC Corporation is the registered owner of the Percentage Interest evidenced by this Certificate (obtained by dividing the initial Certificate Principal Amount of this Certificate by the Aggregate Certificate Principal Amount of all Certificates of such Class, each as noted on the face hereof) in the Trust Fund, including the distributions to be made with respect to the Class E Certificates. The Trust Fund, described more fully below, consists primarily of Mortgage Loans held in trust by the Trustee and serviced by the Master Servicer and the Special Servicer, as applicable. The Trust Fund was created, and the Mortgage Loans are to be serviced, pursuant to the Agreement (as defined below). The Holder of this Certificate, by virtue of the acceptance hereof, assents to the terms, provisions and conditions of the Agreement and is bound thereby. Also issued under the Agreement are the Class A, Class B, Class C, Class D, Class F, Class G, Class X-1, Class X-2, Class R and Class LR Certificates (together with the Class E Certificates, the "Certificates") (the Holders of Certificates issued under the Agreement are collectively referred to herein as "Certificateholders").

This Certificate is issued pursuant to, and in accordance with, the terms of a Pooling and Servicing Agreement dated as of March 1, 1996 (the "Agreement") among LTC REMIC Corporation, as Depositor, LaSalle National Bank, as Trustee, ABN AMRO Bank N.V., as Fiscal Agent, GMAC Commercial Mortgage Corporation, as Master Servicer and LTC Properties, Inc., as Originator and Special Servicer. In addition, LTC will be subservicer for the Mortgage Loans pursuant to a subservicing agreement to be dated as of March 1, 1996 with GMAC Commercial Mortgage Corporation (in such capacity the "Subservicer"). To the extent not defined herein, capitalized terms used herein shall have the meanings assigned thereto in the Agreement.

THIS CERTIFICATE DOES NOT REPRESENT AN INTEREST IN OR A DEPOSIT OR OBLIGATION OF THE DEPOSITOR, THE ORIGINATOR, THE MASTER SERVICER, THE SPECIAL SERVICER, THE SUBSERVICER, THE TRUSTEE OR THE FISCAL AGENT, OR ANY OF THEIR AFFILIATES. THIS CERTIFICATE WILL NOT BE A SAVINGS ACCOUNT OR DEPOSIT AND IS NOT INSURED OR GUARANTEED BY ANY GOVERNMENTAL AGENCY OR INSTRUMENTALITY OR BY ANY PRIVATE ENTITY.

A-5-5

This Certificate represents a "regular interest" in a "real estate mortgage investment conduit," as those terms are defined, respectively, in Sections 860G(a)(1) and 860D of the Internal Revenue Code of 1986, as amended (the "Code"). Each Holder of this Certificate, by acceptance hereof, agrees to treat, and to take no action inconsistent with the treatment of, this Certificate in accordance with the preceding sentence for purposes of federal income taxes, state and local income and franchise taxes and other taxes imposed on or measured by income.

The Trustee makes no representation or warranty as to any of the statements contained herein or the validity or sufficiency of the Certificates or the Mortgage Loans and has caused to be executed and authenticated this Certificate in its limited capacity as Trustee under the Agreement.

Pursuant to the terms of the Agreement, the Paying Agent will distribute, on the fifteenth day of each month or if any such fifteenth day is not a Business Day, on the next succeeding Business Day (each such date, a "Distribution Date"), commencing in April 1996, to the Person in whose name this Certificate is registered as of the related Record Date, an amount equal to such Person's pro rata share (based on the Percentage Interest represented by this Certificate) of that portion of the aggregate amount of principal and interest then distributable, if any, allocable to the Class E Certificates for such Distribution Date, all as more fully described in the Agreement. The amount of interest which accrues on this Certificate during an Interest Accrual Period will be subject to reduction with respect to any Net Prepayment Interest Shortfall allocated to the Class E Certificates, as described in the Agreement.

Interest will accrue on the outstanding Certificate Principal Amount of this Certificate at the Pass-Through Rate specified on the face of this Certificate. Interest will be calculated on the basis of a 360-day year of twelve 30-day months. Interest accrued on this Certificate during an Interest Accrual Period, plus the Outstanding Class Interest Shortfall with respect to this Certificate, if any, will be payable on the related

A-5-6

Distribution Date to the extent provided in the Agreement. The "Interest Accrual Period" relating to any Distribution Date is the one-month period from and including the first day of the month preceding the month in which such Distribution Date occurs to and including the last day of such month, commencing

in March 1996.

With the exception of the final distribution in respect of this Certificate, distributions on this Certificate will be made by the Paying Agent without the presentation or surrender of this Certificate or the making of any notation hereon, by check mailed by first-class mail to the address of the Holder set forth in the Certificate Register, or, provided the Holder holds Certificates the aggregate initial Certificate Principal Amount of which exceeds \$5,000,000 and has provided the Paying Agent with wire instructions in writing at least five Business Days before the related Record Date, by wire transfer of immediately available funds to the account of such Holder at a bank or other entity located in the United States and having appropriate facilities therefor. The final distribution on this Certificate will be made in like manner after notice by the Trustee of the pendency of such distribution and only upon presentation and surrender of this Certificate at the Corporate Trust Office or such other location specified in the notice to Holders of such final distribution.

This Certificate is one of a duly authorized issue of Certificates designated as LTC Commercial Mortgage Pass-Through Certificates, Series 1996-1 and represents a fractional undivided interest in a Trust Fund. As more fully described in and subject to the limitations of the Agreement, the Trust Fund will consist primarily of (i) such Mortgage Loans as from time to time are subject to the Agreement, together with the Mortgage Files relating thereto; (ii) all payments due on or collections in respect of the Mortgage Loans due after the Cut-Off Date; (iii) any REO Property; (iv) all revenues received in respect of any REO Property; (v) the rights of the Trustee, Master Servicer and Special Servicer under the insurance policies with respect to the Mortgage Loans required to be maintained pursuant to this Agreement and any proceeds thereof; (vi) any Assignments of Leases, Rents and Profits; (vii) any guaranties given as additional security for any Mortgage Loans; (viii) all

A-5-7

assets deposited in the Collection Account, the Distribution Account, the Upper-Tier Distribution Account and the REO Account including reinvestment income; and (ix) the proceeds of any of the foregoing.

This Certificate is limited in right of payment to, among other things, certain collections and recoveries in respect of the Mortgage Loans, as more specifically set forth herein and in the Agreement.

As provided in the Agreement, withdrawals from the Collection Account may be made by the Master Servicer from time to time for purposes other than distributions to Certificateholders, such purposes including, among other things, reimbursement or payment to the Master Servicer, the Special Servicer, the Subservicer, the Trustee or the Fiscal Agent of certain expenses incurred or certain fees earned by the Master Servicer, the Special Servicer or the Trustee, including, without limitation, certain Nonrecoverable Advances.

This Certificate does not purport to summarize the Agreement, and reference is made to the Agreement for the interests, rights, benefits, obligations and duties evidenced hereby, and the limitations thereon, and the rights, duties and immunities of the Trustee. This Certificate is issued under and is subject to the terms, provisions and conditions of the Agreement, to which Agreement, as amended from time to time, the holder of this Certificate by virtue of the acceptance hereof assents and by which the holder of this Certificate is bound.

As provided in the Agreement and subject to certain limitations therein set forth, the transfer of this Certificate is registrable in the Certificate Register only upon surrender of this Certificate for registration of transfer at the office of the Certificate Registrar or at the office of its agent in the City of New York. The Trustee or the Certificate Registrar may require that this Certificate be duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Trustee and the Certificate Registrar duly executed by, the Holder hereof or such Holder's attorney duly authorized in writing. Thereupon, one or more new Certificates of a like aggregate Percentage

A-5-8

Interest in the same Class of authorized denominations will be executed and authenticated by the Trustee and delivered by the Certificate Registrar to the designated transferee or transferees.

Prior to due presentation of this Certificate for registration of transfer, the Depositor, the Master Servicer, the Special Servicer, the Subservicer, the Trustee, the Certificate Registrar and any agent of any of them may treat the Person in whose name this Certificate is registered as the owner hereof for all purposes, and none of the Depositor, Master Servicer, the Special Servicer, the Subservicer, the Trustee, the Certificate Registrar or any agent of any of them shall be affected by notice to the contrary.

As provided in the Agreement and subject to certain limitations herein

set forth, this Certificate is exchangeable for other Certificates of the same Class of authorized denominations of like aggregate Percentage Interests, as requested by the Holder surrendering the same.

No service charge will be made to a Certificateholder for any such registration of transfer or exchange, but the Certificate Registrar may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

The Agreement permits, with certain exceptions therein provided, the amendment of the Agreement and the modification of the rights of the Certificateholders under the Agreement at any time by the Depositor, the Master Servicer, the Special Servicer and the Trustee with the consent of the Holders of Class A, Class B, Class C, Class D, Class E, Class F, Class G, Class R, Class LR, Class X-1 and Class X-2 Certificates representing not less than 66-2/3% of the Voting Rights allocated to each such Class of the Certificates affected by the amendment. Any such consent by the Holder of this Certificate shall be conclusive and binding on such Holder and upon all future Holders of this Certificate and of any Certificates issued upon the transfer hereof or in exchange herefor or in lieu hereof whether or not notation of such consent is made upon this Certificate. The Agreement also permits the amendment thereof in certain

A-5-9

circumstances without the consent of the Holders of any of the Certificates, provided that such amendment would not adversely affect in any material respect the interests of any Certificateholder.

Each of the Master Servicer, any Holder of a Class LR Certificate and the Special Servicer, may at its option, upon not less than 30 days' prior notice, given to the Trustee any time on or after the Early Termination Date specifying the Anticipated Termination Date, purchase on the Early Termination Date all, but not less than all, of the Mortgage Loans then included in the Trust Fund, all property acquired in respect of any Mortgage Loans and any assets conveyed to the Trust Fund, at a purchase price, payable in cash, equal to not less than the greater of:

(i) the sum of (without duplication of any amount in clauses (A) through (E) below):

(A) 100% of the unpaid principal balance of each Mortgage Loan included in the Trust Fund as of the Early Termination Determination Date; and

(B) all unpaid interest accrued on such principal balance of each such Mortgage Loan at the related Mortgage Interest Rate to such Early Termination Determination Date; and

(C) the fair market value of all other property included in the Trust Fund as of such Early Termination Determination Date; and

(D) all unreimbursed P&I Advances, unreimbursed Servicing Advances and interest thereon at the Advance Rate; and

(E) all unreimbursed Servicing Fees, Special Servicing Fees and Trustee Fees; and

(ii) the aggregate fair market value (determined in accordance with Section 9.01(d)(ii)(B) of the Agreement) of the Mortgage Loans, and all other property acquired in respect of any Mortgage Loan in the Trust Fund, as of the date of purchase.

A-5-10

The obligations created by the Agreement shall terminate upon the earliest to occur of (i) the repurchase of all Mortgage Loans by the Master Servicer, any Holder of a Class LR Certificate or the Special Servicer as described above; (ii) the later of (a) the distribution to Certificateholders of final payment with respect to the last outstanding Mortgage Loan or (b) the disposition of all property acquired upon foreclosure or deed in lieu of foreclosure with respect to the last outstanding Mortgage Loan and the remittance to the Certificateholders of all funds due under the Agreement; or (iii) the sale of assets of the Trust Fund after the Certificate Principal Amounts of all the Certificates have been reduced to zero under circumstances set forth in the Agreement. In no event, however, will the trust created by the Agreement continue beyond the expiration of 21 years from the death of the last surviving descendant of a certain individual named in the Agreement living on the date thereof.

Unless the Certificate of Authentication on this Certificate has been executed by or on behalf of the Trustee, by manual signature, this Certificate shall not be entitled to any benefit under the Agreement or be valid for any purpose.

IN WITNESS WHEREOF, the Authenticating Agent has caused this Certificate to be duly executed.

LASALLE NATIONAL BANK
as Authenticating Agent

By: _____
Authorized Signatory

Certificate of Authentication

This is one of the Class E Certificates referred to in the Agreement.

Dated: March 29, 1996

LASALLE NATIONAL BANK
as Authenticating Agent

By: _____
Authorized Officer

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned ("Assignor(s)") hereby sell(s), assign(s) and transfer(s) unto _____

_____ (please print or typewrite name(s) and address(es), including postal zip code(s) of assignee(s)) ("Assignee(s)") the entire Percentage Interest represented by the Class E Certificate and hereby authorize (i) the registration of transfer of such interest to Assignee(s) on the Certificate Register of the Trust Fund.

I (we) further direct the Certificate Registrar to issue a new Class E Certificate of the entire Percentage Interest represented by the within Class E Certificates to the above-named Assignee(s) and to deliver such Class E Certificate to the following address:

Date: _____

Signature by or on behalf
of Assignor(s)

Taxpayer Identification Number

DISTRIBUTION INSTRUCTIONS

The Assignee(s) should include the following for purposes of distribution:

Address of the Assignee(s) for the purpose of receiving notices and distributions: _____

Distributions, if be made by wire transfer in immediately available funds to
for the account of _____
account number _____

This information is provided by _____
the Assignee(s) named above, or _____
as its (their) agent.

By _____

[Please print or type name(s)]

Title

Taxpayer Identification Number

A-5-14

EXHIBIT A-6

[FORM OF CLASS F CERTIFICATE]

A-6-1

PRINCIPAL PAYMENTS ON THIS CERTIFICATE ARE PAYABLE IN INSTALLMENTS AS SET FORTH HEREIN. ACCORDINGLY, THE OUTSTANDING PRINCIPAL AMOUNT OF THIS CERTIFICATE AT ANY TIME MAY BE LESS THAN THE INITIAL CERTIFICATE PRINCIPAL AMOUNT SET FORTH BELOW.

THE RIGHTS OF HOLDERS OF THE CLASS F CERTIFICATES TO RECEIVE DISTRIBUTIONS OF PRINCIPAL AND INTEREST IN RESPECT OF THE MORTGAGE LOANS WILL BE SUBORDINATED TO THE RIGHTS OF HOLDERS OF THE CLASS A, CLASS B, CLASS C, CLASS D, CLASS E, CLASS R AND CLASS LR CERTIFICATES TO RECEIVE DISTRIBUTIONS OF INTEREST AND PRINCIPAL.

THIS CERTIFICATE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES ("BLUE SKY LAWS"), AND SUCH CERTIFICATE MAY NOT BE OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (A) BY AN INITIAL INVESTOR (1) TO A PERSON THAT THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A PROMULGATED UNDER THE SECURITIES ACT IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A OR (2) PURSUANT TO AN EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE) AND DELIVERY OF AN OPINION OF COUNSEL, IF REQUIRED BY THE TRUSTEE OR THE CERTIFICATE REGISTRAR AND (B) BY SUBSEQUENT INVESTORS, AS SET FORTH IN (A) ABOVE AND, IN ADDITION, TO INSTITUTIONAL ACCREDITED INVESTORS AS DEFINED IN RULE 501(A)(1), (2), (3) OR (7) OF REGULATION D PROMULGATED UNDER THE SECURITIES ACT IN A TRANSACTION EXEMPT FROM REGISTRATION REQUIREMENTS UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION.

NOTWITHSTANDING THE ABOVE, THIS CERTIFICATE MAY NOT BE PURCHASED BY OR PLEDGED, SOLD OR OTHERWISE TRANSFERRED TO ANY PERSON WHICH IS AN EMPLOYEE BENEFIT PLAN SUBJECT TO THE FIDUCIARY RESPONSIBILITY PROVISIONS OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED, OR SECTION 4975 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED, OR ANY PERSON ACTING ON BEHALF OF ANY SUCH PLAN OR USING THE ASSETS OF SUCH PLAN TO ACQUIRE THIS CERTIFICATE UNLESS THE DEPOSITOR, THE CERTIFICATE REGISTRAR AND THE TRUSTEE ARE PROVIDED WITH AN OPINION OF COUNSEL WHICH ESTABLISHES TO THEIR SATISFACTION THAT THE ACQUISITION AND SUBSEQUENT HOLDING OF SUCH OFFERED CERTIFICATES WOULD NOT CONSTITUTE A NON-EXEMPT PROHIBITED TRANSACTION UNDER ERISA OR THE CODE.

THIS SECURITY WAS ISSUED ON MARCH 29, 1996 AT A PRICE EQUAL TO 79.83333% OF ITS ORIGINAL PRINCIPAL AMOUNT. BASED ON THAT ISSUE PRICE, THIS SECURITY WAS ISSUED WITH ORIGINAL ISSUE DISCOUNT ("OID") FOR FEDERAL INCOME TAX PURPOSES IN AN AMOUNT EQUAL TO 20.1667% OF ITS ORIGINAL PRINCIPAL AMOUNT. THE MONTHLY YIELD TO

A-6-2

MATURITY OF THIS SECURITY EXPRESSED ON AN ANNUAL BASIS IS APPROXIMATELY 13.0092% AND THE AMOUNT OF OID ALLOCABLE TO THE SHORT FIRST ACCRUAL PERIOD (MARCH 29, 1996 THROUGH APRIL 15, 1996) AS A PERCENTAGE OF THE ORIGINAL PRINCIPAL AMOUNT OF THE SECURITY IS APPROXIMATELY 4.534045%. THE STATED INTEREST RATE ON THIS SECURITY IS 9.16% PER ANNUM. IN COMPUTING THE MONTHLY YIELD TO MATURITY AND THE OID AMOUNTS SPECIFIED ABOVE, THE FOLLOWING ASSUMPTIONS HAVE BEEN USED: A METHOD EMBODYING AN ECONOMIC ACCRUAL OF INCOME, A CONSTANT ANNUAL PREPAYMENT RATE OF 3% ON THE MORTGAGE COLLATERAL UNDERLYING THE CERTIFICATES, AND A 30 DAYS PER MONTH/360 DAYS PER YEAR ACCOUNTING CONVENTION. THE ACTUAL YIELD TO MATURITY AND OID AMOUNTS MAY DIFFER FROM THE PROJECTED AMOUNTS.

A-6-3

LTC COMMERCIAL MORTGAGE PASS-THROUGH CERTIFICATES,
SERIES 1996-1, CLASS F

evidencing a nonassessable, fully paid
percentage interest in a trust fund
which includes a pool of commercial mortgage loans

Pass-Through Rate: 9.16%

No. F-1

Initial Certificate Principal
Amount: \$4,500,000

First Distribution Date:
April 15, 1996

Original Class F Aggregate
Certificate Principal Amount:
\$4,500,000

Final Scheduled
Distribution Date:
April 15, 2028

Cut-Off Date: March 1, 1996

A-6-4

This certifies that LTC REMIC Corporation is the registered owner of the Percentage Interest evidenced by this Certificate (obtained by dividing the initial Certificate Principal Amount of this Certificate by the Aggregate Certificate Principal Amount of all Certificates of such Class, each as noted on the face hereof) in the Trust Fund, including the distributions to be made with respect to the Class F Certificates. The Trust Fund, described more fully below, consists primarily of Mortgage Loans held in trust by the Trustee and serviced by the Master Servicer and the Special Servicer, as applicable. The Trust Fund was created, and the Mortgage Loans are to be serviced, pursuant to the Agreement (as defined below). The Holder of this Certificate, by virtue of the acceptance hereof, assents to the terms, provisions and conditions of the Agreement and is bound thereby. Also issued under the Agreement are the Class A, Class B, Class C, Class D, Class E, Class G, Class X-1, Class X-2, Class R and Class LR Certificates (together with the Class F Certificates, the "Certificates") (the Holders of Certificates issued under the Agreement are collectively referred to herein as "Certificateholders").

This Certificate is issued pursuant to, and in accordance with, the terms of a Pooling and Servicing Agreement dated as of March 1, 1996 (the "Agreement") among LTC REMIC Corporation, as Depositor, LaSalle National Bank, as Trustee, ABN AMRO Bank, N.V., as Fiscal Agent, GMAC Commercial Mortgage Corporation, as Master Servicer and LTC Properties, Inc., as Originator and Special Servicer. In addition, LTC will be subservicer for the Mortgage Loans pursuant to a subservicing agreement to be dated as of March 1, 1996 with GMAC Commercial Mortgage Corporation (in such capacity the "Subservicer"). To the extent not defined herein, capitalized terms used herein shall have the meanings as signed thereto in the Agreement.

THIS CERTIFICATE DOES NOT REPRESENT AN INTEREST IN OR A DEPOSIT OR OBLIGATION OF THE DEPOSITOR, THE ORIGINATOR, THE MASTER SERVICER, THE SPECIAL SERVICER, THE SUBSERVICER, THE TRUSTEE OR THE FISCAL AGENT, OR ANY OF THEIR AFFILIATES. THIS CERTIFICATE WILL NOT BE A SAVINGS ACCOUNT OR DEPOSIT AND IS NOT INSURED OR GUARANTEED BY ANY GOVERNMENTAL AGENCY OR INSTRUMENTALITY OR BY ANY PRIVATE ENTITY.

A-6-5

This Certificate represents a "regular interest" in a "real estate mortgage investment conduit," as those terms are defined, respectively, in Sections 860G(a)(1) and 860D of the Internal Revenue Code of 1986, as amended (the "Code"). Each Holder of this Certificate, by acceptance hereof, agrees to treat, and to take no action inconsistent with the treatment of, this Certificate in accordance with the preceding sentence for purposes of federal income taxes, state and local income and franchise taxes and other taxes imposed on or measured by income.

The Trustee makes no representation or warranty as to any of the statements contained herein or the validity or sufficiency of the Certificates or the Mortgage Loans and has caused to be executed and authenticated this Certificate in its limited capacity as Trustee under the Agreement.

Pursuant to the terms of the Agreement, the Paying Agent will distribute, on the fifteenth day of each month or if any such fifteenth day is not a Business Day, on the next succeeding Business Day (each such date, a "Distribution Date"), commencing in April 1996, to the Person in whose name this Certificate is registered as of the related Record Date, an amount equal to such Person's pro rata share (based on the Percentage Interest represented by this Certificate) of that portion of the aggregate amount of principal and interest then distributable, if any, allocable to the Class F Certificates for such Distribution Date, all as more fully described in the Agreement. The amount of interest which accrues on this Certificate during an Interest Accrual Period will be subject to reduction with respect to any Net Prepayment Interest Shortfall allocated to the Class F Certificates, as described in the Agreement.

Interest will accrue on the outstanding Certificate Principal Amount of this Certificate at the Pass-Through Rate specified on the face of this Certificate. Interest will be calculated on the basis of a 360-day year of twelve 30-day months. Interest accrued on this Certificate during an Interest Accrual Period, plus the Outstanding Class Interest Shortfall with respect to this Certificate, if any, will be payable on the related

Distribution Date to the extent provided in the Agreement. The "Interest Accrual Period" relating to any Distribution Date is the one-month period from and including the first day of the month preceding the month in which such Distribution Date occurs to and including the last day of such month, commencing in March 1996.

With the exception of the final distribution in respect of this Certificate, distributions on this Certificate will be made by the Paying Agent without the presentation or surrender of this Certificate or the making of any notation hereon, by check mailed by first-class mail to the address of the Holder set forth in the Certificate Register, or, provided the Holder holds Certificates the aggregate initial Certificate Principal Amount of which exceeds \$5,000,000 and has provided the Paying Agent with wire instructions in writing at least five Business Days before the related Record Date, by wire transfer of immediately available funds to the account of such Holder at a bank or other entity located in the United States and having appropriate facilities therefor. The final distribution on this Certificate will be made in like manner after notice by the Trustee of the pendency of such distribution and only upon presentation and surrender of this Certificate at the Corporate Trust Office or such other location specified in the notice to Holders of such final distribution.

This Certificate is one of a duly authorized issue of Certificates designated as LTC Commercial Mortgage Pass-Through Certificates, Series 1996-1 and represents a fractional undivided interest in a Trust Fund. As more fully described in and subject to the limitations of the Agreement, the Trust Fund will consist primarily of (i) such Mortgage Loans as from time to time are subject to the Agreement, together with the Mortgage Files relating thereto; (ii) all payments due on or collections in respect of the Mortgage Loans due after the Cut-Off Date; (iii) any REO Property; (iv) all revenues received in respect of any REO Property; (v) the rights of the Trustee, Master Servicer and Special Servicer under the insurance policies with respect to the Mortgage Loans required to be maintained pursuant to this Agreement and any proceeds thereof; (vi) any Assignments of Leases, Rents and Profits; (vii) any guaranties given as additional security for any Mortgage Loans; (viii) all

A-6-7

assets deposited in the Collection Account, the Distribution Account, the Upper-Tier Distribution Account and the REO Account including reinvestment income; and (ix) the proceeds of any of the foregoing.

This Certificate is limited in right of payment to, among other things, certain collections and recoveries in respect of the Mortgage Loans, as more specifically set forth herein and in the Agreement.

As provided in the Agreement, withdrawals from the Collection Account may be made by the Master Servicer from time to time for purposes other than distributions to Certificateholders, such purposes including, among other things, reimbursement or payment to the Master Servicer, the Special Servicer, the Subservicer, the Trustee or the Fiscal Agent of certain expenses incurred or certain fees earned by the Master Servicer, the Special Servicer or the Trustee, including, without limitation, certain Nonrecoverable Advances.

This Certificate does not purport to summarize the Agreement, and reference is made to the Agreement for the interests, rights, benefits, obligations and duties evidenced hereby, and the limitations thereon, and the rights, duties and immunities of the Trustee. This Certificate is issued under and is subject to the terms, provisions and conditions of the Agreement, to which Agreement, as amended from time to time, the holder of this Certificate by virtue of the acceptance hereof assents and by which the holder of this Certificate is bound.

As provided in the Agreement and subject to certain limitations therein set forth, the transfer of this Certificate is registrable in the Certificate Register only upon surrender of this Certificate for registration of transfer at the office of the Certificate Registrar or at the office of its agent in the City of New York. The Trustee or the Certificate Registrar may require that this Certificate be duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Trustee and the Certificate Registrar duly executed by, the Holder hereof or such Holder's attorney duly authorized in writing. Thereupon, one or more new Certificates of a like aggregate Percentage

A-6-8

Interest in the same Class of authorized denominations will be executed and authenticated by the Trustee and delivered by the Certificate Registrar to the designated transferee or transferees.

Prior to due presentation of this Certificate for registration of transfer, the Depositor, the Master Servicer, the Special Servicer, the Subservicer, the Trustee, the Certificate Registrar and any agent of any of them

may treat the Person in whose name this Certificate is registered as the owner hereof for all purposes, and none of the Depositor, Master Servicer, the Special Servicer, the Subservicer, the Trustee, the Certificate Registrar or any agent of any of them shall be affected by notice to the contrary.

As provided in the Agreement and subject to certain limitations herein set forth, this Certificate is exchangeable for other Certificates of the same Class of authorized denominations of like aggregate Percentage Interests, as requested by the Holder surrendering the same.

No service charge will be made to a Certificateholder for any such registration of transfer or exchange, but the Certificate Registrar may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

The Agreement permits, with certain exceptions therein provided, the amendment of the Agreement and the modification of the rights of the Certificateholders under the Agreement at any time by the Depositor, the Master Servicer, the Special Servicer and the Trustee with the consent of the Holders of Class A, Class B, Class C, Class D, Class E, Class F, Class G, Class R, Class LR, Class X-1 and Class X-2 Certificates representing not less than 66-2/3% of the Voting Rights allocated to each such Class of the Certificates affected by the amendment. Any such consent by the Holder of this Certificate shall be conclusive and binding on such Holder and upon all future Holders of this Certificate and of any Certificates issued upon the transfer hereof or in exchange hereof or in lieu hereof whether or not notation of such consent is made upon this Certificate. The Agreement also permits the amendment thereof in certain

A-6-9

circumstances without the consent of the Holders of any of the Certificates, provided that such amendment would not adversely affect in any material respect the interests of any Certificateholder.

Each of the Master Servicer, any Holder of a Class LR Certificate and the Special Servicer, may at its option, upon not less than 30 days' prior notice, given to the Trustee any time on or after the Early Termination Date specifying the Anticipated Termination Date, purchase on the Early Termination Date all, but not less than all, of the Mortgage Loans then included in the Trust Fund, all property acquired in respect of any Mortgage Loans and any assets conveyed to the Trust Fund, at a purchase price, payable in cash, equal to not less than the greater of:

(i) the sum of (without duplication of any amount in clauses (A) through (E) below):

(A) 100% of the unpaid principal balance of each Mortgage Loan included in the Trust Fund as of the Early Termination Determination Date; and

(B) all unpaid interest accrued on such principal balance of each such Mortgage Loan at the related Mortgage Interest Rate to such Early Termination Determination Date; and

(C) the fair market value of all other property included in the Trust Fund as of such Early Termination Determination Date; and

(D) all unreimbursed P&I Advances, unreimbursed Servicing Advances and interest thereon at the Advance Rate; and

(E) all unreimbursed Servicing Fees, Special Servicing Fees and Trustee Fees; and

(ii) the aggregate fair market value (determined in accordance with Section 9.01(d)(ii)(B) of the Agreement) of the Mortgage Loans, and all other property acquired in respect of any Mortgage Loan in the Trust Fund, as of the date of purchase.

A-6-10

The obligations created by the Agreement shall terminate upon the earliest to occur of (i) the repurchase of all Mortgage Loans by the Master Servicer, any Holder of a Class LR Certificate or the Special Servicer as described above; (ii) the later of (a) the distribution to Certificateholders of final payment with respect to the last outstanding Mortgage Loan or (b) the disposition of all property acquired upon foreclosure or deed in lieu of foreclosure with respect to the last outstanding Mortgage Loan and the remittance to the Certificateholders of all funds due under the Agreement; or (iii) the sale of assets of the Trust Fund after the Certificate Principal Amounts of all the Certificates have been reduced to zero under circumstances set forth in the Agreement. In no event, however, will the trust created by the Agreement continue beyond the expiration of 21 years from the death of the last surviving descendant of a certain individual named in the Agreement living on the date thereof.

Unless the Certificate of Authentication on this Certificate has been executed by or on behalf of the Trustee, by manual signature, this Certificate shall not be entitled to any benefit under the Agreement or be valid for any purpose.

A-6-11

IN WITNESS WHEREOF, the Authenticating Agent has caused this Certificate to be duly executed.

LASALLE NATIONAL BANK
as Authenticating Agent

By: _____
Authorized Signatory

Certificate of Authentication

This is one of the Class F Certificates referred to in the Agreement.

Dated: March 29, 1996

LASALLE NATIONAL BANK
as Authenticating Agent

By: _____
Authorized Officer

A-6-12

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned ("Assignor(s)") hereby sell(s), assign(s) and transfer(s) unto _____

_____ (please print or typewrite name(s) and address(es), including postal zip code(s) of assignee(s)) ("Assignee(s)") the entire Percentage Interest represented by the Class F Certificate and hereby authorize (i) the registration of transfer of such interest to Assignee(s) on the Certificate Register of the Trust Fund.

I (we) further direct the Certificate Registrar to issue a new Class F Certificate of the entire Percentage Interest represented by the within Class F Certificates to the above-named Assignee(s) and to deliver such Class F Certificate to the following address:

Date: _____

Signature by or on behalf
of Assignor(s)

Taxpayer Identification Number

A-6-13

DISTRIBUTION INSTRUCTIONS

The Assignee(s) should include the following for purposes of distribution:

Address of the Assignee(s) for the purpose of receiving notices and distributions: _____

Distributions, if be made by wire transfer in immediately available funds to _____
for the account of _____
account number _____

This information is provided by _____
the Assignee(s) named above, or _____

as its (their) agent.

By _____

(Please print or type name(s))

Title

Taxpayer Identification Number

A-6-14

EXHIBIT A-7

[FORM OF CLASS G CERTIFICATE]

A-7-1

PRINCIPAL PAYMENTS ON THIS CERTIFICATE ARE PAYABLE IN INSTALLMENTS AS SET FORTH HEREIN. ACCORDINGLY, THE OUTSTANDING PRINCIPAL AMOUNT OF THIS CERTIFICATE AT ANY TIME MAY BE LESS THAN THE INITIAL CERTIFICATE PRINCIPAL AMOUNT SET FORTH BELOW.

THE RIGHTS OF HOLDERS OF THE CLASS G CERTIFICATES TO RECEIVE DISTRIBUTIONS OF PRINCIPAL AND INTEREST IN RESPECT OF THE MORTGAGE LOANS WILL BE SUBORDINATED TO THE RIGHTS OF HOLDERS OF THE CLASS A, CLASS B, CLASS C, CLASS D, CLASS E, CLASS F, CLASS R AND CLASS LR CERTIFICATES TO RECEIVE DISTRIBUTIONS OF INTEREST AND PRINCIPAL.

THIS CERTIFICATE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES ("BLUE SKY LAWS"), AND SUCH CERTIFICATE MAY NOT BE OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (A) BY AN INITIAL INVESTOR (1) TO A PERSON THAT THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A PROMULGATED UNDER THE SECURITIES ACT IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A OR (2) PURSUANT TO AN EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE) AND DELIVERY OF AN OPINION OF COUNSEL, IF REQUIRED BY THE TRUSTEE OR THE CERTIFICATE REGISTRAR AND (B) BY SUBSEQUENT INVESTORS, AS SET FORTH IN (A) ABOVE AND, IN ADDITION, TO INSTITUTIONAL ACCREDITED INVESTORS AS DEFINED IN RULE 501(A)(1), (2), (3) OR (7) OF REGULATION D PROMULGATED UNDER THE SECURITIES ACT IN A TRANSACTION EXEMPT FROM REGISTRATION REQUIREMENTS UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION.

NOTWITHSTANDING THE ABOVE, THIS CERTIFICATE MAY NOT BE PURCHASED BY OR PLEDGED, SOLD OR OTHERWISE TRANSFERRED TO ANY PERSON WHICH IS AN EMPLOYEE BENEFIT PLAN SUBJECT TO THE FIDUCIARY RESPONSIBILITY PROVISIONS OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED, OR SECTION 4975 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED, OR ANY PERSON ACTING ON BEHALF OF ANY SUCH PLAN OR USING THE ASSETS OF SUCH PLAN TO ACQUIRE THIS CERTIFICATE UNLESS THE DEPOSITOR, THE CERTIFICATE REGISTRAR AND THE TRUSTEE ARE PROVIDED WITH AN OPINION OF COUNSEL WHICH ESTABLISHES TO THEIR SATISFACTION THAT THE ACQUISITION AND SUBSEQUENT HOLDING OF SUCH OFFERED CERTIFICATES WOULD NOT CONSTITUTE A NON-EXEMPT PROHIBITED TRANSACTION UNDER ERISA OR THE CODE.

THIS SECURITY WAS ISSUED ON MARCH 29, 1996 AT A PRICE EQUAL TO 48.244600% OF ITS ORIGINAL PRINCIPAL AMOUNT. BASED ON THAT ISSUE PRICE, THIS SECURITY WAS ISSUED WITH ORIGINAL ISSUE DISCOUNT ("OID") FOR FEDERAL INCOME TAX PURPOSES IN AN AMOUNT EQUAL TO

A-7-2

51.7554% OF ITS ORIGINAL PRINCIPAL AMOUNT. THE MONTHLY YIELD TO MATURITY OF THIS SECURITY EXPRESSED ON AN ANNUAL BASIS IS APPROXIMATELY 11.29% AND THE AMOUNT OF OID ALLOCABLE TO THE SHORT FIRST ACCRUAL PERIOD (MARCH 29, 1996 THROUGH APRIL 15, 1996) AS A PERCENTAGE OF THE ORIGINAL PRINCIPAL AMOUNT OF THE SECURITY IS APPROXIMATELY 4.914763%. THE STATED INTEREST RATE ON THIS SECURITY IS 9.16% PER ANNUM. IN COMPUTING THE MONTHLY YIELD TO MATURITY AND THE OID AMOUNTS SPECIFIED ABOVE, THE FOLLOWING ASSUMPTIONS HAVE BEEN USED: A METHOD EMBODYING AN ECONOMIC ACCRUAL OF INCOME, A CONSTANT ANNUAL PREPAYMENT RATE OF 3% ON THE MORTGAGE COLLATERAL UNDERLYING THE CERTIFICATES, AND A 30 DAYS PER MONTH/360 DAYS PER YEAR ACCOUNTING CONVENTION. THE ACTUAL YIELD TO MATURITY AND OID AMOUNTS MAY DIFFER FROM THE PROJECTED AMOUNTS.

A-7-3

LTC COMMERCIAL MORTGAGE PASS-THROUGH CERTIFICATES,
SERIES 1996-1, CLASS G

evidencing a nonassessable, fully paid
percentage interest in a trust fund
which includes a pool of commercial mortgage loans

Pass-Through Rate: 9.16%

No. G-1

Initial Certificate Principal
Amount: \$5,624,255

First Distribution Date:
April 15, 1996

Original Class G Aggregate
Certificate Principal Amount:
\$5,624,255

Final Scheduled
Distribution Date:
April 15, 2028

Cut-Off Date: March 1, 1996

A-7-4

This certifies that LTC REMIC Corporation is the registered owner of the Percentage Interest evidenced by this Certificate (obtained by dividing the initial Certificate Principal Amount of this Certificate by the Aggregate Certificate Principal Amount of all Certificates of such Class, each as noted on the face hereof) in the Trust Fund, including the distributions to be made with respect to the Class G Certificates. The Trust Fund, described more fully below, consists primarily of Mortgage Loans held in trust by the Trustee and serviced by the Master Servicer and the Special Servicer, as applicable. The Trust Fund was created, and the Mortgage Loans are to be serviced, pursuant to the Agreement (as defined below). The Holder of this Certificate, by virtue of the acceptance hereof, assents to the terms, provisions and conditions of the Agreement and is bound thereby. Also issued under the Agreement are the Class A, Class B, Class C, Class D, Class E, Class F, Class X-1, Class X-2, Class R and Class LR Certificates (together with the Class G Certificates, the "Certificates") (the Holders of Certificates issued under the Agreement are collectively referred to herein as "Certificateholders").

This Certificate is issued pursuant to, and in accordance with, the terms of a Pooling and Servicing Agreement dated as of March 1, 1996 (the "Agreement") among LTC REMIC Corporation, as Depositor, LaSalle National Bank, as Trustee, ABN AMRO Bank, N.V., as Fiscal Agent, GMAC Commercial Mortgage Corporation, as Master Servicer and LTC Properties, Inc., as Originator and Special Servicer. In addition, LTC will be subservicer for the Mortgage Loans pursuant to a subservicing agreement to be dated as of March 1, 1996 with GMAC Commercial Mortgage Corporation (in such capacity the "Subservicer"). To the extent not defined herein, capitalized terms used herein shall have the meanings as signed thereto in the Agreement.

THIS CERTIFICATE DOES NOT REPRESENT AN INTEREST IN OR A DEPOSIT OR OBLIGATION OF THE DEPOSITOR, THE ORIGINATOR, THE MASTER SERVICER, THE SPECIAL SERVICER, THE SUBSERVICER, THE TRUSTEE OR THE FISCAL AGENT, OR ANY OF THEIR AFFILIATES. THIS CERTIFICATE WILL NOT BE A SAVINGS ACCOUNT OR DEPOSIT AND IS NOT INSURED OR GUARANTEED BY ANY GOVERNMENTAL AGENCY OR INSTRUMENTALITY OR BY ANY PRIVATE ENTITY.

A-7-5

This Certificate represents a "regular interest" in a "real estate mortgage investment conduit," as those terms are defined, respectively, in Sections 860G(a)(1) and 860D of the Internal Revenue Code of 1986, as amended (the "Code"). Each Holder of this Certificate, by acceptance hereof, agrees to treat, and to take no action inconsistent with the treatment of, this Certificate in accordance with the preceding sentence for purposes of federal income taxes, state and local income and franchise taxes and other taxes imposed on or measured by income.

The Trustee makes no representation or warranty as to any of the statements contained herein or the validity or sufficiency of the Certificates or the Mortgage Loans and has caused to be executed and authenticated this Certificate in its limited capacity as Trustee under the Agreement.

Pursuant to the terms of the Agreement, the Paying Agent will distribute, on the fifteenth day of each month or if any such fifteenth day is not a Business Day, on the next succeeding Business Day (each such date, a "Distribution Date"), commencing in April 1996, to the Person in whose name this Certificate is registered as of the related Record Date, an amount equal to such Person's pro rata share (based on the Percentage Interest represented by this Certificate) of that portion of the aggregate amount of principal and interest then distributable, if any, allocable to the Class G Certificates for such Distribution Date, all as more fully described in the Agreement. The amount of interest which accrues on this Certificate during an Interest Accrual Period will be subject to reduction with respect to any Net Prepayment Interest

Shortfall allocated to the Class G Certificates, as described in the Agreement.

Interest will accrue on the outstanding Certificate Principal Amount of this Certificate at the Pass-Through Rate specified on the face of this Certificate. Interest will be calculated on the basis of a 360-day year of twelve 30-day months. Interest accrued on this Certificate during an Interest Accrual Period, plus the Outstanding Class Interest Shortfall with respect to this Certificate, if any, will be payable on the related

A-7-6

Distribution Date to the extent provided in the Agreement. The "Interest Accrual Period" relating to any Distribution Date is the one-month period from and including the first day of the month preceding the month in which such Distribution Date occurs to and including the last day of such month, commencing in March 1996.

With the exception of the final distribution in respect of this Certificate, distributions on this Certificate will be made by the Paying Agent without the presentation or surrender of this Certificate or the making of any notation hereon, by check mailed by first-class mail to the address of the Holder set forth in the Certificate Register, or, provided the Holder holds Certificates the aggregate initial Certificate Principal Amount of which exceeds \$5,000,000 and has provided the Paying Agent with wire instructions in writing at least five Business Days before the related Record Date, by wire transfer of immediately available funds to the account of such Holder at a bank or other entity located in the United States and having appropriate facilities therefor. The final distribution on this Certificate will be made in like manner after notice by the Trustee of the pendency of such distribution and only upon presentation and surrender of this Certificate at the Corporate Trust Office or such other location specified in the notice to Holders of such final distribution.

This Certificate is one of a duly authorized issue of Certificates designated as LTC Commercial Mortgage Pass-Through Certificates, Series 1996-1 and represents a fractional undivided interest in a Trust Fund. As more fully described in and subject to the limitations of the Agreement, the Trust Fund will consist primarily of (i) such Mortgage Loans as from time to time are subject to the Agreement, together with the Mortgage Files relating thereto; (ii) all payments due on or collections in respect of the Mortgage Loans due after the Cut-Off Date; (iii) any REO Property; (iv) all revenues received in respect of any REO Property; (v) the rights of the Trustee, Master Servicer and Special Servicer under the insurance policies with respect to the Mortgage Loans required to be maintained pursuant to this Agreement and any proceeds thereof; (vi) any Assignments of Leases, Rents and Profits; (vii) any guaranties given as additional security for any Mortgage Loans; (viii) all

A-7-7

assets deposited in the Collection Account, the Distribution Account, the Upper-Tier Distribution Account and the REO Account including reinvestment income; and (ix) the proceeds of any of the foregoing.

This Certificate is limited in right of payment to, among other things, certain collections and recoveries in respect of the Mortgage Loans, as more specifically set forth herein and in the Agreement.

As provided in the Agreement, withdrawals from the Collection Account may be made by the Master Servicer from time to time for purposes other than distributions to Certificateholders, such purposes including, among other things, reimbursement or payment to the Master Servicer, the Special Servicer, the Subservicer, the Trustee or the Fiscal Agent of certain expenses incurred or certain fees earned by the Master Servicer, the Special Servicer or the Trustee, including, without limitation, certain Nonrecoverable Advances.

This Certificate does not purport to summarize the Agreement, and reference is made to the Agreement for the interests, rights, benefits, obligations and duties evidenced hereby, and the limitations thereon, and the rights, duties and immunities of the Trustee. This Certificate is issued under and is subject to the terms, provisions and conditions of the Agreement, to which Agreement, as amended from time to time, the holder of this Certificate by virtue of the acceptance hereof assents and by which the holder of this Certificate is bound.

As provided in the Agreement and subject to certain limitations therein set forth, the transfer of this Certificate is registrable in the Certificate Register only upon surrender of this Certificate for registration of transfer at the office of the Certificate Registrar or at the office of its agent in the City of New York. The Trustee or the Certificate Registrar may require that this Certificate be duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Trustee and the Certificate Registrar duly executed by, the Holder hereof or such Holder's attorney duly authorized in writing. Thereupon, one or more new Certificates of a like aggregate Percentage

Interest in the same Class of authorized denominations will be executed and authenticated by the Trustee and delivered by the Certificate Registrar to the designated transferee or transferees.

Prior to due presentation of this Certificate for registration of transfer, the Depositor, the Master Servicer, the Special Servicer, the Subservicer, the Trustee, the Certificate Registrar and any agent of any of them may treat the Person in whose name this Certificate is registered as the owner hereof for all purposes, and none of the Depositor, Master Servicer, the Special Servicer, the Subservicer, the Trustee, the Certificate Registrar or any agent of any of them shall be affected by notice to the contrary.

As provided in the Agreement and subject to certain limitations herein set forth, this Certificate is exchangeable for other Certificates of the same Class of authorized denominations of like aggregate Percentage Interests, as requested by the Holder surrendering the same.

No service charge will be made to a Certificateholder for any such registration of transfer or exchange, but the Certificate Registrar may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

The Agreement permits, with certain exceptions therein provided, the amendment of the Agreement and the modification of the rights of the Certificateholders under the Agreement at any time by the Depositor, the Master Servicer, the Special Servicer and the Trustee with the consent of the Holders of Class A, Class B, Class C, Class D, Class E, Class F, Class G, Class R, Class LR, Class X-1 and Class X-2 Certificates representing not less than 66-2/3% of the Voting Rights allocated to each such Class of the Certificates affected by the amendment. Any such consent by the Holder of this Certificate shall be conclusive and binding on such Holder and upon all future Holders of this Certificate and of any Certificates issued upon the transfer hereof or in exchange herefor or in lieu hereof whether or not notation of such consent is made upon this Certificate. The Agreement also permits the amendment thereof in certain

circumstances without the consent of the Holders of any of the Certificates, provided that such amendment would not adversely affect in any material respect the interests of any Certificateholder.

Each of the Master Servicer, any Holder of a Class LR Certificate and the Special Servicer, may at its option, upon not less than 30 days' prior notice, given to the Trustee any time on or after the Early Termination Date specifying the Anticipated Termination Date, purchase on the Early Termination Date all, but not less than all, of the Mortgage Loans then included in the Trust Fund, all property acquired in respect of any Mortgage Loans and any assets conveyed to the Trust Fund, at a purchase price, payable in cash, equal to not less than the greater of:

(i) the sum of (without duplication of any amount in clauses (A) through (E) below):

(A) 100% of the unpaid principal balance of each Mortgage Loan included in the Trust Fund as of the Early Termination Determination Date; and

(B) all unpaid interest accrued on such principal balance of each such Mortgage Loan at the related Mortgage Interest Rate to such Early Termination Determination Date; and

(C) the fair market value of all other property included in the Trust Fund as of such Early Termination Determination Date; and

(D) all unreimbursed P&I Advances, unreimbursed Servicing Advances and interest thereon at the Advance Rate; and

(E) all unreimbursed Servicing Fees, Special Servicing Fees and Trustee Fees; and

(ii) the aggregate fair market value (determined in accordance with Section 9.01(d)(ii)(B) of the Agreement) of the Mortgage Loans, and all other property acquired in respect of any Mortgage Loan in the Trust Fund, as of the date of purchase.

The obligations created by the Agreement shall terminate upon the earliest to occur of (i) the repurchase of all Mortgage Loans by the Master Servicer, any Holder of a Class LR Certificate or the Special Servicer as described above; (ii) the later of (a) the distribution to Certificateholders of final payment with respect to the last outstanding Mortgage Loan or (b) the

disposition of all property acquired upon foreclosure or deed in lieu of foreclosure with respect to the last outstanding Mortgage Loan and the remittance to the Certificateholders of all funds due under the Agreement; or (iii) the sale of assets of the Trust Fund after the Certificate Principal Amounts of all the Certificates have been reduced to zero under circumstances set forth in the Agreement. In no event, however, will the trust created by the Agreement continue beyond the expiration of 21 years from the death of the last surviving descendant of a certain individual named in the Agreement living on the date thereof.

Unless the Certificate of Authentication on this Certificate has been executed by or on behalf of the Trustee, by manual signature, this Certificate shall not be entitled to any benefit under the Agreement or be valid for any purpose.

A-7-11

IN WITNESS WHEREOF, the Authenticating Agent has caused this Certificate to be duly executed.

LASALLE NATIONAL BANK
as Authenticating Agent

By: _____
Authorized Signatory

Certificate of Authentication

This is one of the Class G Certificates referred to in the Agreement.

Dated: March 29, 1996

LASALLE NATIONAL BANK
as Authenticating Agent

By: _____
Authorized Officer

A-7-12

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned ("Assignor(s)") hereby sell(s), assign(s) and transfer(s) unto _____

_____ (please print or typewrite name(s) and address(es), including postal zip code(s) of assignee(s)) ("Assignee(s)") the entire Percentage Interest represented by the Class G Certificate and hereby authorize (i) the registration of transfer of such interest to Assignee(s) on the Certificate Register of the Trust Fund.

I (we) further direct the Certificate Registrar to issue a new Class G Certificate of the entire Percentage Interest represented by the within Class G Certificates to the above-named Assignee(s) and to deliver such Class G Certificate to the following address:

Date: _____

Signature by or on behalf
of Assignor(s)

Taxpayer Identification Number

A-7-13

DISTRIBUTION INSTRUCTIONS

The Assignee(s) should include the following for purposes of distribution:

Address of the Assignee(s) for the purpose of receiving notices and distributions: _____

Distributions, if be made by wire transfer in immediately available funds to

for the account of _____
account number _____

This information is provided by _____
the Assignee(s) named above, or _____
as its (their) agent.

By _____

[Please print or type name(s)]

Title

Taxpayer Identification Number

A-7-14

EXHIBIT A-8

FORM OF CLASS X-1 CERTIFICATES

A-8-1

THE RIGHTS OF HOLDERS OF THE CLASS X-1 CERTIFICATES TO RECEIVE DISTRIBUTIONS OF INTEREST IN RESPECT OF THE MORTGAGE LOANS WILL BE SUBORDINATED TO THE RIGHTS OF HOLDERS OF THE CLASS A, CLASS B, CLASS C, CLASS D, CLASS E, CLASS F, CLASS R AND CLASS LR CERTIFICATES TO RECEIVE DISTRIBUTIONS OF INTEREST AND PRINCIPAL.

THIS CERTIFICATE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES ("BLUE SKY LAWS"), AND SUCH CERTIFICATE MAY NOT BE OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (A) BY AN INITIAL INVESTOR (1) TO A PERSON THAT THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A PROMULGATED UNDER THE SECURITIES ACT IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A OR (2) PURSUANT TO AN EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE) AND DELIVERY OF AN OPINION OF COUNSEL, IF REQUIRED BY THE TRUSTEE OR THE CERTIFICATE REGISTRAR AND (B) BY SUBSEQUENT INVESTORS, AS SET FORTH IN (A) ABOVE AND, IN ADDITION, TO INSTITUTIONAL ACCREDITED INVESTORS AS DEFINED IN RULE 501(A)(1), (2), (3) OR (7) OF REGULATION D PROMULGATED UNDER THE SECURITIES ACT IN A TRANSACTION EXEMPT FROM REGISTRATION REQUIREMENTS UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION.

NOTWITHSTANDING THE ABOVE, THIS CERTIFICATE MAY NOT BE PURCHASED BY OR PLEDGED, SOLD OR OTHERWISE TRANSFERRED TO ANY PERSON WHICH IS AN EMPLOYEE BENEFIT PLAN SUBJECT TO THE FIDUCIARY RESPONSIBILITY PROVISIONS OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED, OR SECTION 4975 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED, OR ANY PERSON ACTING ON BEHALF OF ANY SUCH PLAN OR USING THE ASSETS OF SUCH PLAN TO ACQUIRE THIS CERTIFICATE UNLESS THE DEPOSITOR, THE CERTIFICATE REGISTRAR AND THE TRUSTEE ARE PROVIDED WITH AN OPINION OF COUNSEL WHICH ESTABLISHES TO THEIR SATISFACTION THAT THE ACQUISITION AND SUBSEQUENT HOLDING OF SUCH OFFERED CERTIFICATES WOULD NOT CONSTITUTE A NON-EXEMPT PROHIBITED TRANSACTION UNDER ERISA OR THE CODE.

THIS SECURITY WAS ISSUED ON MARCH 29, 1996 AT A PRICE EQUAL TO 4.6391% OF ITS ORIGINAL NOTIONAL AMOUNT. BASED ON THAT ISSUE PRICE, THIS SECURITY WAS ISSUED WITH ORIGINAL ISSUE DISCOUNT ("OID") FOR FEDERAL INCOME TAX PURPOSES IN AN AMOUNT EQUAL TO 95.3609% OF ITS ORIGINAL NOTIONAL AMOUNT. THE MONTHLY YIELD TO MATURITY OF THIS SECURITY EXPRESSED ON ANNUAL BASIS IS APPROXIMATELY 19.9637%. IN COMPUTING THE MONTHLY YIELD TO MATURITY AND

A-8-2

THE OID AMOUNTS SPECIFIED ABOVE, THE FOLLOWING ASSUMPTIONS HAVE BEEN USED:) A METHOD EMBODYING AN ECONOMIC ACCRUAL OF INCOME,) A CONSTANT ANNUAL PREPAYMENT RATE OF 3% ON THE MORTGAGE COLLATERAL UNDERLYING THE CERTIFICATES, AND A) 30 DAYS PER MONTH/360 DAYS PER YEAR ACCOUNTING CONVENTION. THE ACTUAL YIELD TO MATURITY AND OID AMOUNTS MAY DIFFER FROM THE PROJECTED AMOUNTS.

A-8-3

LTC COMMERCIAL MORTGAGE PASS-THROUGH CERTIFICATES,
SERIES 1996-1, CLASS X-1

evidencing a nonassessable, fully paid
percentage interest in a trust fund
which includes a pool of commercial mortgage loans

No. X-1

Percentage Interest evidenced
by this Certificate: 100%

First Distribution Date

April 15, 1996

Final Scheduled
Distribution Date:
April 15, 2028

Cut-Off Date: March 1, 1996

A-8-4

This certifies that LTC REMIC Corporation is the registered owner of the Percentage Interest evidenced by this Certificate in monthly Distributions to Holders of Class X-1 Certificates with respect to the Trust Fund. The Trust Fund, described more fully below, consists primarily of Mortgage Loans held in trust by the Trustee and serviced by the Master Servicer and the Special Servicer, as applicable. The Trust Fund was created, and the Mortgage Loans are to be serviced, pursuant to the Agreement (as defined below). The Holder of this Certificate, by virtue of the acceptance hereof, assents to the terms, provisions and conditions of the Agreement and is bound thereby. Also issued under the Agreement are Class A, Class B, Class C, Class D, Class E, Class F, Class G, Class X-2, Class R and Class LR Certificates (together with the Class X-1 Certificates, the "Certificates") (the Holders of Certificates issued under the Agreement are collectively referred to herein as "Certificateholders").

This Certificate is issued pursuant to, and in accordance with, the terms of a Pooling and Servicing Agreement dated as of March 1, 1996 (the "Agreement") among LTC REMIC Corporation, as Depositor, LaSalle National Bank, as Trustee, ABN AMRO Bank N.V., as Fiscal Agent, GMAC Commercial Mortgage Corporation, as Master Servicer and LTC Properties, Inc., as Originator and Special Servicer. In addition, LTC will be subservicer for the Mortgage Loans pursuant to a subservicing agreement to be dated as of March 1, 1996 with GMAC Commercial Mortgage Corporation (in such capacity the "Subservicer"). To the extent not defined herein, capitalized terms used herein shall have the meanings assigned thereto in the Agreement.

THIS CERTIFICATE DOES NOT REPRESENT AN INTEREST IN OR A DEPOSIT OR OBLIGATION OF THE DEPOSITOR, THE ORIGINATOR, THE MASTER SERVICER, THE SPECIAL SERVICER, THE SUBSERVICER, THE TRUSTEE OR THE FISCAL AGENT, OR ANY OF THEIR AFFILIATES. THIS CERTIFICATE WILL NOT BE A SAVINGS ACCOUNT OR DEPOSIT AND IS NOT INSURED OR GUARANTEED BY ANY GOVERNMENTAL AGENCY OR INSTRUMENTALITY OR BY ANY PRIVATE ENTITY.

This Certificate represents a "regular interest" in a "real estate mortgage investment conduit," as those terms are defined, respectively, in Sections 860G(a)(1) and 860D of the Internal Revenue Code of 1986, as amended (the "Code"). Each Holder of this Certificate, by acceptance hereof, agrees to treat, and to take no action inconsistent with the treatment of, this Certificate in accordance with the preceding sentence for purposes of federal income taxes, state and local income and

A-8-5

franchise taxes and other taxes imposed on or measured by income.

The Trustee makes no representation or warranty as to any of the statements contained herein or the validity or sufficiency of the Certificates or the Mortgage Loans and has caused to be executed and authenticated this Certificate in its limited capacity as Trustee under the Agreement.

Pursuant to the terms of the Agreement, the Paying Agent will distribute, on the fifteenth day of each month or if any such fifteenth day is not a Business Day, on the next succeeding Business Day (each such date, a "Distribution Date"), commencing in April 1996, to the Person in whose name this Certificate is registered as of the related Record Date, an amount equal to such Person's pro rata share (based on the Percentage Interest represented by this Certificate) of that portion of the aggregate amount of interest then distributable, if any, allocable to the Class X-1 Certificates for such Distribution Date, all as more fully described in the Agreement. The Class X-1 Certificates are not entitled to receive distributions of principal. Interest will accrue on the Class X-1 Certificates during each Interest Accrual Period in an amount equal to a portion of the interest accrued on each Mortgage Loan

during the related Mortgage Loan Due Period equal to interest accrued on such Mortgage Loan during such period at a rate per annum equal to the excess of the Net Mortgage Interest Rate of such Mortgage Loan over 9.16%, calculated on the basis of the actual number of days for which interest accrues on such Mortgage Loan during the related Mortgage Loan Due Period according to the terms of such Mortgage Loan and a 360-day year. The amount of interest which accrues on this Certificate during an Interest Accrual Period will be subject to reduction with respect to any Net Prepayment Interest Shortfall allocated to the Class X-1 Certificates, as described in the Agreement.

Interest accrued on this Certificate during an Interest Accrual Period, plus the Outstanding Class Interest Shortfall with respect to this Certificate, if any, will be payable on the related Distribution Date to the extent provided in the Agreement. The "Interest Accrual Period" relating to any Distribution Date is the Mortgage Loan Due Period for each Mortgage Loan.

With the exception of the final distribution in respect of this Certificate, distributions on this Certificate will be made by the Paying Agent without the presentation or surrender of this Certificate or the making of any notation hereon, by check

A-8-6

mailed by first-class mail to the address of the Holder set forth in the Certificate Register, or, provided the Holder holds Certificates the aggregate initial Notional Amount of which exceeds \$5,000,000 and has provided the Paying Agent with wire instructions in writing at least five Business Days before the related Record Date, by wire transfer of immediately available funds to the account of such Holder at a bank or other entity located in the United States and having appropriate facilities therefor. The final distribution on this Certificate will be made in like manner after notice by the Trustee of the pendency of such distribution and only upon presentation and surrender of this Certificate at the Corporate Trust Office or such other location specified in the notice to Holders of such final distribution.

This Certificate is one of a duly authorized issue of Certificates designated as LTC Commercial Mortgage Pass-Through Certificates, Series 1996-1 and represents a fractional undivided interest in a Trust Fund. As more fully described in and subject to the limitations of the Agreement, the Trust Fund will consist primarily of (i) such Mortgage Loans as from time to time are subject to the Agreement, together with the Mortgage Files relating thereto; (ii) all payments due on or collections in respect of the Mortgage Loans due after the Cut-Off Date; (iii) any REO Property; (iv) all revenues received in respect of any REO Property; (v) the rights of the Trustee, Master Servicer and Special Servicer under the insurance policies with respect to the Mortgage Loans required to be maintained pursuant to this Agreement and any proceeds thereof; (vi) any Assignments of Leases, Rents and Profits; (vii) any guaranties given as additional security for any Mortgage Loans; (viii) all assets deposited in the Collection Account, the Distribution Account, the Upper-Tier Distribution Account and the REO Account including reinvestment income; and (ix) the proceeds of any of the foregoing.

This Certificate is limited in right of payment to, among other things, certain collections and recoveries in respect of the Mortgage Loans, as more specifically set forth herein and in the Agreement.

As provided in the Agreement, withdrawals from the Collection Account may be made by the Master Servicer from time to time for purposes other than distributions to Certificateholders, such purposes including, among other things, reimbursement or payment to the Master Servicer, the Special Servicer, the Subservicer, the Trustee or the Fiscal Agent of certain expenses

A-8-7

incurred or certain fees earned by the Master Servicer, the Special Servicer or the Trustee, including, without limitation, certain Nonrecoverable Advances.

This Certificate does not purport to summarize the Agreement, and reference is made to the Agreement for the interests, rights, benefits, obligations and duties evidenced hereby, and the limitations thereon, and the rights, duties and immunities of the Trustee. This Certificate is issued under and is subject to the terms, provisions and conditions of the Agreement, to which Agreement, as amended from time to time, the holder of this Certificate by virtue of the acceptance hereof assents and by which the holder of this Certificate is bound.

As provided in the Agreement and subject to certain limitations therein set forth, the transfer of this Certificate is registrable in the Certificate Register only upon surrender of this Certificate for registration of transfer at the office of the Certificate Registrar or at the office of its agent in the City of New York. The Trustee or the Certificate Registrar may require that this Certificate be duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Trustee and the Certificate Registrar duly executed by, the Holder hereof or such Holder's attorney duly authorized in writing. Thereupon, one or more new Certificates of a like

aggregate Percentage Interest in the same Class of authorized denominations will be executed and authenticated by the Trustee and delivered by the Certificate Registrar to the designated transferee or transferees.

Prior to due presentation of this Certificate for registration of transfer, the Depositor, the Master Servicer, the Special Servicer, the Subservicer, the Trustee, the Certificate Registrar and any agent of any of them may treat the Person in whose name this Certificate is registered as the owner hereof for all purposes, and none of the Depositor, Master Servicer, the Special Servicer, the Subservicer, the Trustee, the Certificate Registrar, any Paying Agent or any agent of any of them shall be affected by notice to the contrary.

As provided in the Agreement and subject to certain limitations herein set forth, this Certificate is exchangeable for other Certificates of the same Class of authorized denominations of like aggregate Percentage Interests, as requested by the Holder surrendering the same.

A-8-8

No service charge will be made to a Certificateholder for any such registration of transfer or exchange, but the Certificate Registrar may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

The Agreement permits, with certain exceptions therein provided, the amendment of the Agreement and the modification of the rights of the Certificateholders under the Agreement at any time by the Depositor, the Master Servicer, the Special Servicer and the Trustee with the consent of the Holders of Class A, Class B, Class C, Class D, Class E, Class F, Class G, Class R, Class LR, Class X-1 and Class X-2 Certificates representing not less than 66-2/3% of the Voting Rights allocated to each such Class of the Certificates affected by the amendment. Any such consent by the Holder of this Certificate shall be conclusive and binding on such Holder and upon all future Holders of this Certificate and of any Certificates issued upon the transfer hereof or in exchange herefor or in lieu hereof whether or not notation of such consent is made upon this Certificate. The Agreement also permits the amendment thereof in certain circumstances without the consent of the Holders of any of the Certificates, provided that such amendment would not adversely affect in any material respect the interests of any Certificateholder.

Each of the Master Servicer, any Holder of a Class LR Certificate and the Special Servicer, may at its option, upon not less than 30 days' prior notice, given to the Trustee any time on or after the Early Termination Date specifying the Anticipated Termination Date, purchase on the Early Termination Date all, but not less than all, of the Mortgage Loans then included in the Trust Fund, all property acquired in respect of any Mortgage Loans and any assets conveyed to the Trust Fund, at a purchase price, payable in cash, equal to not less than the greater of:

(i) the sum of (without duplication of any amount in clauses (A) through (E) below):

(A) 100% of the unpaid principal balance of each Mortgage Loan included in the Trust Fund as of the Early Termination Determination Date; and

(B) all unpaid interest accrued on such principal balance of each such Mortgage Loan at the related Mortgage Interest Rate to such Early Termination Determination Date; and

A-8-9

(C) the fair market value of all other property included in the Trust Fund as of such Early Termination Determination Date; and

(D) all unreimbursed P&I Advances, unreimbursed Servicing Advances and interest thereon at the Advance Rate; and

(E) all unreimbursed Servicing Fees, Special Servicing Fees and Trustee Fees; and

(ii) the aggregate fair market value (determined in accordance with Section 9.01(d)(ii)(B) of the Agreement) of the Mortgage Loans, and all other property acquired in respect of any Mortgage Loan or Underlying Certificate in the Trust Fund, as of the date of purchase.

The obligations created by the Agreement shall terminate upon the earliest to occur of (i) the repurchase of all Mortgage Loans by the Master Servicer, any Holder of a Class LR Certificate or the Special Servicer as described above; (ii) the later of (a) the distribution to Certificateholders of final payment with respect to the last outstanding Mortgage Loan or (b) the disposition of all property acquired upon foreclosure or deed in lieu of foreclosure with respect to the last outstanding Mortgage Loan and the remittance to the Certificateholders of all funds due under the Agreement; or (iii) the sale of assets of the Trust Fund after the Certificate Principal

Amounts of all the Certificates have been reduced to zero under circumstances set forth in the Agreement. In no event, however, will the trust created by the Agreement continue beyond the expiration of 21 years from the death of the last surviving descendant of a certain individual named in the Agreement living on the date thereof.

Unless the Certificate of Authentication on this Certificate has been executed by or on behalf of the Trustee, by manual signature, this Certificate shall not be entitled to any benefit under the Agreement or be valid for any purpose.

A-8-10

IN WITNESS WHEREOF, the Authenticating Agent has caused this Certificate to be duly executed.

LASALLE NATIONAL BANK,
as Authenticating Agent

By: _____
Authorized Signatory

Certificate of Authentication

This is one of the Class X-1 Certificates referred to in the Agreement.

Dated: March 29, 1996

LASALLE NATIONAL BANK,
as Authenticating Agent

By: _____
Authorized Officer

A-8-11

DISTRIBUTION INSTRUCTIONS

The Assignee(s) should include the following for purposes of distribution:

Address of the Assignee(s) for the purpose of receiving notices and distributions:

Distributions, if be made by wire transfer in immediately available funds to

or the account of _____

account number _____

This information is provided by _____ the Assignee(s) named above, or _____ as its (their) agent.

By _____

[Please print or type name(s)]

Title

Taxpayer Identification Number

A-8-12

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned ("Assignor(s)" hereby sell(s), assign(s) and transfer(s) unto _____

(please print or typewrite name(s) and address(es), including postal zip code(s) of assignee(s)) ("Assignee(s)") the entire Percentage Interest represented by the Class X-1 Certificate and hereby authorize(s) the registration of transfer of such interest to Assignee(s) on the Certificate Register of the Trust Fund.

I (we) further direct the Certificate Registrar to issue a new Class X-1 Certificate of the entire Percentage Interest represented by the within Class X-1 Certificates to the above-named Assignee(s) and to deliver such Class X-1 Certificate to the following address:

Date: _____

Signature by or on behalf
of Assignor(s)

Taxpayer Identification Number

A-8-13

EXHIBIT A-9

FORM OF CLASS X-2 CERTIFICATE

A-9-1

THE RIGHTS OF HOLDERS OF THE CLASS X-2 CERTIFICATES TO RECEIVE DISTRIBUTIONS OF INTEREST IN RESPECT OF THE MORTGAGE LOANS WILL BE SUBORDINATED TO THE RIGHTS OF HOLDERS OF THE CLASS A, CLASS B, CLASS C, CLASS D, CLASS E, CLASS F, CLASS R AND CLASS LR CERTIFICATES TO RECEIVE DISTRIBUTIONS OF INTEREST AND PRINCIPAL.

THIS CERTIFICATE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES ("BLUE SKY LAWS"), AND SUCH CERTIFICATE MAY NOT BE OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (A) BY AN INITIAL INVESTOR (1) TO A PERSON THAT THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A PROMULGATED UNDER THE SECURITIES ACT IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A OR (2) PURSUANT TO AN EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE) AND DELIVERY OF AN OPINION OF COUNSEL, IF REQUIRED BY THE TRUSTEE OR THE CERTIFICATE REGISTRAR AND (B) BY SUBSEQUENT INVESTORS, AS SET FORTH IN (A) ABOVE AND, IN ADDITION, TO INSTITUTIONAL ACCREDITED INVESTORS AS DEFINED IN RULE 501(A)(1), (2), (3) OR (7) OF REGULATION D PROMULGATED UNDER THE SECURITIES ACT IN A TRANSACTION EXEMPT FROM REGISTRATION REQUIREMENTS UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION.

NOTWITHSTANDING THE ABOVE, THIS CERTIFICATE MAY NOT BE PURCHASED BY OR PLEDGED, SOLD OR OTHERWISE TRANSFERRED TO ANY PERSON WHICH IS AN EMPLOYEE BENEFIT PLAN SUBJECT TO THE FIDUCIARY RESPONSIBILITY PROVISIONS OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED, OR SECTION 4975 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED, OR ANY PERSON ACTING ON BEHALF OF ANY SUCH PLAN OR USING THE ASSETS OF SUCH PLAN TO ACQUIRE THIS CERTIFICATE UNLESS THE DEPOSITOR, THE CERTIFICATE REGISTRAR AND THE TRUSTEE ARE PROVIDED WITH AN OPINION OF COUNSEL WHICH ESTABLISHES TO THEIR SATISFACTION THAT THE ACQUISITION AND SUBSEQUENT HOLDING OF SUCH OFFERED CERTIFICATES WOULD NOT CONSTITUTE A NON-EXEMPT PROHIBITED TRANSACTION UNDER ERISA OR THE CODE.

THIS SECURITY WAS ISSUED ON MARCH 29, 1996 AT A PRICE EQUAL TO 5.7693% OF ITS ORIGINAL NOTIONAL AMOUNT. BASED ON THAT ISSUE PRICE, THIS SECURITY WAS ISSUED WITH ORIGINAL ISSUE DISCOUNT ("OID") FOR FEDERAL INCOME TAX PURPOSES IN AN AMOUNT EQUAL TO 94.2307% OF ITS ORIGINAL NOTIONAL AMOUNT. THE MONTHLY YIELD TO MATURITY OF THIS SECURITY EXPRESSED ON ANNUAL BASIS IS APPROXIMATELY 25.3304%. IN COMPUTING THE MONTHLY YIELD TO MATURITY AND

A-9-2

THE OID AMOUNTS SPECIFIED ABOVE, THE FOLLOWING ASSUMPTIONS HAVE BEEN USED: ☐ A METHOD EMBODYING AN ECONOMIC ACCRUAL OF INCOME, ☐ A CONSTANT ANNUAL PREPAYMENT RATE OF 3% ON THE MORTGAGE COLLATERAL UNDERLYING THE CERTIFICATES, AND ☐ A 30 DAYS PER MONTH/360 DAYS PER YEAR ACCOUNTING CONVENTION. THE ACTUAL YIELD TO MATURITY AND OID AMOUNTS MAY DIFFER FROM THE PROJECTED AMOUNTS.

A-9-3

LTC COMMERCIAL MORTGAGE PASS-THROUGH CERTIFICATES,
SERIES 1996-1, CLASS X-2

evidencing a nonassessable, fully paid
percentage interest in a trust fund
which includes a pool of commercial mortgage loans

No. X-2

Percentage Interest evidenced
by this Certificate: 100%

First Distribution Date:
April 15, 1996

Final Scheduled
Distribution Date:
April 15, 2028

Cut-Off Date: March 1, 1996

A-9-4

This certifies that LTC REMIC Corporation is the registered owner of the Percentage Interest evidenced by this Certificate in monthly Distributions to Holders of Class X-2 Certificates with respect to the Trust Fund. The Trust Fund, described more fully below, consists primarily of Mortgage Loans held in trust by the Trustee and serviced by the Master Servicer and the Special Servicer, as applicable. The Trust Fund was created, and the Mortgage Loans are to be serviced, pursuant to the Agreement (as defined below). The Holder of this Certificate, by virtue of the acceptance hereof, assents to the terms, provisions and conditions of the Agreement and is bound thereby. Also issued under the Agreement are Class A, Class B, Class C, Class D, Class E, Class F, Class G, Class X-1, Class R and Class LR Certificates (together with the Class X-2 Certificates, the "Certificates") (the Holders of Certificates issued under the Agreement are collectively referred to herein as "Certificateholders").

This Certificate is issued pursuant to, and in accordance with, the terms of a Pooling and Servicing Agreement dated as of March 1, 1996 (the "Agreement") among LTC REMIC Corporation, as Depositor, LaSalle National Bank, as Trustee, ABN AMRO Bank N.V., as Fiscal Agent, GMAC Commercial Mortgage Corporation, as Master Servicer and LTC Properties, Inc., as Originator and Special Servicer. In addition, LTC will be subservicer for the Mortgage Loans pursuant to a subservicing agreement to be dated as of March 1, 1996 with GMAC Commercial Mortgage Corporation (in such capacity the "Subservicer"). To the extent not defined herein, capitalized terms used herein shall have the meanings assigned thereto in the Agreement.

THIS CERTIFICATE DOES NOT REPRESENT AN INTEREST IN OR A DEPOSIT OR OBLIGATION OF THE DEPOSITOR, THE ORIGINATOR, THE MASTER SERVICER, THE SPECIAL SERVICER, THE SUBSERVICER, THE TRUSTEE OR THE FISCAL AGENT, OR ANY OF THEIR AFFILIATES. THIS CERTIFICATE WILL NOT BE A SAVINGS ACCOUNT OR DEPOSIT AND IS NOT INSURED OR GUARANTEED BY ANY GOVERNMENTAL AGENCY OR INSTRUMENTALITY OR BY ANY PRIVATE ENTITY.

This Certificate represents a "regular interest" in a "real estate mortgage investment conduit," as those terms are defined, respectively, in Sections 860G(a)(1)

A-9-5

and 860D of the Internal Revenue Code of 1986, as amended (the "Code"). Each Holder of this Certificate, by acceptance hereof, agrees to treat, and to take no action inconsistent with the treatment of, this Certificate in accordance with the preceding sentence for purposes of federal income taxes, state and local income and franchise taxes and other taxes imposed on or measured by income.

The Trustee makes no representation or warranty as to any of the statements contained herein or the validity or sufficiency of the Certificates, the Mortgage Loans and has caused to be executed and authenticated this Certificate in its limited capacity as Trustee under the Agreement.

Pursuant to the terms of the Agreement, the Paying Agent will distribute, on the fifteenth day of each month or if any such fifteenth day is not a Business Day, on the next succeeding Business Day (each such date, a "Distribution Date"), commencing in April 1996, to the Person in whose name this Certificate is registered as of the related Record Date, an amount equal to such Person's pro rata share (based on the Percentage Interest represented by this Certificate) of that portion of the aggregate amount of interest then distributable, if any, allocable to the Class X-2 Certificates for such Distribution Date, all as more fully described in the Agreement. The Class X-2 Certificates are not entitled to receive distributions of principal. Interest will accrue on the Class X-2 Certificates during each Interest Accrual Period in an amount equal to the aggregate of the interest accrued (on the basis of a 360-day year consisting of twelve 30-day months) on the Certificate Principal Amount of the Class AL Interest at the Class A Spread Rate, on the Certificate Principal Amount of the Class AR-L Interest at the Class R Spread Rate, on the Certificates Principal Amount of the Class BL Interest at the Class B Spread

Rate, on the Certificate Principal Amount of the Class CL Interest at the Class C Spread Rate and on the Certificate Principal Amount of the Class DL Interest at the Class D Spread Rate. The amount of interest which accrues on this Certificate during an Interest Accrual Period will be subject to reduction with respect to any Net Prepayment Interest Shortfall allocated to the Class X-2 Certificates, as described in the Agreement.

A-9-6

Interest will be calculated on the basis of a 360-day year of twelve 30-day months. Interest accrued on this Certificate during an Interest Accrual Period, plus the Outstanding Class Interest Shortfall with respect to this Certificate, if any, will be payable on the related Distribution Date to the extent provided in the Agreement. The "Interest Accrual Period" relating to any Distribution Date is the Mortgage Loan Due Period for each Mortgage Loan.

With the exception of the final distribution in respect of this Certificate, distributions on this Certificate will be made by the Paying Agent without the presentation or surrender of this Certificate or the making of any notation hereon, by check mailed by first-class mail to the address of the Holder set forth in the Certificate Register, or, provided the Holder holds Certificates the aggregate initial Notional Amount of which exceeds \$5,000,000 and has provided the Paying Agent with wire instructions in writing at least five Business Days before the related Record Date, by wire transfer of immediately available funds to the account of such Holder at a bank or other entity located in the United States and having appropriate facilities therefor. The final distribution on this Certificate will be made in like manner after notice by the Trustee of the pendency of such distribution and only upon presentation and surrender of this Certificate at the Corporate Trust Office or such other location specified in the notice to Holders of such final distribution.

This Certificate is one of a duly authorized issue of Certificates designated as LTC Commercial Mortgage Pass-Through Certificates, Series 1996-1 and represents a fractional undivided interest in a Trust Fund. As more fully described in and subject to the limitations of the Agreement, the Trust Fund will consist primarily of (i) such Mortgage Loans as from time to time are subject to the Agreement, together with the Mortgage Files relating thereto; (ii) all payments due on or collections in respect of the Mortgage Loans due after the Cut-Off Date; (iii) any REO Property; (iv) all revenues received in respect of any REO Property; (v) the rights of the Trustee, Master Servicer and Special Servicer under the insurance policies with respect to the

A-9-7

Mortgage Loans required to be maintained pursuant to this Agreement and any proceeds thereof; (vi) any Assignments of Leases, Rents and Profits; (vii) any guaranties given as additional security for any Mortgage Loans; (viii) all assets deposited in the Collection Account, the Distribution Account, the Upper-Tier Distribution Account and the REO Account including reinvestment income; and (ix) the proceeds of any of the foregoing.

This Certificate is limited in right of payment to, among other things, certain collections and recoveries in respect of the Mortgage Loans, as more specifically set forth herein and in the Agreement.

As provided in the Agreement, withdrawals from the Collection Account may be made by the Master Servicer from time to time for purposes other than distributions to Certificateholders, such purposes including, among other things, reimbursement or payment to the Master Servicer, the Special Servicer, the Subservicer, the Trustee or the Fiscal Agent of certain expenses incurred or certain fees earned by the Master Servicer, the Special Servicer or the Trustee, including, without limitation, certain Nonrecoverable Advances.

This Certificate does not purport to summarize the Agreement, and reference is made to the Agreement for the interests, rights, benefits, obligations and duties evidenced hereby, and the limitations thereon, and the rights, duties and immunities of the Trustee. This Certificate is issued under and is subject to the terms, provisions and conditions of the Agreement, to which Agreement, as amended from time to time, the holder of this Certificate by virtue of the acceptance hereof assents and by which the holder of this Certificate is bound.

As provided in the Agreement and subject to certain limitations therein set forth, the transfer of this Certificate is registrable in the Certificate Register only upon surrender of this Certificate for registration of transfer at the office of the Certificate Registrar or at the office of its agent in the City of New York. The Trustee or the Certificate Registrar may require that this Certificate be duly endorsed by, or accompanied by a written instrument of transfer in form

A-9-8

satisfactory to the Trustee and the Certificate Registrar duly executed by, the Holder hereof or such Holder's attorney duly authorized in writing. Thereupon,

one or more new Certificates of a like aggregate Percentage Interest in the same Class of authorized denominations will be executed and authenticated by the Trustee and delivered by the Certificate Registrar to the designated transferee or transferees.

Prior to due presentation of this Certificate for registration of transfer, the Depositor, the Master Servicer, the Special Servicer, the Subservicer, the Trustee, the Certificate Registrar and any agent of any of them may treat the Person in whose name this Certificate is registered as the owner hereof for all purposes, and none of the Depositor, Master Servicer, the Special Servicer, the Subservicer, the Trustee, the Certificate Registrar, any Paying Agent or any agent of any of them shall be affected by notice to the contrary.

As provided in the Agreement and subject to certain limitations herein set forth, this Certificate is exchangeable for other Certificates of the same Class of authorized denominations of like aggregate Percentage Interests, as requested by the Holder surrendering the same.

No service charge will be made to a Certificateholder for any such registration of transfer or exchange, but the Certificate Registrar may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

The Agreement permits, with certain exceptions therein provided, the amendment of the Agreement and the modification of the rights of the Certificateholders under the Agreement at any time by the Depositor, the Master Servicer, the Special Servicer and the Trustee with the consent of the Holders of Class A, Class B, Class C, Class D, Class E, Class F, Class G, Class R, Class LR, Class X-1 and Class X-2 Certificates representing not less than 66-2/3% of the Voting Rights allocated to each such Class of the Certificates affected by the amendment. Any such consent by the Holder of this Certificate shall be conclusive and binding on such Holder and upon all future Holders of this Certificate

A-9-9

and of any Certificates issued upon the transfer hereof or in exchange herefor or in lieu hereof whether or not notation of such consent is made upon this Certificate. The Agreement also permits the amendment thereof in certain circumstances without the consent of the Holders of any of the Certificates, provided that such amendment would not adversely affect in any material respect the interests of any Certificateholder.

Each of the Master Servicer, any Holder of a Class LR Certificate and the Special Servicer, may at its option, upon not less than 30 days' prior notice, given to the Trustee any time on or after the Early Termination Date specifying the Anticipated Termination Date, purchase on the Early Termination Date all, but not less than all, of the Mortgage Loans then included in the Trust Fund, all property acquired in respect of any Mortgage Loans and any assets conveyed to the Trust Fund, at a purchase price, payable in cash, equal to not less than the greater of:

(i) the sum of (without duplication of any amount in clauses (A) through (E) below):

(A) 100% of the unpaid principal balance of each Mortgage Loan included in the Trust Fund as of the Early Termination Determination Date; and

(B) all unpaid interest accrued on such principal balance of each such Mortgage Loan at the related Mortgage Interest Rate to such Early Termination Determination Date; and

(C) the fair market value of all other property included in the Trust Fund as of such Early Termination Determination Date; and

(D) all unreimbursed P&I Advances, unreimbursed Servicing Advances and interest thereon at the Advance Rate; and

(E) all unreimbursed Servicing Fees, Special Servicing Fees and Trustee Fees; and

(ii) the aggregate fair market value (determined

A-9-10

in accordance with Section 9.01(d)(ii)(B) of the Agreement) of the Mortgage Loans, and all other property acquired in respect of any Mortgage Loan in the Trust Fund, as of the date of purchase.

The obligations created by the Agreement shall terminate upon the earliest to occur of (i) the repurchase of all Mortgage Loans by the Master Servicer, any Holder of a Class LR Certificate or the Special Servicer as described above; (ii) the later of (a) the distribution to Certificateholders of final payment with respect to the last outstanding Mortgage Loan or (b) the

disposition of all property acquired upon foreclosure or deed in lieu of foreclosure with respect to the last outstanding Mortgage Loan and the remittance to the Certificateholders of all funds due under the Agreement; or (iii) the sale of assets of the Trust Fund after the Certificate Principal Amounts of all the Certificates have been reduced to zero under circumstances set forth in the Agreement. In no event, however, will the trust created by the Agreement continue beyond the expiration of 21 years from the death of the last surviving descendant of a certain individual named in the Agreement living on the date thereof.

Unless the Certificate of Authentication on this Certificate has been executed by or on behalf of the Trustee, by manual signature, this Certificate shall not be entitled to any benefit under the Agreement or be valid for any purpose.

A-9-11

IN WITNESS WHEREOF, the Authenticating Agent has caused this Certificate to be duly executed.

LASALLE NATIONAL BANK
as Authenticating Agent

By _____
Authorized Signatory

Certificate of Authentication

This is one of the Class X-2 Certificates referred to in the Agreement.

Dated: March 29, 1996

LASALLE NATIONAL BANK
as Authenticating Agent

By: _____
Authorized Officer

A-9-12

DISTRIBUTION INSTRUCTIONS

The Assignee(s) should include the following for purposes of distribution:

Address of the Assignee(s) for the purpose of receiving notices and distributions:

Distributions, if be made by wire transfer in immediately available funds to

for the account of _____
account number _____

This information is provided by _____
the Assignee(s) named above, or _____
as its (their) agent.

By _____

[Please print or type name(s)]

Title

Taxpayer Identification Number

A-9-13

standards for such custody. In the event the Custodian discovers any defect with respect to any Custodian's Mortgage File, the Custodian shall give written specification of such defect to the Master Servicer and the Trustee.

3. From time to time and as appropriate for the foreclosure or servicing of any of the Mortgage Loans, the Custodian is hereby directed, upon written request and receipt from the Master Servicer (a copy of which shall be forwarded to the Trustee), to release to the Master Servicer the related Custodian's Mortgage File or the documents set forth in such receipt to the Master Servicer. All documents so released to the Master Servicer shall be held by it in trust for the benefit of the Trustee. The Master Servicer shall return to the Custodian the Custodian's Mortgage File or such documents when the Master Servicer's need therefor in connection with such foreclosure or servicing no longer exists, unless the Mortgage Loan shall be liquidated, in which case, upon receipt of a certification to this effect from the Master Servicer to the Custodian, the Master Servicer's receipt shall be released by the Custodian to the Master Servicer.

4. Upon the re-purchase of any Mortgage Loan pursuant to the terms of the Pooling and Servicing Agreement or the payment in full of any Mortgage Loan, and upon receipt by the Custodian of the Master Servicer's request for release, receipt and certification (which certification shall include a statement to the effect that all amounts received in connection with such payment or repurchase have been credited to the Collection Account or Distribution Account as provided in the Pooling and

D-2

Servicing Agreement), the Custodian shall promptly release the related Custodian's Mortgage File to the Master Servicer.

5. It is understood that the Custodian will charge such fees for its services under this Agreement as set forth in a separate agreement between the Custodian and the Trustee, the payment of which, together with the Custodian's expenses in connection therewith, shall be solely the obligation of the Trustee.

6. The Trustee may upon 30 days written notice (with a copy to the Master Servicer) remove and discharge the Custodian or any successor Custodian thereafter appointed from the performance of its duties under this Custodial Agreement. Simultaneously, the Trustee shall appoint a successor Custodian to act on its behalf by written instrument, one original counterpart of which instrument shall be delivered to each Rating Agency, one copy to the Master Servicer and one copy to the successor Custodian. In the event of any such removal, the Custodian shall promptly transfer to the successor Custodian, as directed, all Custodian's Mortgage Files being administered under this Custodial Agreement. Notwithstanding the foregoing, so long as LaSalle National Bank is Trustee, the Master Servicer shall not have a right to remove the Custodian.

7. Upon reasonable prior written notice to the Custodian, the Trustee and its agents, accountants, attorneys and auditors will be permitted during normal business hours to examine the Custodian's Mortgage Files, documents, records and other papers in the possession of or under the control of the Custodian relating to any or all of the Mortgage Loans.

8. If the Custodian is furnished with written notice from the Trustee or the Master Servicer that the Pooling and Servicing Agreement has been terminated as to any or all of the Mortgage Loans, it shall upon written request of the Trustee or the Master Servicer release to such persons as the Trustee or the Master Servicer shall designate the Custodian's Mortgage Files relating to such Mortgage Loans as the Trustee or the Master Servicer shall request and shall complete the Assignments of Mortgage and endorse the Notes only as, and if, the Trustee or the Master Servicer shall request. The person making such written request shall send notice of such request to all other parties to the Pooling and Servicing Agreement.

9. The Custodian shall, at its own expense, maintain

D-3

at all times during the existence of this Custodial Agreement and keep in full force and effect (a) fidelity insurance, (b) theft of documents insurance, (c) forgery insurance and (d) errors and omissions insurance. All such insurance shall be in amounts, with standard coverage and subject to deductibles, as are customary for insurance typically maintained by banks which act as custodian in similar transactions provided, however, that so long as the Custodian is rated at least "A" no such insurance shall be required.

10. This Custodial Agreement may be executed simultaneously in any number of counterparts, each of which counterparts shall be deemed to be an original, and such counterparts shall constitute and be one and the same instrument.

11. Within 10 days of each anniversary of the date of this Custodial Agreement, or upon the request of the Trustee or the Master Servicer at any other time, the Custodian shall provide to the Trustee and the Master Servicer a

list of all the Mortgage Loans for which the Custodian holds a Custodian's Mortgage File pursuant to this Custodial Agreement. Such list may be in the form of a copy of the Mortgage Loan Schedule with manual deletions to specifically denote any Mortgage Loans paid off, liquidated or repurchased since the date of this Custodial Agreement.

12. THIS CUSTODIAL AGREEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, AND THE OBLIGATIONS, RIGHTS AND REMEDIES OF THE PARTIES HEREUNDER SHALL BE DETERMINED IN ACCORDANCE WITH SUCH LAWS.

13. By execution of this Custodial Agreement, the Custodian warrants that it currently does not hold and during the existence of this Custodial Agreement shall not hold any adverse interest, by way of security or otherwise, in any Mortgage Loan, and hereby waives and releases any such interest which it may have in any Mortgage Loan as of the date hereof.

14. The Custodian may terminate its obligations under this Custodial Agreement upon at least 60 days notice to the Trustee and the Master Servicer, provided that so long as LaSalle National Bank is the Trustee, LaSalle National Bank will not resign from its duties hereunder. In the event of such termination, the Trustee shall appoint a successor Custodian. Upon such appointment, the Custodian shall promptly transfer to the successor Custodian, as directed, all Custodian's Mortgage Files

D-4

being administered under this Custodial Agreement.

15. This Custodial Agreement shall terminate upon the final payment or other liquidation (or advance with respect thereto) of the last Mortgage Loan or the disposition of all property acquired upon foreclosure or deed in lieu of foreclosure of any Mortgage Loan, and the final remittance of all funds due the Certificateholders under the Pooling and Servicing Agreement. In such event, all documents remaining the Custodian's Mortgage Files shall be forwarded to the Trustee.

16. All demands, notices and communications hereunder shall be in writing and shall be deemed to have been duly given when received by the addressee. Any such demand, notice or communication hereunder shall be deemed to have been received on the date delivered to or received at the premises of the addressee (as evidenced, in the case of registered or certified mail, by the date noted on the return receipt).

D-5

IN WITNESS WHEREOF, the Custodian, the Master Servicer and the Trustee have caused their names to be signed hereto by their respective officers thereunto duly authorized, all as of the date first written above.

[LaSalle National Bank]
as Custodian

By: _____
Name:
Title:

GMAC COMMERCIAL MORTGAGE CORPORATION,
as Master Servicer

By: _____
Name:
Title:

LASALLE NATIONAL BANK,
as Trustee

By: _____
Name:
Title:

D-6

EXHIBIT E

FORM OF SUBSERVICING AGREEMENT

E-1

SUBSERVICING AGREEMENT

THIS SUBSERVICING AGREEMENT (the "Agreement") is made as of this 1st day of March, 1996 by and between GMAC Commercial Mortgage Corporation and LTC Properties, Inc., as subservicer in such capacity (the "Subservicer").

RECITALS

A. Pursuant to that certain Pooling and Servicing Agreement dated as of March 1, 1996 (the "Pooling and Servicing Agreement") among LTC REMIC Corporation, as Depositor (the "Depositor"), LaSalle National Bank, as Trustee (the "Trustee"), ABN AMRO Bank N.V., as Fiscal Agent (the "Fiscal Agent"), GMAC Commercial Mortgage Corporation, as Master Servicer (the "Master Servicer") and LTC Properties, Inc., as Special Servicer and Originator ("LTC"), the Depositor transferred the entire beneficial ownership in certain mortgage loans (the "Mortgage Loans") to the extent described in the Pooling and Servicing Agreement in exchange for certain pass-through certificates issued in multiple classes. Capitalized terms used herein and not otherwise defined shall have the respective meanings set forth in the Pooling and Servicing Agreement.

B. Pursuant to the Pooling and Servicing Agreement, the Master Servicer has agreed to service the Mortgage Loans and to perform certain other duties as more fully described in the Pooling and Servicing Agreement.

C. The Master Servicer and the Subservicer desire to enter into this Agreement for the purpose of transferring from the Master Servicer to the Subservicer certain of the Master Servicer's rights and obligations under the Pooling and Servicing Agreement, as more fully set forth herein.

NOW, THEREFORE, in consideration of the mutual covenants, agreements, representations and warranties set forth herein, the parties hereto do hereby agree as follows:

1. Representations, Warranties and Covenants of Subservicer. The

Subservicer hereby represents and warrants to and covenants with the Master Servicer that as of the date hereof and at all times during the term hereof:

1.1 Organization. The Subservicer is a corporation

E-2

duly organized, validly existing and in good standing under the laws of the State of Maryland and is or will be in compliance with the laws of each state in which any Mortgaged Property is located to the extent necessary to perform its obligations under this Agreement and ensure the enforceability of each Mortgage Loan by the Subservicer in accordance with the terms of this Agreement.

1.2 No Breach. The execution and delivery of this Agreement by the

Subservicer and its performance of and compliance with the terms of this Agreement will not violate the Subservicer's articles of incorporation or by-laws or constitute a default (or an event which, with notice or the lapse of time or both, would constitute a default) under, or result in the breach of, any material contract, agreement or other instrument to which the Subservicer is a party or which may be applicable to the Subservicer or any of its assets.

1.3 Authority. This Agreement, assuming due authorization, execution

and delivery by the Master Servicer, constitutes a valid, legal and binding obligation of the Subservicer, enforceable against it in accordance with the terms hereof, except as such enforcement may be limited by applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, receiver ship, moratorium and similar laws affecting the rights and remedies of creditors generally and by general principles of equity, including principles of commercial reasonableness, good faith and fair dealing (regardless of whether such enforcement is sought in a proceeding in equity or at law).

1.4 No Violation. The Subservicer is not in violation of, and the

execution and delivery of this Agreement by the Subservicer and its performance and compliance with the terms of this Agreement will not constitute a violation with respect to, any law or regulation applicable to the Subservicer, any order or decree of any court or of any federal, state, municipal or governmental agency having jurisdiction, which violation could reasonably be expected to materially affect the performance of its duties hereunder.

1.5 No Litigation. No litigation is pending or, to the best knowledge

of the Subservicer, threatened, against the Subservicer which would prohibit its entering into or performing its obligations under this Agreement.

2. Subservicing of Mortgage Loans.

E-3

2.1 General Duties. The Subservicer shall perform for the Master

Servicer all services and duties described herein and in the Schedule of Duties to be performed by the Subservicer attached to this Agreement as Exhibit A, in each case in accordance with the terms of the Pooling and Servicing Agreement and of applicable law. In performing its duties hereunder, the Subservicer shall have the status of and shall act as an independent contractor. Nothing herein shall be construed to create a partnership or joint venture between the Master Servicer and the Subservicer. Nothing contained in this Agreement shall prohibit the Master Servicer from taking any action, including the payment of advances or other amounts, which it deems necessary to assure the fulfillment of any of its duties under the Pooling and Servicing Agreement or any related document, agreement or instrument, whether or not the Subservicer is also required to fulfill such duty pursuant to this Agreement.

2.2 Remittance Reports and Accounting. In addition to the other

reports and information that the Subservicer is required to provide to the Master Servicer pursuant to this Agreement, the Subservicer shall provide to the Master Servicer in each month during the term hereof, no later than the day following the Determination Date, (i) the information described in Exhibit B attached hereto and (ii) with respect to any Subservicing Account meeting the requirements of Section 3.5 of the Pooling and Servicing Agreement or other fund or account maintained by the Subservicer hereunder, a statement prepared by the Subservicer setting forth the status of the applicable fund or account as of the close of business on such Determination Date and detailing, for the period covered by such statement, each category of deposit into and withdrawal from and earnings on such fund or account (clauses (i) and (ii) together, "Servicing Information").

In addition, on or before April 30 of each year, beginning with April 30, 1997, the Subservicer at its expense shall cause to be prepared and delivered to the Master Servicer, a statement in the form, and prepared by a firm of Independent public accountants satisfying the criteria described in Section 3.15 of the Pooling and Servicing Agreement, except that such statement shall relate to the Subservicer's subservicing activities hereunder.

Notwithstanding any other provision contained herein, any required statements, certifications, elections, notices,

E-4

reports, plans or responses to direction from any Person which are required by the Pooling and Servicing Agreement to be in the name of or to be otherwise provided by the Master Servicer and which are delegated to the Subservicer hereunder shall be prepared by the Subservicer at its expense in the form required by the Pooling and Servicing Agreement and shall be delivered, no later than the second Business Day prior to the day such item is required from the Master Servicer under the Pooling and Servicing Agreement, to the Master Servicer for its execution as Master Servicer and its distribution in accordance with the Pooling and Servicing Agreement.

2.3 Fidelity Bond and Insurance. The Subservicer, at no expense to

the Master Servicer, shall keep in force during the term of this Agreement, for the benefit of the Trustee and the Master Servicer, a policy or policies of insurance covering errors and omissions for failure in the performance of the Subservicer's obligations under this Agreement, which policy or policies shall be in such form and amount that would meet the servicing requirements of prudent institutional commercial mortgage lenders and loan servicers. The Subservicer shall also maintain a fidelity bond in the form and amount that would meet the servicing requirements of prudent institutional commercial mortgage lenders and loan servicers. The Subservicer shall be deemed to have complied with this provision if an affiliate of the Subservicer has such errors and omissions and fidelity bond coverage and, by the terms of such insurance policy or fidelity bond, the coverage afforded thereunder extends to the Subservicer. Each such fidelity bond and errors and omissions policy shall be issued by an insurer having a claims-paying ability of at least "A" by S&P and "A" by Fitch or otherwise acceptable to the Rating Agencies; provided, however, that so long as the long term debt or deposit obligations of the Subservicer are rated at least "A" by S&P and Fitch, the Subservicer shall be allowed to provide self-insurance with respect to an errors and omissions insurance policy; provided further that if such long term debt or deposit obligation is at the time of such investment not rated by Fitch, such long term debt or deposit need only be rated by S&P. Any such errors and omissions policy and fidelity bond shall not be canceled without 10 days' prior written notice to the Trustee and the Master Servicer.

2.4 Documents Received After Termination. The Subservicer shall

promptly deliver and remit to the Master Servicer any Mortgage Files and any and all bills, invoices,

E-5

insurance policies, letters, documents and all other correspondence or communications relating to the Mortgage Loans (collectively, "Loan Documents") that are received by the Subservicer after termination of this Agreement. The Subservicer's obligations under this Section 2.4 with respect to such documents, correspondence and communications shall be those of a trustee or other fiduciary.

2.5 Remittances into the Collection Account. The Subservicer shall

deposit into the Collection Account not later than three Business Days after receipt thereof or the day preceding each Master Servicer Remittance Date, all proceeds of Mortgage Loans received by the Subservicer in accordance with Section 3.1(b)(2) of the Pooling and Servicing Agreement, without any deduction for the Subservicer's servicing compensation; provided, however, that Mortgage

Loan proceeds received by the Subservicer on or within two Business Days prior to the Determination Date shall be deposited into the Collection Account no later than the date after the Determination Date. If the Subservicer fails to remit to the Master Servicer any amounts required to be remitted pursuant to this section, the Subservicer shall pay interest at the Advance Rate on amounts not remitted.

2.6 Statements as to Compliance. On or before April 30 of each year,

beginning April 30, 1997, the Subservicer will deliver to the Master Servicer, the Trustee and the Depositor an Officers' Certificate stating, as to the signatory thereof, that (i) a review of the activities of the Subservicer during the preceding calendar year (or such longer period from the Closing Date to the end of the related calendar year) and of its performance under this Agreement has been made under such officer's supervision, (ii) to the best of such officer's knowledge, based on such review, the Subservicer has fulfilled all of its obligations under this Agreement in all material respects throughout such year (or such longer period), or, if there has been a default in the fulfillment of any such obligation in any material respect, specifying each such default known to such officer, the nature and status thereof and what action the Subservicer proposes to take with respect thereto and (iii) whether it has received any notice regarding qualification, or challenging the status, of either of the Upper-Tier REMIC or the Lower-Tier REMIC as a REMIC from the Internal Revenue Service or any other governmental agency or body.

2.7 Purchase of All Outstanding Mortgage Loans. The Subservicer shall

be assigned, the right of the Master Servicer

E-7

during the term of this Agreement to exercise the option contained in Section 9.1(c) of the Pooling and Servicing Agreement to purchase all of the Mortgage Loans then included in the Trust Fund, all property acquired in respect of any Mortgage Loan and any assets conveyed to the Trust Fund.

If the Subservicer elects to exercise such option, it shall notify the Master Servicer and the Trustee of such election no later than 30 days prior to the Early Termination Determination Date, as provided in Section 9.1 of the Pooling and Servicing Agreement. Upon payment by the Subservicer to the Master Servicer for deposit into the Collection Account in accordance with the Pooling and Servicing Agreement of the amount required by Section 9.1 thereof in connection with the exercise of such option, the Master Servicer shall release or cause to be released to the Subservicer, promptly upon its receipt thereof, the Mortgage Files for the remaining Mortgage Loans and REO Properties, and shall execute and deliver or cause to be executed and delivered such instruments of transfer or assignment, in each case without recourse, as shall be necessary to vest in the Subservicer title to such Mortgage Loans and REO Properties.

2.8 Modifications, Waivers, Amendments and Consents.

(a) So long as the Subservicer and Special Servicer is LTC, the Subservicer may, and is hereby expressly permitted to, consent to any modification, waiver or amendment of any term of any Mortgage Loan serviced by the Subservicer, or to any substitution of collateral, requested by the related Borrower without the prior consent of the Master Servicer, except as prohibited by this Section 2.8. The Subservicer is expressly authorized to execute and deliver all agreements, letters, certificates and other written instruments necessary to effect any such modification, waiver or amendment. All modifications, waivers or amendments of any such Mortgage Loan shall be in writing and shall be consistent with the servicing standard set forth in Section 3.1 of the Pooling and Servicing Agreement.

(b) The Subservicer may not agree to a modification, waiver or amendment of any term of any Mortgage Loan if such modification, waiver or amendment would:

(i) cause (A) a loss of REMIC status with respect to either the Upper-Tier REMIC or Lower-Tier REMIC,

E-7

or (B) a gain on the disposition of a Qualified Mortgage which would be subject to the 100% tax on prohibited transactions imposed by Section 860F(a) of the Code, or (C) the Upper-Tier REMIC or Lower-Tier REMIC to be subject to any tax under the REMIC Provisions, which shall be required to be evidenced by an Opinion of Counsel to be obtained at the expense of the Borrower requesting such modification, waiver or amendment;

(ii) reduce in any manner the amount of, or delay or alter the timing of, payments to be received on such Mortgage Loan which are required to be distributed on any Certificate, unless a default in respect of payment on such Mortgage Loan has occurred, or, in the Subservicer's reasonable judgment, as evidenced by an Officer's Certificate, is imminent; or

(iii) result in a release of the lien of the Mortgage on any material portion of the related Mortgaged Property without a corresponding principal prepayment in an amount not less than the fair market value (as determined by an appraisal delivered to the Subservicer) of the property to be released, or would in the Subservicer's judgment, otherwise materially impair the security for such Mortgage Loan or reduce the likelihood of timely payment of amounts due thereon, unless a default in respect of payment on such Mortgage Loan has occurred, or, in the Subservicer's reasonable judgment, as evidenced by an Officer's Certificate, is imminent.

(c) The Subservicer may (i) extend the date on which any Balloon Payment is scheduled to be due, and (ii) defer a portion of the scheduled monthly payments of principal and interest on any Mortgage Loan, provided, that the Subservicer has determined that the conditions set forth in Sections 3.20(c) and (d) of the Pooling and Servicing Agreement, respectively, are satisfied.

(d) The Subservicer may from time to time permit a Borrower to substitute collateral for all or a portion of the related Mortgaged Property or pledge additional collateral for the related Mortgage Loan, or may release part of the related Mortgaged Property from the lien of the related Mortgage, provided, that the Subservicer has determined that the conditions set forth in Section 3.20(h) of the Pooling and Servicing Agreement

E-8

are satisfied.

(e) Notwithstanding anything to the contrary contained in this Agreement, the Subservicer shall not agree to any modification, waiver, amendment or consent pursuant to subsections (b), (c) or (d) above unless each Rating Agency shall have confirmed in writing that such modification, waiver, amendment or consent will not result in the downgrading or withdrawal of the then current rating of the Certificates by such Rating Agency, or Certificateholders representing 100% of the Voting Rights shall have consented thereto.

(f) The Subservicer may, as a condition to granting any request by a Borrower for consent, modification, waiver or indulgence or any other matter or thing, the granting of which is not prohibited by the terms of this Agreement, require that such Borrower pay to the Subservicer, as additional servicing compensation, a reasonable or customary fee for the additional services performed in connection with such request, together with any related costs and expenses incurred by the Subservicer.

(g) The Subservicer is expressly permitted to exercise all of the rights granted under this Section 2.8 without the prior consent of the Special Servicer, and upon exercise of such rights, shall not be required to convey to the Special Servicer any of the Mortgage Loans serviced by the Subservicer, including any modified or amended Mortgage Loan. The Subservicer is expressly permitted to, and shall, service and administer the Mortgage Loans it is obligated to service pursuant to this Agreement.

(h) The Subservicer shall notify the Trustee and the Master Servicer of any modification, waiver or amendment of any term of any Mortgage Loan and the date thereof, and shall deliver to the Custodian for deposit in the related Mortgage File, an original counterpart of the agreement relating to such modification, waiver or amendment, promptly following the execution thereof.

connection with the filing of any UCC-2 or UCC-3 filings or the recording of any assignments or reassignments of leases, rents and profits pursuant to Section 2.01 of the Pooling and Servicing Agreement shall be borne by the Subservicer.

E-9

2.10 Advances. All advances required hereunder pursuant to Section 3.22 of the Pooling and Servicing Agreement shall be made no later than 2 days after the related Determination Date.

3. Compensation to the Subservicer.

3.1 Subservicing Fee. As compensation for the activities of the

Subservicer hereunder, the Master Servicer shall, no later than the first Business Day following each Distribution Date, remit to the Subservicer the Subservicing Fee, as described below, with respect to each Mortgage Loan, payable from amounts in the Collection Account paid to the Master Servicer. The Subservicing Fee, with respect to each Mortgage Loan and for each Due Period, shall be an amount equal to the product of one-twelfth of the Subservicing Fee Rate and the Scheduled Principal Balance of each Mortgage Loan outstanding immediately prior to the application of the Monthly Payment due on the Due Date in such Due Period; provided however, that the Subservicer's right to receive

the Subservicing Fee shall be subject to the requirement that the Subservicing Fee be applied to cover any excess of Prepayment Interest Shortfalls over Prepayment Interest Excess for such Due Period. The Subservicing Fee Rate is equal to .02% (two basis points) per annum. The right to receive the Subservicing Fee may not be transferred in whole or in part except in connection with the transfer of all of the Subservicer's responsibilities and obligations under this Agreement.

3.2 Reimbursements. The Master Servicer shall remit to the Subservicer, solely from funds available to Master Servicer pursuant to the Pooling and Servicing Agreement, the following amounts: (i) amounts sufficient to reimburse LTC for all Servicing Advances and P&I Advances pursuant to the Pooling and Servicing Agreement made by LTC plus any applicable interest on any such advances pursuant to the Pooling and Servicing Agreement, if and when funds are available for withdrawal in respect thereof by the Master Servicer pursuant to Section 3.6(ii) of the Pooling and Servicing Agreement; and (ii) amounts sufficient to indemnify LTC for any loss, liability or expense incurred by LTC for which indemnity from the Trust Fund is received by the Master Servicer pursuant to Section 6.3 of the Pooling and Servicing Agreement if and when funds are available for withdrawal in respect thereof by the Master Servicer pursuant to the Pooling and Servicing Agreement subject to the Master Servicer's recovery of its loss, liability or expenses from such

E-10

monies.

3.3 Other Expenses. The Subservicer shall be required to pay all

expenses incurred by it in connection with its subservicing activities hereunder, including payment of premiums for the fidelity bond and insurance required by Section 2.3 hereof. Except as otherwise provided herein, the Master Servicer shall not be responsible to reimburse the Subservicer for any expenses incurred by the Subservicer or any disbursements or advances required to be made by the Subservicer in the performance of the Subservicer's duties hereunder and under the Pooling and Servicing Agreement. It is hereby understood that the Subservicing Fee and the reimbursement payments payable under Section 3.2 hereof represent the sole compensation payable by the Master Servicer to the Subservicer hereunder.

3.4 Master Servicer Obligations. The Master Servicer agrees to

request payment and/or reimbursement as contemplated by Sections 3.1 and 3.2 hereof when and as permitted by, and in accordance with, the Pooling and Servicing Agreement. In addition, the Master Servicer shall furnish the Subservicer with copies of all notices received by the Master Servicer under the Pooling and Servicing Agreement (other than such notices furnished by the Subservicer) as soon as is practicable following the Master Servicer's receipt of the same.

3.5 Certain Trust Fund Expenses. As long as the Subservicer is LTC

all expenses of the Trust Fund in connection with ongoing fees of the Rating Agencies shall be borne by the Subservicer at its sole expense.

4. Term. Except in the event that this Agreement is terminated pursuant

to Section 5.1, 5.2 or 5.3 hereof, this Agreement shall continue in effect until the termination of the obligations and responsibilities of the parties to the

5. Termination.

5.1 Termination for Cause. The occurrence of any of the following

events shall constitute a "Subservicer Default:"

(a) If the Subservicer shall fail to pay to the Master Servicer
any amount due to the Master Servicer pursuant to Section 7.1 hereunder
and such failure shall continue

E-11

for a period of 30 days after written notice thereof has been delivered to
the Subservicer by the Master Servicer;

(b) If the Subservicer shall fail to make any payment, other
than as described in (a) above, when due hereunder;

(c) If the Subservicer shall materially breach any other term of
this Agreement or any term of the Pooling and Servicing Agreement specified
in Exhibit A hereto and such breach shall not be cured within 50 days after
written notice thereof has been delivered to the Subservicer by the Master
Servicer;

(d) If a decree or order for relief of a court or agency or
supervisory authority having jurisdiction in the premises in an involuntary
case under any present or future federal or state bankruptcy, insolvency or
similar law or the appointment of a conservator or receiver or liquidator
in any insolvency, readjustment of debt, marshalling of assets and
liabilities or similar proceeding, or for the winding-up or liquidation of
its affairs, shall have been entered against the Subservicer and such
decree or order shall have remained in force undischarged or unstayed for a
period of 60 days; or the Subservicer shall consent to the appointment of a
conservator or receiver or liquidator in any insolvency, readjustment of
debt, marshalling of assets and liabilities or similar proceedings of or
relating to the Subservicer or of or relating to all or substantially all
of its property; or the Subservicer shall admit in writing its inability to
pay its debts generally as they become due, file a petition to take
advantage of any applicable bankruptcy, insolvency or reorganization
statute, make an assignment for the benefit of its creditors, voluntarily
suspend payment of its obligations; or

(e) If the Subservicer shall assign or attempt to assign its
interest under this Agreement or delegate or attempt to delegate any
portion of its rights, duties or obligations hereunder without the written
consent of the Master Servicer; provided, however, that delegation of the
Subservicer's duties and obligations shall not constitute a default
hereunder so long as the Subservicer remains primarily liable to the
Master Servicer for the duties or obligations so delegated.

E-12

In each and every case, so long as a Subservicer Default shall not
have been remedied, the Master Servicer may, by notice in writing to the
Subservicer, terminate all of the rights and obligations of the Subservicer as
subservicer under this Agreement. On or after the receipt by the Subservicer of
such written notice, all of its authority and power under this Agreement shall
pass to and be vested in the Master Servicer pursuant to and under this Section.

5.2 Termination by Trustee or Other Successor Master Servicer.

Notwithstanding anything to the contrary contained herein, in the event that the
Master Servicer shall, for any reason (including, without limitation,
termination of the Master Servicer pursuant to Article VII of the Pooling and
Servicing Agreement) no longer be the Master Servicer under the Pooling and
Servicing Agreement, the Trustee or any successor Master Servicer under the
Pooling and Servicing Agreement shall, pursuant to Section 9 hereof, assume the
rights and obligations of the Master Servicer under this Agreement. The Trustee
or such successor Master Servicer shall only be entitled to terminate this
Agreement upon the occurrence of the events described in Section 5.1 hereof.

5.3 Rights Upon Termination. Upon termination of this Agreement

pursuant to Section 5.1 hereof, the Subservicer shall deliver to the Master
Servicer all documents relating to the Mortgage Loans in its possession not
previously delivered to the Master Servicer, together with all funds held with
respect to the Mortgage Loans. In addition, the Subservicer shall cooperate with
the Master Servicer and use its reasonable best efforts to assist the Master
Servicer in the transfer of the servicing rights to the Master Servicer or the
Master Servicer's nominee. Upon termination of this Agreement pursuant to

Section 5.2 hereof, the Subservicer shall deliver to the Trustee, as successor to the rights and obligations of the Master Servicer hereunder, all documents relating to the Mortgage Loans in its possession not previously delivered to the Master Servicer, together with all funds held with respect to the Mortgage Loans, and shall cooperate with and assist the Trustee to the same extent as it would the Master Servicer pursuant to the preceding sentence. The Master Servicer and the Subservicer each covenants and agrees to comply with all laws, rules and regulations of any federal, state or local government authority applicable to the termination of this Agreement and the transfer of the servicing rights to the Master Servicer or the Trustee, as applicable.

E-13

5.4 Limitation on Resignation of the Subservicer. The Subservicer

shall not resign from the obligations and duties hereby imposed on it except (a) by mutual consent of the Master Servicer and the Subservicer, or (b) upon determination that its duties hereunder are no longer permissible under applicable law. Any such determination pursuant to the foregoing clauses shall be evidenced by an Opinion of Counsel to such effect delivered to the Master Servicer.

6. Additional Rights of the Master Servicer.

6.1 Ownership of Documentation. Subject to the rights of the Trustee

and the Certificateholders under the Pooling and Servicing Agreement, all Mortgage Files held or received by the Subservicer in connection with the subservicing of the Mortgage Loans, whether or not prepared, developed or originated by the Subservicer, shall be and remain at all times the property of the Master Servicer, it being expressly understood that any Mortgage Files in the possession of the Subservicer are retained in a custodial capacity only in order, and during only such time as is necessary, to permit the performance of the Subservicer's obligations hereunder. Subject to the last sentence of this Section 6.1, the Subservicer shall not acquire any vested rights with respect to the Mortgage Files and shall not have the right to possession of them except as may be necessary to permit the Subservicer to fulfill its obligations hereunder. Subsequent to the termination of this Agreement, the Subservicer shall promptly deliver all such Mortgage Files to the Master Servicer or the Trustee, as applicable. Such delivery shall be accompanied by a list identifying the Mortgage File for each Mortgage Loan, the Master Servicer's loan number (provided that the Master Servicer previously has furnished its loan numbers to the Subservicer) and such other information as is reasonably requested by the Master Servicer or the Trustee to identify the Mortgage Loans so delivered. Notwithstanding anything contained in this Section 6.1 to the contrary, copies of Mortgage Files maintained by the Subservicer shall remain the property of the Subservicer and may be retained by the Subservicer after the termination of this Agreement.

6.2 Inspection of Mortgage Records. The Master Servicer and its

representatives, agents, consultants, examiners and other Persons authorized by the Master Servicer shall have the right to inspect the documents and records maintained by the Subservicer with respect to the Mortgage Loans during the Subservicer's regular business hours upon reasonable notice, and

E-14

the Subservicer shall make such documents and records available to the Master Servicer for inspection. The Subservicer shall afford the Depositor and the Trustee access to records in accordance with Sections 3.23, 6.5 and 6.8 of the Pooling and Servicing Agreement.

7. Indemnification.

7.1 General. The Subservicer agrees to pay, and shall indemnify,

defend and hold harmless, the Master Servicer and the Master Servicer's directors, officers, employees and agents (collectively, "Indemnatee"), from and against any loss, liability, penalty, fine or expense incurred in connection with any action or claim (including the reasonable compensation and the expenses and disbursements of its counsel) incurred in defending any claim or action or enforcing this indemnity that may result from, relate to or arise out of the Subservicer's acting as subservicer under, breach of or failure to act under, this Agreement or any payment contemplated under, or transaction contemplated by, this Agreement; provided, however, that the indemnity obligation of the

Subservicer shall not apply to any loss, liability or expense arising or resulting from (a) the negligence, intentional misconduct or bad faith of such Indemnatee, (b) the failure of the Master Servicer to perform its obligations hereunder, (c) the breach of the Master Servicer's representations and warranties in Section 2.5 of the Pooling and Servicing Agreement or (d) actions taken, or omitted to be taken, by the Subservicer specifically in accordance

with instructions furnished by the Master Servicer pursuant to or in connection with this Agreement; and provided, further, that upon full payment of the

indemnity provided herein, the Subservicer shall be subrogated to all rights and remedies of the Indemnitor so indemnified, in respect of the matter against which indemnity has been paid.

7.2 Survival. All indemnities, obligations, adjustments and payments

provided for in this Section 7 shall survive, and remain in full force and effect, notwithstanding the expiration or other termination of this Agreement or of the Pooling and Servicing Agreement. The obligations of the Subservicer in respect of all such indemnities, obligations, adjustments and payments are expressly made for the benefit of, and shall be enforceable by, the Indemnitor entitled thereto, without declaring any breach of or default under the Pooling and Servicing Agreement or taking any other action thereunder, and notwithstanding any provision of the Pooling and Servicing Agreement.

E-16

8. Notices. Any notices and communications hereunder shall be given and

deemed given as provided for in Section 10.4 of the Pooling and Servicing Agreement.

9. Right of Assumption by Trustee. In the event that the Master Servicer

shall, for any reason, no longer be the Master Servicer under the Pooling and Servicing Agreement, including without limitation termination of the Master Servicer in accordance with Article VII thereof, the Trustee, as successor to the Master Servicer in its capacity as the Master Servicer under the Pooling and Servicing Agreement or any successor Master Servicer, shall succeed to all of the rights, title and interest of the Master Servicer and assume all of the obligations, duties and liabilities of the Master Servicer under this Agreement without any further act. In such event, the Trustee or the successor Master Servicer appointed pursuant to the Pooling and Servicing Agreement shall be deemed to have replaced the Master Servicer as a party to this Agreement to the same extent as if this Agreement had been assigned to the assuming party. Notwithstanding the foregoing, the Master Servicer shall not thereby be relieved of any obligations, duties or liabilities under this Agreement with regard to events occurring prior to the date the Master Servicer ceased to be the Master Servicer under the Pooling and Servicing Agreement. Following the assumption of the rights and obligations of the Master Servicer pursuant to this Section, the Subservicer at the expense of the Master Servicer shall, upon the request of the Trustee or such successor Master Servicer, deliver to the assuming party all documents and records relating to this Agreement and the Mortgage Loans then being serviced and an accounting of amounts collected and held by it and otherwise use its reasonable best efforts to effect the orderly and efficient transfer of this Agreement to the assuming party.

10. Miscellaneous.

10.1 Entire Agreement; Amendments. This Agreement together with the

other written agreements referred to herein is intended by the parties to be the final expression of their agreement with respect to the subject matter hereof, and is intended as the complete and exclusive statement of the terms of the agreement between the parties. As such, this Agreement supersedes any prior understanding between the parties, whether oral or written. Notwithstanding the foregoing, in the event that the provisions of this Agreement are inconsistent with the provisions of the Pooling and Servicing Agreement, the provisions of the Pooling and Servicing Agreement shall prevail. Any

E-16

amendments to this Agreement shall be in writing and shall be signed by all parties hereto.

10.2 Invalidity. To the extent permitted by law, the invalidity of

any portion of this Agreement shall in no way affect the remaining portions hereof.

10.3 GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED

IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

10.4 Agreement Binding. This Agreement shall be binding upon and

inure to the benefit of the parties hereto and their respective successors and permitted assigns.

10.5 Counterparts. This Agreement may be executed in any number of

counterparts. Each counterpart so executed shall be deemed an original, but all such counterparts shall together constitute one and the same instrument.

10.6 Assignment. Neither party shall assign this Agreement or any

rights hereunder (including but not limited to the right to receive compensation or money due hereunder) without the prior written consent of the other party hereto; provided, however, that any assumption of the Master Servicer's rights

pursuant to Section 9 hereof and Sections 6.2 and 6.4 of the Pooling and Servicing Agreement shall not require the consent of either party hereto.

10.7 Disputes. In the event of any dispute between the parties to

this Agreement, the prevailing party shall be entitled to immediate payment of all costs incurred by such party in such dispute, including but not limited to court costs and reasonable attorneys' fees.

10.8 Section Headings. Section headings of this Agreement are

inserted for convenience only and do not in any manner limit or expand this Agreement and do not constitute a part of this Agreement.

10.9 Further Assurances. To the extent permitted by law, each of the

Master Servicer and the Subservicer agrees that it will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such further instruments as either party hereto or the Trustee may reasonably request to effectuate the intention of or facilitate the perfor-

E-17

mance of this Agreement or the Pooling and Servicing Agreement.

10.10 Exercise of Rights. No failure or delay on the part of either

party to exercise any right, power or privilege under this Agreement and no course of dealing between the Master Servicer and the Subservicer shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege under this Agreement preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein expressly provided are cumulative and not exclusive of any rights or remedies which a party would otherwise have pursuant to law or equity. No notice to or demand on any party in any case shall entitle such party to any other or further notice or demand in similar or other circumstances, or constitute a waiver of the right of the other party to any other or further action in any circumstances without notice or demand.

E-18

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first set forth above.

GMAC COMMERCIAL MORTGAGE
CORPORATION

By:
Name:
Title:

LTC PROPERTIES, INC.

By: _____
Name:
Title:

E-19

EXHIBIT A

Schedule of Duties to be Performed by the Subservicer

In addition to the duties otherwise contained in the Subservicing Agreement, the Subservicer shall be obligated to perform the following, in each case at the time and in the manner required under the terms of the Pooling and Servicing Agreement (capitalized terms used in this Exhibit A have the meanings assigned thereto in the Subservicing Agreement or the Pooling and Servicing Agreement, as the case may be):

1. To provide the Trustee and the Master Servicer with the list of servicing officers of the Subservicer as defined in the definition of "Servicing Officer" in Article I of the Pooling and Servicing Agreement.

2. Upon discovery by the Subservicer of the existence in any material respect of a repurchase or substitution event as set forth in Section 3.2 of the Transfer and Repurchase Agreement in respect of any Mortgage Loan, to give prompt notice to the Trustee, the Master Servicer and the Special Master Servicer as required of the Master Servicer in Section 2.3 of the Pooling and Servicing Agreement.

3. To give the notices required of the Master Servicer by Section 2.3(c) of the Pooling and Servicing Agreement.

4. To give the notices required of the Master Servicer by Section 2.5(b) of the Pooling and Servicing Agreement.

5. To give the notices required of the Master Servicer by Section 2.6(b) of the Pooling and Servicing Agreement.

6. To (a) perform the duties of the Master Servicer set forth in Subsection 3.1(a) of the Pooling and Servicing Agreement, (b) indemnify the Master Servicer, the Trustee and the Depositor, as specified in the Pooling and Servicing Agreement, to the extent the Subservicer breaches its obligations in the Subservicing Agreement, (c) comply with all statutory or regulatory requirements with regard to the manner in which it conducts its activities pursuant to this item and the Subservicing Agreement, and (d) cooperate with the Master Servicer in its performance of the Master Servicer's duties in Section 3.1(a) of the

E-20

Pooling and Servicing Agreement. The indemnities of the Subservicer pursuant to this item shall survive the termination or discharge of the Subservicing Agreement or the Pooling and Servicing Agreement. Notwithstanding anything contained herein to the contrary, the Subservicer shall not be permitted to terminate the Special Servicer without the prior written consent of the Master Servicer.

7. To perform the duties of the Master Servicer set forth in Sections 3.1(d) (subject to the Master Servicer's determination regarding recoverability), 3.3, 3.4 (subject to the Master Servicer's determination regarding recoverability), 3.8, 3.9, 3.10, 3.16, 3.22, 4.8 and 6.8 of the Pooling and Servicing Agreement.

8. To provide the information needed by the Master Servicer for the Master Servicer to provide the reports required in Section 4.3 of Pooling and Servicing Agreement.

9. To provide information reasonably requested by the Master Servicer to enable the Master Servicer to deliver the statements required by Section 3.13 of the Pooling and Servicing Agreement.

10. At the Master Servicer's request to perform the duties set forth in Sections 3.21(a) and 3.21(d) of the Pooling and Servicing Agreement.

11. To deliver to the Master Servicer (i) an Officer's Certificate of the Subservicer, containing substantially the information required pursuant to Section 3.14 of the Pooling and Servicing Agreement on or before April 15 of each year, beginning April 30, 1997, but referring to the Subservicer's obligations under the Subservicing Agreement, (ii) an annual independent public accountants' servicing report, containing substantially the information required pursuant to Section 3.15 of the Pooling and Servicing Agreement on or before April 30 of each year, beginning April 15, 1997, but referring to the Subservicer's obligations under the Subservicing Agreement, and (iii) such other information, certified by a responsible officer of the Subservicer, regarding the Subservicer's organization, activities and personnel as the Master Servicer or the Trustee may reasonably request from time to time.

12. To perform the inspections required of the Master Servicer in Section 3.19 of the Pooling and Servicing Agreement.

E-21

13. To perform the duties of the Master Servicer set forth in Section 6.5 of the Pooling and Servicing Agreement.

E-22

Exhibit B
- - - - -

Remittance to GMAC Trust for period ending

<TABLE>

<CAPTION> Facility #	Beginning Balance	Principal Prepymts	Monthly Payment	Principal	Interest	Scheduled Ending Balance	Mortgage Interest Rate	Servicing Fees	Net Rate
-------------------------	----------------------	-----------------------	--------------------	-----------	----------	--------------------------------	------------------------------	-------------------	-------------

<S> PC 001 PC 002 PC 002	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
-----------------------------------	-----	-----	-----	-----	-----	-----	-----	-----	-----

<CAPTION>

Paid Through Date	Liquidation Date	Liquidation Amount	Loan Status	Payment Retension Account Indicate
<S> </TABLE>	<C>	<C>	<C>	<C>

E-23

<CAPTION> Facility #	Beginning Balance	Principal Prepymts	Monthly Payment	Principal	Interest	Scheduled Ending Balance	Mortgage Interest Rate	Servicing Fees	Net Rate
-------------------------	----------------------	-----------------------	--------------------	-----------	----------	--------------------------------	------------------------------	-------------------	-------------

<S> PC 003 PC 004 PC 005 PC 006 PC 007 PC 008	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
	0.00 ----		0.00 ----	0.00 ----	0.00 ----	0.00 ----			

<CAPTION> Paid Through Date	Liquidation Date	Liquidation Amount	Loan Status	Payment Retension Account Indicate
<S> </TABLE>	<C>	<C>	<C>	<C>

E-24

LTC PROPERTIES, INC.

EXHIBIT 11.1
COMPUTATION OF NET INCOME PER SHARE<TABLE>
<CAPTION>

		(Unaudited) (In thousands, except per share amounts)			
<S>		<C>		<C> Twelve months ended December	
31,		1996		1995	
1994		----		----	
-----				(Restated)	
-----				-----	
Primary:					
Net income applicable to common shares		\$28,710		\$18,384	
\$17,210					
=====					
Applicable common shares:					
Weighted average outstanding shares during the period		18,823		18,030	
15,241					
Weighted average shares issuable upon exercise of common stock					
equivalents outstanding (principally stock options using the					
treasury					
stock method)		434		227	
202					
Less contingent shares		-		-	
-					
-----				-----	
Total		19,257		18,257	
15,443					
=====					
Net income per share of common stock		\$1.49		\$1.01	
1.11					
\$					
=====					
Fully diluted:					
Net income		\$ 28,710		\$18,384	
\$17,210					
Add back minority interest		- (a)		57	
n/a					
Reduction of interest and amortization expenses resulting from					
assumed conversion of 9.75% convertible subordinated debentures		145		1,239	
-(a)					
Reduction of interest and amortization expenses resulting from					
assumed conversion of 8.5% convertible subordinated debentures		- (a)		- (a)	
-					
Reduction of interest and amortization expenses resulting from					
assumed conversion of 8.25% convertible subordinated debentures		- (a)		- (a)	
n/a					
Reduction of interest and amortization expense resulting from					
assumed conversion of 7.75% convertible subordinated debentures		- (a)		n/a	
n/a					
Less applicable income taxes		-			
-					
-----				-----	
Adjusted net income applicable to common shares		\$28,855		\$19,680	
\$17,210					
=====					
Applicable common shares:					
Weighted average outstanding shares during the period		18,823		18,030	
15,241					
Weighted average shares sizable upon exercise of common stock					
equivalents outstanding (principally stock options using the					
treasury					
stock method)		499		250	
216					
Assumed conversion of 9.75% convertible subordinated debentures		145		1,225	

-(a)			
Assumed conversion of 8.5% convertible subordinated debentures	-(a)	-(a)	
-(a)			
Assumed conversion of 8.25% convertible subordinated debentures	-(a)	-(a)	
n/a			
Assumed conversion of 7.75% convertible subordinated debentures	-(a)	n/a	
n/a			
Less contingent shares	-	-	
-			

Total	19,467	19,505	
15,457			

=====			
Net income per share of common stock	\$1.48	\$1.01	\$
1.11			

=====

(a) Conversion would be anti-dilutive and is therefore not assumed in the computation of fully diluted net income per share of common stock.

</TABLE>

LTC PROPERTIES, INC.

EXHIBIT 21.1

LIST OF SUBSIDIARIES

COMPANY - - - - -	STATE OF INCORPORATION - - - - -
LTC REMIC Corporation	Delaware
LTC GP I, Inc.	Delaware
LTC GP II, Inc.	Delaware
LTC GP III, Inc.	Delaware
LTC GP IV, Inc.	Delaware
Coronado Corporation	Delaware
LTC Partners I, L.P.	Delaware
LTC Partners II, L.P.	Delaware
LTC Partners III, L.P.	Delaware
LTC Partners IV, L.P.	Delaware
LTC Partners V, L.P.	Delaware
LTC Partners VI, L.P.	Delaware
LTC Partners VII, L.P.	Delaware
L-Tex GP, Inc.	Delaware
L-Tex LP Corporation	Delaware
Texas-LTC Limited Partnership	Texas
Missouri River Corporation	Delaware
Park Villa Corporation	Delaware
Kansas-LTC Corporation	Delaware

LTC PROPERTIES, INC.

EXHIBIT 23.1

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in the Registration Statement (Form S-3 No. 333-2444) and in the Registration Statement (Form S-8 No. 33-85252) of LTC Properties, Inc. of our report dated January 13, 1997, except Note 10, as to which the date is February 1, 1997, with respect to the consolidated financial statements and schedules of LTC Properties, Inc., as amended, included in its Annual Report (Form 10-K/A) for the year ended December 31, 1996.

/s/ ERNST & YOUNG LLP

Los Angeles, California
February 11, 1997

<TABLE> <S> <C>

<ARTICLE> 5
<MULTIPLIER> 1,000

<S>	<C>
<PERIOD-TYPE>	12-MOS
<FISCAL-YEAR-END>	DEC-31-1996
<PERIOD-START>	JAN-01-1996
<PERIOD-END>	DEC-31-1996
<CASH>	3,148
<SECURITIES>	98,934
<RECEIVABLES>	178,262
<ALLOWANCES>	1,000
<INVENTORY>	0
<CURRENT-ASSETS>	0
<PP&E>	223,578
<DEPRECIATION>	11,640
<TOTAL-ASSETS>	500,538
<CURRENT-LIABILITIES>	0
<BONDS>	8,300
<PREFERRED-MANDATORY>	0
<PREFERRED>	0
<COMMON>	195
<OTHER-SE>	190,608
<TOTAL-LIABILITY-AND-EQUITY>	500,538
<SALES>	0
<TOTAL-REVENUES>	54,930
<CGS>	0
<TOTAL-COSTS>	32,393
<OTHER-EXPENSES>	0
<LOSS-PROVISION>	0
<INTEREST-EXPENSE>	20,604
<INCOME-PRETAX>	28,710
<INCOME-TAX>	0
<INCOME-CONTINUING>	28,710
<DISCONTINUED>	0
<EXTRAORDINARY>	0
<CHANGES>	0
<NET-INCOME>	28,710
<EPS-PRIMARY>	1.49
<EPS-DILUTED>	1.48

</TABLE>