SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

(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, 1999

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 incorporation or organization)	(I.R.S. Employer 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:

TITLE OF STOCK	NAME OF EACH EXCHANGE ON WHICH REGISTERED
Common stock, $.01 Par Value	New York Stock Exchange
9.50% Series A Cumulative Preferred Stock, $.01 Par Value	New York Stock Exchange
9.00% Series B Cumulative Preferred Stock, $.01 Par Value	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 non-affiliates of the Company is approximately $145,150,000 as of February 23, 2000.

26,009,254
(Number of shares of common stock outstanding as of February 23, 2000)

Part III is incorporated by reference from the Company's definitive proxy statement for the Annual Meeting of Stockholders to be held on May 22, 2000.

ITEM 1. BUSINESS

GENERAL

LTC Properties, Inc., 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. We invest primarily in long-term care and other health care related facilities through mortgage loans, facility lease transactions and other investments. During 1998, we began making investments in the education industry by investing in private and charter schools from pre-school through eighth grade. Our primary objective 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, we attempt to invest in properties that provide opportunity for additional returns to our stockholders and diversify our investment portfolio by geographic location, operator and form of investment.

In accordance with "plain English" guidelines provided by the Securities and Exchange Commission, whenever we refer to "our company" or to "us," or use the terms "we" or "our," we are referring to LTC Properties, Inc. and its subsidiaries.

We were organized to qualify, and intend to continue to qualify, as a REIT. So long as we qualify, with limited exceptions, we may deduct distributions to our stockholders from our taxable income. We have made distributions, and intend to continue to make distributions to our stockholders, in order to eliminate any federal tax liability.

At December 31, 1999, we had a gross investment portfolio (adjusted to include mortgage loans to third parties underlying our investment in REMIC certificates) of $923,701,000. Our investment portfolio consisted of $611,437,000 in 266 skilled nursing facilities with 30,304 beds, $280,747,000 in 96 assisted living facilities with 4,553 units and $31,517,000 in six schools. The properties in our portfolio are operated by 71 healthcare providers and two education providers in 36 states.

OWNED PROPERTIES. During 1999, we acquired seven skilled nursing facilities with a total of 804 beds, three assisted living residences with a total of 169 units and one rehabilitation hospital with 84 beds for a gross purchase price of $36,453,000 and invested approximately $8,797,000 in the expansion and improvement of existing properties. Mortgage loans with outstanding principal balances totaling $47,554,000 that were secured by 15 long-term care facilities with 1,116 beds/units and one educational facility were converted into owned properties. As of December 31, 1999, our investment in owned properties consisted of 69 skilled nursing facilities with a total of 8,193 beds, 85 assisted living facilities with a total of 3,894 units and six schools in 26 states, representing a net investment of approximately $494,913,000.

Our long-term care facilities are leased to operators pursuant to long-term operating leases that generally have an initial term of 10 to 12 years and provide for increases in the rent based upon specified rent increases, increases in revenues over defined base periods, or increases based on consumer price indices. Each lease is a triple net lease that requires the lessee to pay all taxes, insurance, maintenance and other costs of the facilities.

MORTGAGE LOANS. As part of our strategy of making long-term investments in properties used in the provision of long-term health care services, we provide mortgage financing on such properties based on our established investment underwriting criteria. (See "Investment and Other Policies" in this Section.) We also provide construction loans that by their terms convert into purchase/lease transactions or permanent financing mortgage loans upon completion of construction. During 1999, we originated mortgage loans of $6,678,000 secured by three assisted living facilities with 106 units and advanced $1,890,000 for renovation and expansion under a mortgage loan previously provided on an educational facility. At December 31, 1999, we had 56 mortgage

loans secured by first mortgages on 54 skilled nursing facilities with a total of 5,982 beds and 11 assisted living residences with 659 units located in 23 states.

We maintain a long-term investment interest in mortgages we originate either through the direct retention of the mortgages or through the retention of REMIC certificates originated in our securitizations. We are a REIT and, as such, make our investments with the intent to hold them for long-term purposes. However, we may securitize a portion of our mortgage loan portfolio when a securitization provides us with the best available form of capital to fund additional long-term investments. In addition, we believe that the REMIC certificates we retain from our securitizations provide our stockholders with a more diverse real estate investment while maintaining the returns we desire.

REMIC CERTIFICATES. We complete a securitization by transferring mortgage loans to a newly created Real Estate Mortgage Investment Conduit ("REMIC") which, in turn, issues mortgage pass-through certificates aggregating approximately the same amount. A portion of the REMIC certificates are sold to third parties and a portion of the REMIC certificates are retained by us. The REMIC certificates we retain are subordinated in right of payment to the REMIC certificates sold to third parties and a portion of the REMIC certificates we retain are interest-only certificates which have no principal amount and entitle us to receive cash flows designated as interest. At December 31, 1999, we had investments in REMIC certificates with a carrying value of $97,605,000 and an estimated fair value of approximately $89,349,000.

FINANCING AND OTHER TRANSACTIONS. During 1999, we obtained a $25,000,000 term loan that bears interest at LIBOR plus 1.25% and matures on October 2, 2000.

Five of the skilled nursing facilities acquired during 1999 were acquired subject to the assumption of existing non-recourse mortgage debt of $10,595,000 that bears interest at a weighted average rate of 11.4% and two of the skilled nursing facilities and the rehabilitation hospital were acquired with non-recourse mortgage financing of $6,500,000 from a third-party lender that bears interest at the prime rate of interest. During 1999, we also obtained non-recourse mortgage financing secured by 10 existing assisted living facilities totaling $18,485,000 and bearing interest at 8.81% from a third-party lender.

We have a $170,000,000 Senior Unsecured Revolving Line of Credit that expires on October 3, 2000. As of December 31, 1999 borrowings of $135,000,000 bearing interest at LIBOR plus 1.25% were outstanding under the revolving credit facility.

INVESTMENT AND OTHER POLICIES

OBJECTIVES AND POLICIES. We currently invest primarily in income-producing long-term care facilities. Our investments consist of:

- mortgage loans secured by long-term care facilities;

- fee ownership of long-term care facilities which are leased to operators; or

- participation 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, we consider such factors as:

- type of property;

- the location;

- construction quality, condition and design of the property;

- the property's current and anticipated cash flow and its adequacy to meet operational needs and lease obligations or debt service obligations;

- the quality, reputation and solvency of the property's operator;

- the payor mix of private, Medicare and Medicaid patients;

- the growth, tax and regulatory environments of the communities in which the properties are located;

- the occupancy and demand for similar facilities in the area surrounding the property, and

- the Medicaid reimbursement policies and plans of the state in which the property is located.

We place primary emphasis on investing in long-term care facilities that have low investment per bed/unit ratios and do not have to rely on the provision of ancillary services to cover debt service or lease obligations. In addition, with respect to skilled nursing facilities, we attempt to invest in facilities that do not have to rely on a high percentage of private pay patients. We seek to invest in facilities that are located in suburban and rural areas of states with improving reimbursement climates. Prior to every investment, we conduct 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, we review the environmental reports, state survey and financial statements of the facility before the investment is made. We prefer to invest in a facility that has a significant market presence in its community and where state licensing procedures limit the entry of competing facilities. Historically, the majority of our investments consisted of mortgage loans secured by skilled nursing facilities. Due to our belief that assisted living facilities are an increasingly important sector in the long-term care market, the majority of our investments in recent years has consisted of direct ownership of assisted living facilities. We believe that assisted living facilities represent a lower cost long-term care alternative for senior adults than skilled nursing facilities. We invest primarily 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. We believe that locating residences in a state with a favorable regulatory and 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.

The terms of our existing revolving credit facility limit our investments in the education and child care industry to $37.5 million and limit our investments outside of health care real estate and the education and child care industry to $20 million. There are no other formal restrictions imposed in our investment in any single type of property or joint venture however, difficult capital market conditions in the health care industry have limited our access to traditional forms of growth capital. As a result of the tight capital markets for the health care industry, we reduced our investment activity in 1999 and intend to continue to limit our investment activity in 2000. At December 31, 1999, we had no outstanding commitments to provide mortgage or sale/leaseback financing.

BORROWING POLICIES. We may incur additional indebtedness when, in the opinion of our Board of Directors, it is advisable. We 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. For other short-term purposes, we may, from time to time, negotiate lines of credit, or arrange for other short-term borrowings from banks or otherwise. We may also arrange for long-term borrowings through public offerings or from institutional investors.

In addition, we may incur mortgage indebtedness on real estate which we have acquired through purchase, foreclosure or otherwise. We may also obtain mortgage financing for unleveraged or underleveraged properties in which we have invested or may refinance properties acquired on a leveraged basis. There is no limitation on

the number or amount of mortgages that may be placed on any one property, and we have no policy with respect to limitations on borrowing, whether secured or unsecured.

PROHIBITED INVESTMENTS AND ACTIVITIES. Our policies, which are subject to change by our Board of Directors without stockholder approval, impose certain prohibitions and restrictions on various of our investment practices or activities including prohibitions against:

- acquiring any real property unless the consideration paid for such real property is based on the fair market value of the property;

- 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 we enter into to establish the priority of our capital investment over the capital invested by others investing with us in a real estate project;

- investing in commodities or commodity futures contracts (other than interest rate futures, when used solely for hedging purposes);

- investing more than 1% of our total assets in contracts for sale of real estate unless such contracts are recordable in the chain of title;

- 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 our assets.

COMPETITION

In the healthcare industry, we compete for real property investments with healthcare providers, other healthcare related REITS, real estate partnerships, banks, insurance companies and other investors. Many of our competitors are significantly larger and have greater financial resources and lower cost of capital than we have available to us. Our ability to compete successfully for real property investments will be determined by numerous factors, including our ability to identify suitable acquisition targets, our ability to negotiate acceptable terms for any such acquisition and the availability and cost of capital. Difficult capital market conditions for the health care industry have limited our access to traditional forms of growth capital. As a result of the tight capital markets for the health care industry, we reduced our investment activity in 1999 and intend to continue to limit our investment activity in 2000.

The operators of our healthcare properties compete on a local, regional and, in some instances, national basis with other healthcare operators. The ability of our operators to compete successfully for patients at our facilities depends upon several factors, including the quality of care and services provided at the facilities, the operational reputation of the providers, physician referral patterns, physical appearances of the facilities, family preferences, financial condition of the operator and other competitive systems of healthcare delivery within the community, population and demographics.

DIFFICULTIES EXPERIENCED BY MAJOR OPERATORS

The regulatory and reimbursement environments in which nursing homes operate have experienced significant adverse changes in recent months. See "GOVERNMENT FINANCING AND REGULATION OF HEALTH CARE". Given the negative impact of these changes on the financial performance of operators of

nursing homes and assisted living facilities, we evaluated our real estate investment portfolio during the fourth quarter of 1999. As a result of our analysis, we recorded a non-cash impairment charge and costs of foreclosure and lease terminations on certain properties in our real estate investment portfolio totaling approximately $14.9 million. See "Item 8. FINANCIAL STATEMENTS- NOTE 5. IMPAIRMENT CHARGE."

SUN HEALTHCARE GROUP, INC. During October 1999, Sun Healthcare Group, Inc. ("Sun") filed for reorganization under Chapter 11 of the Bankruptcy Code. Prior to Sun's filing for bankruptcy protection, we initiated negotiations with Sun that resulted in the restructuring and reduction of our investment in properties operated by Sun. During 1999, Sun was replaced as the operator of 18 properties. In addition, mortgage loans on two facilities leased to Sun were repaid by the borrower. In addition to the above, we further reduced our investment in properties operated by Sun by terminating the lease on two properties, converting a mortgage loan into an owned property, consenting to the acquisition of one property for the amount of the debt that was outstanding by LTC Healthcare and acquiring five properties for the amount of debt that was outstanding. Eight properties have, in turn, been leased to LTC Healthcare, Inc. ("LTC Healthcare"). As a result, at December 31, 1999, Sun operated 41 facilities representing approximately 12% ($111.6 million) of our gross real estate investment portfolio. The facilities operated by Sun at December 31, 1999 consisted of the following:

- approximately $39.4 million invested in long-term care facilities leased directly to Sun;
- approximately $11.9 million of mortgage loans secured by long-term care facilities that are owned and operated by Sun;
- approximately $9.9 million of mortgage loans payable to the REMIC pools underlying our investment in REMIC certificates that are secured by long-term care facilities owned and operated by Sun;
- approximately $3.5 million of mortgage loans secured by long-term care facilities that are owned by independent parties who lease the property to Sun;
- approximately $46.9 million of mortgage loans payable to the REMIC pools underlying our investment in REMIC certificates that are secured by long-term care facilities owned by independent parties who lease the property to Sun.

Sun is currently operating its business as a debtor-in-possession subject to the jurisdiction of the Bankruptcy Court. Effective December 1, 1999, two mortgage loans secured by five skilled nursing facilities with aggregate outstanding principal of $9,047,000 and a weighted average interest rate of 11.1% were placed on temporary non-accrual due to non-payment pending the outcome of our current negotiations with Sun.

INTEGRATED HEALTH SERVICES, INC. During February 2000, Integrated Health Services, Inc. ("Integrated Health") filed for reorganization under Chapter 11 of the Bankruptcy Code. At December 31, 1999, Integrated Health operated 16 facilities representing approximately 4.6% ($42.6 million) of our gross real estate investment portfolio. The facilities operated by Integrated Health at December 31, 1999 consisted of the following:

- a mortgage loan of approximately $2.7 million payable to a REMIC pool underlying our investment in REMIC certificates that is secured by a skilled nursing facility that is owned and operated by Integrated Health;
- approximately $15.1 million of mortgage loans secured by skilled nursing facilities that are owned by independent parties who lease the property to Integrated Health;
- approximately $24.8 million of mortgage loans payable to the REMIC pools underlying our investment in REMIC certificates that are secured by skilled nursing facilities owned by independent parties who lease the property to Integrated Health.

Integrated Health is currently operating its business as a debtor-in-possession subject to the jurisdiction of the Bankruptcy Court. All payments due on our investments with Integrated Health are current.

RETIREMENT GROUP, L.L.C. At December 31, 1999, we had three mortgage loans to Retirement Group, L.L.C. ("Retirement Group") secured by three skilled nursing facilities with an aggregate outstanding principal balance of $8.5 million. In addition, the mortgage loans securing the 1998-1 REMIC pool included one mortgage loan to Retirement Group secured by two skilled nursing facilities with an outstanding principal balance of $8.6 million. Retirement Group had leased the properties securing the loans to Sun who, due to a dispute between Sun and Retirement Group, was offsetting the lease payments due to Retirement Group against certain alleged obligations of Retirement Group to Sun. Since Retirement Group was not receiving the lease payments from Sun they were not making the mortgage payments due to us or the 1998-1 REMIC pool. We initiated foreclosure proceedings against Retirement Group; however, in May 1999 Retirement Group filed a petition for reorganization under Chapter 11 of the Bankruptcy Code and the Bankruptcy Court placed a temporary stay on the foreclosure proceedings. Subsequently, we entered into a stipulation with Retirement Group whereby, upon confirmation of a plan of reorganization by the Bankruptcy Court, Retirement Group will pay all unpaid pre-petition and post-petition interest by December 31, 2000. Concurrent with the stipulation we entered into with Retirement Group, Retirement Group terminated the leases with Sun and four of the properties are now operated by other long-term care providers. The remaining facility has been temporarily closed. Retirement Group resumed principal and interest payments beginning September 1, 1999.

SENSITIVE CARE, INC. During January 1999, the state of Texas took control of the operations of five skilled nursing facilities that were leased to Sensitive Care, Inc. ("Sensitive Care"). In response to the actions taken by the state of Texas, on March 1, 1999, we leased the five skilled nursing facilities to another of our Texas-based operators. Prior to licensure for the five facilities, the new operator was operating the properties under trustee supervision and Medicaid payments were placed on hold. During 1999, we provided this operator with a line of credit secured by patient receivables to fund working capital requirements while Medicaid payments were on hold. Beginning January 1, 2000, LTC Healthcare began operating these five facilities.

NEWCARE HEALTH CORP. On June 22, 1999, Newcare Health Corp. ("Newcare") filed for reorganization under Chapter 11 of the Bankruptcy Code. At the time of the bankruptcy filing we leased two skilled nursing facilities and one assisted living facility to Newcare and had mortgage loans to Newcare secured by three skilled nursing facilities. On September 30, 1999, in an auction held by the Bankruptcy Court, we purchased the three skilled nursing facilities for the amount of the outstanding mortgage loans and the two skilled nursing facilities and one assisted living facility were leased to another operator. On October 1, 1999, the three skilled nursing facilities acquired in the auction were leased to LTC Healthcare. On January 1, 2000 LTC Healthcare began leasing the two skilled nursing facilities that were previously leased to another operator.

Other than Sun, no long-term care provider operated over 10% of our adjusted gross real estate investment portfolio. Sun is a publicly traded company, and as such is subject to the filing requirements of the Securities and Exchange Commission. Our financial position and our ability to make distributions may be adversely affected by financial difficulties experienced by Sun, or any of our other operators, 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 us or our borrowers when it expires. See "Exhibit 99 -RISK FACTORS" for a more comprehensive discussion of risks and uncertainties.

LTC HEALTHCARE

During 1998, we acquired 4,002 shares of LTC Healthcare, Inc. ("LTC Healthcare") non-voting common stock for $2,001,000 in cash. We also contributed net assets with a book value of $21,619,000 in exchange for 36,000 additional shares of LTC Healthcare non-voting common stock a note receivable from LTC

Healthcare. On September 30, 1998, the 40,002 shares of LTC Healthcare non-voting common stock held by us were converted into 3,335,882 shares of LTC Healthcare voting common stock. Concurrently, we completed the spin-off of all LTC Healthcare voting common stock through a taxable dividend distribution to the holders of our common stock, Cumulative Convertible Series C Preferred Stock and Convertible Subordinated Debentures. We incurred costs of approximately $500,000 in connection with the distribution. Upon completion of the distribution, LTC Healthcare began operating as a separate public company.

As of December 31,1999, 17 of our skilled nursing facilities with a gross carrying value of $36,055,000 were leased to Healthcare. Also, as of December 31, 1999, Healthcare had mortgage loans secured by eight skilled nursing facilities with total outstanding principal of $30,424,000 and a weighted average interest rate of 9.18% payable to REMIC pools originated by us. Two of the skilled nursing facilities securing the mortgage loans payable to the REMIC pools are operated by Healthcare and the remaining six skilled nursing facilities are leased to third party operators. Effective January 1, 2000, Healthcare began operating an additional 13 facilities with a gross carrying value of $40,009,000 owned by us. Leases on 19 of the facilities operated by Healthcare with current annual base rents totaling $4,118,000 will expire in 2000. The terms of these leases will be renegotiated prior to their expiration; however, there can be no assurance that the leases will be renewed or that if renewed, the annual base rents will remain at the current level. Current annual base rents on the remaining 11 facilities leased to LTC Healthcare are approximately $3,979,000. As of December 31, 1999 and 1998, we owned 239,900 and 299,900 shares, respectively, of LTC Healthcare common stock.

EMPLOYEES

We currently employ 21 persons.

GOVERNMENTAL REGULATION

GENERAL. The operators of our healthcare properties derive a substantial portion of their revenue from third party payors, including the Medicare and Medicaid programs. The Medicare program was enacted in 1965 to provide a nationwide, federally funded health insurance program for the elderly and certain disabled persons. The Medicaid program is a joint federal-state cooperative arrangement established for the purpose of enabling states to furnish medical assistance on behalf of aged, blind or disabled individuals, and members of families with dependent children, whose income and resources are insufficient to meet the costs of necessary medical services. Within the Medicare and Medicaid statutory framework, there are substantial areas subject to administrative regulations and rulings, interpretation and discretion which may affect payments made to providers under these programs. The amounts of program payments received by our operators can be changed by legislative or regulatory actions and by determinations made by fiscal intermediaries and other payment agents acting on behalf of the programs.

COST BASED REIMBURSEMENT. The Medicare program historically utilized a cost-based retrospective reimbursement system for nursing facilities. These facilities were reimbursed for reasonable direct and indirect allowable costs incurred in providing "routine services" (as defined by the program and subject to certain limits) as well as capital costs and ancillary costs. Pursuant to the Balanced Budget Act of 1997 (the "Balanced Budget Act") discussed below, Medicare is phasing in a prospective payment system ("PPS") for skilled nursing facilities starting with cost reporting periods beginning on or after July 1, 1998.

BALANCED BUDGET ACT - MEDICARE. The Balanced Budget Act, enacted on August 5, 1997, made numerous changes to the Medicare and Medicaid programs which affect operators of our healthcare properties. With respect to the Medicare program, the law required the Secretary of the Department of Health and Human Services ("HHS") to establish a PPS system for Medicare Part A skilled nursing facility services, under which facilities are paid a federal per diem rate for virtually all covered services. The PPS system is being

phased in over three cost reporting periods, and started with cost reporting periods beginning on or after July 1, 1998. Subsequent legislation (see discussion below on the Balanced Budget Refinement Act) will increase the per diem rate for certain higher-acuity patients.

All of our operators of skilled nursing facilities that participate in the Medicare program are operating under PPS. PPS has resulted in more intense price competition and lower margins for operators. There can be no assurance that operators will be successful in reducing costs of services below the PPS reimbursement rates, or that the failure of operators to do so will not have a material adverse effect on their liquidity, financial condition and results of operations which in turn could affect adversely their ability to make rental payments or mortgage payments to us.

BALANCED BUDGET REFINEMENT ACT - MEDICARE. The Balanced Budget Refinement Act, enacted November 29, 1999, is a legislative response to mitigate some of the effects of the Balanced Budget Act. With respect to skilled nursing facilities, the law temporarily increases the PPS per diem rates by 20 percent for 15 patient categories (based on acuity). This payment increase is intended to compensate skilled nursing facilities for the provision of care to medically complex patients, pending appropriate refinements to the PPS system. Facilities providing care to patients falling within every non-rehabilitation patient category above the presumptive (rebuttable) Medicare eligibility line will benefit from this increase. Three patient categories falling within the "high" and "medium" rehabilitation category also are subject to the increase. The increased payments will begin on April 1, 2000, and end before the later of (1) October 1, 2000, or (2) the date the Health Care Financing Administration

("HCFA") implements a refined PPS system that better accounts for medically-complex patients. The law also provides for a four percent increase in the federal per diem payment rates for all patient acuity categories in both fiscal years 2001 and 2002. This increase is calculated exclusive of the 20 percent rate increase for the 15 acuity categories subject to direct adjustments. The 20 percent rate increase for medical complexity will not be built into the base payment rates, however, and therefore future updates to the federal payment rates will be calculated from the initial base rate. The law also provides for a one-time waiver for skilled nursing facilities which elect to immediately transition to the full federal rate (rather than a blend of the federal rate and a facility-specific rate during the three year transition period) on or after December 15, 1999, for cost reporting periods beginning on or after January 1, 2000. In addition to the per diem rate increases for certain patient categories, the Balanced Budget Refinement Act temporarily suspended for years 2000 and 2001 the reimbursement caps on Part B therapy services imposed by the Balanced Budget Act.

BALANCED BUDGET ACT - MEDICAID. The Balanced Budget Act also contains a number of changes affecting the Medicaid program. Among other things, the law repealed the Boren Amendment, which required state Medicaid programs to reimburse nursing facilities for the costs that are incurred by efficiently and economically operated nursing homes. It is unclear at this time whether state Medicaid programs will adopt changes in their Medicaid reimbursement systems, or, if adopted and implemented, what effect such initiatives would have on operators. In any event, there can be no assurance that future changes in Medicaid reimbursement rates to nursing facilities will not have an adverse effect on the operators, and thus, us. Further, the Balanced Budget Act allows states to mandate enrollment in managed care systems without seeking approval from the Secretary of HHS for waivers from certain Medicaid requirements as long as certain standards are met. These managed care programs have historically exempted institutional care although some states have instituted pilot programs to provide such care under managed care programs. Effective for Medicaid services provided on or after October 1, 1997, states have considerable flexibility in establishing payment rates. We are not able to predict whether any states' waiver provisions will change the Medicaid reimbursement systems for long-term care facilities from cost-based or fee-for-service to managed care negotiated or capitated rates or otherwise affect the level of payments to operators. Significant limits on the scope of services reimbursed and on rates of reimbursement under the Medicaid program could have a material adverse effect on the operators' liquidity, financial condition and results of operations which in turn could affect adversely their ability to make rental payments or mortgage payments to us.

FUTURE LEGISLATIVE CHANGES. We expect Congress to continue to consider measures to reduce the growth in Medicare and Medicaid expenditures. Both the Medicare and Medicaid 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 the rate of program reimbursement to healthcare facilities. We cannot predict at this time whether any additional measures will be adopted or if adopted and implemented, what effect such proposals would have on operators of our healthcare properties. There can be no assurance that payments under state and federal governmental programs will remain at levels comparable to present levels or will be sufficient to cover the costs of patients eligible for reimbursement pursuant to the programs.

Certain states are currently evaluating various proposals to restructure healthcare delivery within their respective jurisdictions. It is uncertain at this time what legislation of this type will ultimately be enacted and implemented or whether other changes in the administration or interpretation of governmental healthcare programs will occur. We anticipate that state legislatures will continue to review and assess various healthcare reform proposals and alternative healthcare systems and payment methodologies. We are unable to predict the ultimate impact of any future state restructuring of the healthcare delivery system, but such changes could have a material adverse effect on the operators' liquidity, financial condition and results of operations which in turn could affect adversely their ability to make rental payments or mortgage payments to us.

LICENSURE. Our healthcare properties are subject to extensive state and local laws and regulations relating to licensure, conduct of operations, ownership of facilities, and services provided within the facilities. The nursing facilities of our operators are subject to regulation and licensing by state and local health and social services agencies and other regulatory authorities. In order to maintain their operating licenses, healthcare facilities must comply with standards concerning medical care, equipment and hygiene. Although regulatory requirements vary from state to state, these requirements generally address among other things: personnel education and training; staffing levels; patient records; facility services; quality of care provided; physical residence specifications; food and housekeeping services; and residents' rights and responsibilities. These facilities are subject to periodic survey and inspection by governmental authorities. Our facilities are also subject to various state and local building codes and other ordinances, including zoning and safety codes.

CERTIFICATE OF NEED. Certificate of Need ("CON") statutes and regulations control the development and expansion of healthcare services and facilities in certain states. The CON process is intended to promote quality healthcare and to avoid the unnecessary duplication of services, equipment and facilities. CON or similar laws generally require that approval be obtained from the designated state health planning agency for certain acquisitions and capital expenditures, and that such agency determine that a need exists prior to the expansion of existing facilities, construction of new facilities, addition of beds, acquisition of major items of equipment or introduction of new services. Additionally, several states have instituted moratoria on new CONs or the approval of new beds. CONs or other similar approvals may be required in connection with our future acquisitions and/or expansions. There can be no assurance that we or our operators will be able to obtain the CONs or other approvals necessary for any or all such projects.

SURVEY AND CERTIFICATION. Long-term care facilities must comply with certain requirements to participate either as a skilled nursing facility under Medicare or a nursing facility under Medicaid. Regulations promulgated pursuant to the Omnibus Budget Reconciliation Act of 1987 obligate facilities to demonstrate compliance with requirements relating to resident rights, resident assessment, quality of care, quality of life, physician services, nursing services, pharmacy services, dietary services, rehabilitation services, infection control, physical environment and administration. Regulations governing survey, certification, and enforcement procedures to be used by state and federal survey agencies to determine facilities' level of compliance with the participation requirements for Medicare and Medicaid were adopted by HCFA effective

July 1, 1995. These regulations require that surveys focus on resident outcomes. They also state that all deviations from participation requirements will be considered deficiencies, but a facility may have certain minor deficiencies and be in substantial compliance with the regulations. The regulations identify various remedies that may be imposed against facilities and specify the categories of deficiencies for which they will be applied. These remedies include, but are not limited to: civil money penalties of up to $10,000 per day or "per instance"; facility closure and/or transfer of residents in emergencies; denial of payment for new or all admissions; directed plans of correction; and directed in-service training. Failure to comply with applicable requirements for participation may also result in termination of the provider's Medicare and Medicaid provider agreements. Termination of an operator's Medicare or Medicaid provider agreement could have a material adverse effect on the operator's liquidity, financial condition and results of operations which, in turn, could affect adversely its ability to make rental payments or mortgage payments to us.

President Clinton has announced initiatives designed to improve the quality of care in nursing homes and to reduce fraud in the Medicare program. These initiatives include tougher enforcement measures by state surveying authorities, empowering specialized contractors to track down Medicare scams and program waste, and the creation of a Medicare financial management team made up of 100 "fraud fighters" to be located in the offices of every Medicare contractor nationwide.

REFERRAL RESTRICTIONS AND FRAUD AND ABUSE. The Medicare and Medicaid anti-kickback statute, 42 U.S.C. Section 1320a-7b(b), prohibits the knowing and willful solicitation or receipt of any remuneration "in return for" referring an individual, or for recommending or arranging for the purchase, lease, or ordering, of any item or service for which payment may be made under Medicare or a state healthcare program. In addition, the statute prohibits the offer or payment of remuneration "to induce" a person to refer an individual, or to recommend or arrange for the purchase, lease, or ordering of any item or service for which payment may be made under the Medicare or state healthcare programs. The statute and the so-called safe harbor regulations establish numerous exceptions by defining conduct which is not subject to prosecution or other enforcement remedies. Violation of the anti-kickback statute could result in criminal conviction, as well as civil money penalties and exclusions.

The Ethics in Patient Referrals Act ("Stark I"), effective January 1, 1992, generally prohibits physicians from referring Medicare patients to clinical laboratories for testing if the referring physician (or a member of the physician's immediate family) has a "financial relationship," through ownership or compensation, with the laboratory. The Omnibus Budget Reconciliation Act of 1993 contains provisions commonly known as "Stark II" ("Stark II") expanding Stark I by prohibiting physicians from referring Medicare and Medicaid patients to an entity with which a physician has a "financial relationship" for the furnishing of certain items set forth in a list of "designated health services," including physical therapy, occupational therapy, home health services, and other services. Subject to certain exceptions, if such a financial relationship exists, the entity is generally prohibited from claiming payment for such services under the Medicare or Medicaid programs, and civil monetary penalties may be assessed for each prohibited claim submitted.

Other provisions in the Social Security Act and in other federal and state laws authorize the imposition of penalties, including criminal and civil fines and exclusions from participation in Medicare and Medicaid, for false claims, improper billing and other offenses.

We are unable to predict the effect of future administrative or judicial interpretations of the laws discussed above, or whether other legislation or regulations on the federal or state level in any of these areas will be adopted, what form such legislation or regulations may take, or their impact on operators of our healthcare properties. We endeavor to structure our arrangements with our facilities' operators and others to comply with applicable regulatory requirements, but there can be no assurance that statutory or regulatory changes, or subsequent administrative rulings or interpretations, will not require us to modify or restructure certain arrangements, or that we will not be required to expend significant amounts to maintain compliance.

DRAFT COMPLIANCE PROGRAM. On October 28, 1999, the Office of Inspector General of HHS ("OIG") issued draft guidance to help nursing facilities design effective voluntary compliance programs to prevent fraud, waste, and abuse in health care programs, including Medicare and Medicaid. The draft guidance, COMPLIANCE PROGRAM GUIDANCE FOR NURSING FACILITIES, was published as a notice in the FEDERAL REGISTER. After reviewing and incorporating comments received during a comment period, as appropriate, the OIG will publish a final version of the voluntary compliance guidance in the FEDERAL REGISTER, which is expected in Spring 2000.

TAXATION OF OUR COMPANY

GENERAL. Our management believes that we have been organized and have operated in such a manner as to qualify for taxation as a REIT under Sections 856 to 860 of the Internal Revenue Code of 1986, as amended, commencing with our taxable year ended December 31, 1992, and we intend to continue to operate in such a manner. No assurance can be given that we have operated or will be able to continue to operate in a manner so as to qualify or to remain so qualified. This summary is qualified in its entirety by the applicable Internal Revenue Code provisions, rules and regulations, and administrative and judicial interpretations.

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

REQUIREMENTS FOR QUALIFICATION. The Internal Revenue Code defines a REIT as a corporation, trust or association:

(1) which is managed by one or more trustees or directors;

(2) the beneficial ownership of which is evidenced by transferable shares, or by transferable certificates of beneficial interest;

(3) which would be taxable, but for Sections 856 through 860 of the Internal Revenue Code, as a domestic corporation;

(4) which is neither a financial institution; nor, an insurance company subject to certain provisions of the Internal Revenue Code;

(5) the beneficial ownership of which is held by 100 or more persons;

(6) 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 (including specified entities); and

(7) which meets certain other tests, described below, regarding the amount of its distributions and the nature of its income and assets.

The Internal Revenue Code provides that conditions (1) to (4), inclusive, must be met during the entire taxable year and that condition (5) 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.

INCOME TESTS. There presently are two gross income requirements that we must satisfy to qualify as a REIT:

- First, at least 75% of our gross income (excluding gross income from "prohibited transactions," as defined below) for each taxable year must be derived directly or indirectly from investments relating to real property or mortgages on real property,

including rents from real property, or from certain types of temporary investment income.

- Second, at least 95% of our gross income (excluding gross income from prohibited transactions) for each taxable year must be derived from income that qualifies under the 75% test and all other dividends, interest and gain from the sale or other disposition of stock or securities.

Cancellation of indebtedness income generated by us is not taken into account in applying the 75% and 95% income tests discussed above. A "prohibited transaction" is a sale or other disposition of property (other than foreclosure property) held for sale to customers in the ordinary course of business. Any gain realized from a prohibited transaction is subject to a 100% penalty tax.

ASSET TESTS. We, at the close of each quarter of our taxable year, must also satisfy four tests relating to the nature of our assets.

- First, at least 75% of the value of our total assets must be represented by real estate assets (including stock or debt instruments held for not more than one year purchased with the proceeds of a stock offering or long-term (at least five years) public debt offering of our company), cash, cash items and government securities.

- Second, not more than 25% of our total assets may be represented by securities other than those 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 us may not exceed 5% of the value of our total assets and we may not own more than 10% of any one issuer's outstanding voting securities.

- Fourth, the recently enacted Tax Relief Extension Act of 1999 ("99 Act"), provides that, subject to certain exceptions, for taxable years commencing after December 31, 2000, we may not own more than 10 percent of the total value of the securities of any corporation. See the 99 Act description contained at page 14.

OWNERSHIP OF A PARTNERSHIP INTEREST OR STOCK IN A CORPORATION. We own interests in various partnerships. In the case of a REIT that is a partner in a partnership, Treasury regulations provide that for purposes of the REIT income and asset tests the REIT will be deemed to own its proportionate share of the assets of the partnership, and will be deemed to be entitled to the income of the partnership attributable to such share. The ownership of an interest in a partnership by a REIT may involve special tax risks, including the challenge by the Internal Revenue Service of the allocations of income and expense items of the partnership, which would affect the computation of taxable income of the REIT, and the status of the partnership as a partnership (as opposed to an association taxable as a corporation) for federal income tax purposes.

We also own interests in a number of subsidiaries which are intended to be treated as qualified real estate investment trust subsidiaries. The Internal Revenue Code provides that such subsidiaries will be ignored for federal income tax purposes and all assets, liabilities and items of income, deduction and credit of such subsidiaries will be treated as assets, liabilities and such items of our company.

If any partnership or qualified real estate investment trust subsidiary in which we own an interest were treated as a regular corporation (and not as a partnership or qualified real estate investment trust subsidiary) for federal income tax purposes, we would likely fail to satisfy the REIT asset test prohibiting a REIT from owning greater than 10% of the voting power of the stock of any issuer, as described above, and would therefore fail to qualify as a REIT. We believe that each of the partnerships and subsidiaries in which we own an interest will be treated for tax purposes as a partnership or qualified real estate investment trust

subsidiary, respectively, although no assurance can be given that the Internal Revenue Service will not successfully challenge the status of any such organization.

REMIC. A regular or residual interest in a REMIC will be treated as a real estate asset for purposes of the REIT asset tests, and income derived with respect to such interest will be treated as interest on an obligation secured by a mortgage on real property, assuming that at least 95% of the assets of the REMIC are real estate assets. If less than 95% of the assets of the REMIC are real estate assets, only a proportionate share of the assets of and income derived from the REMIC will be treated as qualifying under the REIT asset and income tests. We believe that our REMIC interests fully qualify for purposes of the REIT income and asset tests.

ANNUAL DISTRIBUTION REQUIREMENTS. In order to qualify as a REIT, we are required to distribute dividends (other than capital gain dividends) to our stockholders annually in an amount at least equal to

(1) the sum of:

(A) 95% (90% for taxable years beginning after December 31, 2000) of our "real estate investment trust taxable income" (computed without regard to the dividends paid deduction and our net capital gain); and

(B) 95% (90% for taxable years beginning after December 31, 2000) of the net income, if any (after tax), from foreclosure property; minus

(2) the excess of certain items of non-cash income over 5% of our real estate investment trust taxable income.

These annual distributions must be paid in the taxable year to which they relate, or in the following taxable year if they are:

- declared before we timely file our tax return for such year;

- paid on or before the first regular dividend payment date after such declaration; and

- elected by us and we specify the dollar amount in our tax return.

Amounts distributed must not be preferential; that is, every stockholder of the class of stock with respect to which a distribution is made must be treated the same as every other stockholder of that class, and no class of stock may be treated otherwise than in accordance with its dividend rights as a class.

To the extent that we do not distribute all of our net long-term capital gain or distribute at least 95% (90% for taxable years beginning after December 31, 2000), but less than 100%, of our "real estate investment trust taxable income," as adjusted, it will be subject to tax on such amounts at regular corporate tax rates. Furthermore, if we should fail to distribute during each calendar year (or, in the case of distributions with declaration and record dates in the last three months of the calendar year, by the end of the following January) at least the sum of:

(1) 85% of our real estate investment trust ordinary income for such year;

(2) 95% (90% for taxable years beginning after December 31, 2000) of our real estate investment trust capital gain income for such year; and

(3) any undistributed taxable income from prior periods;

we would be subject to a 4% excise tax on the excess of such required distributions over the amounts actually distributed. Any real estate investment trust taxable income and net capital gain on which this excise tax is imposed for any year is treated as an amount distributed during that year for purposes of calculating such tax.

FAILURE TO QUALIFY. If we fail to qualify for taxation as a REIT in any taxable year, and certain relief provisions do not apply, we will be subject to tax (including any applicable alternative minimum tax) on our taxable income at regular corporate rates. Distributions to stockholders in any year in which we fail to qualify as a REIT will not be deductible by us, nor will any distributions be required to be made. Unless entitled to relief under specific statutory provisions, we will also be disqualified from taxation as a REIT for the four taxable years following the year during which qualification was lost. It is not possible to state whether in all circumstances we would be entitled to the statutory relief. Failure to qualify for even one year could substantially reduce distributions to stockholders and could result in our incurring substantial indebtedness (to the extent borrowings are feasible) or liquidating substantial investments in order to pay the resulting taxes.

99 ACT. The 99 Act has made a number of substantial changes to the qualification and tax treatment of REITS. The REIT changes are generally effective for taxable years commencing after December 31, 2000. The following is a brief summary of certain of the significant REIT provisions contained in the 99 Act.

1) INVESTMENT LIMITATIONS AND TAXABLE REIT SUBSIDIARIES

The 99 Act modifies the REIT asset test by adding a requirement that except for (I) "Safe Harbor Debt" and (II) the ownership of stock in "taxable REIT subsidiaries", a REIT can not own more than 10 percent of the total value of the securities of any corporation ("10% Rule"). The 10% Rule becomes effective for taxable years commencing after December 31, 2000. "Safe Harbor debt" is non-contingent, non-convertible debt ("straight-debt") which satisfies one of the following three requirements: (a) the straight-debt is issued by an individual, or (b) all of the securities of the issuer owned by the REIT is "straight debt" or (c) the issuer is a partnership in which the REIT owns at least 20 percent of its profits.

For a corporation to qualify as a taxable REIT subsidiary the following requirements must be satisfied.

(1) The REIT must own stock in the subsidiary corporation.

(2) Both the REIT and the subsidiary corporation must join in an election that the subsidiary corporation be treated as a "taxable REIT subsidiary" of the REIT.

(3) The subsidiary corporation can not directly or indirectly operate or manage a healthcare facility.

(4) The subsidiary corporation generally cannot provide to any person rights to any brand name under which hotels or healthcare facilities are operated.

A taxable REIT subsidiary can provide a limited amount of services to tenants of REIT property (even if such services were not considered customarily furnished in connection with the rental of real property) and can manage or operate properties, generally for third parties, without causing the rents received by the REIT from such parties not to be treated as rent from real properties. The rule that rents paid to a REIT do not qualify as rental from real property if the REIT owns more than 10 percent of the corporation paying the rent is modified by excepting rents paid by taxable REIT subsidiaries provided that 90 percent of the space is leased to third parties at comparable rents for comparable space.

Interest paid by a taxable REIT subsidiary to the related REIT is subject to the earnings stripping rules contained in Section 163(j) of the Code and therefore the taxable REIT subsidiary cannot deduct interest in any year that would exceed 50 percent of the subsidiary's adjusted gross income. If any amount of interest, rent, or other deductions of the taxable REIT subsidiary to be paid to the REIT is determined not to be at

arm's length, an excise tax of 100 percent is imposed on the portion that is determined to be excessive. However, rent received by a REIT shall not fail to qualify as rents from real property by reason of the fact that all or any portion of such rent is redetermined for purposes of the excise tax.

The Act permits a REIT to own up to 100 percent of the stock of a "taxable REIT subsidiary". However, the value of all of the securities of taxable REIT subsidiaries owned by the REIT can not exceed 20 percent of the value of the REIT's assets.

The 10% Rule generally will not apply to securities owned by a REIT on July 12, 1999 ("Transition Rule"). However, the Transition Rule would cease to apply to securities of a corporation if such corporation after July 12, 1999 engages in a substantial new line of business, or acquires any substantial assets, other than in a reorganization or in a transaction qualifying under Section 1031 or 1033 of the Code.

2) OWNERSHIP OF HEALTHCARE FACILITIES. The 99 Act permits a REIT to own and operate a healthcare facility for at least two years, and treat it as permitted "foreclosure" property, if the facility is acquired by the termination or expiration of a lease of the property.

3) REIT DISTRIBUTION REQUIREMENTS. The 99 Act reduces the requirement that a REIT must distribute at least 95 percent of its income as deductible dividends to 90 percent of its income.

4) RENTS FROM PERSONAL PROPERTY. A REIT may treat rent from personal property as rent from real property so long as the rent from personal property does not exceed 15 percent of the total rent from both real and personal property for the taxable year. This rule is currently determined by comparing the basis of the personal property to the total basis of the real and personal property. The Act provides that this determination will be made by comparing the fair market value of the personal property to the fair market value of the real and personal property.

STATE AND LOCAL TAXATION. We may be subject to state or local taxation in various state or local jurisdictions, including those in which we transact business or reside. The state and local tax treatment of our company may not conform to the federal income tax consequences discussed above.

STATEMENT REGARDING FORWARD LOOKING DISCLOSURE

Certain information contained in this annual report includes forward looking statements, which can be identified by the use of forward looking terminology such as "may", "will", "expect", "should" or comparable terms or negatives of those terms. These statements involve risks and uncertainties that could cause actual results to differ materially from those described in the statements. These risks and uncertainties include (without limitation) the following: the effect of economic and market conditions and changes in interest rates, government policy relating to the health care industry including changes in reimbursement levels under the Medicare and Medicaid programs, changes in reimbursement by other third party payors, the financial strength of the operators of our facilities as it affects the continuing ability of such operators to meet their obligations to us under the terms of our agreements with our borrowers and operators, the amount and the timing of additional investments, access to capital markets and changes in tax laws and regulations affecting real estate investment trusts. Exhibit 99 to this annual report contains a more comprehensive discussion of risks and uncertainties associated with our business.

ITEM 2. PROPERTIES

INVESTMENT PORTFOLIO

At December 31, 1999, our real estate investment portfolio consisted of investments in 266 skilled nursing facilities with 30,304 beds, 96 assisted living facilities with 4,553 units and six schools in 36 states. We had approximately $494,913,000 (before accumulated depreciation of $39,975,000) invested in facilities we own and lease to operators, approximately $132,443,000 invested in mortgage loans (before allowance for doubtful accounts of $1,250,000), and investments in REMIC certificates with a carrying value of approximately $97,605,000.

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 skilled nursing facilities provide ancillary services that include occupational, speech, physical, respiratory and IV therapies, as well as provide sub-acute care services which are paid either by the patient, the patient's family, or through federal Medicare or state Medicaid programs. Assisted living facilities serve elderly persons who require assistance with activities of daily living, but do not require the constant supervision skilled nursing facilities provide. Services are usually 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.

The schools in our real estate investment portfolio are charter and private schools. Charter schools provide an alternative to the traditional public school. Charter schools are generally autonomous entities authorized by the state or locality to conduct operations independent from the surrounding public school district. Laws vary by state, but generally charters are granted by state boards of education either directly or in conjunction with local school districts or public universities. Operators are granted charters to establish and operate schools based on the goals and objectives set forth in the charter. Upon receipt of a charter, schools receive an annuity from the state for each student enrolled. Unlike public or charter schools, private schools receive a majority of their revenues from the students' parents.

OWNED PROPERTIES. At December 31, 1999, we owned 69 skilled nursing facilities with a total of 8,193 beds, 85 assisted living facilities with a total of 3,894 units and six schools in 26 states, representing a gross investment of approximately $494,913,000. With the exception of certain properties leased to LTC Healthcare under one year or month-to-month leases, the properties are leased pursuant to non-cancelable leases generally with an initial term of 10 to 12 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 our owned properties as of December 31, 1999:

<TABLE>
<CAPTION>

Location	No. of SNFs	No. of ALFs	No. of Schools	No. of Beds /Units(3)	Encumbrances	Lease Term (4)	Current Investment	Current Annual Rent Payments
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Alabama	8	1		912	$ 14,265,000	59	$ 29,288,000	$ 3,526,000
Arizona	2	3	4	597	7,384,000	115	47,036,000	

								5,094,000
California	2	2		346		124	16,516,000	1,659,000
Colorado		6		270	6,949,000	108	18,402,000	1,840,000
Florida	12	5		1,922	2,381,000	80	69,699,000	7,343,000
Georgia	6			619	9,050,000	23	11,695,000	1,270,000
Idaho		4		148		114	9,756,000	1,008,000
Illinois	3			325	975,000	41	8,788,000	1,005,000
Indiana		2		78		126	5,070,000	501,000
Iowa	7	1		645	7,977,000	50	14,683,000	1,433,000
Kansas	6	4		571	10,058,000	74	16,655,000	1,523,000
Minnesota			1	-		163	3,814,000	386,000
Nebraska		4		156		114	9,332,000	993,000
New Jersey		1	1	39		165	11,111,000	1,183,000
New Mexico		1		109		158	8,432,000	760,000
N. Carolina	1	5		310		92	14,411,000	1,582,000
Ohio		7		301		133	23,109,000	2,335,000
Oklahoma		6		221	4,766,000	92	12,316,000	1,210,000
Oregon	1	5		432	4,162,000	113	25,685,000	2,583,000
Pennsylvania		1		69		220	8,327,000	786,000
South Carolina		3		128		108	7,610,000	803,000
Tennessee	2			224		55	5,550,000	594,000
Texas	14	13		2,542	29,277,000	81	69,801,000	7,863,000
Virginia	3			443		30	10,058,000	337,000
Washington	2	8		497	10,388,000	158	24,959,000	2,599,000
Wyoming		3		183		158	12,810,000	1,137,000
TOTAL	69	85	6	12,087	$107,632,000(1)		$494,913,000(2)	$51,353,000

</TABLE>

(1) Consists of: i) $90,536,000 of non-recourse mortgages payable by the Company secured by 34 skilled nursing facilities containing a total of 4,069 beds, 10 assisted living facilities with 420 units and one rehabilitation hospital with 84 beds, ii) $7,815,000 of tax-exempt bonds secured by 5 assisted living facilities in Washington with 184 units, iii) $5,119,000 of capital lease obligations on 4 assisted living facilities in Kansas with 134 units, and iv) $4,162,000 of multi-unit housing tax-exempt revenue bonds on one assisted living facility in Oregon with 112 units. As of December 31, 1999, the Company's gross investment in encumbered properties was $154,355,000.

(2) Of the total purchase price, $211,010,000 relates to investments in skilled nursing facilities, $252,386,000 relates to investments in assisted living facilities and $31,517,000 relates to investments in schools.

(3) Number of beds/units applies to skilled nursing facilities and assisted living residences only.

(4) Weighted average remaining months in lease term.

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, 1999, we had 56 mortgage loans secured by first mortgages on 54 skilled nursing facilities with a total of 5,982 beds and 11 assisted living residences with 659 units located in 23 states. At December 31, 1999, the mortgage loans had a weighted average interest rate of 11.56%, generally have 25-year amortization schedules, have balloon payments due from 2000 to 2018 and provide for certain facility fees. The majority of the mortgage loans provide for annual increases in the interest rate based upon a specified increase of 10 to 25 basis points.

The following table sets forth certain information regarding our mortgage loans as of December 31, 1999:

<TABLE>
<CAPTION>

Location	No. of SNFs	No. of ALFs	No. of Beds /Units	Interest Rate %	Average Months to Maturity	Face Amount of Mortgage Loans	Current Amount of Mortgage Loans	Current Annual Service (1)
Alabama	1		40	10.13	223	$ 500,000	$ 490,000	$ 58,000
Arizona	2	1	479	10.96-12.00	51	10,650,000	10,342,000	1,269,000
Arkansas	2		274	10.38-10.58	135	3,400,000	3,168,000	406,000
California	6		886	9.90-13.50	134	13,076,000	12,575,000	1,625,000
Colorado	4		318	11.50-12.82	73	7,330,000	7,151,000	909,000
Florida	5	2	758	10.02-12.15	85	19,529,000	18,933,000	2,342,000
Georgia	3	1	355	10.13-11.30	83	8,250,000	8,121,000	974,000
Illinois	1		120	9.71	99	1,950,000	1,921,000	208,000
Iowa	4	1	472	11.00-12.15	131	9,190,000	6,577,000	1,047,000
Mississippi	1		180	11.32	81	5,464,000	5,407,000	662,000
Missouri	1		90	9.01	221	1,500,000	1,456,000	162,000
Montana		1	34	11.22	166	2,346,000	2,335,000	273,000
Nebraska		4	163	10.33-11.22	106	10,911,000	10,829,000	1,241,000
Nevada	1		100	10.75	127	1,200,000	1,103,000	146,000
N. Carolina	1		101	12.50	7	2,100,000	2,002,000	273,000
Ohio	1		150	10.49	75	5,200,000	5,031,000	591,000
Oklahoma	1		161	11.28	138	1,300,000	1,226,000	164,000
S. Carolina	5		509	12.30	37	11,250,000	10,895,000	1,426,000
S. Dakota		1	34	11.00	111	2,346,000	2,339,000	268,000
Tennessee	3		201	11.10	69	4,842,000	4,706,000	579,000
Texas	7		791	10.38-13.25	134	10,145,000	9,391,000	1,271,000
Washington	4		310	11.50-12.00	132	4,500,000	4,332,000	570,000
Wisconsin	1		115	11.00	206	2,200,000	2,113,000	272,000
TOTAL	54	11	6,641			$139,179,000	$132,443,000(2)	$16,736,000

</TABLE>

(1) Includes principal and interest payments.
(2) Of the total current principal balance, $104,082,000 and $28,361,000 relates to investments in skilled nursing facilities and assisted living facilities, respectively.

In general, the mortgage loans may not be prepaid except in the event of the sale of the collateral facility to a third party that is not affiliated with the borrower, although partial prepayments (including the prepayment premium) are often permitted where a mortgage loan is secured by more than one facility upon a sale of one or more, but not all, of the collateral facilities to a third party which is not an affiliate of the borrower. The terms of the mortgage loans generally impose a premium 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 us. On certain loans, such prepayment amount is based upon a percentage of the then outstanding balance of the loan, usually declining ratably each year. For other loans, the prepayment premium is based on a yield maintenance formula. 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.

REMIC CERTIFICATES. At December 31, 1999, the carrying value of the REMIC certificate investments was $97,605,000 ($98,670,000, at amortized cost). The REMIC certificates we retain are subordinate in rank and right of payment to the REMIC 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 REMIC certificates are collateralized by four pools consisting of 111 first mortgage loans secured by 175 skilled nursing facilities with a total of 20,051 beds in 24 states. Each mortgage loan, all of which we originated, 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. The $361,896,000 current principal amount of mortgage loans represented by the REMIC certificates have a weighted average interest rate of approximately 11.10%, and scheduled maturities ranging from 2000 to 2028.

The following table sets forth certain information regarding the mortgage loans securing the REMIC certificates as of December 31, 1999:

<TABLE>
<CAPTION>

Location	Number of Facilities	Number of Beds	Original Principal Amount of Remaining Mortgage Loans	Current Principal Amount of Remaining Mortgage Loans (1)	Current Annual Debt Service
<S>	<C>	<C>	<C>	<C>	<C>
Alabama	9	1,189	$ 22,526,000	$ 21,614,000	$ 2,778,000
Arizona	5	955	26,018,000	24,913,000	2,890,000
California	23	2,532	48,835,000	38,363,000	5,413,000
Colorado	1	177	2,000,000	1,946,000	237,000
Connecticut	2	240	5,576,000	5,300,000	734,000
Florida	7	945	32,310,000	31,026,000	3,743,000
Georgia	12	1,318	27,272,000	26,265,000	3,335,000
Illinois	4	464	9,226,000	8,786,000	1,133,000
Iowa	11	810	16,731,000	16,604,000	1,904,000
Kansas	1	66	1,200,000	1,160,000	144,000
Louisiana	1	127	1,600,000	1,532,000	200,000
Michigan	3	444	6,800,000	6,466,000	851,000
Mississippi	3	400	14,050,000	10,467,000	1,196,000
Missouri	6	645	10,989,000	10,576,000	1,327,000
Montana	6	547	15,508,000	15,000,000	1,791,000
Nebraska	6	573	10,014,000	9,601,000	1,213,000
New Mexico	8	673	20,834,000	19,882,000	2,202,000
N. Carolina	1	168	2,950,000	2,847,000	362,000
Ohio	2	150	4,100,000	3,616,000	484,000
Oklahoma	1	112	1,300,000	1,189,000	170,000
S. Dakota	1	50	585,000	562,000	66,000
Tennessee	6	550	16,827,000	16,423,000	2,044,000
Texas	52	6,627	88,491,000	83,349,000	10,497,000
Washington	4	289	4,583,000	4,409,000	552,000
TOTAL	175	20,051	$ 390,325,000	$ 361,896,000	$ 45,266,000

</TABLE>

(1) Included in the balances of the mortgages underlying the REMIC certificates are $65,551,000 of non-recourse mortgages payable by our subsidiaries. We originated these mortgages which were subsequently transferred to the REMIC. The properties and the mortgage debt are reflected in our balance sheet.

The mortgage loans underlying the REMIC certificates generally have 25-year amortization schedules with final maturities due from 2000 to 2028, unless prepaid prior thereto. Contractual principal and interest distributions with respect to the $98,670,000 amortized cost basis of REMIC certificates (excluding unrealized losses on changes in estimated fair value of $1,065,000) we retained are subordinated to distributions of interest and principal with respect to the $279,234,000 of REMIC 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 we retained will commence in August 2003 with final maturity in April

2028. 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 security provisions as our mortgage loans.

As part of the REMIC transactions discussed above, we serve as the sub-servicer and, in such capacity, are responsible for performing substantially all of the servicing duties relating to the mortgage loans represented by the REMIC certificates. We receive monthly fees equal to a fixed percentage of the then outstanding mortgage loan balance in the REMIC which, in management's opinion, represent currently prevailing terms for similar transactions. In addition, we will act as the special servicer to restructure any mortgage loans in the REMIC that default.

At December 31, 1999, the REMIC certificates we held had an effective interest rate of approximately 17.35% based on the expected future cash flows with no unscheduled prepayments.

ITEM 3. LEGAL PROCEEDINGS

From time to time, we are a party to various claims and lawsuits arising in the ordinary course of business which, in our opinion, are not singularly or in the aggregate material to our results of operations or financial condition.

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

None.

ITEM 4a. EXECUTIVE OFFICERS

NAME	AGE	POSITION
Andre C. Dimitriadis	59	Chairman, Chief Executive Officer and Director
James J. Pieczynski	37	President, Chief Financial Officer, and Director
Christopher T. Ishikawa	36	Senior Vice President and Chief Investment Officer
Julia L. Kopta	50	Senior Vice President and General Counsel

Mr. Dimitriadis founded LTC 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 is a member of the board of Magellan Health Services.

Mr. Pieczynski has served as President and Director since September 1997 and Chief Financial Officer of LTC since May 1994. From May 1994 to September 1997, he also served as Senior Vice President of LTC. He joined LTC 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.

Mr. Ishikawa has served as Senior Vice President and Chief Investment Officer since September 1997. Prior to that, he served as Vice President and Treasurer of LTC since April 1995. Prior to joining LTC, he was employed by MetroBank from December 1991 to March 1995, where he served as First Vice President and Controller. From December 1989 to November 1991, he was employed by Mercantile

National Bank where he served as Assistant Treasurer.

Ms. Kopta has served as Senior Vice President and General Counsel since January 1, 2000. Prior to that, she served as Special Counsel to the Chief Executive Officer of Coram Healthcare Corporation from September 1999 through November 1999. From October 1993 to October 1997, she served as Executive Vice President, General Counsel and Corporate Secretary of Transitional Hospital Corporation.

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

(a) Our common stock is listed on the New York Stock Exchange. Set forth below are the high and low reported sale prices for our common stock as reported on the NYSE.

<TABLE>
<CAPTION>

	1999		1998	
	HIGH	LOW	HIGH	LOW
<S>	<C>	<C>	<C>	<C>
First Quarter	$17.125	$10.5625	$21.9375	$18.9375
Second Quarter	13.9375	10.75	20.3125	18.00
Third Quarter	13.3125	10.75	19.00	16.25
Fourth Quarter	10.875	7.75	18.00	15.5625

</TABLE>

(b) As of December 31, 1999 we had approximately 872 stockholders of record of our common stock.

(c) We declared total cash distributions as set forth below:

<TABLE>
<CAPTION>

	1999	1998
<S>	<C>	<C>
First Quarter	$ .39	$ .365
Second Quarter	.39	.39
Third Quarter	.39	.39
Fourth Quarter	.39	.39
	$ 1.56	$1.535

</TABLE>

In addition, in connection with our distribution of our investment in LTC Healthcare common stock to our common stockholders, Series C preferred stockholders and convertible debenture holders on September 30, 1998, we declared a stock dividend in the form of LTC Healthcare common stock equal to $0.469 per share.

We intend to distribute to our stockholders a majority of our 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 subject to approval of the Board of Directors and will depend on the earnings of LTC, 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 Internal Revenue Code, we are required to make distributions to holders of our shares equal to at least 95% (90% for years ending after December 31, 2000) of our "REIT taxable income."

ITEM 6. SELECTED FINANCIAL INFORMATION

The following table of selected financial information should be read in conjunction with LTC's financial statements and related notes thereto included elsewhere in this Annual Report on Form 10-K.

<TABLE>
<CAPTION>

	1999	1998	1997	1996	1995
OPERATING INFORMATION:		(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)			
<S>	<C>	<C>	<C>	<C>	<C>

Revenues	$ 87,662	$ 89,391	$ 73,434	$ 54,930	$ 35,569
Expenses:					
Interest expense	21,836	22,267	23,795	20,604	9,407
Depreciation and amortization	13,483	12,561	9,132	6,298	3,072
Amortization of founders' stock	-	-	31	114	221
Provision for loan losses	-	600	-	-	-
Minority interest	1,018	1,415	1,205	898	57
Impairment charge	14,939	-	1,866	-	-
Operating and other expenses	5,863	5,084	4,393	4,479	2,772
Total expenses	57,139	41,927	40,422	32,393	15,529
Other income (loss)	1,304	3,129	2,751	6,173	(1,656)
Net income	31,827	50,593	35,763	28,710	18,384
Preferred dividends	(15,087)	(12,896)	(6,075)	-	-
Net income available to common stockholders	$ 16,740	$ 37,697	$ 29,688	$ 28,710	$ 18,384
PER SHARE INFORMATION:					
Basic net income	$ 0.61	$ 1.39	$ 1.26	$ 1.51	$ 1.02
Diluted net income	$ 0.61	$ 1.39	$ 1.25	$ 1.44	$ 1.01
Distributions declared	$ 1.56	$ 1.535	$ 1.435	$ 1.335	$ 1.21
BALANCE SHEET INFORMATION:					
Real estate investments, net	$ 683,736	$ 663,996	$ 640,733	$ 488,134	$ 340,441
Total assets	721,811	689,814	656,664	500,538	357,378
Total debt	292,274	229,695	249,724	283,472	174,083
Total liabilities	303,300	237,900	259,378	299,207	185,458
Minority interest	9,894	10,514	11,159	10,528	1,098
Total stockholders' equity	408,617	441,400	386,127	190,803	170,822
OTHER INFORMATION:					
Cash flows from operating activities	$ 60,785	$ 61,885	$ 43,230	$ 33,789	$ 24,197
Cash flows (used in) investing activities	(48,156)	(51,529)	(150,800)	(90,317)	(111,422)
Cash flows provided by (used in) financing activities	(11,477)	(13,827)	109,396	58,242	74,393
Funds from operations	$ 45,162	$ 47,559	$ 38,735	$ 28,793	$ 23,944
Basic funds from operations per share	$ 1.65	$ 1.76	$ 1.65	$ 1.52	$ 1.33
Diluted funds from operations per share	$ 1.64	$ 1.71	$ 1.57	$ 1.44	$ 1.29

</TABLE>

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

OF OPERATIONS

OPERATING RESULTS

YEAR ENDED DECEMBER 31, 1999 COMPARED TO YEAR ENDED DECEMBER 31, 1998

Revenues for the year ended December 31, 1999 were $87,662,000 compared to $89,391,000 for the same period in 1998. The net decrease in revenues resulted from decreases in interest from mortgage loans and notes receivable of $3,524,000 and interest and other income of $1,410,000 which was offset by increases in rental income of $2,552,000 and interest income from REMIC certificates of $653,000.

Rental income increased $7,478,000 as a result of property acquisitions and the conversion of mortgage loans into owned properties. "Same-store" rents decreased $1,144,000 due to the transitional impact of the change in operators for certain skilled nursing facilities. The decrease in rental income due to the change of operators was somewhat mitigated by the receipt of contingent rents and rental increases as provided for in the lease agreements. Also reducing the net increase in rental income were decreases of $3,301,000 related to the contribution of properties to LTC Healthcare in September 1998 and $481,000 resulting from the disposition of properties. Interest income from mortgage loans and notes receivable decreased due to the sale of mortgage loans in connection with a REMIC securitization that was completed in May 1998 and the conversion of mortgage loans into owned properties. The decrease in interest income from mortgage loans and notes receivable was partially offset by interest income on the unsecured line of credit provided to LTC Healthcare. Partially reducing the decrease in interest income from mortgage loans was an increase in interest income from REMIC certificates from the retention of certificates originated in the May 1998 securitization. Interest and other income also decreased due to a reduction in commitment fees.

During 1999, the Company performed a comprehensive evaluation of its real estate investment portfolio. As a result of recent adverse changes in the long-term care industry, the Company identified certain investments in skilled nursing facilities that it determined to be impaired. During the fourth quarter of 1999, the Company recorded an impairment charge of $14,939,000 See "Item 8. FINANCIAL STATEMENTS- NOTE 5. IMPAIRMENT CHARGE." Excluding the impairment charge, total expenses as a percent of total revenues were 48% in 1999 compared to 47% in 1998. Depreciation and amortization increased as a result of a larger average investment base in owned properties in 1999 as compared to 1998. The increase in general and administrative expenses is due to the reorganization of the Company's legal department and the settlement of an employee related dispute.

During the year ended December 31, 1999, the Company repurchased an aggregate of $21,590,000 face amount of its convertible subordinated debentures at a discount on the open market. A gain of $1,304,000 on the repurchase is included in other non-operating income. Other non-operating income for the year ended December 31, 1998 includes a gain of approximately $9,926,000 on the sale of three skilled nursing facilities. Offsetting the increase in other income attributable to the gain on the sale of real estate was a decrease in the estimated fair value of REMIC certificates that resulted in an unrealized loss of $6,797,000.

On January 1, 1999, in accordance with recently issued accounting standards, the Company reclassified its investment in REMIC certificates from trading securities to available-for-sale and held-to-maturity securities. As a result of the change in accounting for REMIC certificates, the Company no longer recognizes unrealized gains or losses on changes in their fair value in current period earnings.

Preferred dividends increased as a result of dividends on the Series C Convertible Preferred Stock which was issued in September 1998.

Net income available to common shareholders decreased to $16,740,000 for the year ended December 31, 1999 from $37,697,000 for the same period in 1998. Excluding the impairment charge and the gain on the repurchase of convertible subordinated debentures recorded in 1999 and the gain on the sale of real estate investments and the unrealized loss on REMIC Certificates recorded in 1998, net income available to common shareholders was $30,375,000 for the year ended December 31, 1999 compared to $34,568,000 for the year ended December 31, 1998.

YEAR ENDED DECEMBER 31, 1998 COMPARED TO YEAR ENDED DECEMBER 31, 1997

Revenues for the year ended December 31, 1998 increased $15,957,000 or 22% to $89,391,000 from $73,434,000 in 1997. The increase in revenues resulted from increased rental income of $11,732,000, increased interest income from REMIC certificates of $2,756,000 and an increase in interest and other income of $4,381,000. Partially offsetting the above increases was a decrease of approximately $2,912,000 in interest income on mortgage loans.

Rental income increased $5,814,000 as a result of property acquisitions completed during 1997 and $7,941,000 due to property acquisitions completed during 1998. "Same-store" rents increased $955,000 due to the receipt of contingent rents and rental increases as provided for in the lease agreements. Partially offsetting the above increases in rental income was a decrease of $2,978,000 resulting from the sale of properties. During May 1998, the Company completed its fourth securitization transaction resulting in an increase in interest income from REMIC certificates and a decrease in interest income on mortgage loans. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -Liquidity and Capital Resources." Increased interest and other income for 1998 resulted primarily from interest income on notes receivable from stockholders and increased commitment fees.

During 1997, the Company evaluated three skilled nursing facilities located in Kansas for impairment and as a result recorded a non-cash impairment charge of $1,866,000. See "Item 8. FINANCIAL STATEMENTS- NOTE 5. IMPAIRMENT CHARGE." Excluding the impairment charge, total expenses for the year ended December 31, 1998 decreased to 47% of net revenues compared to 53% in 1997. The decrease was primarily due to a decrease in total interest expense as a result of the conversion of subordinated debentures. Depreciation and amortization increased due the larger investment base of owned properties in 1998 versus 1997. During 1998, a $600,000 provision for loan losses was recorded for two loans that are currently on non-accrual status. The increase in operating and other expenses is due to increased salaries and benefits attributable to an increase in the number of full time employees.

Other income for the year ended December 31, 1998 includes a gain of approximately $9,926,000 on the sale of three skilled nursing facilities. Offsetting the increase in other income attributable to the gain on the sale of real estate was a decrease in the estimated fair value of REMIC certificates that resulted in an unrealized loss of $6,797,000 during the current period as compared to the prior period's unrealized gain of $57,000.

During the year ended December 31, 1998, the Company declared cash dividends of $41,837,000 ($1.535 per share) and a stock dividend in the form of LTC Healthcare common stock of $10,724,000 (fair value of $0.469 per share, unaudited) on its common stock and dividends on its preferred stock totaling $12,896,000. The dividends on the preferred stock represent the regular annual dividend of $2.375 per share on the Series A Cumulative Preferred Stock and $2.25 per share on the Series B Cumulative Preferred Stock and a partial dividend on its Series C Convertible Preferred Stock (issued in September 1998). Dividends declared during the year ended December 31, 1997 represent a partial dividend for the month of March 1997 and the regular monthly dividend for the remainder of the year on the Series A Cumulative Preferred Stock (issued in March 1997) and a partial dividend for the month of December 1997 on the Series B Cumulative Preferred Stock (issued in December 1997).

As a result of the changes in revenues and expenses discussed above, net income available to common stockholders increased $8,009,000 to $37,697,000 for the year ended December 31, 1998 from $29,688,000 in 1997.

LIQUIDITY AND CAPITAL RESOURCES

At December 31, 1999, the Company's real estate investment portfolio (before accumulated depreciation and allowance for doubtful accounts) consisted of $494,913,000 invested primarily in owned long-term care facilities, mortgage loans of approximately $132,443,000 and subordinated REMIC certificates of approximately $97,605,000 with a weighted average effective yield of 17.35%. At December 31, 1999, the outstanding certificate principal balance and the weighted average pass-through rate for the senior REMIC certificates (all held by outside third parties) was $279,234,000 and 7.21%.

During the year ended December 31, 1999, the Company had net cash provided by operations of $60,785,000. In addition, the Company obtained a $25,000,000 term loan and had net borrowings of $35,000,000 under its unsecured revolving credit facility. During 1999, the Company obtained non-recourse mortgage financing of $18,485,000 from a third-party lender. The mortgage loan is secured by 10 assisted living facilities, bears interest at 8.81% and matures in December 2009. Proceeds from the mortgage loan were used to repay outstanding borrowings under the unsecured revolving credit facility.

During the year ended December 31, 1999, the Company invested $6,678,000 in mortgage loans secured by three assisted living facilities ("ALFs") and advanced $1,890,000 for renovation and expansion under a mortgage loan previously provided on an educational facility. During 1999, the Company acquired seven skilled nursing facilities, three assisted living residences and one rehabilitation hospital for a gross purchase price of $36,453,000 and invested approximately $8,797,000 in the expansion and improvement of existing properties. Mortgage loans with outstanding principal balances totaling $47,554,000 that were secured by 15 long-term care facilities and one educational facility were converted into owned properties. Five of the skilled nursing facilities acquired during 1999 were acquired subject to the assumption of existing non-recourse mortgage debt of $10,595,000 that bears interest at a weighted average rate of 11.4% and two of the skilled nursing facilities and the rehabilitation hospital were acquired with non-recourse mortgage financing of

$6,500,000 from a third-party lender that bears interest at the prime rate of interest.

During the year ended December 31, 1999, the Company purchased $4,195,000 face amount of Assisted Living Concepts, Inc. ("ALC") 5.625% convertible subordinated debentures and $15,645,000 face amount of ALC 6.0% convertible subordinated debentures for an aggregate purchase price of $13,097,000. The ALC convertible subordinated debentures have a weighted average cash yield of 8.3% and a weighted average effective yield of 19.1%.

During the year ended December 31, 1999, the Company repurchased and retired 649,800 shares of common stock for an aggregate purchase price of approximately $7,039,000. On September 30, 1999, $10,000,000 in outstanding principal amount of 8.25% convertible subordinated debentures matured and was repaid. During the year ended December 31, 1999, the Company repurchased an aggregate of $21,590,000 face amount of its convertible subordinated debentures on the open market for an aggregate purchase price of $19,992,000.

During the same period, the Company declared and paid cash dividends on its Series A Preferred Stock, Series B Preferred Stock and Series C Preferred Stock totaling $7,314,000, $4,500,000 and $3,273,000, respectively. In addition, the Company paid quarterly cash dividends on its common stock totaling $42,626,000.

As of December 31, 1999, borrowing capacity of $35,000,000 was available under the Company's $170,000,000 unsecured revolving credit facility which matures in October 2000. The revolving credit facility had pricing of LIBOR plus 1.25% at December 31, 1999. After giving effect to borrowing base requirements for outstanding bank borrowings, the Company had $324,752,000 of available unencumbered real estate investments at December 31, 1999. Available unencumbered real estate investments consisted of $183,316,000 in owned properties (before accumulated depreciation), $43,831,000 of mortgage loans (before allowance for doubtful accounts) and $97,605,000 of REMIC certificates.

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 facilities, assisted living residences and schools 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 facilities, assisted living facilities and schools. In addition, the Company will monitor its borrowers and the underlying collateral for mortgage loans and will 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. In as much as the Company initially funds its investments with its Revolving Credit Facility, 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 replaces the short-term variable rate borrowings with a fixed rate financing.

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, in most cases, 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).

Certain of the REMIC certificates retained by the Company have designated certificate principal balances and a stated certificate interest "pass-through" rate. These REMIC 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. See "Exhibit 99 -RISK FACTORS" for a more comprehensive discussion of risks and uncertainties.

The Company believes that its current cash flow from operations available for distribution or reinvestment and its current borrowing capacity are sufficient to provide for payment of its operating costs and provide funds for distribution to its stockholders. Difficult capital market conditions in the health care industry have limited the Company's access to traditional forms of growth capital. As a result of the tight capital markets for the health care industry, the Company has reduced its investment activity in 1999 and intends to continue to limit its investment activity in 2000. At December 31, 1999, the Company had $160,000,000 outstanding under unsecured credit agreements that mature in October 2000 and convertible subordinated debentures maturing in 2001 totaling $22,234,000. The Company expects to refinance the borrowings outstanding under its unsecured credit agreements and utilize cash from operations and additional borrowings under the refinanced unsecured credit agreements to repay the convertible subordinated debentures at maturity. If prevailing interest rates or other factors at the time of refinancing (such as the reluctance of lenders to make commercial real estate loans) result in higher rates upon refinancing, the interest expense relating to the refinanced indebtedness would increase adversely affecting our financial condition and results of operations.

FUNDS FROM OPERATIONS

The Company has adopted the definition of Funds From Operations ("FFO") prescribed by the National Association of Real Estate Investment Trusts ("NAREIT"). FFO is defined as net income applicable to common stockholders (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 changes in the estimated fair value of its REMIC Certificates from the computation of FFO.

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 indicator of operating performance or as an alternative to cash flows from operations, investing or 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. 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, as 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.

The following table reconciles net income available to common stockholders to FFO available to common stockholders (in thousands, except per share amounts):

<TABLE>
<CAPTION>

	1999	1998	1997
<S>	<C>	<C>	<C>
Net income available to common stockholders	$ 16,740	$ 37,697	$ 29,688
Real estate depreciation	13,483	12,561	9,104
Impairment charge on real estate investments	14,939	-	-
Real estate depreciation included in equity earnings	-	430	-
Gain on sale of real estate	-	(9,926)	-
Unrealized (gain) loss on REMIC Certificates	-	6,797	(57)
FFO available to common stockholders	$ 45,162	$ 47,559	$ 38,735
Diluted FFO available to common stockholders	$ 51,582	$ 55,871	$ 47,533
Basic FFO per share	$ 1.65	$ 1.76	$ 1.65
Diluted FFO per share	$ 1.64	$ 1.71	$ 1.57
Shares for basic FFO per share	27,412	27,077	23,511
Shares for diluted FFO per share	31,548	32,762	30,281

</TABLE>

YEAR 2000

In prior years, we discussed the nature and progress of our plans to become Year 2000 ready. In late 1999, we completed the remediation and testing of our systems. As a result of our planning and implementation efforts, we experienced no significant disruptions in mission critical information technology and non-information technology systems and we believe our systems successfully responded to the Year 2000 date change. We are not aware of any significant adverse effects on our operators computer systems or operations

resulting from Year 2000 date change. We will continue to monitor our mission critical computer applications and those of our operators throughout the year 2000 to ensure that any latent Year 2000 matters that may arise are addressed promptly.

STATEMENT REGARDING FORWARD LOOKING DISCLOSURE

Certain information contained in this annual report includes statements that are not purely historical and are "forward looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, including statements regarding our expectations, beliefs, intentions or strategies regarding the future. All statements other than historical facts contained in this annual report are forward looking statements. These forward looking statements involve a number of risks and uncertainties. All forward looking statements included in this press release are based on information available to us on the date hereof, and we assume no obligation to update such forward looking statements. Although we believe that the assumptions and expectations reflected in such forward looking statements are reasonable, no assurance can be given that such expectations will prove to have been correct. The actual results achieved by us may differ materially from any forward looking statements due to the risks and uncertainties of such statements. Exhibit 99 to this annual report contains a more comprehensive discussion of risks and uncertainties associated with our business.

ITEM 7a. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Readers are cautioned that statements contained in this section "Quantitative and Qualitative Disclosures About Market Risk" are forward looking and should be read in conjunction with the disclosure under the heading "-Statement Regarding Forward Looking Disclosure" set forth above.

We are exposed to market risks associated with changes in interest rates as they relate to our mortgage loans receivable, investments in REMIC certificates and debt. Interest rate risk is sensitive to many factors, including governmental monetary and tax policies, domestic and international economic and political considerations and other factors that are beyond our control.

To modify and manage the interest characteristics of our outstanding debt and limit the effects of interest rates on our operations, we may utilize a variety of financial instruments, including interest rate swaps, caps, floors and other interest rate exchange contracts. The use of these types of instruments to hedge our exposure to changes in interest rates carries additional risks such as counter-party credit risk and legal enforceability of hedging contracts. We do not enter into any transactions for speculative or trading purposes.

Our future earnings, cash flows and estimated fair values relating to financial instruments are dependent upon prevalent market rates of interest, such as LIBOR or term rates of U.S. Treasury Notes. Changes in interest rates generally impact the fair value, but not future earnings or cash flows, of mortgage loans receivable, our investment in REMIC certificates and fixed rate debt. For variable rate debt, such as our revolving line of credit, changes in interest rates generally do not impact the fair value, but do affect future earnings and cash flows.

At December 31, 1999, based on the prevailing interest rates for comparable loans and estimates made by management, the fair value of our mortgage loans receivable was approximately $132.9 million. A 1% increase in such rates would decrease the estimated fair value of our mortgage loans by approximately $6.1 million while a 1% decrease in such rates would increase their estimated fair value by approximately $6.6 million. A 1% increase or decrease in applicable interest rates would not have a material impact on the fair value of our investment in REMIC certificates or fixed rate debt.

Assuming the borrowings outstanding under our revolving line of credit at December 31, 1999 remain constant, a 1% increase in interest rates would increase annual interest expense on our revolving line of credit by approximately $1,600,000. Conversely, a 1% decrease in interest rates would decrease annual interest expense on our revolving line of credit by $1,600,000.

These estimated impact of changes in interest rates discussed above are determined by considering the impact of the hypothetical interest rates on our borrowing costs, interest rate swap agreement, lending rates and current U.S. Treasury rates from which our financial instruments may be priced. We do not believe that future market rate risks related to our financial instruments will be material to our financial position or results of operations. These analyses do not consider the effects of industry specific events, changes in the real estate markets, or other overall economic activities that could increase or decrease the fair value of our financial instruments. If such events or changes were to occur, we would consider taking actions to mitigate and/or reduce any negative exposure to such changes. However, due to the uncertainty of the specific actions that would be taken and their possible effects, the sensitivity analysis assumes no changes in our capital structure.

ITEM 8. FINANCIAL STATEMENTS

<TABLE>
<CAPTION>

</TABLE>

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, 1999 and 1998 and the related consolidated statements of income and comprehensive income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 1999. 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 auditing standards generally accepted in the United States. 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, 1999 and 1998, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 1999 in conformity with accounting principles generally accepted in the United States. 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.

/s/ ERNST & YOUNG LLP

Los Angeles, California
January 21, 2000

LTC PROPERTIES, INC.

CONSOLIDATED BALANCE SHEETS

(In thousands, except share amounts)

<TABLE>
<CAPTION>

	DECEMBER 31,	
	1999	1998
<S>	<C>	<C>
ASSETS		
Real Estate Investments:		
Buildings and improvements, net of accumulated depreciation and amortization: 1999 - $39,975; 1998 - $26,972	$427,235	$366,891
Land	27,703	16,796
Mortgage loans receivable held for sale, net of allowance for doubtful accounts: 1999 - $1,250; 1998 - $1,250	131,193	179,714
REMIC Certificates at estimated fair value	97,605	100,595
Real estate investments, net	683,736	663,996
Other Assets:		
Cash and cash equivalents	2,655	1,503
Debt issue costs, net	1,699	2,040
Interest receivable	4,050	3,350
Prepaid expenses and other assets	9,144	2,397
Marketable debt securities	14,190	-
Note receivable from LTC Healthcare, Inc.	6,337	16,528
	38,075	25,818
Total assets	$721,811	$689,814
LIABILITIES AND STOCKHOLDERS' EQUITY		
Convertible subordinated debentures	$24,642	$56,667
Bank borrowings	160,000	100,000
Mortgage loans payable	90,536	55,432
Bonds payable and capital lease obligations	17,096	17,596
Accrued interest	2,794	3,135
Accrued expenses and other liabilities	7,247	4,085
Distributions payable	985	985
Total liabilities	303,300	237,900
Minority interest	9,894	10,514
Commitments	-	-
Stockholders' equity:		
Preferred stock $0.01 par value; 10,000,000 shares authorized; shares issued and outstanding: 1999 - 7,080,000; 1998 - 7,080,000	165,500	165,500
Common stock $0.01 par value; 40,000,000 shares authorized; shares issued and outstanding: 1999 - 27,035,854; 1998 - 27,660,712	270	277
Capital in excess of par value	304,527	311,113
Cumulative net income	190,097	158,270
Notes receivable from stockholders	(10,258)	(11,200)

Accumulated comprehensive loss	(1,246)	-
Cumulative distributions	(240,273)	(182,560)
Total stockholders' equity	408,617	441,400
Total liabilities and stockholders' equity	$721,811	$689,814

</TABLE>

See accompanying notes

LTC PROPERTIES, INC.

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

(In thousands, except per share amounts)

<TABLE>
<CAPTION>

	YEARS ENDED DECEMBER 31,		
	1999	1998	1997
<S>	<C>	<C>	<C>
Revenues:			
Rental income	$45,086	$42,534	$30,802
Interest income from mortgage loans and notes receivable	19,506	23,030	25,942
Interest income from REMIC Certificates	17,598	16,945	14,189
Interest and other revenue	5,472	6,882	2,501
Total revenues	87,662	89,391	73,434
Expenses:			
Interest expense	21,836	22,267	23,795
Depreciation and amortization	13,483	12,561	9,163
Provision for loan losses	-	600	-
Minority interest	1,018	1,415	1,205
Impairment charge	14,939	-	1,866
Operating and other expenses	5,863	5,084	4,393
Total expenses	57,139	41,927	40,422
Operating income	30,523	47,464	33,012
Other income, net	1,304	3,129	2,751
Net income	31,827	50,593	35,763
Preferred dividends	15,087	12,896	6,075
Net income available to common stockholders	$16,740	$37,697	$29,688
Net Income Per Common Share:			
Basic net income per common share	$0.61	$1.39	$1.26
Diluted net income per common share	$0.61	$1.39	$1.25
Comprehensive Income:			
Net income available to common stockholders	$16,740	$37,697	$29,688
Unrealized loss on available-for-sale equity securities	(1,246)	-	-
Total comprehensive income	$15,494	$37,697	$29,688

</TABLE>

See accompanying notes

LTC PROPERTIES, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(In thousands, except per share amounts)

<TABLE>
<CAPTION>

	SHARES PREFERRED STOCK	SHARES COMMON STOCK	PREFERRED STOCK	COMMON STOCK	CAPITAL IN EXCESS OF PAR VALUE	CUMULATIVE NET INCOME	NOTES RECEIVABLE FROM STOCKHOLDERS	CUMULATIVE DISTRIBUTION
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Balance-December 31, 1996	-	19,484	$ -	$ 195	$ 195,297	$ 71,914	$ -	$ (76,603)
Amortization of Founders' stock	-	-	-	-	31	-	-	-
Issuance of Series A Preferred Stock	3,080	-	77,000	-	(3,200)	-	-	-
Issuance of Series B Preferred Stock	2,000	-	50,000	-	(2,200)	-	-	-
Issuance of common stock	-	2,000	-	20	35,045	-	-	-
Exercise of stock options	-	718	-	7	8,205	-	(9,862)	-
Payments on stockholder notes	-	-	-	-	-	-	433	-
Amortization of restricted stock	-	91	-	1	1,639	-	-	-
Conversion of debentures	-	2,732	-	27	42,915	-	-	-
Net income	-	-	-	-	-	35,763	-	-
Preferred stock dividends	-	-	-	-	-	-	-	(6,075)
Common stock cash distributions ($1.435 per share)	-	-	-	-	-	-	-	(34,425)
Balance - December 31, 1997	5,080	25,025	127,000	250	277,732	107,677	(9,429)	(117,103)
Issuance of Series C Preferred Stock	2,000	-	38,500	-	(895)	-	-	-
Exercise of stock options	-	147	-	2	1,557	-	(2,313)	-
Payments on stockholder notes	-	-	-	-	-	-	542	-
Conversion of debentures	-	2,283	-	23	34,622	-	-	-
Repurchase of common stock	-	(200)	-	(2)	(3,343)	-	-	-
Issuance of restricted stock	-	406	-	4	(4)	-	-	-
Amortization of restricted stock	-	-	-	-	1,491	-	-	-
Conversion of partnership units	-	-	-	-	(47)	-	-	-
Net income	-	-	-	-	-	50,593	-	-
Preferred stock dividends	-	-	-	-	-	-	-	(12,896)
Common stock cash distributions ($1.535 per share)	-	-	-	-	-	-	-	(41,837)
Common stock distributions ($0.469 per share)	-	-	-	-	-	-	-	(10,724)
Balance - December 31, 1998	7,080	27,661	165,500	277	311,113	158,270	(11,200)	(182,560)
Payments on stockholder notes	-	-	-	-	-	-	942	-

Conversion of debentures	-	25	-	-	430	-	-	-
Repurchase of common stock	-	(650)	-	(7)	(7,032)	-	-	-
Conversion of partnership units	-	-	-	-	16	-	-	-
Net income	-	-	-	-	-	31,827	-	-
Preferred stock dividends	-	-	-	-	-	-	-	(15,087)
Common stock cash distributions ($1.56 per share)	-	-	-	-	-	-	-	(42,626)
Balance - December 31, 1999	7,080	27,036	$165,500	$ 270	$ 304,527	$ 190,097	$ (10,258)	$ (240,273)

<CAPTION>

<S>	ACCUMULATED COMPREHENSIVE LOSS <C>
Balance at December 31, 1996	$ -
Balance at December 31, 1997	-
Balance at December 31, 1998	-
Unrealized loss on available-for-sale securities	(1,246)
Balance at December 31, 1999	$ (1,246)

</TABLE>

See accompanying notes

LTC PROPERTIES, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

<TABLE>
<CAPTION>

<S>	YEAR ENDED DECEMBER 31, 1999 <C>	1998 <C>	1997 <C>
OPERATING ACTIVITIES:			
Net income	$ 31,827	$ 50,593	$ 35,763
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	13,483	12,561	9,163
Unrealized holding (gain)/loss on estimated fair value of REMIC Certificates	-	6,797	(57)
Gain on sale of real estate investments	-	(9,926)	(2,799)
Gain on disposition of other assets	-	-	(1,015)
Gain on repurchase of convertible subordinated debentures	(1,304)	-	-
Expense related to vesting of restricted stock	-	1,491	1,120
Non-cash impairment charge	14,939	-	1,866
Other non-cash charges	1,627	2,220	1,832
(Increase) decrease in interest receivable	(296)	512	

			(1,204)
(Increase) in prepaid, other assets and allowance	(410)	(122)	(1,249)
(Decrease) in accrued interest	(341)	(1,118)	(1,562)
Increase (decrease) in accrued expenses and other liabilities	1,260	(1,123)	1,372
Net cash provided by operating activities	60,785	61,885	43,230
INVESTING ACTIVITIES:			
Investment in real estate mortgages	(8,568)	(47,452)	(107,487)
Acquisition of real estate properties, net	(34,655)	(142,668)	(114,891)
Proceeds from sale of real estate properties, net	-	16,706	29,004
Proceeds from sale of REMIC Certificates, net	-	108,613	11,811
Principal payments on mortgage loans receivable	6,729	10,758	24,977
Investment in debt securities	(13,097)	-	-
Investment in LTC Healthcare, Inc.	-	(2,001)	-
Advances to LTC Healthcare, Inc.	(13,336)	(12,800)	-
Repayment of advances to LTC Healthcare, Inc.	23,527	17,668	-
Return of investment in unconsolidated affiliates	-	-	5,000
Proceeds from sale of investments, net	-	-	1,015
Other	(8,756)	(353)	(229)
Net cash used in investing activities	(48,156)	(51,529)	(150,800)
FINANCING ACTIVITIES:			
Proceeds from issuance of common stock, net	-	-	35,065
Proceeds from issuance of preferred stock, net	-	37,605	121,600
Debt issue costs	(1,129)	-	(1,877)
Distributions paid	(57,713)	(54,520)	(46,407)
Bank borrowings	147,500	276,000	445,032
Repayment of bank borrowings	(87,500)	(263,500)	(436,932)
Mortgage loan borrowings	24,985	-	-
Principal payments on mortgage loans, notes payable and capital leases	(976)	(5,077)	(5,869)
Redemption of convertible subordinated debentures	(29,992)	-	-
Repurchase of common stock	(7,039)	(3,345)	-
Other	387	(990)	(1,216)
Net cash provided by (used in) financing activities	(11,477)	(13,827)	109,396
Increase (decrease) in cash and cash equivalents	1,152	(3,471)	1,826
Cash and cash equivalents, beginning of year	1,503	4,974	3,148
Cash and cash equivalents, end of year	$ 2,655	$ 1,503	$ 4,974
Supplemental disclosure of cash flow information:			
Interest paid	$ 21,011	$ 22,478	$ 23,985

</TABLE>

See accompanying notes

1. THE COMPANY

LTC Properties, Inc. (the "Company"), a Maryland corporation, commenced operations on August 25, 1992. The Company is a real estate investment trust ("REIT") that invests primarily in long-term care facilities through mortgage loans, facility lease transactions and other investments.

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 its controlled partnerships. All intercompany accounts and transactions have been eliminated in consolidation. Certain reclassifications have been made to the prior period financial statements to conform to the current year presentation.

USE OF ESTIMATES. 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.

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. Impairment losses are recorded when events or changes in circumstances indicate the asset is impaired and the estimated undiscounted cash flows to be generated by the asset are less than its carrying amount. Management assesses the impairment of properties individually and impairment losses are calculated as the excess of the carrying amount of the real estate over its fair value. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets ranging from 7 years for equipment to 40 years for buildings.

SECURITIZATION TRANSACTIONS. The Company is a REIT and, as such, makes its investments with the intent to hold them for long-term purposes. However, mortgage loans may be transferred to a Real Estate Mortgage Investment Conduit ("REMIC"), a qualifying special-purpose entity, when a securitization provides the Company with the best available form of capital to fund additional long-term investments. When contemplating a securitization, consideration is given to the Company's current and expected future interest rate posture and liquidity and leverage position, as well as overall economic and financial market trends.

A securitization is completed in a two-step process. First, a wholly owned special-purpose bankruptcy remote corporation (the "REMIC Corp.") is formed and selected mortgage loans are sold to the REMIC Corp. without recourse. Second, the REMIC Corp. transfers the loans to a trust (the "REMIC Trust") in exchange for commercial mortgage pass-through certificates (the "REMIC Certificates") which represent beneficial ownership interests in the REMIC Trust assets (the underlying mortgage loans). The REMIC Certificates include various levels of senior, subordinated, interest only and residual classes. The subordinated REMIC Certificates generally provide a level of credit enhancement to the senior REMIC Certificates. The senior and residual REMIC Certificates (which historically have represented between 66% and 81% of the total REMIC Certificates) 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 REMIC Certificates along with the cash proceeds from the sale of the senior REMIC Certificates are retained by the REMIC Corp. as consideration for the initial

transfer of the mortgage loans to the REMIC Trust. Neither the Company nor the REMIC Corp. is obligated to purchase any of the REMIC Trust assets or assume any liabilities.

Statement of Financial Accounting Standards ("SFAS") No. 125 provides specific criteria for determining whether a transfer of assets is a sale or a secured borrowing. To qualify as a sale, the following conditions must be met: 1) the 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 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. Management believes the structure of its securitization transactions meets the sales accounting standards established by SFAS No. 125. To the extent that recent or future interpretations of SFAS No. 125 would require modification to the structure of the securitization transactions, the Company would make the necessary modifications to allow future securitizations to be accounted for as sales.

Transfers of mortgage loans to a REMIC are accounted for as a sale and any gain or loss is recorded in earnings. The gain or loss is equal to the excess or deficiency of the cash proceeds and fair market value of any subordinated certificates received when compared with the carrying value of the mortgages sold, net of any transaction costs incurred and any gains or losses associated with an underlying hedge. Subordinated certificates received by the Company are recorded at their fair value at the date of the transaction. 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.

DESCRIPTION OF THE REMIC CERTIFICATES. REMIC Certificates represent beneficial ownership interests in the REMIC Trust and can be grouped into three categories; senior, subordinated and subordinated interest-only ("I/O"). The REMIC Certificates sold to third-party investors are the senior certificates and those retained by the Company are the subordinated certificates. The senior and the subordinated certificates have stated principal balances and stated interest rates ("pass-through rates"). The I/O REMIC Certificates have no stated principal but are entitled to interest distributions. Interest distributions on the I/O REMIC Certificates are typically based on the spread between the monthly interest received by the REMIC Trust on the underlying mortgage collateral and the monthly pass-through interest paid by the REMIC Trust on the outstanding pass-through rate REMIC Certificates. After payment of the pass-through interest on the outstanding REMIC Certificates and interest distributions on the I/O Certificates, the REMIC Trust distributes the balance of the payments received on the underlying mortgages as a distribution of principal. Interest and principal distributions are made in order of REMIC 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 in general bear the first risk of loss.

On January 1, 1999, the Company adopted SFAS No. 134 "ACCOUNTING FOR MORTGAGE-BACKED SECURITIES RETAINED AFTER THE SECURITIZATION OF MORTGAGE LOANS HELD FOR SALE BY A MORTGAGE BANKING ENTERPRISE". Upon adoption of SFAS No. 134, the Company, based on its ability and intent to hold its investments in REMIC Certificates, transferred its I/O REMIC Certificates and certificates with an investment rating of "BB" or higher from the trading category to the available-for-sale category and its certificates with an investment rating of "B" or lower to the held-to-maturity category. The transfer was recorded at fair value on the date of the transfer.

MORTGAGE LOANS RECEIVABLE. Historically, the Company has sold its mortgage loans solely in connection with its REMIC securitizations and does not anticipate selling any mortgage loans other than in the course of completing future securitizations. Since certain mortgage loans may be securitized in the future, direct investments in mortgage loans are classified as held for sale and carried at the lower of cost or market. If the mortgage loans aggregate cost basis exceeds their aggregate market value, a valuation allowance is established and the resulting amount is included in the determination of net income. Changes in the valuation allowance are included in current period earnings. In determining the estimated market value for mortgage loans, the Company considers estimated prices and yields, 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.

MORTGAGE SERVICING RIGHTS. The Company sub-services mortgage loans that are collateral for REMIC Certificates issued in its securitization transactions for which it receives servicing fees, based on market rates for such services at the time the securitization is completed, equal to a fixed percentage of the outstanding principal on the collateral loans. A separate asset for servicing rights is not recognized since the servicing fees received only adequately compensate the Company for the cost of servicing the loans. The fair value of servicing rights for mortgage loans originated and retained by the Company are estimated based on the fees received for servicing mortgage loans that serve as collateral for REMIC Certificates. All costs to originate mortgage loans are allocated to the mortgage loans since the fair value of servicing rights only sufficiently covers the servicing costs.

INTEREST RATE CONTRACTS. Firm commitments subject the Company to interest rate risk to the extent that debt or other fixed rate financing will be used to finance the commitments. The Company may elect to enter into interest rate contracts to hedge such financing thereby reducing its exposure to interest rate risk. Interest rate contracts are designated as hedges of assets intended for securitization when the significant characteristics and expected terms of the securitization are identified and it is probable the securitization will occur. These contracts are entered into in notional amounts that generally correspond to the principal amount of the assets to be securitized. The Company effectively locks in its net interest margin on the securitization when the interest rate contract is entered into since changes in the market value of these contracts respond inversely to changes in the market value of the hedged assets. Gains or losses on interest rate contracts designated as hedges of assets to be securitized are deferred and recognized upon the completion of the securitization. The Company may also manage interest rate risk by entering into interest rate swap agreements whereby the Company effectively fixes the interest rate on variable rate debt. The differential between interest paid and received on interest rate swaps is recognized as an adjustment to interest expense.

REVENUE RECOGNITION. Interest income on mortgage loans and REMIC Certificates is recognized using the effective interest method. Base rent under operating leases are accrued as earned over the terms of the leases. Contingent rental income, equal to a percentage of increased revenue over defined base period revenue of the long-term care facility operations, is recognized when the stated conditions upon which contingent rent is based occur.

FEDERAL INCOME TAXES. The Company qualifies as a REIT under the Internal Revenue Code of 1986, as amended and as such, no provision for Federal income taxes has been made. A REIT may deduct distributions to its stockholders from its taxable income. If at least 100% of a REIT's taxable income is distributed to its stockholders and it complies with other Internal Revenue Code requirements, a REIT generally is not subject to Federal income taxation.

For Federal tax purposes, depreciation is generally calculated at a rate of 3.6% based on the assets' tax basis (which approximates cost) 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 of certain interest income and expense items and depreciable lives and basis of assets under the Internal Revenue Code.

CONCENTRATIONS OF CREDIT RISKS. Financial instruments which potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents, REMIC Certificates, mortgage loans receivable, operating leases on owned properties and interest rate swaps. The Company's financial instruments, principally REMIC Certificates, mortgage loans receivable and operating leases, are subject to the possibility of loss of carrying value as a result of 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 Company's REMIC Certificates are subordinate in rank and right of payment to the certificates sold to third-party investors and as such, in most cases, would bear the first risk of loss in the event of an impairment to any of the underlying mortgages. The returns on the REMIC Certificates are subject to certain uncertainties and contingencies including, without limitation, the level of prepayment, prevailing interest rates and the timing and magnitude of credit losses on the mortgages underlying the securities that are a result of the general condition of the real estate market or long-term care industry. These uncertainties and contingencies are difficult to predict and are subject to future events that may alter management's estimations and assumptions therefore, 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).

Certain of the REMIC Certificates retained by the Company have designated certificate principal balances and a stated certificate interest "pass-through" rate. These REMIC 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 I/O REMIC Certificates. In addition to the risk from credit losses, the I/O REMIC 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 REMIC Certificates, thus, reducing their effective yield. The I/O REMIC 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. Basic earnings per share is calculated using the weighted average shares of common stock outstanding during the period excluding common stock equivalents. Diluted earnings per share includes the effect of all dilutive common stock equivalents.

STOCK-BASED COMPENSATION. The Company has adopted the disclosure requirements of SFAS No. 123, "ACCOUNTING FOR STOCK-BASED COMPENSATION" but continues to account for stock-based compensation using the intrinsic value method prescribed by APB Opinion No. 25, as permitted by SFAS No. 123.

NEW ACCOUNTING PRONOUNCEMENTS. In 1998, the Financial Accounting Standards Board ("FASB") issued SFAS No. 133, "ACCOUNTING FOR DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES". In June 1999, the FASB issued SFAS No. 137 "DEFERRAL OF EFFECTIVE DATE OF FASB STATEMENT 133" which defers the effective date for SFAS No. 133 to all quarters of all fiscal years beginning after June 15, 2000. SFAS No. 133 requires all derivatives to be recorded at fair value and establishes unique accounting for fair value hedges. Because of the Company's limited use of derivatives, management does not anticipate that the adoption of SFAS No. 133 will have a significant effect on the Company's financial position or results of operations.

3. MAJOR OPERATORS

In October 1999, Sun Healthcare Group, Inc. ("Sun") filed for reorganization under Chapter 11 of the Bankruptcy Code. Prior to Sun's filing for bankruptcy protection, the Company initiated negotiations with Sun that resulted in the restructuring and reduction of its investment in properties operated by Sun. During 1999, Sun was replaced as the operator of 18 properties. In addition, mortgage loans on two facilities leased to Sun were repaid by the borrower. The Company further reduced its investment in properties operated by Sun by terminating the lease on two properties, converting a mortgage loan to an owned property consenting to the acquisition of one property for the amount of the debt that was outstanding by LTC Healthcare and acquiring five properties for the amount of debt that was outstanding. Eight properties have, in turn, been leased to LTC Healthcare, Inc. As a result, at December 31, 1999, Sun operated 41 facilities representing approximately 12% ($111.6 million) of the Company's gross real estate investment portfolio. The facilities operated by Sun at December 31, 1999 consisted of approximately $61.2 million of direct investments to Sun and approximately $50.4 million of investments in facilities owned by independent parties that lease the property to Sun or contract with Sun to manage the property. Sun is currently operating its business as a debtor-in-possession subject to the jurisdiction of the Bankruptcy Court.

Other than Sun, no long-term care provider operated over 10% of the Company's adjusted gross real estate investment portfolio. Sun is a publicly traded company, and as such is subject to the filing requirements of the Securities and Exchange Commission. The Company's financial position and its ability to make distributions may be adversely affected by financial difficulties experienced by Sun, or any of its other major operators, 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 us or the Company's borrowers when it expires.

4. SUPPLEMENTAL CASH FLOW INFORMATION

<TABLE>
<CAPTION>

	1999	1998	1997
<S>	<C>	<C>	<C>
Non-cash investing and financing transactions:			
Exchange of mortgage loans for REMIC Certificates	$ -	$ 129,300	$ -

Exchange of previously issued REMIC Certificates for REMIC Certificates	-	20,700	
Conversion of debentures into common stock	435	35,046	44,005
Assumption of mortgage loans payable relating acquisitions of real estate properties	10,595	11,224	3,026
Distribution of investment in LTC Healthcare, Inc.	-	10,724	-
Note payable for investment in unconsolidated affiliate	-	-	5,000
Notes receivable related to exercise of stock options	-	2,313	9,862
Conversion of mortgage loans into owned properties	47,554	7,301	9,348
Minority interest	-	3,432	647

</TABLE>

5. IMPAIRMENT CHARGE

During 1999, the Company performed a comprehensive evaluation of its real estate investment portfolio. The long-term care industry has experienced significant adverse changes which have resulted in continued operating losses by certain of the Company's operators and in some instances the filing of bankruptcy protection. As a result of the adverse changes in the long-term care industry, the Company identified certain investments in skilled nursing facilities that it determined to be impaired. These assets were determined to be impaired since the expected future cash flows to be received from these investments are not expected to recover the carrying values of the investments. During the fourth quarter of 1999, the Company recorded an impairment charge of $14,939,000. The impairment charge included the write down of the carrying value to the estimated fair value of owned skilled nursing facilities of $7,428,000, mortgage loans secured by skilled nursing facilities of $2,806,000, notes receivable of $3,329,000 and other assets and the cost of foreclosure and lease terminations of approximately $1,376,000. The fair values were based on current appraisals or other third-party opinions of value and other estimates of fair value such as estimated undiscounted future cash flows.

During 1998, the Company performed a comprehensive evaluation of its real estate investment portfolio. Based on this review, no assets were deemed to be impaired. During 1997, the Company evaluated three skilled nursing facilities located in Kansas for impairment and as a result recorded a non-cash impairment charge of $1,866,000. Impairment was due to adverse changes in local market conditions resulting in current operating losses, anticipated future losses and inadequate cash flows. The impairment charge was determined based on undiscounted cash flows of each facility.

6. REAL ESTATE INVESTMENTS

MORTGAGE LOANS. During 1999, the Company originated mortgage loans of $6,678,000 secured by three assisted living facilities with 106 beds and advanced $1,890,000 for renovation and expansion under a mortgage loan previously provided on an educational facility. Mortgage loans with outstanding principal balances totaling $47,554,000 that were secured by 15 long-term care facilities with 1,116 beds/units and one educational facility were converted into owned properties. Prepayments totaling $5,178,000 on two mortgage loans originally scheduled to mature in 2000 and 2006 and scheduled principal payments of $1,551,000 were received.

At December 31, 1999, the Company had 56 mortgage loans secured by first mortgages on 54 skilled nursing facilities with a total of 5,982 beds, 11 assisted living residences with 659 units located in 23 states. At December 31, 1999, the mortgage loans had a interest rates ranging from 9.0% to 13.5% and maturities ranging from 2000 to 2018. In addition, the loans contain certain guarantees, provide for certain facility fees and generally have 25-year amortization schedules. The majority of the mortgage loans provide for annual increases in the interest rate based upon a specified increase of 10 to 25 basis points. At December 31, 1999 and 1998, the fair value of mortgage loans was approximately $132,912,000 and $181,666,000, respectively. Scheduled principal payments on mortgage loans are $4,508,000, $7,964,000, $1,794,000, $14,322,000, $9,717,000 and $94,138,000 in 2000, 2001, 2002, 2003, 2004 and thereafter.

OWNED PROPERTIES AND LEASE COMMITMENTS. During 1999, in addition to the $47,554,000 of mortgage loans that converted into owned properties, the Company acquired seven skilled nursing facilities with a total of 804 beds, three assisted living residences with a total of 169 units and one rehabilitation hospital with 84 beds for a gross purchase price of $36,453,000 and invested approximately $8,797,000 in the expansion and improvement of existing properties.

With the exception of certain properties leased to LTC Healthare, Inc. under month-to-month or one year leases, owned facilities are leased pursuant to non-cancelable 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 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 leases provide for additional rent through revenue participation (as defined in the lease agreements) 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 all taxes, insurance, maintenance and repairs, capital and non-capital expenditures and other costs necessary in the operations of the facilities. Contingent rent income for the years ended December 31, 1999, 1998 and 1997 was not significant in relation to contractual base rent income.

Depreciation expense on buildings and improvements, including facilities owned under capital leases, was $13,237,000, $11,959,000 and $9,041,000 for the years ended December 31, 1999, 1998 and 1997.

Future minimum base rents receivable under the remaining non-cancelable terms of operating leases are: $44,751,000, $41,522,000, $41,452,000, $41,376,000, $37,823,000 and $187,745,000 for the years ending December 31, 2000, 2001, 2002, 2003, 2004 and thereafter.

REMIC TRANSACTIONS. In May 1998, the Company completed a securitization of approximately $129,300,000 of mortgage loans with a weighted average interest rate of 10.2% and $26,400,000 face amount ($20,700,000 carrying value) of subordinated certificates, retained from a securitization completed in 1993, with an interest rate of 9.78% on the face value (15.16% on the amortized cost) (the "1998-1 Pool"). In the securitization, the Company sold approximately $121,400,000 face amount of senior certificates at a weighted average pass-through rate of 6.3% and retained $34,300,000 face amount of subordinated certificates along with the I/O REMIC Certificates. The subordinated and I/O REMIC Certificates retained by the Company had an aggregate fair value of approximately $41,400,000 at the time of the securitization and a weighted average effective yield of 18.9%. Included in the 1998-1 Pool were 40 mortgage loans, including mortgage loans of approximately $25,741,000 with a weighted average interest rate of approximately 8.7% provided to wholly owned subsidiaries and limited partnerships of the Company. Net proceeds of approximately

$108,613,000 from the above securitization were used to repay borrowings outstanding under the Company's line of credit.

REMIC CERTIFICATES. The outstanding principal balance and the weighted-average pass through rate for the senior certificates (held by third parties) and the carrying value of the subordinated certificates (held by the Company) as of December 31, 1999 and 1998 were as follows:

<TABLE>
<CAPTION>

	1999			1998		
	Senior Certificates		Subordinated Certificates	Senior Certificates		Subordinated Certificates
	Principal	Rate	Carrying Value	Principal	Rate	Carrying Value
<S>	<C>	<C>	<C>	<C>	<C>	<C>
1993-1 Pool	$ 77,289,000	8.4%	$ 5,191,000	$ 78,570,000	8.3%	$ 6,351,000
1994-1 Pool	28,299,000	9.4%	37,810,000	37,495,000	9.2%	38,896,000
1996-1 Pool	82,916,000	7.5%	15,510,000	89,156,000	7.4%	16,088,000
1998-1 Pool	117,112,000	6.3%	39,094,000	120,394,000	6.3%	39,260,000
			$ 97,605,000			$100,595,000

</TABLE>

Included in the total assets securing the 1998-1 Pool is a senior certificate from the 1993-1 Pool with principal of $26,382,000 and an interest rate of 9.78%. In June 1997, the Company sold $11,811,000 face amount of subordinated certificates from the 1996-1 Pool and recognized a gain of $1,231,000 which is recorded in other income, net in the accompanying income statement.

At December 31, 1999 and 1998, the aggregate effective yield of the subordinated certificates, based on expected future cash flows with no unscheduled prepayments, was 17.35% and 17.8%, respectively. Income on the subordinated certificates was as follows for the years ended December 31, 1999, 1998 and 1997:

	1999	1998	1997
1993-1 Pool	$ 1,504,000	$ 2,656,000	$ 4,992,000
1994-1 Pool	4,943,000	4,898,000	4,650,000
1996-1 Pool	3,447,000	3,908,000	4,547,000
1998-1 Pool	7,704,000	5,483,000	-
	$ 17,598,000	$ 16,945,000	$ 14,189,000

As sub-servicer for all of the above REMIC pools, the Company is responsible for performing substantially all of the servicing duties relating to the mortgage loans underlying the REMIC Certificates and will act as the special servicer to restructure any mortgage loans that default.

As of December 31, 1999, available-for-sale certificates were recorded at their fair value of approximately $45,651,000. Unrealized holding losses on available-for-sale certificates of $1,065,000 were included in comprehensive income for the year ended December 31, 1999. At December 31, 1999 held-to-maturity certificates had a book value of $51,954,000 and a fair value of $43,698,000. Prior to the adoption of SFAS No. 134, the Company classified its investment in REMIC Certificates as trading securities and recorded unrealized holding gains and losses as a component of other income, net in the accompanying income statement. For the year ended December 31, 1998, the Company recorded an unrealized holding loss of $6,797,000 and for the year ended December 31, 1997 the Company recorded an unrealized holding gain of $57,000.

7. LTC HEALTHCARE, INC.

During 1998, the Company acquired 4,002 shares of LTC Healthcare, Inc. ("Healthcare") non-voting common stock for $2,001,000 in cash. The Company also contributed net assets with a book value of $21,619,000 in exchange for 36,000 additional shares of Healthcare non-voting common stock and a note receivable from Healthcare. On September 30, 1998, the 40,002 shares of Healthcare non-voting common stock held by the Company were converted into 3,335,882 shares of Healthcare voting common stock. Concurrently, the Company completed the spin-off of all Healthcare voting common stock through a taxable dividend distribution to the holders of Company common stock, Cumulative Convertible Series C Preferred Stock and Convertible Subordinated Debentures. The Company incurred costs of approximately $500,000 in connection with the distribution. For book purposes, no gain was recognized on the distribution of Healthcare common stock which had a net book value of approximately $10,724,000. The distribution was a taxable dividend distribution and accordingly, for tax purposes, the net assets were transferred at their net fair market value of approximately $15,650,000 ($4.69 per share of Healthcare common stock - unaudited) which resulted in a taxable gain to the Company of approximately $4,900,000 (unaudited). Upon completion of the distribution, Healthcare began operating as a separate public company.

In addition, the Company provided Healthcare with a $20.0 million unsecured line of credit that bears interest at 10% and matures in March 2008. As of December 31,1999 and 1998 $6,337,000 and $16,528,000, respectively, was outstanding under the line of credit. During 1999 and 1998, the Company recorded interest income related to the unsecured line of credit of $1,514,000 and $711,000, respectively. During 1999 and 1998, Healthcare reimbursed the Company $740,000 and $350,000, respectively for administrative and management advisory services as provided for under the administrative services agreement. During 1999, the Company acquired 100% of the stock of a company that owns two assisted living facilities leased to a third-party operator from LTC Healthcare for a total purchase price of $16,050,000. LTC Healthcare used the proceeds to repay borrowings under the unsecured line of credit.

As of December 31,1999, 17 skilled nursing facilities with a gross carrying value of $36,055,000 were leased to Healthcare. Also, as of December 31, 1999, Healthcare had mortgage loans secured by eight skilled nursing facilities with total outstanding principal of $30,424,000 and a weighted average interest rate of 9.18% payable to the Company's REMIC pools. During 1999, the Company recorded rental income of approximately $779,000 on properties leased to Healthcare. Two of the skilled nursing facilities securing the mortgage loans payable to the Company's REMIC pools are operated by Healthcare and the remaining six skilled nursing facilities are leased to third party operators. Effective January 1, 2000, Healthcare will begin operating an additional 13 facilities with a gross carrying value of $40,009,000 that are owned by the Company. Leases on 19 of the facilities operated by Healthcare will expire in 2000 and the remaining 11 lease expirations range from 2004 to 2013. The terms of these leases will be renegotiated prior to their expiration; however, there can be no assurance that the leases will be renewed or that if renewed, the annual base rents will remain at the current level.

As of December 31, 1999 and 1998, the Company owned 239,900 and 299,900 shares, respectively, of Healthcare common stock. At December 31 1999, the Company's investment in Healthcare common stock is recorded at its fair value of $480,000 and $787,000, respectively, in the accompanying balance sheet. An unrealized holding loss of $181,000 is included in comprehensive income for the year ended December 31, 1999.

8. OTHER ASSETS

During 1999, the Company acquired $4,195,000 face amount of Assisted Living Concepts, Inc. ("ALC") 5.625% convertible subordinated debentures due May 2003 and $15,645,000 face amount of ALC 6.0% convertible subordinated debentures due November 2002 for an aggregate purchase price of $13,097,000. As of December 31, 1999, our investment in ALC convertible debentures had a weighted average cash yield of 8.3% and a weighted average effective yield of 19.1%. The Company accounts for its investment in ALC convertible subordinated debentures at amortized cost as held-to-maturity securities. At December 31, 1999, the Company's investment in ALC convertible subordinated debentures had an amortized cost of $14,190,000 and a fair value of $12,207,000.

During 1999, the Company provided one of its operators with a line of credit secured by patient accounts receivable to fund working capital requirements. The line of credit bears interest at the prime rate of interest plus 2% and matures in February 2004. The Company performed a comprehensive evaluation of the accounts receivable securing the line of credit and determined that approximately $3,329,000 of the amounts advanced were not recoverable. See Note. 5- Impairment Charge. At December 31, 1999, advances of $4,954,000 were estimated to be recoverable.

During 1997, the Company acquired non-voting common stock of Home and Community Care, Inc. ("HCI"), an owner, operator and developer of assisted living residences, for $5,000,000. Subsequently, the Company received a distribution of $5,000,000 representing a return of investment and ALC acquired all of the outstanding common stock of HCI for which the Company received gross proceeds of $2,000,000. During 1997, a net gain of $1,015,000 was recorded on the sale and is included in other income, net. During 1999 and 1998, the Company received additional payments of $623,000 and $698,000, respectively for units under development by HCI at the date of the acquisition.

9. DEBT OBLIGATIONS

BANK BORROWINGS. As of December 31, 1999 and 1998, $135,000,000 and $100,000,000, respectively, was outstanding under the Company's $170,000,000 Senior Unsecured Revolving Line of Credit (the "Revolving Credit Facility") which expires on October 3, 2000. The Revolving Credit Facility pricing varies between LIBOR plus 1.25% and LIBOR plus 1.5% depending on the Company's leverage ratio. During the year ended December 31, 1999, pricing under the Revolving Credit Facility was LIBOR plus 1.25%. The Revolving Credit Facility contains financial covenants including, but not limited to, maximum leverage ratios, minimum debt service coverage ratios, cash flow coverage ratios and minimum consolidated tangible net worth. During 1999, the Company obtained a $25,000,000 term loan that bears interest at LIBOR plus 1.25% and matures October 2, 2000.

On November 2, 1998, the Company entered into an interest rate swap agreement whereby the Company effectively fixed the interest rate on LIBOR based variable rate debt. Under this agreement, which expires in November 2000, the Company was credited interest at three month LIBOR and paid interest at a fixed rate of 4.74% on a notional amount of $50,000,000. The differential paid or received on the interest rate swap was recognized as an adjustment to interest expense. During 1999, the Company received $657,000 upon early termination of the interest rate swap which is being amortized over the term of the original swap agreement.

CONVERTIBLE SUBORDINATED DEBENTURES.

Interest Rate	Maturity	Conversion Price per Share	Outstanding Principal at December 31, 1999	1998
8.50%	January 2001	$15.50	$11,849,000	$22,969,000
8.25%	September 1999	$15.50	-	10,000,000
7.75%	January 2002	$16.50	2,408,000	4,518,000
8.25%	July 2001	$17.25	10,385,000	19,180,000
			$24,642,000	$56,667,000

On September 30, 1999, $10,000,000 outstanding principal amount of 8.25% Convertible Subordinated Debentures matured and were repaid. During 1999, the Company repurchased an aggregate of $21,590,000 face amount of its convertible debentures on the open market for an aggregate purchase price of $19,992,000. A gain of $1,304,000 on the repurchase of convertible debentures is included in other income, net in the accompanying income statement. During 1998, the Company redeemed the outstanding $90,000 principal amount of its 8.5% Convertible Subordinated Debentures due 2000 and $20,000 principal amount of its 9.75% Convertible Subordinated Debentures due 2004. The 8.5% debentures due 2001 and the 8.25% debentures due 2001 are not redeemable by the Company. The 7.75% debentures are not redeemable by the Company prior to January 1, 2001.

As of December 31, 1999, the convertible subordinated debentures outstanding were convertible into 1,512,420 shares of common stock. Based on quoted market prices the fair value of the debentures approximated $21,907,000 and $58,388,000 at December 31, 1999 and 1998, respectively.

MORTGAGE LOANS PAYABLE. During 1999, the Company acquired five skilled nursing facilities that were subject to non-recourse mortgage loans of approximately $10,595,000. These mortgage loans have a current weighted average interest rate of 11.4%, have maturities ranging from November 2003 to January 2005 and are payable to the 1994-1 and 1996-1 REMIC pools. Two skilled nursing facilities and the rehabilitation hospital acquired in 1999 were acquired with non-recourse mortgage financing of $6,500,000 provided by a third-party lender that bears interest at the prime rate of interest and matures in December 2002. During 1999, the Company obtained non-recourse mortgage financing of $18,485,000 from a third-party lender. The mortgage loan is secured by 10 assisted living facilities, bears interest at 8.81% and matures in December 2009. Proceeds from the mortgage loan were used to repay outstanding borrowings under the Revolving Credit Facility.

Mortgage loans and weighted average interest rates for loans payable to REMIC's formed by the Company were:

	December 31, 1999	Rate	December 31, 1998	Rate
1993-1 Pool	$ 22,107,000	12.0%	$ 22,283,000	12.0%
1994-1 Pool	6,042,000	11.5	2,992,000	11.4
1996-1 Pool	23,672,000	10.3	16,312,000	9.8
1998-1 Pool	13,730,000	9.3	13,845,000	9.3
	$ 65,551,000		$ 55,432,000	

As of December 31, 1999 and 1998, the aggregate carrying value of real estate properties securing the Company's mortgage loans payable was $128,636,000 and $84,676,000, respectively.

BONDS PAYABLE AND CAPITAL LEASES. At December 31, 1999 and 1998, the Company had outstanding principal of $7,815,000 and $8,065,000, respectively on multifamily tax-exempt revenue bonds. These bonds bear interest at a variable rate that is reset weekly and mature during 2015. For the year ended December 31, 1999, the weighted average interest rate, including letter of credit fees, on the outstanding bonds was 6.0%. At December 31, 1999 and 1998, the Company had outstanding principal of $4,162,000 and $4,191,000, respectively on a multi-unit housing tax-exempt revenue bond that bears interest at 10.9% and matures in 2025.

At December 31, 1999 and 1998, the Company had outstanding principal of $5,119,000 and $5,340,000, respectively, under capital lease obligations. The capital leases are secured by four assisted living residences, have a weighted average interest rate of 7.6% and mature at various dates through 2013.

As of December 31, 1999 and 1998, the aggregate carrying value of real estate properties securing the Company's bonds payable and capital leases was $25,719,000.

SCHEDULED PRINCIPAL PAYMENTS. Total scheduled principal payments for the mortgage loans payable, bonds payable and capital lease obligations as of December 31, 1999 were $1,637,000, $1,506,000, $9,385,000, $17,163,000, $5,254,000 and $72,687,000 in 2000, 2001, 2002, 2003, 2004 and thereafter.

10. STOCKHOLDERS' EQUITY

ISSUANCE OF STOCK. On September 2, 1998, the Company issued 2,000,000 shares of 8.5% Series C Convertible Preferred Stock (the "Series C Preferred Stock") at $19.25 per share for net proceeds of $37,605,000. The Series C Preferred Stock is convertible into 2,000,000 shares of the Company's common stock, has a liquidation value of $19.25 per share and has an annual coupon of 8.5%, payable quarterly.

During 1997, the Company completed public offerings for 2,000,000 shares of common stock resulting in aggregate net proceeds of $35,065,000. In addition, the Company issued 3,080,000 shares of 9.5% Series A Cumulative Preferred Stock ("Series A Preferred Stock") and 2,000,000 shares of 9.0% Series B Cumulative Preferred Stock ("Series B Preferred Stock") for net proceeds of $121,600,000. Dividends on the Series A Preferred Stock and Series B Preferred Stock are cumulative from the date of original issue and are payable monthly to stockholders of record on the first day of each month. Dividends on the Series A Preferred Stock and the Series B Preferred Stock accrue at 9.5% and 9.0% per annum, respectively, on the $25 liquidation preference per share (equivalent to a fixed annual amount of $2.375 and $2.25 per share, respectively). The Series A Preferred Stock is not redeemable prior to April 1, 2001 and the Series B Preferred Stock is not redeemable prior to January 1, 2002, except in certain circumstances relating to preservation of the Company's qualification as a REIT. The net proceeds from these offerings were used to repay short-term borrowings outstanding under the Company's lines of credit.

REPURCHASE OF COMMON STOCK. During 1999 and 1998 the Company repurchased and retired 649,800 and 200,000 shares of common stock, respectively, for an aggregate purchase price of $7,039,000 and $3,345,000, respectively. Subsequent to December 31, 1999, the Company repurchased and retired an additional 996,600 (unaudited) shares of common stock for an aggregate purchase price of $7,917,000 (unaudited).

STOCK BASED COMPENSATION PLANS. During 1998, the Company adopted and its stockholders approved the 1998 Equity Participation Plan under which 500,000 shares of common stock have been reserved for

stock based compensation awards. The 1998 Equity Participation Plan and the Company's Restated 1992 Stock Option Plan under which 500,000 shares of common stock were reserved (collectively "the Plans") provide for the issuance of incentive and nonqualified stock options, restricted stock and other stock based awards to officers, employees, non-employee directors and consultants. The terms of awards granted under the Plans are set by the Company's compensation committee at its discretion however, in the case of incentive stock options, the term may not exceed ten years from the date of grant. Total shares available for grant under the Plans as of December 31, 1999, 1998 and 1997 were 507,040, 507,000 and 31,000, respectively. All options outstanding as of December 31, 1999 vest over three years from the original date of grant. Unexercised options expire seven years after the date of vesting.

Nonqualified stock option activity for the years ended December 31, 1999, 1998 and 1997 was as follows:

	Shares			Weighted Average Price		
	1999	1998	1997	1999	1998	1997
Outstanding, January 1	23,000	169,500	873,300	$14.86	$11.21	$11.30
Granted	-	-	15,000	$ -	$ -	$17.00
Exercised	-	(146,500)	(717,800)	$ -	$10.64	$11.44
Canceled	-	-	(1,000)	$ -	$ -	$12.00
Outstanding, December 31	23,000	23,000	169,500	$14.86	$14.86	$11.21
Exercisable, December 31	18,000	12,000	31,500	$14.26	$13.83	$11.21

Restricted stock activity for the years ended December 31, 1999, 1998 and 1997 was as follows:

	1999	1998	1997
Outstanding, January 1	393,000	382,000	160,000
Granted	448,800	24,000	313,000
Vested	(128,560)	(13,000)	(91,000)
Canceled	(448,840)	-	-
Outstanding, December 31	264,400	393,000	382,000
Compensation Expense	$ -	$1,492,000	$1,640,000

In March 1999, all outstanding shares of restricted stock were cancelled. Subsequently, restricted stock awards aggregating 448,800 shares with a weighted average fair value on the date of grant of $11.50 per share were granted to employees and non-employee directors. Each grantee will vest shares equal to 10% of their total grant per year if the Company meets certain financial objectives and the grantee remains employed by the Company. If, in any given year, the Company does not meet the stated financial objectives then the shares scheduled to vest in that year will not vest and the vesting period will be extended by one year. 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. During 1999, certain recipients of restricted stock awarded in 1999 immediately vested in a portion of such shares. Compensation expense related to the vested shares approximated compensation expense recognized in prior years on the unvested shares that were cancelled in 1999. Future compensation expense will be recognized over the service period at the market price per share on the date of vesting.

As of December 31, 1999, 1998 and 1997, there were 18,000, 18,000 and 31,000 options outstanding, respectively, subject to the disclosure requirements of SFAS No. 123. The fair value of these options was estimated utilizing the Black-Scholes valuation model and assumptions as of each respective grant date. In determining the estimated fair values for the options granted in 1997, the weighted average

expected life assumption was three years, the weighted average volatility was .16 and the weighted average risk free interest rate was 6.6%. The weighted average fair value of the options granted was estimated to be $.67. There was no material pro-forma effect on net income or earnings per share for the year ended December 31, 1999, 1998 and 1997. The weighted average exercise price of the options was $15.65, $15.65 and $14.99 and the weighted average remaining contractual life was 5.9, 6.9 and 7.6 years as of December 31, 1999, 1998 and 1997, respectively.

NOTES RECEIVABLE FROM STOCKHOLDERS. In 1997, the Board of Directors adopted a loan program designed to encourage executives, key employees, consultants and directors to acquire common stock through the exercise of options. Under the program, the Company may make full recourse, secured loans to participants equal to the exercise price of vested options plus up to 50% of the taxable income resulting from the exercise of options. Such loans will bear interest at the then current Applicable Federal Rate and are payable in quarterly installments over nine years. For the first five years the principal due each quarter will be equal to 50% of the difference between the cash dividends received on the shares purchased and the quarterly interest due. In addition, 25% of cash bonuses and 50% of the dividends on restricted stock originally granted in 1997 received by the borrower must be used to reduce the principal balance. The loans will convert to fully amortizing loans with 16 quarterly payments beginning in year six. Unless the Board of Directors approves otherwise, loans must be repaid within 90 days after termination of employment for any reason, other than in connection with a change in control of the Company. In 1998 and 1997, the Company's management, consultants and directors purchased 146,500 and 686,500 shares, respectively, of the Company's common stock under the loan program. At December 31, 1999 and 1998, loans totaling $10,258,000 and $11,200,000 bearing interest at rates ranging from 5.77% to 6.63% per annum were outstanding. These loans are secured by a pledge of the shares of common stock acquired through the exercise of options and are full recourse to the borrower. The market value of the common stock securing these loans was $6,691,000 at December 31, 1999.

11. DISTRIBUTIONS

The Company must distribute at least 95% (90% for years ending after December 31, 2000) of its taxable income in order to continue to qualify as a REIT. Annual distributions may exceed the Company's earnings and profits due to non-cash expenses such as depreciation and amortization. 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. Distributions for 1999 and 1997 were cash distributions. The 1998 distribution consisted of $1.535 per share in cash and $.469 per share (unaudited) in the form of Healthcare common stock.

The Federal income tax classification of the per share common stock distributions are as follows (unaudited):

<TABLE>
<CAPTION>

	1999	1998	1997
<S>	<C>	<C>	<C>
Ordinary income	$1.185	$1.355	$1.293
Non-taxable distribution	0.375	0.397	0.037
Section 1250 capital gain	-	0.051	0.030
Long term capital gain	-	0.201	0.075
Total	$1.560	$2.004	$1.435

</TABLE>

On February 9, 2000, the Company declared a dividend of $0.29 per share on its common stock for the quarter ended March 31, 2000.

12. NET INCOME PER SHARE

Basic and diluted net income per share were as follows (in thousands, except per share amounts):

<TABLE>
<CAPTION>

	1999	1998	1997
<S>	<C>	<C>	<C>
Net income	$31,827	$50,593	$35,763
Preferred dividends	(15,087)	(12,896)	(6,075)
Net income for basic net income per share	16,740	37,697	29,688
7.75% debentures due 2002	-	516	-
8.5% debentures due 2000	-	684	-
8.25% debentures due 1999	-	860	-
Other dilutive securities	-	192	32
Net income for diluted net income per share	$16,740	$39,949	$29,720
Shares for basic net income per share	27,412	27,077	23,511
Stock options	-	11	277
7.75% debentures due 2002	-	417	-
8.5% debentures due 2000	-	497	-
8.25% debentures due 1999	-	645	-
Other dilutive securities	-	176	75

Shares for diluted net income per share	27,412	28,823	23,863
Basic net income per share	$0.61	$1.39	$1.26
Diluted net income per share	$0.61	$1.39	$1.25

</TABLE>

The conversion of subordinated debentures and stock options were anti-dilutive in 1999 and 1997.

13. QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

<TABLE>
<CAPTION>

	Quarter ended			
	March 31	June 30	September 30	December 31
1999				
Revenues	$22,204	$22,766	$21,959	$20,733
Net income available to common stockholders	8,768	9,112	8,174	(9,314)(1)
Basic net income per share	0.32	0.33	0.30	(0.34)
Diluted net income per share	0.32	0.33	0.30	(0.34)
Dividends per share	0.39	0.39	0.39	0.39
1998				
Revenues	$21,219	$22,579	$23,251	$22,342
Net income to common stockholders	8,551	17,124	3,537	8,485
Basic net income per share	0.33	0.64	0.13	0.30
Diluted net income per share	0.33	0.59	0.13	0.30
Dividends per share	0.365	0.39	0.39	0.39

</TABLE>

(1) Includes an impairment charge of $14.9 million. See Note 5. Impairment Charge.

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 22, 2000, 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 22, 2000, 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 22, 2000, 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 22, 2000, to be filed pursuant to Regulation 14A.

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

(a) Financial Statement Schedules

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

(b) Exhibits

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

(c) Reports on Form 8-K

None.

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

<TABLE>

<S>	<C>

</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.

LTC PROPERTIES, INC.
SCHEDULE VII
VALUATION AND QUALIFYING ACCOUNTS
(in thousands)

<TABLE>
<CAPTION>

	Balance at Beginning of Period	Charge to Operations	Balance at End of Period
<S>	<C>	<C>	<C>
Allowance for Doubtful Accounts:			
1999	$1,250	$ -	$1,250
1998	$1,000	$ 250	$1,250
1997	$1,000	$ -	$1,000

</TABLE>

LTC PROPERTIES, INC.
SCHEDULE XI
REAL ESTATE AND ACCUMULATED DEPRECIATION
(in thousands)

<TABLE>
<CAPTION>

		Initial Cost to Company		Costs Capitalized	Gross Amount at which Carried at December 31, 1999				Construction/	
	Encumbrance	Land	Building and Improvements	After Acquisition	Land	Building and Improvements	Total(1)	Accum. Deprec.(2)	Renovation Date	Acquisition Date
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Skilled Nursing Facilities:										
Demopolis, AL	$10,445 (3)	$ 71	$ 2,141	$ -	$ 71	$ 2,141	$ 2,212	337	1972	Jun-95
Fort Payne, AL	- (3)	37	3,588	-	37	3,588	3,625	609	1967/73	Jun-95
Jackson, AL	- (3)	64	2,620	-	64	2,620	2,684	402	1964	Jun-95
Madison, AL	- (3)	30	2,328	-	30	2,328	2,358	383	1964/74	Jun-95
Phoenix, AL	- (3)	59	2,123	-	59	2,123	2,182	359	1969	Jun-95
Bradenton, FL	-	330	2,720	-	330	2,720	3,050	581	1989	

Sep-93										
Clearwater, FL	-		454	2,903	-	454	2,903	3,357	736	1965/93
Sep-93										
Crestview, FL	-		140	2,306	-	140	2,306	2,446	438	1988
Jun-94										
San Destin, FL	-		175	3,875	-	175	3,875	4,050	673	1986
Feb-95										
Gulf Breeze, FL	-		600	6,020	-	600	6,020	6,620	1,140	1984
Jun-94										
Lecanto, FL	-		351	2,665	2,247	351	4,912	5,263	903	1988
Sep-93										
Pensacola, FL	-		190	4,295	-	190	4,295	4,485	826	1972
Jun-94										
Pensacola, FL	-		230	4,663	-	230	4,663	4,893	884	1991
Jun-94										
Starke, FL	-		113	4,783	-	113	4,783	4,896	902	1989
Jun-94										
Chicago Heights, IL	-		221	6,406	-	221	6,406	6,627	1,200	1988
Sep-94										
Rusk, TX	-		34	2,399	-	34	2,399	2,433	574	1969
Mar-94										
Chesapeake, VA	-		656	3,201	-	656	3,201	3,857	618	1977
Oct-95										
Richmond, VA	-		354	3,711	-	354	3,711	4,065	565	1970/75/80
Oct-95										
Tappahannock, VA	-	(15)	209	1,928	-	209	1,928	2,137	582	1977/78
Oct-95										
Toppanish, WA	2,574	(4)	132	2,654	-	132	2,654	2,786	439	1960/70
Jun-95										
Vancouver, WA	-	(4)	60	3,031	-	60	3,031	3,091	518	1952/94
Jun-95										
Jefferson, IA	10,360	(5)	36	1,933	191	36	2,124	2,160	256	1968/72
Jan-96										
Houston, TX	7,041	(9)	202	4,458	402	202	4,860	5,062	632	1961
Jun-96										
Houston, TX	6,690	(10)	361	3,773	193	361	3,966	4,327	532	1964/68
Jun-96										
Montgomery, AL	3,820	(6)	144	5,426	-	144	5,426	5,570	735	1967/74
Jan-96										
Carroll, IA		(5)	60	1,020	31	60	1,051	1,111	141	1969
Jan-96										
Houston, TX		(9)	202	4,458	398	202	4,856	5,058	559	1967
Jun-96										
Woodbury, TN	-		100	2,900	-	100	2,900	3,000	382	1972/75/90
May-96										
Whiteright, TX	1,103		100	2,923	-	100	2,923	3,023	428	1962/64/65
Jan-96										
Granger, IA		(5)	93	1,325	36	93	1,361	1,454	184	1979
Jan-96										
Bedford, TX		(5)	345	3,195	289	345	3,484	3,829	457	1960
Jan-96										
Midland, TX	2,004		32	2,285	-	32	2,285	2,317	331	1973
Feb-96										
Tiptonville, TN	-		100	2,450	-	100	2,450	2,550	349	1975
May-96										
Gardendale, AL	-		84	6,316	-	84	6,316	6,400	748	1976/84
May-96										
Polk City, IA		(5)	88	1,351	-	88	1,351	1,439	180	1976
Jan-96										
Atmore, AL		(6)	23	2,985	-	23	2,985	3,008	394	1967/74
Jan-96										
Mesa, AZ	4,425		305	6,909	1,696	305	8,605	8,910	904	1975/96
Jun-96										
Houston, TX	-	(10)	572	5,965	789	572	6,754	7,326	930	1967
Jun-96										
Roberta, GA	-		100	2,400	-	100	2,400	2,500	328	1964
May-96										
Norwalk, IA		(5)	45	1,035	-	45	1,035	1,080	142	1975
Jan-96										
Altoona, IA		(5)	102	2,312	-	102	2,312	2,414	302	1973
Jan-96										
Los Angeles, CA	-		100	2,475	-	100	2,475	2,575	275	1963
Jan-97										

</TABLE>

LTC PROPERTIES, INC.
SCHEDULE XI
REAL ESTATE AND ACCUMULATED DEPRECIATION
(in thousands)

<TABLE>

<CAPTION>

		Initial Cost to Company		Costs Capitalized After Acquisition	Gross Amount at which Carried at December 31, 1999					
	Encumbrance	Land	Building and Improvements	Acquisition	Land	Building and Improvements	Total(1)	Accum. Deprec.(2)	Construction/ Renovation Date	Acquisition Date
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Sacramento, CA	-	220	2,929	-	220	2,929	3,149	325	1968	Feb-97
Coffeyville, KS	- (15)	-	-	-	-	-	-	-	1962	May-97
Salina, KS	-	100	1,153	397	100	1,550	1,650	567	1985	May-97
South Haven,KS	- (15)	-	-	-	-	-	-	-	1969	May-97
Portland, OR	-	100	1,925	458	100	2,383	2,483	215	1956/74	Jun-97
Nacogdoches, TX	-	100	1,738	-	100	1,738	1,838	143	1973	Oct-97
Cushing, TX	-	100	1,679	-	100	1,679	1,779	137	1973/84	Oct-97
Mesa, AZ	2,958	420	4,258	32	420	4,290	4,710	272	1972	Oct-97
Wells, TX	2,247 (7)	100	1,649	7	100	1,656	1,756	120	1980	Jan-98
Corrigan, TX	(7)	100	1,649	7	100	1,656	1,756	120	1985	Jan-98
Groesbeck, TX	1,313	100	1,649	7	100	1,656	1,756	120	1972	Jan-98
Tampa, FL	-	100	6,402	42	100	6,444	6,544	364	1970	Jun-98
Jonesboro, GA	2,690	150	2,573	3	150	2,576	2,726	25	1970	Sep-99
Griffin, GA	4,799 (11)	500	2,900	3	500	2,903	3,403	28	1969	Sep-99
Atlanta, GA	- (11)	175	1,282	-	175	1,282	1,457	16	1968	Sep-99
Des Moines, IA	- (15)	100	2,111	-	100	2,111	2,211	48	1972	Sep-99
Olathe, KS	-	520	1,872	-	520	1,872	2,392	17	1968	Sep-99
Fayetteville,NC	- (15)	109	1,212	-	109	1,212	1,321	20	1983/84/90	Sep-99
Crawfordville, FL	- (15)	522	1,815	866	522	2,681	3,203	42	1974	Sep-99
Venice, FL	- (15)	236	2,286	822	236	3,108	3,344	44	1969/72	Sep-99
Sumner, IL	975	100	877	-	100	877	977	8	1968	Oct-99
Topeka, KS	- (15)	-	800	-	-	800	800	-	1957	Oct-99
Carlinville, IL	-	100	1,084	-	100	1,084	1,184	9	1965	Oct-99
Fort Worth, TX	2,108	100	1,534	-	100	1,534	1,634	13	1974	Dec-99
Jessup, GA	6,500 (14)	425	75	-	425	75	500	-	1953	Dec-99
Fort Valley, GA	- (14)	90	910	-	90	910	1,000	-	1965	Dec-99
Gardner, KS	- (14)	4,270	937	-	4,270	937	5,207	-	1961/74	Dec-99
Skilled Nursing Facilities	72,052	16,541	185,553	8,916	16,541	194,469	211,010	25,511		
Assisted Living Residences:										
Dodge City, KS	1,505	88	1,663	-	88	1,663	1,751	200	1995	Dec-95
Great Bend, KS	1,262	87	1,563	17	87	1,580	1,667	189	1995	Dec-95
McPherson, KS	1,093	75	1,575	-	75	1,575	1,650	189	1994	Dec-95
Salina, KS	1,258	72	1,578	-	72	1,578	1,650	189	1994	Dec-95
Longview, TX	-	38	1,568	-	38	1,568	1,606	181	1995	

Oct-95

Location	Encumbrance	Land	Building and Improvements	Costs Capitalized After Acquisition	Land	Building and Improvements	Total(1)	Accum. Deprec.(2)	Construction/ Renovation Date	Acquisition Date
Marshall, TX	-	38	1,568	450	38	2,018	2,056	214	1995	Oct-95
Walla Walla, WA	7,815 (8)	100	1,940	-	100	1,940	2,040	200	1996	Apr-96
Greenville, TX	-	42	1,565	-	42	1,565	1,607	173	1995	Jan-96
Camas, WA	- (8)	100	2,175	-	100	2,175	2,275	212	1996	May-96
Grandview, WA	- (8)	100	1,940	-	100	1,940	2,040	204	1996	Mar-96
Vancouver, WA	- (8)	100	2,785	-	100	2,785	2,885	271	1996	Jun-96
Athens, TX	-	96	1,512	-	96	1,512	1,608	167	1995	Jan-96
Lufkin, TX	-	100	1,950	-	100	1,950	2,050	201	1996	Apr-96

</TABLE>

LTC PROPERTIES, INC.
SCHEDULE XI
REAL ESTATE AND ACCUMULATED DEPRECIATION
(in thousands)

<TABLE>
<CAPTION>

		Initial Cost to Company			Gross Amount at which Carried at December 31, 1999					
	Encumbrance	Land	Building and Improvements	Costs Capitalized After Acquisition	Land	Building and Improvements	Total(1)	Accum. Deprec.(2)	Construction/ Renovation Date	Acquisition Date
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Kennewick. WA	(8)	100	1,940	-	100	1,940	2,040	209	1996	Feb-96
Gardendale, AL	-	16	1,234	-	16	1,234	1,250	146	1988	May-96
Jacksonville, TX	-	100	1,900	-	100	1,900	2,000	203	1996	Mar-96
Kelso, WA	-	100	2,500	-	100	2,500	2,600	213	1996	Nov-96
Battleground, WA	-	100	2,500	-	100	2,500	2,600	208	1996	Nov-96
Hayden, ID	-	100	2,450	243	100	2,693	2,793	218	1996	Dec-96
Klamath Falls, OR	-	100	2,300	-	100	2,300	2,400	192	1996	Dec-96
Newport, OR	-	100	2,050	-	100	2,050	2,150	168	1996	Dec-96
Tyler, TX	11,535 (13)	100	1,800	-	100	1,800	1,900	149	1996	Dec-96
Wichita Falls, TX	-	100	1,850	-	100	1,850	1,950	153	1996	Dec-96
Ada, OK	-	100	1,650	-	100	1,650	1,750	138	1996	Dec-96
Nampa, ID	-	100	2,240	23	100	2,263	2,363	183	1997	Jan-97
Tulsa, OK	- (13)	200	1,650	-	200	1,650	1,850	131	1997	Feb-97
Durant, OK	-	100	1,769	-	100	1,769	1,869	131	1997	Apr-97
San Antonio, TX	- (13)	100	1,900	-	100	1,900	2,000	140	1997	May-97
Troy,OH	-	100	2,435	306	100	2,741	2,841	186	1997	May-97
Waco, TX	-	100	2,235	-	100	2,235	2,335	157	1997	Jun-97
Tulsa, OK	- (13)	100	2,395	-	100	2,395	2,495	167	1997	Jun-97
San Antonio, TX	- (13)	100	2,055	-	100	2,055	2,155	145	1997	Jun-97
Norfolk, NE	-	100	2,123	-	100	2,123	2,223	145	1997	Jun-97

Wahoo, NE	-	100	2,318	-	100	2,318	2,418	152	1997	Jul-97
York, NE	-	100	2,318	-	100	2,318	2,418	152	1997	Aug-97
Hoquiam, WA	-	100	2,500	-	100	2,500	2,600	163	1997	Aug-97
Tiffin, OH	-	100	2,435	-	100	2,435	2,535	159	1997	Aug-97
Millville, NJ	-	100	2,825	-	100	2,825	2,925	182	1997	Aug-97
Fremont,OH	-	100	2,435	-	100	2,435	2,535	159	1997	Aug-97
Lake Havasu, AZ	-	100	2,420	-	100	2,420	2,520	158	1997	Aug-97
Greeley, CO	-	100	2,310	270	100	2,580	2,680	162	1997	Aug-97
Springfield, OH	-	100	2,035	270	100	2,305	2,405	141	1997	Aug-97
Watauga, TX	-	100	1,667	-	100	1,667	1,767	109	1996	Aug-97
Bullhead Ctiy, AZ	-	100	2,500	-	100	2,500	2,600	157	1997	Aug-97
Arvada, CO	6,950 (12)	100	2,810	276	100	3,086	3,186	189	1997	Aug-97
Edmond, OK	(13)	100	1,365	526	100	1,891	1,991	114	1996	Aug-97
Wetherford, OK	-	100	1,668	592	100	2,260	2,360	135	1996	Aug-97
Eugene, OR	-	100	2,600	-	100	2,600	2,700	163	1997	Sep-97
Caldwell, ID	-	100	2,200	-	100	2,200	2,300	140	1997	Sep-97
Burley, ID	-	100	2,200	-	100	2,200	2,300	140	1997	Sep-97
Wheelersburg, OH	-	100	2,435	-	100	2,435	2,535	148	1997	Sep-97
Loveland, CO	- (12)	100	2,865	270	100	3,135	3,235	183	1997	Sep-97
Wichita Falls,TX	-	100	2,750	-	100	2,750	2,850	172	1997	Sep-97
Beatrice, NE	-	100	2,173	-	100	2,173	2,273	128	1997	Oct-97
Madison, IN	-	100	2,435	-	100	2,435	2,535	143	1997	Oct-97
Newark, OH	-	100	2,435	-	100	2,435	2,535	143	1997	Oct-97

</TABLE>

LTC PROPERTIES, INC.
SCHEDULE XI
REAL ESTATE AND ACCUMULATED DEPRECIATION
(in thousands)

<TABLE>
<CAPTION>

		Initial Cost to Company		Costs Capitalized	Gross Amount at which Carried at December 31, 1999					
	Encumbrance	Land	Building and Improvements	After Acquisition	Land	Building and Improvements	Total(1)	Accum. Deprec.(2)	Construction/ Renovation Date	Acquisition Date
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Elkhart, IN	-	100	2,435	-	100	2,435	2,535	132	1997	Dec-97
Newport Richey, FL	-	100	5,845	60	100	5,905	6,005	345	1986/95	Jan-98
Fremont, CA	-	100	3,080	212	100	3,292	3,392	150	1998	Mar-98
Eugene, OR	-	100	8,100	31	100	8,131	8,231	364	1998	Mar-98
RioRancho, NM	-	100	8,300	32	100	8,332	8,432	372	1998	

Mar-98									
Ft. Meyers, FL	-	100	2,728	9	100	2,737	2,837	129	1998
Mar-98									
Tallahassee, FL	- (13)	100	3,075	-	100	3,075	3,175	136	1998
Apr-98									
Niceville, FL	-	100	2,680	-	100	2,680	2,780	108	1998
Jun-98									
Longmont, CO	- (12)	100	2,640	-	100	2,640	2,740	106	1998
Jun-98									
Shelby, NC	-	100	2,805	-	100	2,805	2,905	113	1998
Jun-98									
Spring Hill, FL	-	100	2,650	-	100	2,650	2,750	107	1998
Jun-98									
Portland, OR	4,162	100	7,622	-	100	7,622	7,722	293	1986
Jun-98									
Tuscon, AZ	-	100	8,700	-	100	8,700	8,800	334	1998
Jun-98									
Denison, IA	-	100	2,713	-	100	2,713	2,813	109	1998
Jun-98									
Roseville, CA	-	100	7,300	-	100	7,300	7,400	281	1998
Jun-98									
Cheyenne, WY	-	100	5,290	-	100	5,290	5,390	206	1998
Jun-98									
Casper, WY	-	100	3,610	-	100	3,610	3,710	143	1998
Jun-98									
Laramie, WY	-	100	3,610	-	100	3,610	3,710	134	1998
Jul-98									
Ft. Collins, CO	-	100	2,961	-	100	2,961	3,061	79	1998
Mar-99									
Greenwood, SC	-	100	2,638	-	100	2,638	2,738	70	1998
Mar-99									
Greenville, NC	-	100	2,478	-	100	2,478	2,578	65	1998
Mar-99									
Sumter, SC	-	100	2,351	-	100	2,351	2,451	53	1998
Mar-99									
Central, SC	-	100	2,321	-	100	2,321	2,421	52	1998
Mar-99									
Rocky Mount, NC	-	100	2,494	-	100	2,494	2,594	54	1998
Mar-99									
New Bern, NC	-	100	2,428	-	100	2,428	2,528	43	1998
Mar-99									
Goldsboro, NC	-	100	2,386	-	100	2,386	2,486	41	1998
Mar-99									
Ft. Collins, CO	-	100	3,400	-	100	3,400	3,500	36	1999
Jul-99									
Rocky River, OH	-	760	6,963	-	760	6,963	7,723	56	1998
Oct-99									
Erie, PA	-	850	7,477	-	850	7,477	8,327	62	1998
Oct-99									
Assisted Living Residences	35,580	9,662	239,137	3,587	9,662	242,724	252,386	13,637	
Schools									
Phoenix, AZ	-	100	1,834	-	100	1,834	1,934	88	1980/97/98
May-98									
Paradise Valley, AZ	-	100	2,728	27	100	2,755	2,855	137	1988/95
Jun-98									
Egan, MN	-	100	3,688	26	100	3,714	3,814	185	1987/97
Jun-98									
Phoenix, AZ	-	100	5,201	27	100	5,228	5,328	217	1998
Sep-98									
Trenton, NJ	-	100	6,000	2,086	100	8,086	8,186	200	1930/98
Dec-98									
Scottsdale, AZ	-	1,000	8,400	-	1,000	8,400	9,400	-	1999
Dec-99									
Schools	-	1,500	27,851	2,166	1,500	30,017	31,517	827	
	$ 107,632	$27,703	$ 452,541	$14,669	$27,703	$ 467,210	$494,913	$39,975	

</TABLE>

LTC PROPERTIES, INC.
SCHEDULE XI
REAL ESTATE AND ACCUMULATED DEPRECIATION
(in thousands)

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

(2) Depreciation for building is calculated using a 35 year life for skilled

nursing facilities and 40 year life for assisted living residences and additions to facilities. Depreciation for furniture and fixtures is calculated based on a 7 year life for all facilities.

(3) Single note backed by five facilities in Alabama.

(4) Single note backed by two facilities in Washington.

(5) Single note backed by six facilities in Iowa and one facility in Texas.

(6) Single note backed by two facilities in Alabama.

(7) Single note backed by two facilities in Texas.

(8) Single note backed by five facilities in Washington.

(9) Single note backed by two facilities in Texas.

(10) Single note backed by two facilities in Texas.

(11) Single note backed by two facilities in Georgia

(12) Single note backed by three facilities in Colorado

(13) Single note backed by one facility in Florida, three facilities in Oklahoma, and three facilities in Texas

(14) Single note backed by one facility in Kansas and two facilities in Georgia

(15) An impairment charge totaling $7,662,000 was taken against 8 facilities.

Activity for the years ended December 31, 1997, 1998 and 1999 is as follows:

<TABLE>
<CAPTION>

<S>	Real Estate & Equipment <C>	Accumulated Depreciation <C>
Balance at December 31, 1996	$ 223,578	$ 11,640
Additions	118,589	9,040
Conversion of mortgage loans into owned properties	9,348	-
Impairment charge	(1,400)	-
Cost of real estate sold	(31,245)	(638)
Balance at December 31, 1997	318,870	20,042
Additions	157,324	11,959
Conversion of mortgage loans into owned properties	7,301	
Cost of real estate sold	(7,654)	(1,309)
Cost of real estate in spin-off	(65,182)	(3,720)
Balance at December 31, 1998	410,659	26,972
Additions	44,362	13,237
Conversion of mortgage loans into owned properties	47,554	-
Impairment charge	(7,662)	(234)
Balance at December 31, 1999	$ 494,913	$ 39,975

</TABLE>

LTC PROPERTIES, INC.
SCHEDULE XII
MORTGAGE LOANS ON REAL ESTATE
(DOLLARS IN THOUSANDS)

<TABLE>
<CAPTION>

State	Number of Facilities	Number of Units/Beds	Interest Rate(1)	Final Maturity Date	Balloon Amount(2)	Face Amount of Mortgages	Carrying Amount of Mortgages December 31, 1999	Current Monthly Debt Service	Principal Amount of Loans Subject to Delinquent Principal or Interest

SC	5	509	12.30%	2003	$ 11,119	$ 11,250	$ 10,895	$ 119	$ -
FL/TN	4	377	11.10%	2005	5,977	7,680	7,464	77	7,464
CO	2	230	11.50%	2007	5,412	6,000	5,897	61	-
MS	1	180	11.32%	2006	5,033	5,465	5,407	55	-
AZ	1	256	10.96%	2001	5,033	5,250	5,130	51	-
OH	1	150	10.49%	2006	4,579	5,200	5,031	49	-
FL	1	191	11.75%	2017	0	4,500	4,340	49	-
Various(4)	50	4,748	9.01%-13.5%	2000-2018	61,869	93,834	88,279	934	1,583
	65	6,641			$ 99,022	$ 139,179	$ 132,443 (3)	$1,395	$9,047

</TABLE>

(1) 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.

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

(3) The carrying amount equals the aggregate cost for federal income tax purposes. No loan has any prior liens.

(4) Includes 56 first-lien mortgage loans as follows:

<TABLE>
<CAPTION>

No. of Loans	Original loan amounts:
27	$247 - $2,000
15	$2,001 - $3,000
6	$3,001 - $4,000
2	$4,001 - $5,000
4	$5,001 - $6,000
2	$6,001 - $11,250

</TABLE>

Activity for the years ended December 31, 1997, 1998 and 1999 is as follows:

<TABLE>

Balance at December 31, 1996	$ 178,262
New mortgage loans	111,157
Conversion of notes to owned properties	(9,348)
Collections of principal	(24,977)
Balance at December 31, 1997	255,094
New mortgage loans	47,452
Sales of notes to REMIC	(103,523)
Conversion of notes to owned properties	(7,301)
Collections of principal	(10,758)
Balance at December 31, 1998	180,964
New mortgage loans	6,678
Additional funding of existing loans	1,890
Conversion of notes to owned properties	(47,554)
Impairment Charges	(2,806)
Collections of principal	(6,729)
Balance at December 31, 1999	$ 132,443

</TABLE>

INDEX TO EXHIBITS
(ITEM 14(b))

<TABLE>
<CAPTION>

EXHIBIT NUMBER	DESCRIPTION
3.1	Amended and Restated Articles of Incorporation of LTC Properties, Inc. (incorporated by reference to Exhibit 3.1 to LTC Properties, Inc.'s Current Report on Form 8-K dated June 19, 1997)
3.2	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)
3.3	Articles Supplementary Classifying 3,080,000 shares of 9.5% Series A Cumulative Preferred Stock of LTC Properties, Inc. (incorporated by reference to Exhibit 3.2 to LTC Properties, Inc.'s Current Report on Form 8-K dated June 19, 1997)
3.4	Articles of Amendment of LTC Properties, Inc. (incorporated by reference to Exhibit 3.3 to LTC Properties, Inc.'s Current Report on Form 8-K dated June 19, 1997)
3.5	Articles Supplementary Classifying 2,000,000 Shares of 9.0% Series B Cumulative Preferred Stock of LTC Properties, Inc. (incorporated by reference to Exhibit 2.5 to LTC Properties, Inc.'s Registration Statement on Form 8-A filed on December 15, 1997)
3.6	Certificate of Amendment to Amended and Restated Bylaws of LTC Properties, Inc. (incorporated by reference to Exhibit 3.1 to LTC Properties, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 1998.)
3.7	Articles Supplementary Classifying 2,000,000 Shares of 8.5% Series C Cumulative Convertible Preferred Stock of LTC Properties, Inc. (incorporated by reference to Exhibit 3.2 to LTC Properties, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 1998.)
4.1	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)
4.2	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)
4.3	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)
4.4	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)
4.5	Fifth Supplemental Indenture dated as of August 23, 1996 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 4.5 to LTC Properties, Inc.'s Annual Report on Form 10-K for the year ended December 31, 1998)
4.6	Sixth Supplemental Indenture dated as of December 30, 1998 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 4.6 to LTC Properties, Inc.'s Annual Report on Form 10-K for the year ended December 31, 1998)
4.7	Seventh Supplemental Indenture dated as of January 14, 1999 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 4.7 to LTC Properties, Inc.'s Annual Report on Form 10-K for the year ended December 31, 1998)
10.1	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

</TABLE>

<TABLE>
<CAPTION>

EXHIBIT NUMBER	DESCRIPTION
<S>	<C>
	10-Q for the quarter ended June 30, 1993)
10.2	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)
10.3	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)
10.4	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)
10.5	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)
10.6	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)
10.7	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)
10.8	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)
10.9	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)
10.10	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)
10.11	Subservicing Agreement dated as July 20, 1993 by and between Bankers Trust Company, as Master Servicer and LTC Properties, Inc., as Special Servicer (incorporated by reference to Exhibit 10.25 to LTC Properties, Inc.'s Form 10-K/A for the year ended December 31, 1996)
10.12	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 (incorporated by reference to Exhibit 10.26 to LTC Properties, Inc.'s Form 10-K/A for the year ended December 31, 1996)
10.13	Form of Certificates as Exhibit as filed herewith to the 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)
10.14	Purchase Agreement dated November 16, 1994 between LTC REMIC Corporation, LTC Properties, Inc. and Goldman Sachs & Co. Trustee (incorporated by reference to Exhibit 10.28 to LTC Properties, Inc.'s Form 10-K/A for the year ended December 31, 1996)

</TABLE>

<TABLE>
<CAPTION>

EXHIBIT NUMBER	DESCRIPTION
<S>	<C>
10.15	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)
10.16	Purchase Agreement dated March 27, 1996 between LTC REMIC Corporation, LTC Properties, Inc. and Goldman Sachs & Co. (incorporated by reference to Exhibit 10.30 to LTC Properties, Inc.'s Form 10-K/A for the year ended December 31, 1996)
10.17	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)
10.18	Senior Unsecured Revolving Line of Credit Agreement dated October 3, 1997 between LTC Properties, Inc. and Banque National de Paris, Sanwa Bank, California and The Sumitomo Bank (incorporated by reference to Exhibit 10.2 to LTC Properties, Inc.'s Form 10-Q for the quarter ended September 30, 1997)
10.19	Transfer and Repurchase Agreement dated as of April 20, 1998, by and between LTC REMIC IV Corporation and LTC Properties, Inc. (incorporated by reference to Exhibit 10.1 to LTC Properties, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 1998)
10.20	Purchase Agreement dated as of May 11, 1998, by and between LTC REMIC IV Corporation, LTC Properties, Inc. and Goldman Sachs & Co. (incorporated by reference to Exhibit 10.2 to LTC Properties, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 1998)
10.21	Subservicing Agreement dated as of May 14, 1998, by and between GMAC Commercial Mortgage Corporation, as Master Servicer, LTC Properties, Inc. as Subservicer(incorporated by reference to Exhibit 10.3 to LTC Properties, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 1998)
10.22	Pooling and Servicing Agreement dated as of April 20, 1998 among LTC REMIC IV Corporation, LaSalle National Bank and LTC Properties, Inc. (incorporated by reference to Exhibit 10.4 to LTC Properties, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 1998)
10.23	Distribution Agreement, dated as of September 30, 1998, by and between LTC Properties, Inc. and LTC Healthcare, Inc. (incorporated by reference to Exhibit 10.5 to LTC Properties, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 1998)
10.24	Administrative Services Agreement, dated as of September 30, 1998, by and between LTC Properties, Inc. and LTC Healthcare, Inc. (incorporated by reference to Exhibit 10.6 to LTC Properties, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 1998)
10.25	Intercompany Agreement, dated as of September 30, 1998, by and between LTC Properties, Inc. and LTC Healthcare, Inc. (incorporated by reference to Exhibit 10.7 to LTC Properties, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 1998)
10.26	Tax Sharing Agreement, dated as of September 30, 1998, by and between LTC Properties, Inc. and LTC Healthcare, Inc. (incorporated by reference to Exhibit 10.8 to LTC Properties, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 1998)

</TABLE>

INDEX TO EXHIBITS (CONTINUED)
(ITEM 14(b))

<TABLE>
<CAPTION>

EXHIBIT NUMBER	DESCRIPTION
<S>	<C>
10.27	Amended and Restated Promissory Note, dated as of May 19, 1998, between LTC Properties, Inc. and LTC Healthcare, Inc. (incorporated by reference to Exhibit 10.9 to LTC Properties, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 1998)
10.28	LTC Properties, Inc. 1998 Equity Participation Plan (incorporated by reference to Exhibit 10.28 to LTC Properties, Inc.'s Annual Report on Form 10-K for the year ended December 31, 1998)
10.29	Term Loan Agreement among LTC Properties, Inc. and Bank of Montreal, as Administrative Agent, and Sanwa Bank California, as Documentation Agent dated March 8, 1999 (incorporated by reference to Exhibit 10.29 to LTC Properties, Inc.'s Annual Report on Form 10-K for the year ended December 31, 1998)
10.30	Second Amended and Restated Employment Agreement between Andre C. Dimitriadis and LTC Properties, Inc. dated March 26, 1999 (incorporated by reference to Exhibit 10.30 to LTC Properties, Inc.'s Annual Report on Form 10-K for the year ended December 31, 1998)
10.31	Amended and Restated Employment Agreement between James J. Pieczynski and LTC Properties, Inc. dated March 26, 1999

	(incorporated by reference to Exhibit 10.31 to LTC Properties, Inc.'s Annual Report on Form 10-K for the year ended December 31, 1998)
10.32	Amended and Restated Employment Agreement between Christopher T. Ishikawa and LTC Properties, Inc. dated March 26, 1999 (incorporated by reference to Exhibit 10.32 to LTC Properties, Inc.'s Annual Report on Form 10-K for the year ended December 31, 1998)
10.33	Employment Agreement between Julia L. Kopta and LTC Properties, Inc. dated January 1, 2000
10.34	First Amendment to Credit Agreement dated May 15, 1998
10.35	Second Amendment to Credit Agreement dated October 21, 1998
10.36	Third Amendment to Credit Agreement dated December 23, 1999
21.1	List of subsidiaries
23.1	Consent of Ernst & Young LLP with respect to the financial information of the Company
27.1	Financial data schedule for the year ended December 31, 1999
99.0	Risk Factors

</TABLE>

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: March 3, 2000 By: /s/ JAMES J. PIECZYNSKI

JAMES J. PIECZYNSKI
President, Chief Financial Officer and Director

<TABLE>

<S>	<C>	<C>
/s/ ANDRE C. DIMITRIADIS - ------------------------ ANDRE C. DIMITRIADIS	Chairman of the Board, Chief Executive Officer and Director	March 3, 2000
/s/ JAMES J. PIECZYNSKI - ------------------------ JAMES J. PIECZYNSKI	President, Chief Financial Officer and Director	March 3, 2000
/s/ EDMUND C. KING - ------------------------ EDMUND C. KING	Director	March 3, 2000
/s/ WENDY L. SIMPSON - ------------------------ WENDY L. SIMPSON	Director	March 3, 2000
/s/ SAM YELLEN - ------------------------- SAM YELLEN	Director	March 3, 2000

</TABLE>

EXHIBIT 10.33

AMENDED AND RESTATED EMPLOYMENT AGREEMENT

This Amended and Restated Employment Agreement (the "Agreement"), effective as of January 1, 2000, is by and between LTC PROPERTIES, INC., a corporation organized under the laws of the State of Maryland ("LTC" or the "Company"), and JULIA L. KOPTA ("EXECUTIVE").

NOW THEREFORE, for good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto agree as follows:

1. APPOINTMENT, TITLE AND DUTIES. LTC hereby employs Executive to serve as its Senior Vice President, General Counsel and Corporate Secretary. In such capacity, Executive shall report to the Chief Executive Officer of the Company, and shall have such duties, powers and responsibilities as are customarily assigned to a Senior Vice President, General Counsel and Corporate Secretary of a publicly held corporation, but shall also be responsible to the Board of Directors and to any committee thereof. In addition, Executive shall have such other duties and responsibilities as the Chief Executive Officer may assign her, with her consent, including serving with the consent or at the request of the Chief Executive Officer as an officer or on the board of directors of affiliated corporations. In addition, at the request of the Chief Executive Officer, Executive shall serve as the General Counsel and Corporate Secretary of LTC Healthcare, Inc., a Nevada corporation.

2. TERM OF AGREEMENT. The term of this Agreement shall commence as of the date hereof and shall extend such that at each and every moment of time hereafter the remaining term shall be one year.

3. ACCEPTANCE OF POSITION. Executive accepts the position of Senior Vice President, General Counsel and Corporate Secretary of LTC, and agrees that during the term of this Agreement she will faithfully perform her duties and, except as expressly approved by the Board of Directors of LTC, will devote substantially all of her business time to the business and affairs of LTC (and, to the extent requested by the Chief Executive Officer, LTC Healthcare, Inc.), and will not engage, for her own account or for the account of any other person or entity, in a business which competes with LTC. It is acknowledged and agreed that Executive may serve as an officer and/or director of companies in which LTC owns voting or non-voting stock. In addition, it is acknowledged and agreed that Executive may, from time to time, serve as a member of the board of directors of other companies, in which event the Board of Directors of LTC must expressly approve such service pursuant to a Board resolution maintained in the Company's minute books. Any compensation or remuneration which Executive receives in consideration of her service on the board of directors of other companies shall be the sole and exclusive property of Executive, and LTC shall have no right or entitlement at any time to any such compensation or remuneration.

4. SALARY AND BENEFITS. During the term of this Agreement:

(1) LTC shall pay to Executive a base salary at an annual rate of not less than Two Hundred Twenty-Five Thousand Dollars ($225,000) per annum ("Base Salary"), paid in approximately equal installments at intervals based on any reasonable Company policy. LTC agrees from time to time to consider increases in such base salary in the discretion of the Board of Directors. Any increase, once granted, shall automatically amend this Agreement to provide that thereafter Executive's base salary shall not be less than the annual amount to which such base salary has been increased.

(2) Executive shall participate in all health, retirement, Company-paid insurance, sick leave, disability, expense reimbursement and other benefit programs which LTC makes available to any of its senior executives, and shall be eligible for bonuses in the discretion of the Board of Directors.

(3) Executive shall be entitled to reasonable vacation time, not less than four (4) weeks per year, PROVIDED that not more than two (2) weeks of such vacation time may be taken consecutively without prior notice to and non-objection by the Compensation Committee of the Board of Directors or, if there is no Compensation Committee, the Board of Directors.

(4) LTC shall grant Executive 20,000 shares of restricted stock pursuant to LTC's Amended and Restated 1992 Stock Option Plan, which restrictions shall lapse in five consecutive installments beginning January 1, 2001.

(5) LTC shall reimburse Executive for $23,600 for her estimated expenses incurred in connection with her relocation from Pennsylvania to California and the LTC will have no further liability for said relocation

expenses.

(6) Concurrently with the execution hereof, the Company will be ready to loan Executive $150,000. Such loan shall be unsecured and shall bear interest at a rate equal to the lowest rate under which the Company may borrow money under it credit arrangements. Such loan shall be due upon the sale of Executive's residence in Pennsylvania.

5. CERTAIN TERMS DEFINED. For purposes of this Agreement:

(1) Executive shall be deemed to be "disabled" if a physical or mental condition shall occur and persist which, in the written opinion of a licensed physician selected by the Board of Directors in good faith, has rendered Executive unable to perform the duties set forth in Section 1 hereof for a period of sixty (60) days or more and, in the written opinion of such physician, the condition will continue for an indefinite period of time, rendering Executive unable to return to her duties;

(2) A termination of Executive's employment by LTC shall be deemed for "Cause" if, and only if, it is based upon (i) conviction of a felony; (ii) material disloyalty to the Company such as embezzlement, misappropriation of corporate assets or, except as permitted pursuant to Section 3 of this Agreement, breach of Executive's agreement not to engage in business for another enterprise of the type engaged in by the Company; or (iii) the engaging in unethical or illegal behavior which is of a public nature, brings LTC into disrepute, and result in material damage to the Company. The Company shall have the right to suspend Executive with pay, for a reasonable period to investigate allegations of conduct which, if proven, would establish a right to terminate this Agreement for Cause, or to permit a felony charge to be tried. Immediately upon the conclusion of such temporary period, unless Cause to terminate this Agreement has been established, Executive shall be restored to all duties and responsibilities as if such suspension had never occurred;

(3) A resignation by Executive shall not be deemed to be voluntary and shall be deemed to be a resignation with "Good Reason" if it is based upon (i) a diminution in Executive's title, duties, or salary; (ii) a reduction in benefits which is not part of an across-the-board reduction in benefits of all senior executive personnel; (iii) a direction by the Board of Directors that Executive report to any person or group other than the Chief Executive Officer or the Board of Directors, or (iv) a geographic relocation of Executive's place of work a distance for more than seventy-five (75) miles from LTC's offices located at 300 Esplanade Drive, Suite 1860, Oxnard, California;

(4) "Affiliate" means with respect to any Person, a Person who, directly or indirectly, through one or more intermediaries, controls, is controlled by or is under common control, with the Person specified;

(5) "Base Salary" means, as of any date of termination of employment, the highest base salary of Executive in the then current fiscal year or in any of the last four fiscal years immediately preceding such date of termination of employment;

(6) "Beneficial Owner" shall have the meaning given to such term in Rule 13d-3 under the Exchange Act;

(7) A "Change in Control" occurs if:

(1) Any Person or related group of Persons (other than Executive and her Related Persons, the Company or a Person that directly or indirectly controls, is controlled by, or is under common control with, the Company) is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company representing 30% or more of the combined voting power of the Company's then outstanding securities; or

(2) The stockholders of the Company approve a merger or consolidation of the Company with any other corporation (or other entity), other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities

of the surviving entity) more than 66-2/3% of the combined voting power of the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation; PROVIDED, HOWEVER, that a merger or consolidation effected to implement a recapitalization of the Company (or similar transaction) in which no Person acquires more than 30% of the combined voting power of the Company's then outstanding securities shall not constitute a Change in Control; or

(3) The Stockholders of the Company approve a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets; or

(4) A majority of the members of the Board of Directors of the Company cease to be Continuing Directors;

(8) "Code" means the Internal Revenue Code of 1986, as amended.

(9) "Continuing Director" means, as of any date of determination, any member of the Board of Directors who (i) was a member of such Board of Directors on the date of the Agreement or (ii) was nominated for election or elected to such Board of Directors with the approval of a majority of the Continuing Directors who were members of such Board of Directors at the time of such nomination or election.

(10) "Exchange Act" means the Exchange Act of 1934, as amended.

(11) "Person" means any individual, corporation, partnership, limited liability company, trust, association or other entity.

(12) "Related Person" means any immediate family member (spouse, partner, parent, sibling or child whether by birth or adoption) of the Executive and any trust, estate or foundation, the beneficiary of which is the Executive and/or an immediate family member of the Executive.

6. CERTAIN BENEFITS UPON TERMINATION. Executive's employment shall be terminated upon the earlier of (i) the voluntary resignation of Executive with or without Good Reason; (ii) Executive's death or permanent disability; or (iii) upon the termination of Executive's employment by LTC for any reason at any time. In the event of such termination, the below provisions of this Section 6 shall apply.

(1) If Executive's employment by LTC terminates for any reason other than as a result of (i) a termination for Cause, or (ii) a voluntary resignation by Executive without a Good Reason, or (iii) a Change in Control of the Company, then LTC shall pay Executive a lump sum severance payment equal to her Base Salary; PROVIDED that if employment terminates by reason of Executive's death or disability, then such salary shall be paid only to the extent the Company has

available "key man" life, disability or similar insurance relating to the death or disability of Executive;

(2) Upon a Change in Control of the Company whether or not Executive's employment is terminated thereby, in lieu of the severance payment described in Section 6(a) above, LTC shall pay Executive a lump sum severance payment in cash equal to two times her Base Salary;

(3) If Executive's employment by LTC terminates for any reason, except for LTC's termination of Executive's employment for Cause or a voluntary resignation by Executive without a Good Reason, LTC shall offer to Executive the opportunity to participate in all Company-provided medical and dental plans to the extent Executive elects and remains eligible for coverage under COBRA and for a maximum period of eighteen (18) months at Company expense; PROVIDED, HOWEVER, in the event Executive's employment by LTC terminated upon a Change in Control of the Company, then Executive shall not be given the opportunity to participate in any of such medical and dental plans, except to the extent required by law;

(4) In the event that Executive's employment terminates by reason of her death, all benefits provided in this Section 6 shall be paid to her estate or as her executor shall direct, but payment may be deferred until Executive's executor or personal representatives has been appointed and qualified pursuant to the laws in effect in Executive's jurisdiction of residence at the time of her death;

(5) LTC shall make all payments pursuant to the foregoing subsections (a) through (d) within seven (7) days following the date of termination of Executive's employment or consummation of a Change in Control of the Company, as applicable;

(6) Notwithstanding the foregoing, LTC shall have no liability under this Section if Executive's employment pursuant to this Agreement is terminated by LTC for Cause or by Executive without a Good Reason; provided, however, that if Executive's employment pursuant to this Agreement is terminated by LTC for Cause or by Executive without a Good Reason at any time after a Change of Control which did not result in Executive's employment being

terminated, such post-Change of Control termination by LTC for Cause or by Executive without a Good Reason shall not affect in any way Executive's entitlement to the lump sum severance payment described in Section 6(b) above or any other rights, benefits or entitlements to which Executive may be entitled as a result of such Change of Control;

(7) Gross-Up.

(1) If it shall be determined that any payment, distribution or benefit received or to be received by Executive from the Company (whether payable pursuant to the terms of this Agreement or any other plan, arrangements or agreement with the Company or a Affiliate (as defined above) ("Payments")) would be subject to the excise tax imposed by Section 4999 of the Code (the "Excise Tax"), then Executive shall be entitled to receive an additional payment (the

"Excise Tax Gross-Up Payment") in an amount such that the net amount retained by Executive, after the calculation and deduction of any Excise Tax on the Payments and any federal, state and local income taxes and excise tax on the Excise Tax Gross-Up Payment provided for in this Section 6(g), shall be equal to the Payments. In determining this amount, the amount of the Excise Tax Gross-Up Payment attributable to federal income taxes shall be reduced by the maximum reduction in federal income taxes that could be obtained by the deduction of the portion of the Excise Tax Gross-Up Payment attributable to state and local income taxes. Finally, the Excise Tax Gross-Up Payment shall be reduced by income or excise tax withholding payment made by the Company or any affiliate of either to any federal, state or local taxing authority with respect to the Excise Tax Gross-Up Payment that was not deducted from compensation payable to Executive.

(2) All determinations required to be made under this Section 6(g), including whether and when an Excise Tax Gross-Up Payment is required and the amount of such Excise Tax Gross-Up Payment and the assumptions to be utilized in arriving at such determination, except as specified in Section 6(g)(i) above, shall be made by the Company's independent auditors (the "Accounting Firm"), which shall provide detailed supporting calculations both to the Company and Executive. Such determination of tax liability made by the Accounting Firm shall be subject to review by Executive's tax advisor and, if Executive's tax advisor does not agree with such determination reached by the Accounting Firm, then the Accounting Firm and Executive's tax advisor shall jointly designate a nationally recognized public accounting firm, which shall make such determination. All reasonable fees and expenses of the accountants and tax advisors retained by either Executive or the Company shall be borne by the Company. Any Excise Tax Gross-Up Payment, as determined pursuant to this Section 6(g), shall be paid by the Company to Executive within five days after the receipt of such determination. Any determination by a jointly designated public accounting firm shall be binding upon the Company and Executive.

(3) As a result of the uncertainty in the application of Subsection 4999 of the Code at the time of the initial determination thereunder, it is possible that Excise Tax Gross-Up Payments will not have been made by the Company that should have been made consistent with the calculations required to be made hereunder ("Underpayment"). In the event that Executive thereafter is required to make a payment of any Excise Tax, any such Underpayment calculated in accordance with and in the same manner as the Excise Tax Gross-Up Payment in Section 6(g)(i) above shall be promptly paid by the Company to or for the benefit of Executive. In the event that the Excise Tax Gross-Up Payment exceeds the amount subsequently determined to be due, such excess shall constitute a loan from the Company (together with interest at the rate provided in Section 1274(b)(2)(B) of the Code).

7. TAX LIABILITY LOAN. Upon a Change in Control of the Company, whether or not Executive's employment is terminated as a result thereof, the Company shall offer Executive an unsecured loan in the amount necessary to fund Executive's tax liability arising from the accelerated vesting of restricted shares held by Executive, if any. Such loan shall be due, in full, in ten (10) years from the date made and shall bear interest at the then-current Applicable Federal Rate (the minimum rat necessary to avoid "unstated interest" under Section 7872 of the Code) with interest payments to

be paid to the Company annually. Such loan shall be evidenced by a promissory note signed by, and with full recourse to, Executive.

8. INDEMNIFICATION. LTC shall indemnify Executive and hold her harmless from and against all claims, actions, losses, damages, expense or liabilities (including expenses of defense and settlement) ("Claim") based upon or in any way arising from or connected with her employment by LTC, to the maximum extent permitted by law. To the extent permitted by law, LTC shall advance to Executive any expenses necessary in connection with the defense of any Claim which is brought if indemnification cannot be determined to be available prior to the conclusion of, or the investigation of, such Claim. The

parties hereto agree that each understands and has understood that notwithstanding the above-stated provisions, nothing herein shall require LTC to hold harmless or indemnify Executive with respect to any Claim which is brought or asserted against Executive by LTC. LTC shall investigate in good faith the availability and cost of directors' and officers' insurance and shall include Executive as an insured in any directors and officers insurance policy of such insurance it maintains.

9. ATTORNEY FEES. In the event that any action or proceeding is brought to enforce the terms and provisions of this Agreement, the prevailing party shall be entitled to recover reasonable attorney fees.

10. NOTICES. All notices and other communications provided to either party hereto under this Agreement shall be in writing and delivered by certified or registered mail to such party at its/her address set forth below its/her signature hereto, or at such other address as may be designated with postage prepaid, shall be deemed given when received.

11. CONSTRUCTION. In constructing this Agreement, if any portion of this Agreement shall be found to be invalid or unenforceable, the remaining terms and provisions of this Agreement shall be given effect to the maximum extent permitted without considering the void, invalid or unenforceable provisions. In construing this Agreement, the singular shall include the plural, the masculine shall include the feminine and neuter genders as appropriate, and no meaning in effect shall be given to the captions of the sections in this Agreement, which are inserted for convenience of reference only.

12. HEADINGS. The section headings hereof have been inserted for convenience of reference only and shall not be construed to affect the meaning, construction or effect of this Agreement.

13. GOVERNING LAW. The provisions of this Agreement shall be construed and interpreted in accordance with the internal laws of the State of California as at the time in effect.

14. ENTIRE AGREEMENT. This Agreement constitutes the entire agreement and supersedes all other prior agreements (including the Employment Agreement dated as of the date hereof) and undertakings, both written and oral, among Executive and the Company, with respect to the subject matter hereof.

IN WITNESS WHEREOF, this Agreement shall be effective as of the date specified in the first paragraph of this Agreement.

LTC, PROPERTIES, INC., a Maryland corporation

Address: 300 Esplanade St., #1860
Oxnard, CA 90303

By: /s/ Andre Dimitriadis

Chairman and Chief Executive Officer

By: /s/ Wendy Simpson

Chairman of Compensation Committee

Address:

/s/ Julia Kopta

Executive

EXHIBIT 10.34

FIRST AMENDMENT TO CREDIT AGREEMENT

This First Amendment to Credit Agreement (the "First Amendment") dated as of May 15, 1998, is made by LTC PROPERTIES, INC., a Maryland corporation (the "Borrower"), the financial institutions party hereto (together with their respective successors and permitted assigns, the "Lenders"), BANQUE NATIONALE DE PARIS, Los Angeles Branch ("BNP"), as Syndication Agent, THE SUMITOMO BANK, LIMITED, Chicago Branch ("Sumitomo"), as Documentation Agent and SANWA BANK CALIFORNIA ("Sanwa"), as Administrative Agent (in such capacity, the "Agent"). The parties hereto agree as follows:

RECITALS

WHEREAS, the Borrower, the Lenders and the Agent have heretofore entered into that certain U.S. $170,000,000 Credit Agreement dated as of October 3, 1997 (the "Credit Agreement");

WHEREAS, the Borrower has requested, among other things, amendments to the Credit Agreement to enable it to capitalize a new company, LTC Healthcare, Inc. ("LTC Healthcare"), and to distribute its equity investment in LTC Healthcare to the Borrower's existing shareholders. (Capitalized terms used and not otherwise defined herein shall have their respective meanings as set forth in the Credit Agreement); and

WHEREAS, the Lenders have agreed, upon the terms and conditions set forth herein, to such amendments to the Credit Agreement and the related documents.

NOW, THEREFORE, in consideration of the foregoing, the Borrower, the Lenders and the Agent hereby agree as follows:

SECTION 1. Section 3.1(i) of the Credit Agreement shall be amended by inserting the following sentence as the second sentence of such Section:

"The calculation of such losses, costs or expenses shall be on the basis of the difference between (a) the LIBOR Rate applicable to such LIBOR Loan in effect prior to the event resulting in such losses, costs or expenses and (b) the LIBOR Rate at the time the affected Lender suffers any such additional losses, costs, or expenses as a result of actions by the Borrower."

SECTION 2. Section 7.2 of the Credit Agreement shall be amended by inserting a new subsection (iii) to read as follows after subsection (ii):

"and (iii) to capitalize LTC Healthcare, Inc., in an aggregate amount not to exceed $40,000,000, $20,000,000 of which shall be by an equity contribution from the Borrower and $20,000,000 of which shall be by means of a note payable to the Borrower bearing interest at a minimum of 9.5%."

SECTION 3. Section 8.1 of the Credit Agreement shall be amended by deleting the word "and" at the end of subsection (x), deleting the period at the end of subsection (xi) and inserting "; and" in substitution therefor and inserting a new subsection (xii) after subsection (xi) to read as follows:

"(xii) Debt assumed or guaranteed by the Borrower relating to outstanding bonds payable to the Oregon Department of Housing in an aggregate principal amount not to exceed $4,210,000; provided that the terms of interest and principal repayment thereon are not changed from those in effect as of May 1, 1998."

SECTION 4. Section 8.3 of the Credit Agreement shall be amended by deleting the proviso at the end of such Section and inserting in substitution therefor the following:

"; provided that the foregoing shall not be construed as prohibiting (a) a transfer of assets from a Subsidiary to the Borrower, (b) the merger of a Subsidiary into the Borrower or (c) a transfer of assets having an aggregate fair market value not to exceed $20,000,000 by the Borrower to LTC Healthcare, Inc."

SECTION 5. The last sentence of Section 8.6 shall be deleted in its entirety and the following shall be inserted in substitution therefor:

"Notwithstanding the foregoing, the Borrower may (i) make capital contributions to Significant Subsidiaries for the purpose of establishing such Significant Subsidiaries and providing assets for such Significant Subsidiaries to meet their respective obligations and (ii) capitalize LTC Healthcare, Inc. in accordance with the provisions of Section 7.2(iii)."

SECTION 6. Section 8.8 of the Credit Agreement shall be amended by deleting the word "and" at the end of subsection (viii), deleting the period at the end of subsection (ix) and inserting" and" in substitution therefor and inserting a new subsection ix) after subsection (ix) to read as follows:

"(x) Liens in existence as of May 1, 1998 on real estate, securing the obligation to pay bonds assumed or guaranteed by the Borrower in an aggregate principal amount not to exceed at any time $4,210,000."

SECTION 7. Section 8.9 of the Credit Agreement shall be amended by deleting the word "and" at the end of subsection (ii) and inserting a comma in substitution therefor, deleting the

period at the end of subsection (iii) and inserting a comma in substitution therefor and inserting the following two new subsections after subsection (iii) to read as follows:

", (iv) the Borrower may guarantee payment of bonds payable to the Oregon Department of Housing in an aggregate principal amount not to exceed $4,210,000 and (v) the Borrower may make revolving loans to LTC Healthcare, Inc. in an aggregate principal amount not to exceed $20,000,000."

SECTION 8. Section 8.10 of the Credit Agreement shall be amended by deleting the word "and" at the end of subsection (xii), deleting the period at the end of subsection (xiii) and inserting "; and" in substitution therefor and inserting a new subsection (xiv) after subsection (xiii) to read as follows:

"(xiv) Investments by the Borrower in LTC Healthcare, Inc. not to exceed at any time $40,000,000 in aggregate principal amount, which amount shall be comprised only of (a) the loans made by the Borrower to LTC Healthcare, Inc. pursuant to the provisions of Section 8.9(v) and (b) an Investment in an amount not to exceed $20,000,000 which may only occur prior to the distribution referenced in the last sentence of Section 8.11."

SECTION 9. Section 8.11 of the Credit Agreement shall be amended by inserting the following sentence at the end of such Section:

"Notwithstanding the foregoing or any other provision of this Agreement, the Borrower may distribute to its shareholders all of the Borrower's equity interests in LTC Healthcare, Inc."

SECTION 10. This First Amendment shall become effective upon the execution and delivery of each of the following documents:

(1) This First Amendment;

(2) Certified Board Resolutions of the Borrower;

(3) Confirming Certificate of the Borrower re Articles of Incorporation, Bylaws and Incumbency Certificate;

(4) Certificate of the Borrower re Representations and Warranties and No Default;

(5) Guarantors' Consent (in form and substance satisfactory to the Agent); and

(6) pro forma covenant compliance certificates (in form and substance satisfactory to the Agent) taking into account the acquisition of a ll2-unit assisted living facility in Oregon and the

capitalization and distribution of LTC Healthcare, Inc.

SECTION 11. This First Amendment may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 12. The Agent shall have received reimbursement of all costs and expenses and payment of all fees incurred by the Agent in connection with this First Amendment.

IN WITNESS WHEREOF, the parties hereto have caused this First Amendment to be duly executed and delivered by their respective officers thereunto duly authorized as of the date first above written.

LTC PROPERTIES, INC.

By: ----------------------------

Name: ---------------------------

Title: --------------------------

SANWA BANK CALIFORNIA, as
Administrative Agent and Lender

By: ----------------------------

Name: ---------------------------

Title: --------------------------

BANQUE NATIONALE DE PARIS,
Los Angeles Branch,
as Syndication Agent and Lender

By: ----------------------------

Name: ---------------------------

Title: --------------------------

By: ----------------------------

Name: ---------------------------

Title: --------------------------

THE SUMITOMO BANK, LIMITED,
Chicago Branch
as Documentation Agent and Lender

By: ----------------------------

Name: ---------------------------

Title: --------------------------

By: ----------------------------

Name: ---------------------------

Title: --------------------------

BANK OF MONTREAL,
as Lender

By: ----------------------------

Name: ---------------------------

Title: --------------------------

WELLS FARGO BANK, N.A.

By: ----------------------------

Name: ---------------------------

Title: --------------------------

NATIONSBANK OF TEXAS, N.A.

By: ----------------------------

Name:

Title:

BANK HAPOALIM B.M.

By:

Name:

Title:

By:

Name:

Title:

BHF-BANK AKTIENGESELLSCHAFT

By:

Name:

Title:

By:

Name:

Title:

BANK LEUMI TRUST COMPANY OF NEW YORK

By:

Name:

Title:

EXHIBIT 10.35

SECOND AMENDMENT TO CREDIT AGREEMENT

This Amendment, dated as of October 21, 1998, is entered into by LTC PROPERTIES, INC., a Maryland corporation (the "BORROWER"), the financial institutions party hereto (the "LENDERS"), BANQUE NATIONALE DE PARIS, acting through its Los Angeles Branch, as Syndication Agent, and SANWA BANK CALIFORNIA, as Administrative Agent (the "AGENT").

RECITALS

A. The parties hereto have entered into a Credit Agreement dated, as of October 3, 1997, as amended by a First Amendment to Credit Agreement dated as of May 15, 1998 (said Credit Agreement, as so amended, herein called the "CREDIT AGREEMENT"). Terms defined in the Credit Agreement and not otherwise defined herein have the same respective meanings when used herein, and the rules of interpretation set forth in Section 1.2 of the Credit Agreement are incorporated herein by reference.

B. The Borrower, the Lenders and the Agent wish to amend the Credit Agreement to, among other things, revise certain of the covenants contained therein. Accordingly, the Borrower, the Lenders and the Agent hereby agree as set forth below.

SECTION 1. AMENDMENTS TO CREDIT AGREEMENT. Effective as of the date first set forth above and subject to satisfaction of the conditions precedent set forth in Section 2, the Credit Agreement is hereby amended as set forth below.

(a) The definition of "Acquisition" in Section 1.1 of the Credit Agreement is amended in full to read as follows:

> "'Acquisition' means each transaction, or any series of related transactions, consummated on or after the date of this Agreement, by which the Borrower or any of its Subsidiaries (i) acquires any ongoing business or all or substantially all of the assets of any Person or division thereof, whether through the purchase of assets, by merger or otherwise, or (ii) directly or indirectly acquires (in one transaction or as the most recent transaction in a series of transactions) at least a majority (in number of votes) of the securities of a corporation which have ordinary voting power for the election of directors (other than securities having such power only by reason of the happening of a contingency) or a majority (by percentage of voting power) of the outstanding equity interests of a partnership or other Person."

(b) Section 8.5 of the Credit Agreement is amended by (i) deleting the word "acquisition" wherever it appears in such section and substituting the word "Acquisition" and (ii) amending subsection (i) of such section by adding "(or the assets to be acquired)" between the words "acquired" and "are."

(c) The portion of Section 8.10 of the Credit Agreement preceding subsection (i) of such section is amended by (i) adding ", and will not permit any Subsidiary to, have or" between the words "not" and "purchase" and (ii) adding "have or" between the words "or" and "make."

(d) Section 8.10(vii) of the Credit Agreement is amended in full to read as follows:

> "(vii) subsequent to the Closing Date, the sum of (a) loans, advances to and investments in any Person or asset other than those loans, advances and investments already permitted in Section 8.10 and those Acquisitions already permitted in Section 8.5, (b) investments in stock, now owned or hereafter acquired, of publicly-traded companies (but not more than 10% of the stock of any single company), plus (c) loans or advances to limited partners (of partnerships of which the general partner is a Subsidiary of the Borrower) and limited partnerships (of which the general partner is a Subsidiary of the Borrower) for the purposes of funding the limited partners' tax obligations resulting from the sale of limited partnership facilities and paying previously agreed-upon Distributions to such limited partners, shall not exceed in aggregate principal amount at any time outstanding $20,000,000; and none of such investments, loans or advances shall be in any Person engaged in any educational related line

of business."

(e) Section 8.10 of the Credit Agreement is amended by deleting the word "and" at the end of subsection (xiii), deleting the period at the end of subsection (xiv) and substituting "; and" therefor, and adding a new subsection (xv) after subsection (xiv), to read as follows:

"(xv) any purchase of a fee interest in real property used primarily for education-related purposes, any loan secured by a mortgage, deed of trust or other instrument creating a first mortgage lien on a fee interest in real property used primarily for education-related purposes and any Investment in a Person engaged primarily in education-related business, provided that (1) such purchases and loans shall not exceed an

aggregate of $20,000,000 in respect of a single property and (2) the aggregate amount of all such purchases, loans and Investments shall not exceed $75,000,000."

(f) Section 8.12(i) of the Credit Agreement is amended in full to read as follows:

"(i) The Borrower shall not, and shall not permit any Subsidiary to, invest in or acquire any Owned Property or Mortgage Loan where a single Operator (excluding Affiliates) operates or leases more than 15% of the Total Investments of the Borrower and its Subsidiaries, except that the Borrower and its Subsidiaries may invest up to 45% of the Borrower's and its Subsidiaries' Total Investments in Sun Healthcare, Inc. and Assisted Living Concepts, Inc., provided that the maximum concentration to either of such Operators shall not exceed 25% of the Borrower's and its Subsidiaries' Total Investments."

(g) Article 7 of the Credit Agreement is amended by adding a new Section 7.14 at the end thereof, to read as follows:

"7.14 YEAR 2000 COMPLIANCE. The Borrower shall, and shall cause each Subsidiary to, perform all acts reasonably necessary to ensure that the Borrower and its Subsidiaries become Year 2000 Compliant in a timely manner. Such acts shall include performing a review and assessment of all of the Borrower's and its Subsidiaries material systems and adopting a plan with a budget for the remediation and testing of such systems. For the purposes hereof, "Year 2000 Compliant" shall mean that all software, hardware, firmware, equipment, goods or systems utilized by and material to the business operations or financial condition of the Borrower or any Subsidiary will properly perform date-sensitive functions before, during and after the year 2000. The Borrower shall, and shall cause each Subsidiary to, use efforts to remain informed as to whether its major customers, suppliers and vendors are Year 2000 Compliant. The Borrower shall, upon the Agent's reasonable request, provide the Agent with such certifications or other evidence of the Borrower's and its Subsidiaries' compliance with the terms hereof as the Agent may from time to time require."

SECTION 2. CONDITIONS TO EFFECTIVENESS. This Amendment shall become effective as of the date first set forth above when the Agent has received all of the following documents, each dated on or before the date hereof, in form and substance satisfactory to the Agent and in the number of originals requested by the Agent:

(a) this Amendment, duly executed by the Borrower and the Lenders;

(b) a consent to this Amendment, duly executed by the Guarantors; and

(c) such other approvals, opinions, evidence and documents as the Agent may reasonably request.

SECTION 3. REPRESENTATIONS AND WARRANTIES OF BORROWER. The Borrower represents and warrants to the Lenders as set forth below.

(a) The execution, delivery and performance by the Borrower of this Amendment and the Loan Documents, as amended hereby, to which it is or is to be a party are within the Borrower's corporate powers, have been duly authorized by all necessary corporate action and do not (i) contravene the Borrower's charter documents or bylaws, (ii) contravene any Governmental Rule or contractual restriction binding on or affecting the Borrower or (iii) result in or require the creation or imposition of any Lien or preferential arrangement of any nature (other than any created by the Loan Documents) upon or with respect to any of the properties now owned or hereafter acquired by the Borrower.

(b) No Governmental Approval is required for the due execution, delivery or performance by the Borrower of this Amendment or any of the Loan Documents, as amended hereby, to which the Borrower is or is to be a party.

(c) This Amendment and each of the Loan Documents, as amended hereby, to which the Borrower is a party constitute legal, valid and binding obligations of the Borrower enforceable against the Borrower in accordance with their respective terms, except as the enforceability thereof may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium or other similar laws affecting creditors' rights generally.

(d) There have been no amendments or other changes to the charter documents, bylaws or incumbency certificate of the Borrower from the forms thereof delivered to the Lenders in October of 1997. The representations and warranties contained in the Loan Documents are true in all material respects as though made on and as of the effective date of this Amendment. No event has occurred and is continuing, or would result from the effectiveness of this Amendment, that constitutes a Default.

SECTION 4. REFERENCE TO AND EFFECT ON LOAN DOCUMENTS.

(a) On and after the effective date of this Amendment, each reference in the Credit Agreement to "this Agreement," "hereunder," "hereof," "herein" or any other expression of like

import referring to the Credit Agreement, and each reference in the other Loan Documents to "the Credit Agreement," "thereunder," "thereof," "therein" or any other expression of like import referring to the Credit Agreement, shall mean and be a reference to the Credit Agreement as amended by this Amendment.

(b) Except as specifically amended hereby, the Credit Agreement and the other Loan Documents shall remain in full force and effect and are hereby ratified and confirmed.

(c) The execution, delivery and effectiveness of this Amendment shall not, except as expressly provided herein, operate as a waiver of any right, power or remedy of any Lender or the Agent under any of the Loan Documents or constitute a waiver of any provision of any of the Loan Documents.

SECTION 5. COSTS, EXPENSES AND TAXES. The Borrower agrees to pay on demand all costs and expenses of the Agent in connection with the preparation, execution and delivery of this Amendment and the other instruments and documents to be delivered hereunder, including the reasonable fees and out-of-pocket expenses of counsel for the Agent with respect thereto and with respect to advising the Agent as to its rights and responsibilities hereunder and thereunder.

SECTION 6. EXECUTION IN COUNTERPARTS. This Amendment may be executed in any number of counterparts and by the parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed to be an original and all of which taken together shall constitute one and the same instrument.

SECTION 7. GOVERNING LAW. THIS AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF CALIFORNIA APPLICABLE TO CONTRACTS MADE AND PERFORMED IN THE STATE OF CALIFORNIA.

LTC PROPERTIES, INC.

By: /s/ Darrell D. Struck
Name: Darrell D. Struck
Title: VP & Treasurer

SANWA BANK CALIFORNIA,
as Administrative Agent and Lender

By: /s/ Dirk A. Price
Name: Dirk A. Price
Title: Vice President

BANQUE NATIONALE DE PARIS,
Los Angeles Branch,
as Syndication Agent and Lender

By: /s/ Clive Bettles

Name: Clive Bettles

Title: Senior Vice President & Manager

By: /s/ Debbie Gohh

Name: Debbie Gohh

Title: Vice President

BANK OF MONTREAL

By: /s/ Kanu Modi

Name: Kanu Modi

Title: Director

KEY CORPORATE CAPITAL INC.

By: /s/ John E. Boulder

Name: John E. Boulder

Title: Vice President

WELLS FARGO BANK, N.A.

By: ------------------------

Name: ------------------------

Title: ------------------------

NATIONSBANK, N.A.

By: /s/ Brad W. DeSpain

Name: Brad W. DeSpain

Title: Senior Vice President

BANK HAPOALIM B.M.

By: /s/ Paul Watson

Name: Paul Watson

Title: Vice President

By: /s/ John A. Rice

Name: John A. Rice

Title: Vice President and Senior Lending Officer

BHF-BANK AKTIENGESELLSCHAFT

By:

Name

Title:

By:

Name:

Title :

BANK LEUMI TRUST COMPANY OF NEW YORK

By: /s/ Gloria Bucher

Name: Gloria Bucher

Title: First Vice President

EXHIBIT 10.36

December __, 1999

TO THE FINANCIAL INSTITUTIONS PARTIES TO
THE CREDIT AGREEMENT REFERRED TO BELOW

Re: Third Amendment to Credit Agreement

Ladies and Gentlemen:

We refer to the Credit Agreement dated as of October 3, 1997, as amended by the First Amendment to Credit Agreement dated as of May 15, 1998 and the Second Amendment to Credit Agreement dated as of October 21, 1998 (said Credit Agreement, as so amended, herein called the "CREDIT AGREEMENT"), among LTC Properties, Inc. (the "BORROWER"), the financial institutions parties thereto (the "LENDERS"), Banque Nationale de Paris, acting through its Los Angeles Branch, as Syndication Agent, and Sanwa Bank California, as Administrative Agent (the "AGENT"). Terms defined in the Credit Agreement and not otherwise defined herein have the same respective meanings when used herein, and the rules of interpretation set forth in Section 1.2 of the Credit Agreement are incorporated herein by reference.

1. Effective as of the date first set forth above but subject to satisfaction of the conditions precedent set forth in paragraph 3, the Credit Agreement is hereby amended as set forth below.

(a) The definition of "Distributions" in Section 1.1 of the Credit Agreement is amended in full to read as follows:

"'DISTRIBUTION' means the payment of any dividend or other distribution on or in respect of any shares of any class of capital stock, any partnership interests or any membership interests of any Person, other than dividends or other distributions payable solely in shares of common stock, partnership interests or membership units of such Person, as the case may be; the purchase of any partnership interests or membership units of any Person, directly or indirectly, through a Subsidiary or otherwise; the return of equity capital by any Person to its shareholders, partners or members as such; or any other distribution on or in respect of any shares of any class of capital stock, partnership interests or membership units of any Person."

(b) Section 8.10(xv) of the Credit Agreement is amended by deleting the amount "$75,000,000" therein and substituting the amount "$37,500,000."

(c) Section 8.11 of the Credit Agreement is amended in full to read as follows:

"8.11 DIVIDENDS AND DISTRIBUTIONS. The Borrower will not, and will not permit any of its Subsidiaries to, make any Distribution, provided that (i) each Subsidiary that is a wholly owned Subsidiary of the Borrower may make Distributions to its shareholder and (ii) the Borrower may make Distributions in any fiscal year thereof in an aggregate amount not to exceed 95% of its Cash Flow (minus its Interest Expense) for such fiscal year. In addition, the Borrower shall not, and shall not permit any of its Subsidiaries to, redeem, convert, retire or otherwise acquire any shares of any class of its capital stock, except that the Borrower may repurchase up to $5,000,000 of its capital stock in any fiscal year thereof. The Borrower shall not effect or permit any change in or amendment to any document or instrument pertaining to the terms of the capital stock of the Borrower, except to increase the authorized capital of the Borrower. Notwithstanding the foregoing or any other provision of this Agreement, the Borrower may (a) repurchase (in addition to repurchases permitted above) up to an aggregate of $5,000,000 of its capital stock in 1999 and/or 2000 and (b) distribute to its shareholders all of the Borrower's equity interests in LTC Healthcare, Inc."

2. The Borrower hereby represents and warrants for the benefit of the Lenders and the Agent that (a) the representations and warranties contained in the Loan Documents are correct in all material respects on and as of the date of this letter amendment, before and after giving effect hereto, as if made on and

as of such date, and (b) no event has occurred and is continuing, or would result from the effectiveness of this letter amendment, that constitutes a Default.

3. If you agree to the terms and conditions set forth herein, please evidence your agreement by executing and returning at least eleven counterparts of this letter amendment to the Agent. This letter amendment shall become effective as of the date first set forth above when and if (a) the Borrower and the Lenders execute counterparts of this letter amendment and deliver them to the Agent, (b) the Guarantors execute a consent to this letter amendment, in form and substance satisfactory to the Agent, and deliver it to the Agent and (c) the Borrower pays to the Agent for the account of certain of the Lenders any fees that the Borrower has agreed to pay in connection herewith.

4. On and after the effective date of this letter amendment, each reference in the Credit Agreement to "this Agreement," "hereunder," "hereof," "herein" or words of like import referring to the Credit Agreement, and each reference in the other Loan Documents to "the Credit Agreement," "thereunder," "thereof," "therein" or words of like import referring to the Credit Agreement, shall mean and be a reference to the Credit Agreement as amended by this

letter amendment. The Credit Agreement, as amended by this letter amendment, is and shall continue to be in full force and effect and is hereby ratified and confirmed in all respects.

5. This letter amendment may be executed in any number of counterparts and by any combination of the parties hereto in separate counterparts, each of which counterparts shall be an original and all of which taken together shall constitute one and the same letter amendment.

6. THIS LETTER AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF CALIFORNIA WITHOUT REFERENCE TO THE CHOICE-OF-LAW PRINCIPLES THEREOF.

Very truly yours,

LTC PROPERTIES, INC.

By: /s/ James J. Pieczynski
Name: James J. Pieczynski
Title: President and Chief Financial Officer

Agreed as of the date first written above:

SANWA BANK CALIFORNIA, as
Administrative Agent and Lender

By: /s/ Dirk A. Price
Name: Dirk A. Price
Title: Vice President

BANQUE NATIONALE DE PARIS,
Los Angeles Branch, as Syndication Agent
and Lender

By: /s/ Brian Dixon
Name: Brian Dixon
Title: Vice President

By: /s/ Janice Ho

Name: Janice Ho

Title: Vice President

BANK OF MONTREAL

By: /s/ Bruce A. Pietka

Name: Bruce A. Pietka

Title: Director

KEY CORPORATE CAPITAL INC.

By: /s/ Jeffrey M. Tell

Name: Jeffrey M. Tell

Title: Key Corporate Capital Inc.
Healthcare Finance Division

WELLS FARGO BANK, N.A.

By: /s/ Ronald K. Peters

Name: Ronald K. Peters

Title: Vice President

BANK OF AMERICA, N.A. (as
successor to NationsBank, N.A.)

By:

Name:

Title:

BANK HAPOALIM B.M.

By:

Name:

Title:

By:

Name:

Title:

BHF (USA) CAPITAL CORPORATION

By: /s/ Perry Forman

Name: Perry Forman

Title: Vice President

By: /s/ Richard Cameron

Name: Richard Cameron

Title: Associate

BANK LEUMI TRUST COMPANY OF NEW YORK

By: /s/ Joung Hee Hong

Name: Joung Hee Hong

Title: Vice President

LTC PROPERTIES, INC.

EXHIBIT 21.1

LIST OF SUBSIDIARIES

<TABLE>
<CAPTION>

COMPANY	STATE OF ORGANIZATION
<S>	<C>
Education Property Investors, Inc.	Nevada
Florida-LTC, Inc.	Nevada
Illinois-LTC, In.c	Delaware
Kansas-LTC Corporation	Delaware
LTC-Gardner, Inc.	Delaware
LTC-Dearfield, Inc.	Nevada
LTC-DS, Inc.	Delaware
LTC-K1, Inc.	Delaware
LTC-K2, Inc.	Delaware
LTC-K2, LP, Inc.	Delaware
LTC-Fort Valley, Inc.	Delaware
LTC GP I, Inc.	Delaware
LTC GP II, Inc.	Delaware
LTC GP III, Inc.	Delaware
LTC GP IV, Inc.	Delaware
LTC GP V, Inc.	Delaware
LTC-Griffin, Inc.	Nevada
LTC-Jessup, Inc.	Delaware
LTC-Jonesboro, Inc.	Nevada
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
LTC Partners VIII, L.P.	Delaware
LTC REMIC Corporation	Delaware
LTC REMIC IV Corporation	Delaware
LTC-Richmond, Inc.	Nevada
LTC-Sumner, Inc.	Delaware
LTC-Tampa, Inc.	Nevada
LTC-West, Inc.	Nevada
L-Tex GP, Inc.	Delaware
L-Tex L.P. Corporation	Delaware
Missouri River Corporation	Delaware
University Park Convalescent Center, Inc.	Florida
Virginia-LTC, Inc.	Nevada
Western Healthcare, Funding, Inc.	Nevada
Texas-LTC Limited Partnership	Texas

</TABLE>

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 21, 2000 with respect to the consolidated financial statements and schedules of LTC Properties, Inc., included in its Annual Report (Form 10-K) for the year ended December 31, 1999.

/s/ ERNST & YOUNG LLP

Los Angeles, California
March 3, 2000

<TABLE> <S> <C>

<ARTICLE> 5
<MULTIPLIER> 1,000

<S>	<C>
<PERIOD-TYPE>	YEAR
<FISCAL-YEAR-END>	DEC-31-1999
<PERIOD-START>	JAN-01-1999
<PERIOD-END>	DEC-31-1999
<CASH>	2,655
<SECURITIES>	97,605
<RECEIVABLES>	132,443
<ALLOWANCES>	1,250
<INVENTORY>	0
<CURRENT-ASSETS>	0
<PP&E>	494,913
<DEPRECIATION>	39,975
<TOTAL-ASSETS>	721,811
<CURRENT-LIABILITIES>	11,026
<BONDS>	11,977
<PREFERRED-MANDATORY>	0
<PREFERRED>	165,500
<COMMON>	270
<OTHER-SE>	242,847
<TOTAL-LIABILITY-AND-EQUITY>	721,811
<SALES>	0
<TOTAL-REVENUES>	87,662
<CGS>	0
<TOTAL-COSTS>	57,139
<OTHER-EXPENSES>	0
<LOSS-PROVISION>	0
<INTEREST-EXPENSE>	21,836
<INCOME-PRETAX>	31,827
<INCOME-TAX>	0
<INCOME-CONTINUING>	31,827
<DISCONTINUED>	0
<EXTRAORDINARY>	0
<CHANGES>	0
<NET-INCOME>	31,827
<EPS-BASIC>	0.61
<EPS-DILUTED>	0.61

</TABLE>

LTC PROPERTIES, INC.

EXHIBIT 99

RISK FACTORS

You should carefully consider the risks described below before making an investment decision in our company. The risks and uncertainties described below are not the only ones facing our company and there may be additional risks that we do not presently know of or that we currently consider immaterial. All of these risks could adversely affect our business, financial condition, results of operations and cash flows. As a result, our ability to pay distributions on, and the market price of, our common stock may be adversely affected if any of such risks are realized.

In accordance with "plain English" guidelines provided by the Securities and Exchange Commission, whenever we refer to "our company" or to "us," or use the terms "we" or "our," we are referring to LTC Properties, Inc. and its subsidiaries.

OUR PERFORMANCE IS SUBJECT TO RISKS ASSOCIATED WITH HEALTH CARE REAL ESTATE INVESTMENT

THERE ARE FACTORS OUTSIDE OF OUR CONTROL THAT AFFECT THE PERFORMANCE AND VALUE OF OUR 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. We cannot assure that the value of any property acquired by us will appreciate or that the value of property securing any of our mortgage loans or any property acquired by us will not depreciate. Certain significant expenditures associated with an investment in real estate (such as mortgage payments, real estate taxes and maintenance costs) generally do not decline when circumstances cause a reduction in income from the property.

INCOME AND RETURNS FROM HEALTH CARE FACILITIES CAN BE VOLATILE. The possibility that the health care facilities in which we invest 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.

REAL ESTATE INVESTMENTS ARE ILLIQUID. Real estate investments are relatively illiquid and, therefore, tend to limit our ability to vary our portfolio promptly in response to changes in economic or other conditions. All of our 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 our 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 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. If any of these events occur, our income and funds available for distribution would be adversely affected.

SOME POTENTIAL LOSSES ARE NOT COVERED BY INSURANCE. We currently require, and we intend to continue to require, all borrowers of funds from us and lessees of any of our properties to secure adequate comprehensive property and general and professional liability insurance that covers us as well as the borrower and/or lessee. Recently, the cost of such insurance has increased substantially and some insurers have stopped offering such insurance for nursing homes and acute care facilities. The increased cost of such insurance could have a material adverse effect on the ability of the lessees and operators to make lease or mortgage payments. In addition, certain risks may be uninsurable or not economically insurable and there can be no assurance we or a lessee will have adequate funds to cover all contingencies itself. Certain losses such as losses due to floods or seismic activity may be insured subject to certain limitations including large deductibles or co-payments and policy limits. If an uninsured loss or a loss in excess of insured limits occurs with respect to one or more of our properties, we could lose the capital we invested in the properties, as well as the anticipated future revenue from the properties and, in the case of debt which is with recourse to us, we would remain obligated for any mortgage debt or other financial obligations related to the properties.

WE DEPEND ON LEASE INCOME AND MORTGAGE PAYMENTS FROM REAL PROPERTY. Since a substantial portion of our income is derived from mortgage payments and lease income from real property, our income would be adversely affected if a significant number of our borrowers or lessees were unable to meet their obligations to us or if we were unable to lease our 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, we could lease the property to others on favorable terms.

OUR BORROWERS AND LESSEES FACE COMPETITION IN THE HEALTHCARE INDUSTRY.

The long-term care industry is highly competitive and we expect that it may become more competitive in the future. Our borrowers and lessees are competing with numerous other companies providing similar long-term care services or alternatives such as home health agencies, life care at home, community-based service programs, retirement communities and convalescent centers. There can be no assurance that our borrowers and lessees will not encounter increased competition in the future which could limit their ability to attract residents or expand their businesses and therefore affect their ability to make their debt or lease payments to us.

THE HEALTHCARE INDUSTRY IS HEAVILY REGULATED BY THE GOVERNMENT.

Our borrowers and lessees who operate health care facilities are subject to heavy regulation by federal, state and local governments. These laws and regulations are subject to frequent and substantial changes resulting from legislation, adoption of rules and regulations, and administrative and judicial interpretations of existing law. These changes may have a dramatic effect on the definition of permissible or impermissible activities, the relative costs associated with doing business and the amount of reimbursement by both government and other third-party payors. These changes may be applied retroactively. The ultimate timing or effect of these changes cannot be predicted. The failure of any borrower of funds from us or lessee of any of our properties to comply with such laws,

requirements and regulations could affect its ability to operate its facility or facilities and could adversely affect such borrower's or lessee's ability to make debt or lease payments to us.

OUR BORROWERS AND LESSEES RELY ON GOVERNMENT AND THIRD PARTY REIMBURSEMENT. The ability of our borrowers and lessees to generate revenue and profit determines the underlying value of that facility to us. Revenues of our borrowers and lessees are generally derived from payments for patient care. Sources of such payments include the federal Medicare program, state Medicaid programs, private insurance carriers, health care service plans, health maintenance organizations, preferred provider arrangements, self-insured employers, as well as the patients themselves.

A significant portion of the revenue of our borrowers and lessees is derived from governmentally-funded reimbursement programs, such as Medicare and Medicaid. Because of significant health care costs paid by such government programs, both federal and state governments have adopted and continue to consider various health care reform proposals to control health care costs. In recent years, there have been fundamental changes in the Medicare program which resulted in reduced levels of payment for a substantial portion of health care services. In many instances, revenues from Medicaid programs are already insufficient to cover the actual costs incurred in providing care to those patients.

Moreover, health care facilities have experienced increasing pressures from private payors attempting to control health care costs, and reimbursement from private payors has in many cases effectively been reduced to levels approaching those of government payors.

Governmental and public 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 payors 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 our borrowers and lessees and thereby adversely affect those borrowers' and lessees' abilities to make their debt or lease payments to us. Failure of the borrowers or lessees to make their debt or lease payments would have a direct and material adverse impact on us.

REGULATIONS HAVE BEEN ADOPTED TO ELIMINATE FRAUD AND ABUSE. There are various federal and state laws prohibiting fraud by health care providers, including criminal provisions which prohibit filing false claims or making false statements to receive payment or certification under Medicare and Medicaid, or failing to refund overpayments or improper payments. Violation of these federal provisions is a felony punishable by up to five years imprisonment and/or $25,000 fines. Civil provisions prohibit the knowing filing of a false claim or the knowing use of false statements to obtain payment. The penalties for such a violation are fines of not less than $5,000 nor more than $10,000, plus treble damages, for each claim filed.

There are also laws which govern referrals and financial relationships. The federal Anti-Kickback Law prohibits, among other things, the offer, payment, solicitation or receipt of any form of remuneration in return for, or to induce, the referral of Medicare and Medicaid patients. A wide array of relationships and arrangements, including ownership interests in a company by persons who refer or who are in a position to refer patients, as well as personal services agreements, have under certain circumstances, been alleged or been found to violate these provisions. In addition to the Anti-Kickback Statute, the federal government restricts certain financial relationships between physicians and other providers of health care services.

State and federal governments are devoting increasing attention and resources to anti-fraud initiatives against health care providers. The Health Insurance Portability and Accountability Act of 1996 and the Balanced Budget Act of 1997 expand the penalties for health care fraud, including broader provisions for the exclusion of providers from the Medicare and Medicaid programs. Further, under Operation Restore Trust, a major anti-fraud demonstration project, the Office of Inspector General of the U.S. Department of Health and Human Services, in cooperation with other federal and state agencies, has focused on the activities of skilled nursing facilities, home health agencies, hospices and durable medical equipment suppliers in certain states, including states, in which we have properties.

Based upon information we have periodically received from our operators over the terms of their respective leases and loans, we believe that the nursing facilities in which we have 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 remain in compliance in the future.

CONGRESS HAS ENACTED HEALTH CARE REFORM MEASURES. The health care industry is facing various challenges, including increased government and private payor pressure on health care providers to control costs. The pressure to control health care costs intensified during 1994 and 1995 as a result of the national health care reform debate and continues into 1999 as Congress attempted to slow the rate of growth of federal health care expenditures as part of its effort to balance the federal budget.

The Balanced Budget Act enacted significant changes to the Medicare and Medicaid programs designed to "modernize" payment and health care delivery systems while achieving substantial budgetary savings. In seeking to limit Medicare reimbursement for long term care services, Congress established the prospective payment system for skilled nursing facility services to replace the cost-based reimbursement system. Skilled nursing facilities may need to restructure their operations to accommodate the new Medicare prospective payment system reimbursement. In part because of the uncertainty as to the effect of the prospective payment system on skilled nursing facilities, in November 1998, Standard and Poor's, an international rating agency that provides credit analysis and information through the rating of financial instruments, placed many skilled nursing facility companies on a "credit watch" because of the potential negative impact of the implementation of the prospective payment system on the financial condition of skilled nursing facilities, including the ability to make interest and principal payments on outstanding borrowings. In early March 1999, Standard & Poor's lowered the ratings of several skilled nursing facility companies, including companies that operate skilled nursing facilities in which we invest, because of the impact of the implementation of the prospective payment system, particularly those companies with substantial debt.

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

In light of forthcoming regulations and continuing state Medicaid program reform, no assurance can be given that the implementation of such regulations and reform will not have a material adverse effect on our financial condition or results of operations.

OUR FACILITIES ARE SUBJECT TO LICENSING, CERTIFICATION AND ACCREDITATION. In addition to the requirements to be met by skilled nursing facilities for participation in the Medicare and Medicaid

programs, skilled nursing facilities are subject to regulatory and licensing requirements of federal, state and local authorities. The operator of each skilled nursing 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 the Medicare and Medicaid 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.

Failure to obtain licensure or loss of licensure would prevent a facility from operating. Failure to maintain certification in the Medicare and Medicaid programs would result in a loss of funding from those programs. Although accreditation is generally voluntary, loss of accreditation could result in a facility not meeting eligibility requirements to participate in various reimbursement programs. These events could adversely affect the facility operator's ability to make rent and debt payments.

In addition to licensing requirements, state and local laws may regulate expansion, including the addition of new beds or services or acquisition of medical equipment, and occasionally the contraction of health care facilities by requiring certificate of need or other similar approval programs. States vary in their utilization of these programs. In addition, health care facilities are subject to the Americans with Disabilities Act and building and safety codes which govern access, physical design requirements for facilities, and building standards.

SKILLED NURSING FACILITIES. Skilled nursing facilities are regulated primarily through the licensing of such facilities against a common background established by federal law enacted as part of the Omnibus Budget Reconciliation Act of 1987. Regulatory authorities and licensing standards vary from state to state, and in some instances from locality to locality. These standards are constantly reviewed and revised. Agencies periodically inspect facilities, at which time deficiencies may be identified. The facilities must correct these deficiencies as a condition to continued licensing or certification and participation in government reimbursement programs. Depending on the nature of such deficiencies, remedies can be routine or costly. Similarly, compliance with regulations which cover a broad range of areas such as patients' rights, staff training, quality of life and quality of resident care may increase facility start-up and operating costs.

ASSISTED LIVING FACILITIES. We have increased our investments in assisted living facilities in recent years. Assisted living facilities are subject to certain state regulations and licensing requirements. To qualify as a state licensed facility, assisted living facilities must comply with regulations which address, among other things, staffing, physical design, required services and resident characteristics. Assisted living facilities 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. Failure to comply with these laws and regulations could result in the denial of reimbursement, the imposition of fines, suspension or decertification from the Medicare and Medicaid program, and in extreme cases, the revocation of a facility's license or closure of a facility. Such actions may have an effect on the revenues of the borrowers and lessees of properties owned by us and therefore adversely impact our revenues.

Currently, assisted living facilities are not regulated as such by the federal government. State standards required for assisted living facility 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 assisted living facilities 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.

ENVIRONMENTAL PROBLEMS ARE POSSIBLE AND CAN BE COSTLY. Under various federal, state and local environmental laws, ordinances and regulations, an owner of real property or a secured lender (such as our company) may be liable for the costs of removal or remediation of hazardous or toxic substances at, under or disposed of in connection with such property, as well as 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 or secured lender knew of, or was responsible for, the presence or disposal of such substances and may be imposed on the owner or secured lender 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 or secured lender's liability therefore could exceed the value of the property, and/or the assets of the owner or secured lender. 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 our revenues.

Although the mortgage loans that we provide and leases covering our properties require the borrower and the lessee to indemnify us for certain environmental liabilities, the scope of such obligations may be limited and we cannot assure that any such borrower or lessee would be able to fulfill its indemnification obligations.

WE RELY ON A FEW MAJOR OPERATORS

As of December 31, 1999, Sun Healthcare Group, Inc. operated 41 facilities representing approximately 12% ($111.6 million) of our adjusted gross real estate investment portfolio (adjusted to include the mortgage loans to third parties underlying the investment in REMIC certificates). Other than Sun Healthcare, no long-term care provider operated over 10% of our adjusted gross real estate investment portfolio. During 1999, Sun Healthcare filed for reorganization under Chapter 11 of the Bankruptcy Code. Sun Healthcare is currently operating its business as a debtor-in-possession subject to the jurisdiction of the Bankruptcy Court. Sun Healthcare is a publicly traded company, and as such is subject to the filing requirements of the Securities and Exchange Commission. See "Item 1. Business- DIFFICULTIES EXPERIENCED BY MAJOR OPERATORS- SUN HEALTHCARE GROUP, INC." in our Annual Report on Form 10-K for the year ended December 31, 1999 for a more comprehensive discussion of Sun Healthcare and difficulties experienced by our other major operators.

Our financial position and our ability to make distributions may be adversely affected by financial difficulties experienced by Sun Healthcare, or any of our other major operators, 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 us or its borrowers as it expires.

THIRD PARTIES THAT OPERATE OUR PROPERTIES MAY BECOME BANKRUPT

If third parties that operate properties we invest in become bankrupt, any investments we make in assets operating in workout modes or under Chapter 11 of the Bankruptcy Code could be subordinated

or disallowed, and we could be liable to third parties. Furthermore, if we receive any distributions relating to such investments, they could be recovered from us if the distribution is regarded as a fraudulent conveyance or preferential payment. Bankruptcy laws, including the automatic stay imposed upon the filing of a bankruptcy petition, may delay our ability to realize on collateral securing loans made by us or may adversely affect the priority of our loans through doctrines such as "equitable subordination" or may result in a restructure of the debt through principles such as the "cramdown" provisions of the bankruptcy laws. See "Item 1. Business- DIFFICULTIES EXPERIENCED BY MAJOR OPERATORS" in our Annual Report on Form 10-K for the year ended December 31, 1999 for a more comprehensive discussion of operators of our facilities who have recently sought bankruptcy protection.

WE INVEST IN MORTGAGE LOANS

BORROWERS MAY BE UNABLE TO MAKE DEBT SERVICE PAYMENTS. We invest in mortgages. In general, investments in mortgages include the risks that borrowers may not be able to make debt service payments or pay principal when due, that the value of the mortgaged property may be less than the principal amount of the mortgage note secured by the property and that interest rates payable on the mortgages may be lower than our cost of funds to acquire these mortgages. In any of these events, our ability to make distributions on, and the market price of, our common stock could be adversely affected.

OUR REMEDIES MAY BE LIMITED WHEN MORTGAGE LOANS DEFAULT. To the extent we invest in mortgage loans, such mortgage loans may or may not be recourse obligations of the borrower and generally will not be insured or guaranteed by governmental agencies or otherwise. In the event of a default under such obligations, we may have to foreclose the mortgage or protect our interest by acquiring title to a property and thereafter making substantial improvements or repairs in order to maximize the property's investment potential. Borrowers may contest enforcement of foreclosure or other remedies, seek bankruptcy protection against such enforcement and/or bring claims for lender liability in response to actions to enforce mortgage obligations. If a borrower seeks bankruptcy protection, the Bankruptcy Court may impose an automatic stay which would preclude us from enforcing foreclosure or other remedies against the borrower. Relatively high "loan to value" ratios and declines in the value of the property may prevent us from realizing an amount equal to our mortgage loan upon foreclosure.

THERE ARE DISADVANTAGES TO INVESTMENTS IN COMMERCIAL MORTGAGE BACKED SECURITIES

INVESTMENTS IN COMMERCIAL MORTGAGE BACKED SECURITIES ARE SUBJECT TO REAL ESTATE RISKS RELATING TO THE UNDERLYING PROPERTIES. We retain subordinated portions of the REMIC certificates issued in our securitizations. These REMIC certificates are a form of mortgage backed securities and as such, we are subject to the same risks associated with investing directly in the underlying mortgage loans. This is especially true in our case due to the nature of the collateral properties securing the underlying mortgages in our securitizations. All of these properties are special purpose facilities used for the delivery of long-term care services. Any risks associated with investing in these types of properties could impact the value of our investment in the REMIC certificates we retain.

INVESTMENTS IN COMMERCIAL MORTGAGE-BACKED SECURITIES ARE SUBJECT TO RISKS ASSOCIATED WITH PREPAYMENT OF THE UNDERLYING MORTGAGES. As with many interest bearing mortgage-backed instruments, prepayments of the underlying mortgages may expose us to the risk that an equivalent rate of return is not available in the current market and that new investment of equivalent risk will have lower rates of return. Certain types of investments in commercial mortgage-backed securities may be interest-only securities which expose the holder to the risk that the underlying mortgages may

prepay at a faster rate than anticipated at acquisition. Faster than anticipated prepayments may cause the investment in interest-only commercial mortgage-backed securities to have a lower than anticipated rate of return and could result in a loss of the initial investment under extreme prepayment scenarios.

SUBORDINATED SECURITIES MAY NOT BE REPAID UPON DEFAULT. We invest in subordinated tranches of commercial mortgage backed securities. In general, subordinated tranches of commercial mortgage backed securities are entitled to receive repayment of principal only after all principal payments have been made on more senior tranches and also have subordinated rights as to receipt of interest distributions. In addition, an active secondary market for such subordinated securities is not as well developed as the market for other mortgage backed securities. Accordingly, such subordinated commercial mortgage backed securities may have limited marketability and there can be no assurance that a more efficient secondary market will develop.

WE MAY BE UNABLE TO CONSUMMATE ACQUISITIONS, LEASINGS AND FINANCINGS ON ADVANTAGEOUS TERMS DUE IN PART TO COMPETITION

We intend to continue to acquire, lease and finance health care facilities. These types of investments in health care facilities entail the risk that they will fail to perform in accordance with our expectations. Estimates of the costs of improvements necessary for us to bring an acquired property up to market standards may prove inaccurate. Further, we anticipate significant competition for attractive investment opportunities from other major health care facility investors with significant capital including other REITs, real estate partnerships, health care providers and other investors, including banks and insurance companies. We expect that future investments will be financed through a combination of borrowings and proceeds from equity or debt offerings by us, which could have an adverse effect on our cash flow. We may not be able to invest in additional facilities. Our inability to finance any future investments on favorable terms or the failure of investments to conform with our expectations or investment criteria could have a direct and adverse impact on us. Difficult capital market conditions in the health care industry have limited our access to traditional forms of growth capital. As a result of the tight capital markets in the health care industry, we reduced our investment activity in 1999 and intend to limit our investment activity in 2000.

WE ARE SUBJECT TO RISKS AND LIABILITIES IN CONNECTION WITH PROPERTIES OWNED THROUGH JOINT VENTURES, LIMITED LIABILITY COMPANIES AND PARTNERSHIPS

We have ownership interests in joint ventures, limited liability companies and/or partnerships. We may make additional investments through these ventures in the future. Partnership, limited liability company or joint venture investments may involve risks such as the following:

- our partners, co-members or joint venturers might become bankrupt (in which event we and any other remaining general partners, members or joint venturers would generally remain liable for the liabilities of the partnership, limited liability company or joint venture);

- our partners, co-members or joint venturers might at any time have economic or other business interests or goals which are inconsistent with our business interests or goals;

- our partners, co-members or joint venturers may be in a position to take action contrary to our instructions, requests, policies or objectives, including our policy with respect to maintaining our qualification as a REIT; and

- agreements governing joint ventures, limited liability companies and partnerships often contain restrictions on the transfer of a joint venturer's, member's or partner's interest or "buy-sell" or other provisions which may result in a purchase or sale of the interest at a disadvantageous time or on disadvantageous terms.

We will, however, generally seek to maintain sufficient control of our partnerships, limited liability companies and joint ventures to permit us to achieve our business objectives. Our organizational documents do not limit the amount of available funds that we may invest in partnerships, limited liability companies or joint ventures. The occurrence of one or more of the events described above could have a direct and adverse impact on us.

WE COULD INCUR MORE DEBT

We operate with a policy of incurring debt when, in the opinion of our directors, it is advisable. Accordingly, we could become more highly leveraged. The degree of leverage could have important consequences to stockholders, including affecting our ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions, development or other general corporate purposes and making us more vulnerable to a downturn in business or the economy generally.

DEBT FINANCING, FINANCIAL COVENANTS, DEGREE OF LEVERAGE AND INCREASES IN INTEREST RATES COULD ADVERSELY AFFECT OUR ECONOMIC PERFORMANCE

SCHEDULED DEBT PAYMENTS COULD ADVERSELY AFFECT OUR FINANCIAL CONDITION. We are subject to risks normally associated with debt financing, including the risks that our cash flow will be insufficient to make distributions to our stockholders, that we will be unable to refinance existing indebtedness on our properties (which in all cases will not have been fully amortized at maturity) and that the terms of refinancing will not be as favorable as the terms of existing indebtedness.

As of December 31, 1999, we had total debt outstanding of approximately $292,274,000 including:

- approximately $135,000,000 outstanding under our senior unsecured $170 million revolving line of credit and $25,000,000 outstanding under a term loan with a maturity date of October 3, 2000 and a current interest rate of LIBOR plus 1.25%; o $24,642,000 aggregate principal amount of convertible subordinated debentures with maturities in 2001 and 2002 and a weighted average interest rate of 8.3%;

- $17,096,000 aggregate principal amount of capital leases and tax exempt revenue bonds with various maturities through 2025 and a weighted average interest rate of 7.7%;

- $90,536,000 aggregate principal amount of mortgage loans with various maturities ranging from 2002 through 2006 and a weighted average interest rate of 10.21%.

If we are unable to refinance or extend principal payments due at maturity or pay them with proceeds of other capital transactions, we expect that our cash flow will not be sufficient in all years to pay distributions to our stockholders and to repay all such maturing debt. Furthermore, if prevailing interest rates or other factors at the time of refinancing (such as the reluctance of lenders to make commercial real estate loans) result in higher interest rates upon refinancing, the interest expense relating to that refinanced indebtedness would increase. This increased interest expense would adversely affect our financial condition and results of operations.

RISING INTEREST RATES COULD ADVERSELY AFFECT OUR CASH FLOW. As of December 31, 1999, we had $160,000,000 outstanding under a variable rate line of credit. In addition, we may incur other variable rate indebtedness in the future. Increases in interest rates on this indebtedness could increase our interest expense, which would adversely affect our financial condition and results of operations.

WE ARE DEPENDENT ON EXTERNAL SOURCES OF CAPITAL. In order to qualify as a REIT under the Internal Revenue Code, we are required each year to distribute to our stockholders at least 95% (90% for years ending after December 31, 2000) of our REIT taxable income (determined without regard to the dividends-paid deduction and by excluding any net capital gain). Because of this distribution requirement, we may not be able to fund all future capital needs, including capital needs in connection with acquisitions, from cash retained from operations. As a result, to fund capital needs, we rely on third-party sources of capital, which we may not be able to obtain on favorable terms or at all. Our access to third-party sources of capital depends upon a number of factors, including general market conditions and the market's perception of our growth potential and our current and potential future earnings and cash distributions and the market price of the shares of our capital stock. Additional debt financing may substantially increase our leverage.

FINANCIAL COVENANTS COULD ADVERSELY AFFECT OUR FINANCIAL CONDITION. If a property is mortgaged to secure payment of indebtedness and we are unable to meet mortgage payments, the mortgagee could foreclose on the property, resulting in loss of income and asset value. The mortgages on our properties contain customary negative covenants which, among other things, limit our ability, without the prior consent of the lender, to further mortgage the property, to enter into new leases or materially modify existing leases, and to discontinue insurance coverage. In addition, our line of credit contains customary restrictions, requirements and other limitations on our ability to incur indebtedness, including maximum leverage ratios, minimum debt-service coverage ratios, cash flow coverage ratios and minimum consolidated tangible net worth. Foreclosure on mortgaged properties or an inability to refinance existing indebtedness would likely have a negative impact on our financial condition and results of operations.

WE COULD DEFAULT ON CROSS-DEFAULTED DEBT. Our line of credit and convertible subordinated debenture indenture contain cross-default provisions which are triggered in the event that our other material indebtedness is in default. These cross-default provisions may require us to repay or restructure the line of credit and the convertible subordinated debentures in addition to any mortgage or other debt which is in default, which could adversely affect our financial condition and results of operations.

OUR HEDGING POLICIES INVOLVE RISKS OF UNANTICIPATED MOVEMENTS IN INTEREST RATES

In connection with our line of credit, we have employed hedging techniques designed to protect us against adverse movements in interest rates. While we may benefit from the use of these hedging mechanisms generally, unanticipated changes in interest rates, securities prices, or currency exchange rates may result in a poorer overall performance for us than if it had not entered into such hedging transactions.

In connection with the financing of real estate investments, we may use derivative financial instruments primarily to reduce exposure to adverse fluctuations in interest rates and foreign exchange rates. We do not intend to enter into derivative financial instruments for trading purposes. We would use any derivative position we maintain to reduce risk by hedging an underlying economic exposure. We intend to invest in derivatives having straightforward instruments with liquid markets. In order to reduce counter-party credit or legal enforcement risk, we will have all counter-parties be major

investment or commercial banks and we will execute all transactions with documentation consistent with accepted industry practice.

CONFLICTS OF INTEREST

SOME OF OUR EXECUTIVE OFFICERS AND BOARD MEMBERS ARE ALSO EXECUTIVE OFFICERS AND BOARD MEMBERS OF A REAL ESTATE AND HEALTHCARE INVESTMENT COMPANY.

- Andre C. Dimitriadis, who is currently our Chairman and Chief Executive Officer serves in the same positions with LTC Healthcare, Inc., a Nevada corporation ("LTC Healthcare");

- James J. Pieczynski, who is currently our President and Chief Financial Officer serves in the same positions with LTC Healthcare;

- Christopher T. Ishikawa, who is currently our Senior Vice President and Chief Investment Officer serves as Executive Vice President and Chief Operating Officer with LTC Healthcare; and

- Julia L. Kopta, who is currently our Senior Vice President and General Counsel serves in the same positions with LTC Healthcare.

LTC Healthcare engages in the following activities: (1) ownership of leveraged properties leased to third parties; (2) ownership of secured high yield mortgage loans; (3) operation of long-term care facilities; (4) development of long-term care properties, and (5) ownership of equity investments in long-term care companies. Although none of the members of our management is committed to spending a particular amount of time on LTC Healthcare's affairs, each of the members of management of LTC Healthcare spend approximately 25% of his or her time on LTC Healthcare's affairs. The continued involvement in LTC Healthcare by some of our executive officers and directors could divert management's attention from our day-to-day operations.

CONFLICTS OF INTEREST MAY ARISE IN INTERPRETATIONS OF INTERCOMPANY AGREEMENTS BETWEEN OUR COMPANY AND LTC HEALTHCARE. Because our management is largely the same as LTC Healthcare's management, conflicts may arise with respect to the operation and effect of our intercompany agreements and relationships which could have an adverse effect on us if not properly resolved. More specifically, overlapping members of the board of directors and senior management of both companies may be presented with conflicts of interest with respect to matters affecting us and LTC Healthcare, such as the determination of which company may take advantage of potential business opportunities, decisions concerning the business focus of each company (including decisions concerning the types of properties and geographic locations in which such companies make investments), potential competition between the business activities conducted, or sought to be conducted, by such companies (including competition for properties and tenants), possible corporate transactions (such as acquisitions), and other strategic decisions affecting the future of such companies. Conflicts also may arise with respect to the restriction on LTC Healthcare's right to engage in activities or make investments that involve real estate unless we were first offered the opportunity and declined to pursue such activities or investments. We have adopted procedures to be followed by our Board of Directors and the Board of Directors of LTC Healthcare to address potential conflicts. Such procedures include the requirement that the persons serving as directors of both companies abstain from voting as directors with respect to mattes that present a significant conflict of interest between the companies.

IF WE ISSUE ADDITIONAL EQUITY SECURITIES, THE INVESTMENT OF EXISTING STOCKHOLDERS WILL BE DILUTED

We may from time to time raise additional capital from the issuance and sale of equity securities. Any such issuances may significantly dilute the interests of the existing holders of our securities, including our common stock.

LIMITATIONS IN OUR CHARTER AND BYLAWS COULD PREVENT A CHANGE IN CONTROL

Our Charter and Bylaws contain provisions that may delay, defer or prevent a change in control or other transaction that could provide the holders of our common stock with the opportunity to realize a premium over the then-prevailing market price for our common stock. To maintain our qualification as a REIT for federal income tax purposes:

- Not more than 50% in value of our outstanding stock may be owned, actually or constructively, by five or fewer individuals (as defined in the Internal Revenue Code to include certain entities) during the last half of a taxable year after the first taxable year for which a REIT election is made.

- After the first taxable year for which a REIT election is made, our common stock must be held by a minimum of 100 persons for at least 335 days of a 12-month taxable year (or a proportionate part of a taxable year of less than 12 months).

- If we, or an owner of 10% or more of our stock, actually or constructively owns 10% or more of one of our tenants (or a tenant of any partnership in which we are a partner), the rent received by us (either directly or through any such partnership) from that tenant will not be qualifying income for purposes of the REIT gross income tests of the Internal Revenue Code.

In order to protect us against the risk of losing our REIT status for federal income tax purposes, we prohibit the ownership (actually or by virtue of application of certain constructive ownership provisions of the Internal Revenue Code) by any single person of more than 9.8% (by value or number of shares, whichever is more restrictive) of the issued and outstanding shares of our common stock and more than 9.8% (by value or number of shares, whichever is more restrictive) of the issued and outstanding shares of each class of our preferred stock by any single person so that no such person, taking into account all of our stock so owned by such person, may own in excess of 9.8% of our issued and outstanding capital stock. We refer to this limitation as the "ownership limit." We will redeem shares acquired or held in excess of the ownership limit. In addition, any acquisition of our common stock or preferred stock that would result in our disqualification as a REIT is null and void. The ownership limit may have the effect of delaying, deferring or preventing a change in control and, therefore, could adversely affect our stockholders' ability to realize a premium over the then-prevailing market price for the shares of our common stock in connection with such transaction. The Board of Directors of has waived the ownership limit applicable to our common stock with respect to National Health Investors, Inc., allowing it to own greater than 9.8% of our outstanding shares of Series C Preferred Stock.

Our Charter authorizes us to issue additional shares of common stock and one or more series of preferred stock and to establish the preferences, rights and other terms of any series of preferred stock that we issue. Although our Board of Directors has no intention to do so at the present time, it could establish a series of preferred stock that could delay, defer or prevent a transaction or a change in

control that might involve a premium price for our common stock or otherwise be in the best interests of our stockholders.

Our Charter, our Bylaws and Maryland law also contain other provisions that may delay, defer or prevent a transaction, including a change in control, that might involve payment of a premium price for our common stock or otherwise be in the best interests of our stockholders. Those provisions include the following:

- the provision in our Bylaws requiring a two-thirds vote of stockholders for any amendment of our Bylaws;

- the requirement in the Bylaws that the request of the holders of 25% or more of our common stock is necessary for stockholders to call a special meeting;

- the requirement of Maryland law that stockholders may only take action by written consent with the unanimous approval of all stockholders entitled to vote on the matter in question; and

- the requirement in the Bylaws of advance notice by stockholders for the nomination of directors or proposal of business to be considered at a meeting of stockholders.

These provisions may impede various actions by stockholders without approval of our Board of Directors, which in turn may delay, defer or prevent a transaction involving a change of control.

WE COULD CHANGE OUR INVESTMENT AND FINANCING POLICIES WITHOUT A VOTE OF STOCKHOLDERS

Subject to our fundamental investment policy to maintain our qualification as a REIT (unless a change is approved by the Board of Directors under certain circumstances), the Board of Directors will determine our investment and financing policies, our growth strategy and our debt, capitalization, distribution and operating policies. Although the Board of Directors has no present intention to revise or amend these strategies and policies, the Board of Directors may do so at any time without a vote of stockholders. Accordingly, stockholders will have no control over changes in our strategies and policies (other than through the election of directors), and any such changes may not serve the interests of all stockholders and could adversely affect our financial condition or results of operations, including our ability to distribute cash to stockholders.

VARIOUS MARKET CONDITIONS AFFECT THE PRICE OF OUR COMMON STOCK

As with other publicly-traded equity securities, the market price of our common stock will depend upon various market conditions, which may change from time to time. Among the market conditions that may affect the market price of our common stock are the following:

- the extent of investor interest in us;

- the general reputation of REITs and the attractiveness of their equity securities in comparison to other equity securities (including securities issued by other real estate-based companies);

- our financial performance and that of our operators;

- the contents of analyst reports regarding us and the REIT industry; and

- general stock and bond market conditions, including changes in interest rates on fixed income securities which may lead prospective purchasers of our common stock to demand a higher annual yield from future distributions. Such an increase in the required yield from distributions may adversely affect the market price of our common stock.

Other factors such as governmental regulatory action and changes in tax laws could also have a significant impact on the future market price of our common stock.

EARNINGS AND CASH DISTRIBUTIONS, ASSET VALUE AND MARKET INTEREST RATES AFFECT THE PRICE OF OUR COMMON STOCK

The market value of the equity securities of a REIT generally is based primarily upon the market's perception of the REIT's growth potential and its current and potential future earnings and cash distributions, and is based secondarily upon the real estate market value of the underlying assets. For that reason, shares of our common stock may trade at prices that are higher or lower than the net asset value per share. To the extent we retain operating cash flow for investment purposes, working capital reserves or other purposes, these retained funds, while increasing the value of our underlying assets, may not correspondingly increase the market price of our common stock. Our failure to meet the market's expectation with regard to future earnings and cash distributions likely would adversely affect the market price of our common stock. Another factor that may influence the price of our common stock will be the distribution yield on our common stock (as a percentage of the price of our common stock) relative to market interest rates. An increase in market interest rates might lead prospective purchasers of our common stock to expect a higher distribution yield, which would adversely affect the market price of our common stock. If the market price of our common stock declines significantly, we might breach covenants with respect to debt obligations, which might adversely affect our liquidity and our ability to make future acquisitions and pay distributions to our stockholders.

THERE ARE FEDERAL INCOME TAX RISKS ASSOCIATED WITH A REIT

OUR FAILURE TO QUALIFY AS A REIT WOULD HAVE SERIOUS ADVERSE CONSEQUENCES TO OUR STOCKHOLDERS. We intend to operate so as to qualify as a REIT under the Internal Revenue Code. We believe that we have been organized and have operated in a manner which would allow us to qualify as a REIT under the Internal Revenue Code beginning with our taxable year ended December 31, 1992. However, it is possible that we have been organized or have operated in a manner which would not allow us to qualify as a REIT, or that our future operations could cause us to fail to qualify. Qualification as a REIT requires us to satisfy numerous requirements (some on an annual and quarterly basis) established under highly technical and complex Code provisions for which there are only limited judicial and administrative interpretations, and involves the determination of various factual matters and circumstances not entirely within our control. For example, in order to qualify as a REIT, at least 95% of our gross income in any year must be derived from qualifying sources, and we must pay dividends to stockholders aggregating annually at least 95% (90% for taxable years beginning after December 31, 2000) of our REIT taxable income (determined without regard to the dividends paid deduction and by excluding capital gains). Legislation, new regulations, administrative interpretations or court decisions could significantly change the tax laws with respect to qualification as a REIT or the federal income tax consequences of such qualification. However, we are not aware of any pending tax legislation that would adversely affect our ability to operate as a REIT.

If we fail to qualify as a REIT in any taxable year, we will be subject to federal income tax (including any applicable alternative minimum tax) on our taxable income at regular corporate rates. Unless we

are entitled to relief under statutory provisions, we would be disqualified from treatment as a REIT for the four taxable years following the year during which we lost qualification. If we lose our REIT status, our net earnings available for investment or distribution to stockholders would be significantly reduced for each of the years involved. In addition, we would no longer be required to make distributions to stockholders.

WE PAY SOME TAXES. Even if we qualify as a REIT, we are subject to certain federal, state and local taxes on our income and property.

WE ARE DEPENDENT ON OUR KEY PERSONNEL

We depend on the efforts of our executive officers, particularly Messrs. Dimitriadis, Pieczynski and Ishikawa and Ms. Kopta. While we believe that we could find suitable replacements for these key personnel, the loss of their services or the limitation of their availability could have an adverse impact on our operations. Although we have entered into employment agreements with our executive officers, these employment agreements may not assure their continued service.